Capability Reviews
Tranche 3: Findings and common themes
Civil Service – strengths and challenges

Foreword

Today we are publishing Capability Review reports for the Ministry of Defence (MOD), the Department for International Development (DFID), the Foreign and Commonwealth Office (FCO), the Department for Culture, Media and Sport (DCMS) and the Department for Environment, Food and Rural Affairs (Defra). This brings the total to 12. By the summer, a year on from the first four reports, we will have published 15 reports, covering nearly 80 per cent of the Civil Service. Capability Reviews are now well established as a valid and challenging way of driving improvement.

Every six months I hold each permanent secretary to account for the progress they have made in tackling the key capability issues exposed by the reviews. In October, we will publish a report on progress made a year after the first Capability Reviews which will also assess whether we are taking sufficient action across government on the common issues that have been identified in this and previous cross-tranche reports. The new Civil Service Steering Board will take a key role in ensuring that progress is made to address these issues in departments and across government.

As I know from my own department, and from my first stocktakes on progress with the permanent secretaries and boards of departments in earlier tranches, real change that makes a lasting impact is hard. What I also know is that there is a huge amount of enthusiasm and energy to drive that change through with pace and passion, and much in the way of good practice and achievement to build on.

The current five departments under review are no exception. The delivery challenges they face are high profile, challenging and complex. Effective responses to many of the issues they face require the ability to influence behaviours. Tackling climate change or childhood obesity requires individual changes of behaviour and mindset, not just government action. Global action on migration, trade, or crime and terrorism, is not just taken through summits and treaties, but through changing behaviours and attitudes on an international scale. And a recurrent theme throughout these reviews is the international recognition and admiration for our work in these areas. The capability challenge for these departments is to build on these achievements in an increasingly complex, fast-moving and interconnected world.

One theme that stands out from these reports is that the five departments powerfully expose the challenge and complexity of working effectively across departmental boundaries. We must do this better and more flexibly if we are to achieve the Government's increasingly ambitious delivery goals. This poses some significant challenges to the machinery of government but above all to the leaders of the Civil Service.

Chapter 1 provides an overview of the tranche 3 departments. Chapter 2 summarises the findings of each review and the departments' proposed actions. Each department's response to the Capability Reviews is set out in the individual

reports and fuller details of each department's ambitious programme of action will be published shortly.

Chapters 3 and 4 look at the key capability issues that have now become clear across government. Drawing on the evidence base from 12 reviews, they discuss the issues in some more detail, identifying both areas of strength and areas where action needs to be – and is being – taken.

I would like to repeat my thanks to the members of the review teams, as well as the leaders in the five departments for making sure these reviews tackle the key issues and lead to action that will improve our capability to deliver.

Sir Gus O'Donnell KCB
Cabinet Secretary and Head of the Home Civil Service

March 2007

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1. Overview of the tranche 3 departments

Introduction

Capability Reviews are driven by an ambitious aspiration – to make government work better. The outcome of the programme should be the development of individual departments, and a Civil Service as a whole, that support and enable our nation to make the most of the opportunities and meet the challenges of the coming decades. The scale and scope of the departments under review in this tranche illustrates the importance of that task.

For example, in 2012, the Olympic Games in London will both bring together the people of the world and also impact on the lives of many people living in the UK's poorest communities through the regeneration of the Lea Valley, new transport infrastructure and housing. And just as the global and the local come together in the Olympics, the challenge of global warming and climate change requires individual and local action, but also coordinated international responses, through diplomacy and negotiation, trade agreements and international development.

The government departments in tranche 3 are dealing with unprecedented challenges and opportunities for this country – requiring new ways of working and a step change in capability to deliver.

Although the degree of the challenges they face varies, between them these five departments (MOD, DFID, FCO, DCMS and Defra) are responsible for £43bn of public spending and for nearly 300,000 people, including the Armed Forces. Delivery on this scale is challenging. These government departments cannot achieve results on their own. They need to work in partnership consistently and dynamically – across Whitehall, through global insitutions and non-governmental organisations (NGOs), through local authorities and through influencing businesses and individuals. They need to be able to shift their mindsets between the global and the local and individual, working jointly to deliver integrated solutions to some of the biggest challenges facing the world today.

This means that these departments need to be flexible and quick to respond. Many of today's challenges were not on the horizon 10 years ago; tomorrow's challenges will be different again. To lead, departments need to be excellent at strategic development and alignment, and swift and pragmatic at aligning delivery mechanisms and models to new and evolving challenges. Leadership needs to be strong and consistent, outward looking and dynamic rather than insular. And departments need to build, develop and acquire the new skills, capacity and capability they need to meet these challenges.

This tranche has shown that there is much to be proud of in the way the UK works internationally: in world-class cultural and sporting institutions with global reputations, in diplomatic, military and development activities which are widely acknowledged as world leading, and in the ability to take a leading role in areas such as climate change, based on rigorous scientific and economic analysis. These

Capability Reviews challenge these departments to build on their achievements and continue to take a leading role in the future.

Working together across government

The five departments in this tranche all have to work in partnership with other government departments to meet their existing Public Service Agreement (PSA) targets. Specifically:

- MOD, DFID and FCO jointly own a target on conflict prevention.
- DCMS has a joint target on childhood obesity with the Department for Education and Skills (DfES) and the Department of Health (DH).
- Defra works jointly with the Department for Transport (DfT) and the Department of Trade and Industry (DTI) on reducing greenhouse gases and carbon emissions.

The challenge of joint working will be extended following the Comprehensive Spending Review of 2007, where there will be a focused list of key cross-government priority outcomes, requiring efforts across departmental and organisational boundaries to meet them.

Beyond targets, these departments are engaged in a complex web of influencing and joint working across government:

- The UK's international presence now has a much wider base than the traditional areas of diplomacy, aid and military intervention. Increasingly this involves trade, migration, combating crime and terrorism, and tackling climate change. These issues require global action to support the achievement of domestic policy priorities, which are often the responsibility of other departments across Whitehall.
- Defra and DCMS both work with specific sectors of the economy: farming and food; and the arts and cultural industries, tourism and leisure, and media and sport. As such, their interests involve significant interactions with other departments; for example with Communities and Local Government on recycling (Defra) and heritage and built environment (DCMS). Both departments also have strong international agendas.

Getting better at working together

There are examples in these departments of good practice where joint working has delivered better outcomes and achieved efficiency as outlined in the following case study.

Case study 1 – Effective joint working

The Africa Conflict Prevention Pool (ACPP), established in 2001, is a programme for joint analysis, coordination and resourcing for DFID, FCO and MOD and a successful example of the three departments working together on a common purpose in conflict-related work in Africa. ACPP activity is coordinated by four regional conflict advisers based in Nigeria, Kenya, Ethiopia and South Africa in consultation with FCO, DFID and MOD staff based in the regions. A key focus is delivery of UK commitments on peace and security made in 2005 in the G8 and the EU, but activity and projects are also supported across the full range of conflict prevention work, including support for political dialogue and peace processes, security sector reform and grass-roots peace building projects. ACPP is recognised as having a significant impact, notably in building strong and influential relationships with key actors in the emerging African Peace and Security Architecture and in high-quality training and other work to strengthen African peace support operations. It has also been successful in underpinning the professionalism and capabilities of African armed forces. Further significant impacts include making important contributions to peace building and post-conflict stabilisation work, and in working with the wider international community on conflict prevention and stabilisation.

The reviews acknowledge that departments find joint working challenging. 'As [DFID's] agenda broadens, its relationships and working together with other government departments, in particular, remain a big challenge'; 'DCMS needs to do more to articulate the contribution its sectors can make to wider "quality of life" issues. This will raise the Department's profile and increase its influence across Whitehall'; and MOD needs to 'market its work' and 'be more open and assertive across government'.

Collective mechanisms exist to mandate joint working, from the joint PSA targets to Cabinet Committees for collective decision making in key areas, to the Cabinet itself. Because there are individual departments with individual and separate accountabilities to ministers and Parliament, there will always be tendencies and incentives for departments to work independently without realising the value of a more joined-up approach.

Government is increasingly expected to move beyond traditional transactional functions (paying benefits, taking receipt of taxes, funding education and health provision) to dealing with complex, multi-faceted problems: from issuing visas to managing migration; from funding museums to tackling social exclusion. And at the same time government is expected to deliver more with fewer resources, achieving greater efficiencies and value for money. These pressures both demand more joint working.

The UK in the world

These stresses and tensions are, in this tranche, particularly evident when looking at the three departments with a predominantly international remit. All three departments have a worldwide reputation for excellence amongst their peers and are operating and delivering in an exceptionally challenging environment at present.

The reviews highlight the potential value of further efforts to work jointly across these three departments:

- FCO needs to 'articulate clearly for the benefit of its staff and its partners the particular contribution and value it brings to new and changing areas of overseas policy'.
- DFID needs to 'strengthen ... relationships' across Whitehall.
- MOD needs to 'actively engage with other departments'.

The reviewers were encouraged that the permanent secretaries of the three departments are already meeting together regularly and agreeing joint responses to the findings of their Capability Reviews.

There is no clear dividing line between a domestic and overseas government agenda. In a world of new technologies and communication channels, there is no FCO monopoly on overseas engagement. International development is inextricably linked with migration and trade. The military front line abroad is more visible to the public at home. Counter-terrorism and security require a concerted and coordinated effort by many departments and agencies both domestically and abroad.

Building capability to improve cross-cutting working

Each department has a strong identity, with people and leaders who are passionately committed to its success: 'MOD is highly regarded for the quality and commitment of its people'; in FCO, the best heads of mission 'are impressive role models who demonstrate as strong a commitment to delivering better services as to traditional diplomacy'; 'DFID is a magnet for high-quality, strongly motivated people who are passionate about their mission to tackle world poverty'. The reviews have found examples of the three departments working together on strategy development, and an increasing recognition that this is necessary. But the reviews have identified areas where further development is required:

- There is a long way to go before this joint working is routine and embedded in departments. The three permanent secretaries should work together with the Cabinet Office, and other departments with an interest, on real joint strategic development aimed at ensuring that the UK's international strategy is forward looking and anticipates long-term trends and pressures.

- The Comprehensive Spending Review of 2007 offers an opportunity for the departments to work together to ensure that their objectives are better aligned at a strategic level and then reflected in operational priorities in the field. The establishment of joint PSA targets should intensify joint planning, action and monitoring to address the departments' shared government missions, on a basis of clearly defined roles and accountabilities, drawing on the unique strengths of each department.
- The departments should look systematically at how they can better rationalise and reorganise their presence in countries to reduce duplication and realise efficiency savings from co-location, procurement, staffing and information services.
- The departments should also continue to look for opportunities to exchange staff and share skills to address widening policy agendas.

Case study 2 – Joint strategy development

Departments across government are increasingly working together not only on thematic issues such as migration and climate change but also through focusing their efforts on country-specific strategies. For example, FCO has been proactive in working with the Cabinet Office, DTI, DFID and others to coordinate government policy and advance key UK objectives in China. The China High Level Group brings together senior policy makers from across government, helping to focus departments on the key tenets of the Government's strategy to develop a closer strategic relationship with China. The first meeting took place in December 2006, and has already produced a core script for ministers to use with Chinese interlocutors and helped to improve coordination of senior-level visits. The group also functions as an important mechanism for planning desired outcomes from future annual UK–China Prime Ministerial Summits.

Ensuring a strong UK presence at the Shanghai Expo in 2010 is also a very practical realisation of the country strategy. FCO as the lead department will be working jointly with several other government departments, devolved administrations and English regions and towns – with the overarching aim of ensuring that the best of the UK is put on display and using the Expo pavilion in Shanghai as a platform for realising UK objectives in China.

There are various examples across government of structures to underpin joint working where it is considered to be particularly important – UK Trade and Investment, for example, is jointly owned by FCO and DTI. UK Visas is jointly managed by FCO and the Home Office. The new Office of Climate Change is a shared resource, governed by a ministerial board chaired by the Secretary of State for Environment, Food and Rural Affairs and including the Foreign Secretary, Secretaries of State from Communities and Local Government, DTI, DFID and DfT, the Financial Secretary, and relevant ministers of state. The review teams concluded that the departments, with the Cabinet Office, should consider whether there is a

need for more formal structures to support the establishment or further enhancement of joint working.

Joint working is not simply a matter of systems and structures. A recurrent theme across all three international departments is that of insularity: FCO 'needs to widen its skills and experience'; MOD is challenged to 'open its borders… find ways of moving people in and out more rapidly'; and DFID needs to 'accelerate the swapping, sharing and secondment of senior staff with other departments'. In order to create a sustained collaborative culture, the three departments should look particularly to encourage interchange of staff between them, but also across Whitehall more broadly.

The Cabinet Secretary has encouraged Senior Civil Service leaders to devote more of their time to department-wide activities and to addressing corporate Civil Service priorities. From next year Senior Civil Servants will be expected to have corporate objectives against which they will be appraised. Departments will need to consider strategically how best to implement this requirement in order to achieve more effective delivery outcomes through cross-cutting working.

2. Tranche 3 reviews: summary of findings and actions

This chapter provides a brief summary of the findings of each the five Capability Reviews in tranche 3. It includes a summary of the main actions that the Department is proposing in order to tackle the findings of the review.

Department for Environment, Food and Rural Affairs

Assessment of capability for future delivery

Leadership

L1	Set direction		**Well placed**
L2	Ignite passion, pace and drive		**Urgent development area**
L3	Take responsibility for leading delivery and change		**Urgent development area**
L4	Build capability		**Development area**

Strategy

S1	Focus on outcomes		**Well placed**
S2	Base choices on evidence		**Well placed**
S3	Build common purpose		**Development area**

Delivery

D1	Plan, resource and prioritise		**Urgent development area**
D2	Develop clear roles, responsibilities and business model(s)		**Development area**
D3	Manage performance		**Urgent development area**

Key findings

Defra's mission is to improve the current and future quality of life within the Earth's natural capacity. The Department seeks to develop and promote a healthy, productive, inspiring and natural environment that is sustainable. It has a new strategy that provides a clear future direction for the Department and which identifies climate change and the protection of the natural environment as its priority agenda.

The Permanent Secretary has launched the Renew Defra programme to inject flexibility, pace and accountability into the Department's ways of working. The senior

leadership team now needs to role-model these capabilities and take a genuine responsibility for delivery outcomes. Defra's use of its natural science based evidence is excellent and its use of other evidence is improving. The Department is developing its engagement strategy with stakeholders and other government departments, but needs to do more to understand customer needs in designing the provision of services. Defra is clear about what it needs to do to ensure delivery of high-quality public services and has a clearly articulated business model, but it needs to apply the model more effectively. Defra must address urgently its management of organisational performance.

Key actions

In response to this report, Defra will focus on five key action areas:

- strengthen the leadership team;
- provide services based around customer needs;
- create a true partnership with delivery bodies;
- set high standards and actively manage individual and organisational performance; and
- develop robust business processes.

Actions include:

- taking forward development of the Management Board and senior leadership team, setting clear corporate behaviours and ways of working;
- appointing a CEO/senior executive from a delivery body to the Defra Board as a non-executive director;
- establishing a Defra customer intelligence unit, which will provide a focus point for how we do business with and engage our customers and will involve them in policy development;
- using the current performance assessment round to deliver a completely different set of messages across the Senior Civil Service (SCS) and below about what is good and bad performance, focusing on leadership behaviours;
- introducing a new performance management framework linking delivery of priorities to resource allocation, which can be used also by ministers;
- implementing an integrated plan capturing the change programme and the response to the Capability Review. This will be supported by a properly resourced, full-time programme management team accountable to the Board and include a very clear picture of where Defra will be in two years, driving a set of not more than 10 projects to deliver it; and
- communicating to all staff the narrative of what Defra is doing and why, and engaging with groups of staff locally in taking it forward.

Department for International Development

Assessment of capability for future delivery

Leadership

L1	Set direction		**Strong**
L2	Ignite passion, pace and drive		**Strong**
L3	Take responsibility for leading delivery and change		**Well placed**
L4	Build capability		**Development area**

Strategy

S1	Focus on outcomes		**Well placed**
S2	Base choices on evidence		**Well placed**
S3	Build common purpose		**Urgent development area**

Delivery

D1	Plan, resource and prioritise		**Urgent development area**
D2	Develop clear roles, responsibilities and business model(s)		**Well placed**
D3	Manage performance		**Well placed**

Key findings

DFID has a clear mission of helping to eliminate poverty in poor countries. It is a very successful department with a great deal to be proud of, having quickly established itself as a world leader in the field of international development. However, the world of development is changing and becoming increasingly interconnected with other issues such as trade, corruption, climate change and migration. The Department's programme budget could double by 2013 and DFID's mission will increasingly be delivered across this broader agenda and in more fragile and risky states.

The Capability Review found that the Department has a strong and purposeful board and highly motivated and technically accomplished staff who are proud of what they do. DFID has an international reputation for the quality of its analytical capability and its use of good-quality evidence, and for a business model that is flexible and

responsive. However, there is insufficient challenge within the culture of the Department, and the Board is not leading strongly enough the drive to transform people management and communications. DFID now needs to reach out more to build common purpose across wider partnerships and strengthen its accountability to the UK public. And it is not yet clear that DFID can deliver to match the unprecedented scale and breadth of the challenges ahead.

Key actions

In response to this report, DFID will focus on six key action areas:

- establishing a clear vision and route map for DFID in a more complex world;
- strengthening the Department's culture of decision making, accountability and challenge;
- increasing the flexibility of business processes to cope with risk and uncertainty;
- continuing to develop effective relationships across Whitehall and with other international development organisations;
- communicating powerful arguments for international development; and
- further developing leadership, people management and financial management capabilities.

Actions include:

- articulating a vision for DFID in 2013 and a route map for how the Department intends to get there;
- putting in place a succession plan for non-executive directors, which increases external challenge;
- making contingency and emergency planning more systematic through the preparation of 'plan B' proposals at country level;
- implementing the DFID/FCO joint action plan on co-location, procurement, pay and conditions and information systems overseas;
- establishing targets for strategic secondments and exchanges between DFID and other government departments;
- increasing professional communications staff;
- doubling investment in development education to raise public awareness;
- establishing an independent evaluation process; and
- putting in place a revised core development programme to strengthen the focus on finance, people management and leadership skills.

Department for Culture, Media and Sport

Assessment of capability for future delivery

Leadership

L1	Set direction		Well placed
L2	Ignite passion, pace and drive		Development area
L3	Take responsibility for leading delivery and change		Urgent development area
L4	Build capability		Development area

Strategy

S1	Focus on outcomes		Urgent development area
S2	Base choices on evidence		Development area
S3	Build common purpose		Development area

Delivery

D1	Plan, resource and prioritise		Well placed
D2	Develop clear roles, responsibilities and business model(s)		Urgent development area
D3	Manage performance		Development area

Key findings

DCMS aims to improve the quality of life for all through cultural and sporting activities, to support the pursuit of excellence and to champion the tourism, creative and leisure industries. The Department operates in a complex delivery environment, through 'arm's length' relationships with its public bodies and through a mixture of funding, regulation and sponsorship.

The Capability Review found that the Department has knowledgeable and committed staff. It also found good examples of evidence-based decision making and effective engagement with ministers and stakeholders. The Department can also provide a flexible, fast response to new and unforeseen circumstances.

However, the Review found that there is insufficient understanding in DCMS or its sponsored bodies about where the Department adds value. The Board needs to take collective responsibility for setting the purpose and direction of the Department, and to develop a more robust, risk-based approach to engagement with its sponsored bodies. It should restructure the Department to reflect where it can add most value to its sectors.

Key actions

In response to this report, the Department is embarking on a comprehensive transformation programme that will focus on seven key action areas:

- being clear on how DCMS adds value;
- improving board structure and governance;
- building more strategic and risk-based relationships with sponsored bodies;
- improving staff engagement;
- reviewing organisational and staffing structures and ways of working;
- improving skills and interchange of staff; and
- improving strategic research and the use of evidence.

Some progress has already been made. The Department has already put in place arrangements to integrate the Government Olympic Executive (GOE) into DCMS and to strengthen its capacity. The Department will shortly be recruiting a new director general for GOE with extensive experience in complex construction and infrastructure programmes.

Other actions include:

- producing a new DCMS prospectus setting out how the Department intends to add value to the sponsored bodies and sectors it serves;
- establishing a new, smaller and more strategically focused board with stronger external representation;
- establishing an Executive Board and an advisory group, consisting of senior representatives from key stakeholders;
- improving engagement with non-departmental public bodies (NDPBs) to set the pattern for more strategic collaboration with them in future;
- improving capacity for strategic research as well as enhancing professional skills and a more systematic interchange of staff with partners; and
- taking forward a fundamental review of DCMS organisation and structures, aligning them with a new approach to managing key relationships with NDPBs.

Ministry of Defence

Assessment of capability for future delivery

Leadership

L1	Set direction		**Urgent development area**
L2	Ignite passion, pace and drive		**Well placed**
L3	Take responsibility for leading delivery and change		**Well placed**
L4	Build capability		**Development area**

Strategy

S1	Focus on outcomes		**Strong**
S2	Base choices on evidence		**Well placed**
S3	Build common purpose		**Development area**

Delivery

D1	Plan, resource and prioritise		**Development area**
D2	Develop clear roles, responsibilities and business model(s)		**Urgent development area**
D3	Manage performance		**Development area**

Key findings

MOD is both a department of state and the Armed Forces; its management and structures reflect this joint responsibility. Its clarity of purpose – to be a 'force for good in the world' – unites civilian staff and military personnel in the pursuit of its vision. MOD is universally highly regarded. It has a stretching set of objectives and targets and the Capability Review found that it is delivering well on those in the face of sustained operational commitments that have been beyond its planning assumptions since 2002. The review also found that major change programmes to deliver significant savings and embed new ways of working are well directed and already making a difference.

The Capability Review found that although the Department's top-level board (the Defence Management Board) was already aware of the need to take a stronger

corporate role in directing strategy and allocating resources, and had made progress in these areas, more needed to be done. The Department is very focused, and successfully so, on delivering its short-term objectives (especially the conduct of military operations), but this impacts on the time available to consider long-term issues. From an external perspective, MOD is seen as somewhat insular. It should be more assertive in shaping cross-government agendas and making full use of its own considerable strengths.

Key actions

In response to this report, MOD will focus on four key action areas:

- strengthening the corporate leadership of the Department;
- clarifying and simplifying MOD's operating model;
- punching its weight in Whitehall and working more closely with others; and
- redoubling its efforts to build MOD's human capability.

Actions include:

- ensuring that top-level leadership of the Department acts collectively to drive an agreed corporate agenda for defence;
- simplifying the departmental operating model, classifying roles and accountabilities and creating an effective top-level governance structure and a leaner and more focused head office;
- achieving a step change in the quality of MOD's engagement with other government departments – to define, shape and implement the Government's security goals;
- pursuing the Defence Industrial Strategy implementation and ensuring MOD continues to embed improved working with industry into strategy and procurement systems and processes;
- making people management a fundamental line management responsibility; and
- identifying MOD's skills requirement and having a balanced and representative workforce to meet it.

Foreign and Commonwealth Office

Assessment of capability for future delivery

Leadership

L1	Set direction		Urgent development area
L2	Ignite passion, pace and drive		Well placed
L3	Take responsibility for leading delivery and change		Development area
L4	Build capability		Development area

Strategy

S1	Focus on outcomes		Development area
S2	Base choices on evidence		Well placed
S3	Build common purpose		Well placed

Delivery

D1	Plan, resource and prioritise		Urgent development area
D2	Develop clear roles, responsibilities and business model(s)		Development area
D3	Manage performance		Well placed

Key findings

FCO is responsible for developing and pursuing the UK's objectives overseas, working in partnership with other government departments. The Department has established, across government, 10 International Priorities that are ambitious and present a complex set of challenges – from preventing and resolving conflict through to delivering consular services to UK nationals abroad.

The Capability Review found that the Department is regarded by other foreign services as one of the best in the world and that it is widely admired for the high calibre of its staff and its ability to articulate and project a coherent UK view in negotiations. The review also found that the Department has many inspiring leaders and that it delivers a number of services very well, often in partnership with other government departments.

Whilst FCO has changed considerably over the past decade, it has not yet fully come to terms with the challenges of a new environment in which it increasingly supports and provides services to other parts of government. It has not articulated clearly what its distinctive contribution to the delivery of the UK's objectives overseas will be. As a result, it has not worked out what kinds of people and what sort of delivery model it needs, and the business planning and resource allocation needed to support its objectives are weak.

Key actions

In response to this report, FCO will focus on four key action areas:

- a clear articulation of the Department's distinctive contribution to delivering the UK's objectives overseas, and the implications for its future role, shape and business model;
- strengthened change management capability and communications;
- strengthened strategic management of HR and knowledge; and
- strengthened business planning processes and disciplines to underpin more effective performance measures and resource allocation.

Actions include:

- reviewing how FCO can best contribute to the delivery of the Government's overseas agenda, and the consequences for the Department's future role, shape and business model;
- incorporating the results of this work into a comprehensive, coherent and integrated change programme;
- tightening the Department's focus on the top strategic priorities and further prioritising resources to deliver them;
- significantly increasing the resources devoted to managing change, to include the recruitment of an experienced change director;
- delivering higher levels of diversity in FCO at all levels;
- opening up more Senior Management Structure (SMS) jobs to direct open competition or to officials from other departments;
- using the locally engaged staff cadre more creatively and effectively;
- achieving Investors in People re-accreditation; and
- implementing a new business planning framework to improve resource allocation decisions and performance measurement.

3. Civil Service capability: distinctive challenges, common themes

Capability Reviews have now been completed for 12 departments. This chapter looks at the story told by those reviews by:

· setting out the range of departmental capability assessments;
· considering how well placed the Civil Service is against each element of the model of capability;
· reviewing the common areas of strength; and
· identifying the most challenging patterns of development areas.

However, it would be misleading to compare departments without considering the ways in which they differ and what impact this has on the assessments they received.

Distinctive challenges

Unlike local authorities or other public services, government departments have very different ambitions, functions, delivery chains, structures, histories and cultures.

Exhibit 1 – Government departments vary significantly

There are three types of department: small influencing departments; big departments with large service delivery functions; and small departments with large service delivery through partners.
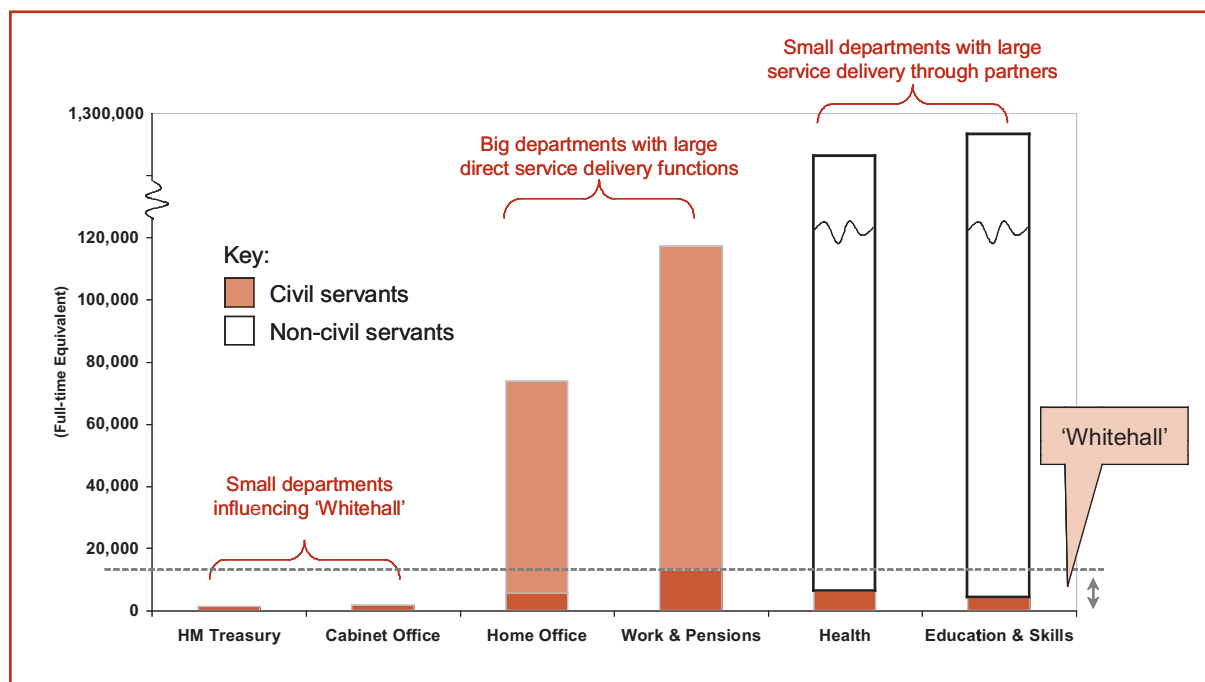
Source: Mandate and department returns, Cabinet Office Civil Service Statistics, April 2005

The 12 departments reviewed all manage their business through very different delivery chains.

- The Department for Work and Pensions (DWP) operates mostly through large agencies that are an integral part of the Department, directly delivering some services and contracting out others to the private and voluntary sectors.
- DCMS has 500 staff working with 66 non-departmental public bodies (NDPBs) as well as government regional offices and local authorities. Its role to resource and manage the performance of these bodies is evolving as it takes on more responsibility for delivering programmes such as the Olympic and Paralympic Games.
- The Department for Education and Skills (DfES) works through a highly devolved delivery chain, with schools, further and higher education institutions operating as independent institutions, and a complex landscape of NDPBs and local government through which it delivers.
- FCO and DFID work internationally with UK and locally engaged staff in their offices in a wide range of countries and with other international institutions.

Some parts of government have been reorganised in recent years through machinery of government changes. The Department for Constitutional Affairs (DCA) has evolved over 10 years from a very small Lord Chancellor's Department to a delivery department of over 25,000 people. Others, such as MOD, have been more stable in recent years.

Unsurprisingly, delivery objectives across government require increased joint working and create interdependencies. All departments have Public Service Agreement (PSA) targets that are shared with at least one other department and that require them to work together in developing strategy, policy and delivery. The recent report by David Varney on Transformational Government emphasised the importance of developing better integrated services at the front line for customers who have no interest in departmental boundaries.

It is inevitable that the scale of challenge and change facing particular departments influenced the judgements review teams made, especially when considering whether to assess departments as having urgent development areas or serious concerns. This can mean that departments with more challenging aspirations and ambition for radical change face a more challenging assessment.

Consequently, the value of comparing specific departments with each other is limited. But there is value in looking at the common themes of strengths and weaknesses. This allows departments to learn from good practice elsewhere – and exposes those areas for development that require corporate or cross-government action if they are to be effectively addressed.

Findings

The capability assessments across departments vary considerably. These differences reflect the key areas of focus for each department's individual action plan. They represent a 'snapshot' at the time of the review; departments have been

working hard and focusing on improvement since their reviews. Chapter 4 describes many of the positive changes and the progress already made by each of the reviewed departments.

There are clear outlying assessments: DFID is best placed to meet its own future delivery challenges; the Home Office faces the most significant areas for development. There is considerable clustering of departments in the middle of the range.

Exhibit 2 – Departmental capability assessments

There is a range of assessments of capability with two clear outliers and some bunching in the middle.
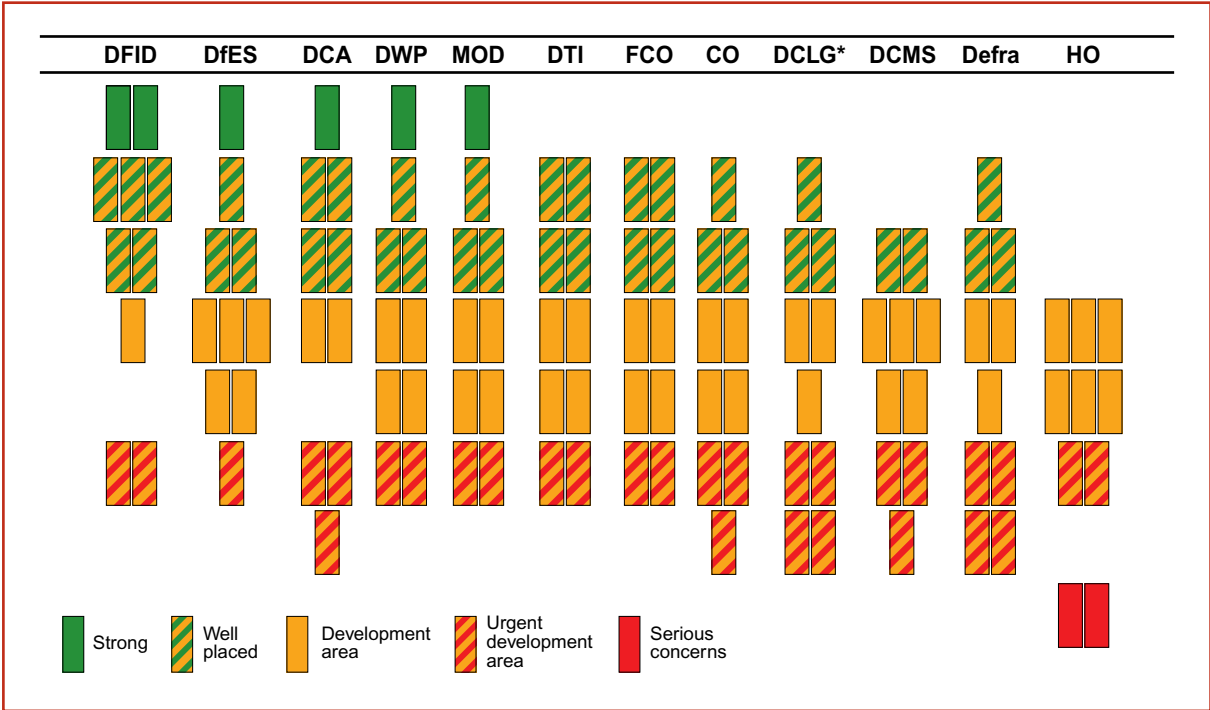
Source: Capability Review reports, Capability Reviews Team 2006/07
* Note: now known as Communities and Local Government

The assessments show areas of real strength as well as common development areas. But, unavoidably, they are generalisations; individual departments have different patterns of strengths and weaknesses. The areas for action and departmental improvement plans tell the story of where each department needs most to focus its improvement activities. These are analysed later in this chapter.

The degree of challenge facing a department has a significant impact on the assessments. The Home Office faces a uniquely difficult range of challenges and issues which most concern the public. Its delivery chain is complex and varied, with the characteristics of all three types of delivery departments outlined in Exhibit 1. DFID has a unifying and compelling mission to reduce poverty in poor countries.

Some trends are beginning to emerge which set the agenda for Civil Service-wide improvement (see Exhibit 3):

- Strategy was the strongest area, in particular the element S2 ('base choices on evidence'). There was also a good picture on 'focusing on outcomes' (S1 in the model of capability).
- Leadership provided mixed findings. There was a clear indication that the new generation of Civil Service leaders was providing significant 'passion, pace and drive' (L2 in the model of capability). However, 'build capability' (L4) was the major area of challenge – with just one department achieving a 'well placed' rating.
- Delivery was the area of capability requiring most attention. Two out of 12 departments were 'well placed' on delivery: Department of Trade and Industry (DTI) and DFID. Seven departments had no 'well placed' or 'strong' ratings. The reviews identified the element D1 ('plan, resource and prioritise') as the area needing most improvement, closely followed by the need to 'develop clear roles, responsibilities and business model(s) (D2 in the model of capability).

Exhibit 3 – Assessments against each element of the model of capability

There are some clear patterns of departmental capability strengths and common areas for development.
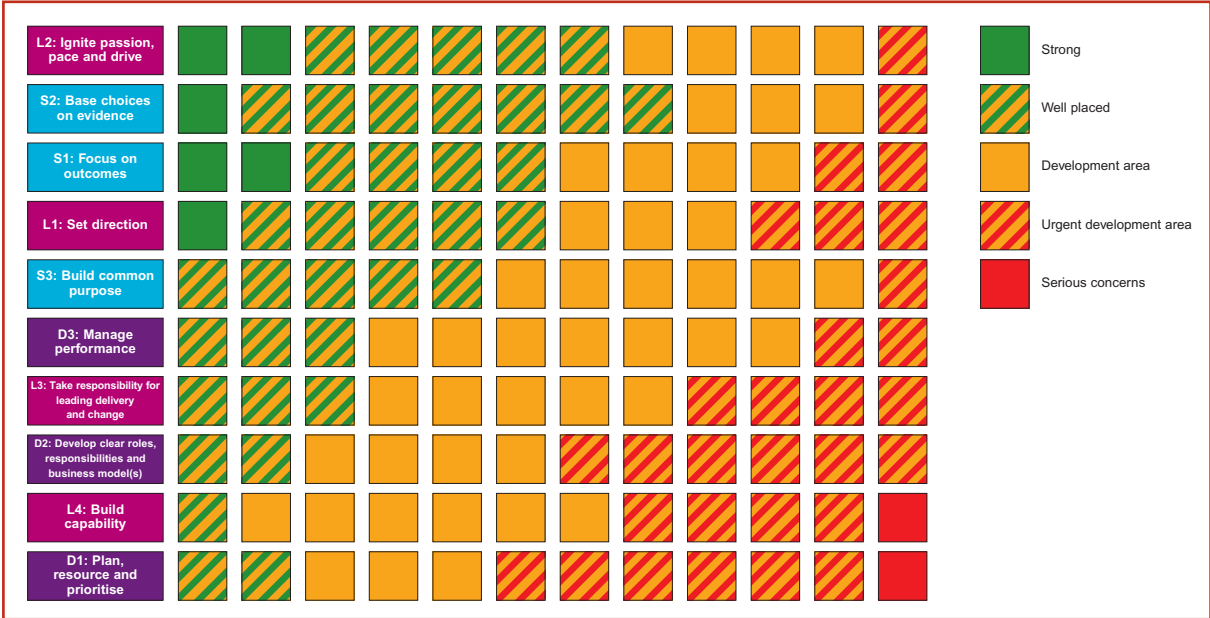
Source: Capability Review reports, Capability Reviews Team 2006/07

Strengths

The reviews found significant strengths. These provide a good foundation for improvement.

Strength 1: Leaders who show real pace and passion

Permanent secretaries are demonstrating impressive commitment and engagement with their departments. Both in this tranche and in previous reviews, reviews found leaders who are visibly committed and act as individual role models. Departments that scored best in this area have:

- leaders who inspire staff with a positive and clear vision and are passionate and committed about their work, and who create an environment where that passion is allowed to flourish in order to generate excellence in delivery;
- senior leaders who actively engage with and are respected by stakeholders; and
- leaders who demonstrate a strong commitment to their organisations and who are visibly connected to the realities of the front line, who act on feedback and are seen as advocates for the business.

> **Case studies 3 and 4 – Leaders who show pace and passion**
>
> *Case study 3:* DFID has a clear mission of helping to eliminate poverty in poor countries. This helps DFID to attract passionate and committed people to work for the organisation. DFID has a highly visible and purposeful Board, whose individual and collective commitment reinforces the sense of mission at all levels in the Department. The mission is owned and shared throughout the organisation from the top team all the way through to DFID's 67 country offices including national staff appointed in country. Passion and commitment are therefore evident in everything that DFID does.
>
> *Case study 4:* The Permanent Secretary of DfES leads from the front. He is making time available to meet all 150 members of the Department's Senior Civil Service (SCS) to discuss their contribution to delivering the Department's objectives, and to meet as many other staff as possible across all four DfES sites. His clarity and passion about the Department's purpose – that it exists to deliver better outcomes for children and learners – come through in his willingness to listen to, and learn from, others; he spends at least one day a week visiting schools, colleges and others involved in the education and children's sectors. His determined focus on improving how the Department and the wider system work is reflected in his leadership of the new DfES group of NDPBs in confronting openly some difficult relationship issues and fostering clearer and closer engagement on strategy, policy and delivery.

Strength 2: Strategy development that is increasingly evidence based and focused on outcomes

Departments have increasingly focused on developing overarching strategic visions and have developed skills in strategy and analysis (see case study 5). Departments that scored best in these areas have:

- a strategy that focuses on customers and energises and engages staff and stakeholders;
- a clear focus on challenging outcomes, with departments engaging their own staff and delivery partners to achieve against them;
- systems and processes to translate strategic objectives into outcomes, with a clear line of sight between strategic priorities and delivery plans;
- a strong evidence and analysis base, which is routinely used to inform policy development, with analysts and economists working alongside policy developers; and
- a good understanding of 'what works', based on rigorous analysis and used to inform investment and prioritisation.

Case study 5 – Evidence-based strategy

The Office of Science and Innovation published a report on Defra in December 2006, which reflects the significant progress that Defra has made in the last five years and commends the direction of travel determined through the Forward Look, Evidence and Innovation Strategy and the Horizon Scanning and Futures programmes. Defra was commended for a number of things such as:

- having a core of expert and highly professional staff with a science background. The dispersal of the science staff into the policy areas has made the Department into a more 'intelligent customer' for science;
- new procedures around quality assurance and peer review that are yielding good results in addition to increased evaluation of completed work and the use of peer review at all stages of its science projects; and
- a good record of publishing the science it commissions.

The report also cited good examples of stakeholder engagement such as the Sustainable Farming and Food Research Priorities Group.

Strength 3: Leaders who set a clear direction for their department

In this area, leaders are assessed on their ability to set and articulate a clear direction and vision, taking difficult decisions when required and maintaining focus and follow-through. Leaders who are effective in this area provide vision and direction and inspire staff and stakeholders to share and follow this with their pace and passion.

Departments that scored best in this area have:

- significant amounts of energy devoted over time to clarifying the department's mission and direction and ensuring it is understood, relevant and connected to what people do;

- the ability to encapsulate and clearly communicate an overarching view of the future and of priorities;
- the ability to take difficult decisions swiftly and visibly to support the vision, both in terms of prioritisation and people; and
- an ability to handle system shocks confidently and to learn from them.

These strengths show that departments have some strong foundations upon which to take action to improve their capability for future delivery.

Common areas for development

Each report identified three to five areas for action. These were the areas review teams thought were most critical for the leadership to address if they were to improve their capability to deliver. Whilst the degree of challenge, scale of change and the environment facing each department are very different, they are facing similar areas for action.

Exhibit 4 – Analysis of areas for action

There are 52 distinctive elements to the areas for action identified by reviewers. They fall into five clusters of issues.
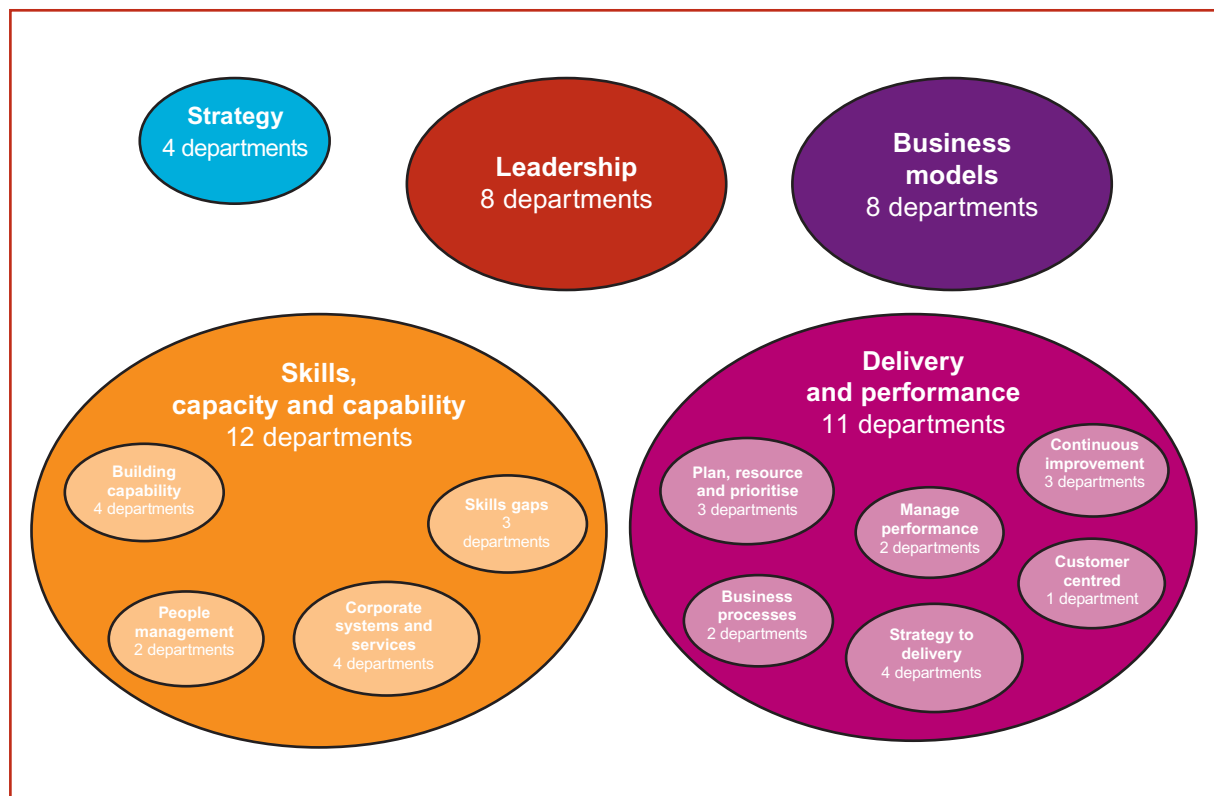
Source: Capability Review reports, Capability Reviews Team 2006/07

Four of these clusters accounted for 92 per cent of the areas for action. Within these four, *delivery and performance* and *skills, capacity and capability* together provided nearly 60 per cent of the areas for action.

- **Leadership** – the importance of effective leadership has become increasingly clear as the reviews have progressed. The challenges for departments are: to apply their passion, pace and direction to sustainable delivery and change; to exhibit leadership that is collective, embedded and valued in departments; and to disseminate this throughout departments to the whole Senior Civil Service and beyond.
- **Business models** – the reviews have shown how tough it is to deliver in government. Diverse delivery chains, partnership working, the need to negotiate and influence, customers who are difficult to reach or hard to identify – all these factors can make it more difficult, but also more important for departments and those within them to shape, understand and actively manage performance through these complex models.
- **Delivery and performance** – departments are challenged to deliver much more with significantly less administrative spend. Customers are increasingly demanding of public services – and government departments are responsible for reaching the marginalised and disadvantaged, at home and abroad. All of this puts a premium on truly effective performance management, based on real customer understanding and a relentless focus on value for money.
- **Skills, capacity and capability** – in a challenging environment of headcount reductions and efficiency savings, departments must make the most of their people and build individual and collective capability to deal with the challenges ahead. This means effective talent management, skills development and proactive and challenging performance management. The Capability Reviews have consistently identified that departmental boards find it difficult to put sufficient emphasis and focus on these issues.

Chapter 4 explores these four priority areas for action in more depth.

4. Civil Service capability: the four key issues

This chapter looks more closely at the four most challenging clusters of areas for action. For each cluster it reviews:

- the issue they are addressing and why it matters;
- the actions that departments are taking to address the issue;
- the changes departments are already making in this area as they move beyond their reviews into the implementation phase;
- some initiatives the centre of government is putting into place to respond; and
- some challenges that require a cross-government response.

Leadership

The importance of effective leadership has become increasingly clear as the Capability Reviews have progressed. The challenges for departments are to apply their passion, pace and direction to sustainable delivery and change; to exhibit leadership that is collective, embedded and valued in departments and to disseminate this throughout departments to the whole Senior Civil Service (SCS) and beyond.

Capability Reviews look at departments' capability to deal with their future delivery challenges. It is clear that there are some key tasks facing leaders across all departments:

- tough delivery outcomes to be achieved with fewer resources;
- the need to anticipate and respond to a rapidly changing world and delivery environment, with new technologies, demographic changes and the impact of global events on domestic priorities; and
- challenging and demanding stakeholders and customers, increasingly expecting excellent public services and demanding more.

The reviews looked at the leadership capability required in departments to address these major challenges.

Review teams focused in particular on the following key questions for departments:

- Do you drive delivery by taking responsibility, welcoming challenging feedback on performance and learning lessons from successes and failures?
- How do you role-model an effective corporate culture of teamwork within the system? Do you and the senior leadership team act as an effective guiding coalition and initiate work across boundaries to achieve delivery outcomes?
- How do you manage change effectively? How do you champion and drive through that change, addressing and overcoming resistance when it occurs?
- Are you open, honest, courageous and unflinching in delivering tough messages to your ministers and department?
- How do you take difficult decisions, and do you follow them through?

Findings

Departments that scored highly in this area demonstrated:

> '… a highly visible … and highly cohesive [Board], with members supporting each other on shared corporate issues.' (DFID)

> '… the appetite for further change is evident from the scale and complexity of the Department's ongoing change initiatives.' (MOD)

> DfES 'acts swiftly and decisively in times of crisis'.

In departments for which this was an urgent development area, findings included:

> 'The Board has no explicit view of its role. It acts predominantly as an internally-focused management board and as a forum for information sharing. The size, composition and overall skills-mix of the Board constrain its ability to act as a dynamic leadership team.'

> 'There is little evidence of a coherent change agenda or a visible guiding coalition for change.'

The Capability Reviews have found many examples of committed and passionate leadership; leaders who are admired personally and who individually act as inspirational role models, with a clear vision for their organisations that they communicate effectively. The reviews have also found that departments are often just starting to build on this. Individual leadership capabilities have not been institutionalised.

There were four key aspects of leadership which the reviews identified as the areas where action was most needed to improve department's capability to deliver.

Table 1 – Four key issues for developing leadership

Analysis of the review findings shows the four most important elements of leadership on which departments need to act.

Collective leadership	Boards acting as role models to exhibit an effective corporate culture of teamwork
Challenge	Effective challenge on boards, including external challenge, to support them in their role of managing performance
Leading change	Managing change effectively; in particular, boards driving through and sustaining change in the long term
Building leadership	Engaging the wider SCS in the business of departmental leadership

Source: Capability Reviews Team analysis of review reports, March 2007

Issue 1. Collective leadership

The recent survey of the SCS found that only 26 per cent of Senior Civil Servants feel that their board models a culture of effective teamwork. Six departments have specific areas for action to strengthen their board or senior leadership team. Challenges highlighted by reviews include:

'The Department has a set of tough outcomes to achieve and efficiency savings to realise. Achieving both of these requires a real step change for [the Department] and its leadership team in terms of increased collaboration and more "joined-up" decision making.'

'The corporate team requires a strong commitment to shared values and behaviour, so that team members support each other – and the whole organisation – when financial and other pressures arise.'

Collective decision making and teamwork at board level is required to achieve business objectives, including the ability to deliver efficiently within constrained resources and to make tough decisions that will benefit the department.

Issue 2. Challenge

A key role for boards is to drive effective delivery performance by taking responsibility and being open to challenge. Non-executive directors on boards in the private sector have a strong statutory role to challenge executive board members and provide a different perspective. This role is less mature in the Civil Service, where boards in their current form are a relatively new development, though there is good practice in some departments. Findings in this area included:

'The Board must provide the active challenge to the organisation that currently comes from external sources. New non-executive directors should be able to bring their skills, experience and personality to give external challenge to the board.'

'Board discussions do not include sufficient challenge and the role of non-executive directors is not clear enough.'

Issue 3. Leading change

Thirty-three per cent of Senior Civil Servants think their department is good at managing change.

Departments are driving through very significant change programmes, both in delivery (ID cards, a new business strategy for DWP) and in culture and capability (Renew Defra, MOD's departmental change programmes). However, the reviews found that leading sustainable change, overcoming resistance and delivering long-term benefits is still a challenge. Examples include:

'The … Board has, hitherto, not led the change process collectively.'

'... change programmes … have not been followed through sufficiently to produce the desired results.'

Issue 4. Building leadership

The recent SCS survey found that 98 per cent of Senior Civil Servants were committed to seeing their department succeed, and 91 per cent were prepared to put in a great deal of effort beyond what is normally expected to help this. Reviewers were often impressed with the calibre of the wider SCS in departments:

'The Department for Constitutional Affairs (DCA) has a strong team of leaders in the Senior Civil Service (SCS), both home-grown and new recruits, attracted by the opportunities offered by the Department's change agenda. Important leadership roles have been filled with professionals of a high calibre.'

'... there is a pool of talented, enthusiastic and innovative people in DCMS.'

However, reviewers have also found that they are often not empowered or engaged enough:

'Middle managers at the corporate centre need to develop a stronger sense of genuine engagement and ownership.'

'Whilst some directors understand what changes [the renewal programme] demands, some do not.'

Fifty-six per cent of Senior Civil Servants had confidence in the leaders in their department.

Reviewers argued that without the active engagement and support of the wider leadership team, boards will never have the ability to drive through change on their own.

Actions

Departments from the first two tranches of Capability Reviews have been working to address these challenges. Eight departments have areas for action designed to strengthen their leadership teams; six focused on the board and senior leadership team, the other two on the broader leadership group.

- **Collective leadership:** Actions in this area include board development plans and statements of expected behaviours by the board; and the introduction of performance objectives to incentivise collective and collaborative behaviour at board level and for the wider SCS.

- **Challenge:** Actions here include reviews of governance to streamline decision making and the appointment of new non-executive directors in roles designed to provide challenge to the management team.
- **Leading change:** Actions include a commitment to more proactive priority setting and performance management at board level.
- **Building leadership:** Actions include long-term leadership development programmes extending to the wider SCS and beyond, and increased and more effective engagement of the SCS by the board.

Departments reviewed in the first two tranches are already making progress in these areas:

Case studies 6–11 – Improving leadership

Case study 6: The Department for Work and Pensions (DWP) Executive Team has put great effort into becoming more cohesive and is working towards becoming a transformational leadership team. The appointment of a team coach has supported these improvements and the team has been devoting substantial time to key corporate issues such as the business strategy. These efforts have been rewarded so far by positive responses from staff to the improved communications and opportunities for engagement with the team.

Case study 7: The Department for Education and Skills (DfES) Board has become a more effective team, and is also working much better as a team with ministers. The Board has made strong efforts to become more visible to staff throughout the Department, as is evidenced by meetings and network events held outside London and 'board shadowing' events, where staff are given board papers to discuss in advance and their views are fed into the board meeting itself. Such events have had a positive impact on staff perceptions of the Board. Better working with ministers has enabled DfES to move forward on its strategy and priorities for the next period.

Case study 8: The Home Office has strengthened the leadership within the Department through a board development programme and a significant number of new appointments at board and director level, including a new director of learning and leadership. The Home Office has agreed a new 'compact' between officials and ministers, clarifying their respective roles and expectations in relation to policy, operational delivery and management. There is some evidence of improved leadership – for example, the board has collectively agreed extremely difficult prioritisation decisions in response to budgetary pressures.

Case study 9: Communities and Local Government is using the recent SCS survey results to focus the development of its senior leadership team. Directors and deputy directors took part in focus groups to provide more background. Every board executive member received 360-degree feedback in January 2007, using questions based on focus group results. With the benefit of this extra information, the board and directors scoped the top three challenges during an awayday in February. The senior team is now defining good practice, and agreeing local actions that managers can take in their day-to-day work to improve performance in these areas. The aim is to move in each case from 'declaring and defining' through 'action here and now' and 'developing reinforcing systems' to 'embedding good practice' in the organisation.

Case study 10: The Department of Trade and Industry (DTI) Board has been focusing on leadership development. Not only has this been the topic for discussion at a number of board awaydays so far, but board members have been actively challenging each other about their strengths and weaknesses and developing their skills through a programme of direct 360-degree feedback, which is now being rolled out to sessions with their direct reports. They are working closely with the independent board members to focus on how their non-executives can more effectively support the Department. DTI is currently looking at how success in leadership development will be measured – but some of the impact of this work is already being seen in the more corporate behaviour on the Board.

Case study 11: The Cabinet Office has reviewed its internal governance and made changes to the way it manages itself. A new Executive Management Group (EMG), composed of leaders from each Cabinet Office group, meets monthly to drive the management of the Department and to bring a stronger focus to management information and underpinning systems. The EMG reports to the Board, giving it a more strategic focus. The Board has also been strengthened by the appointment of two new non-executive directors. The Board had originally agreed to meet every two months but, as a result of the Capability Review, decided it ought to meet monthly for the first half of 2007 to ensure it took responsibility in driving forward the findings of the review.

The Capability Review set the Cabinet Office the challenge of developing leadership groups in and across departments. As part of this response:

- a new Civil Service Steering Board has been set up. It includes senior permanent secretaries and non-executive directors and will oversee cross-government work such as service transformation and employee relations;
- groups of the 'Top 200' civil servants are beginning to work together to tackle corporate challenges – one group is specifically looking at board effectiveness and the role of non-executive directors; and
- there is more targeted corporate development aimed at key leadership groups, including permanent secretaries.

Next steps

More work remains to be done corporately across the Civil Service, including:

- developing a more strategic approach to the role definition, induction and ongoing involvement of non-executive directors;
- embedding the importance of leadership throughout the SCS, through initiatives such as improved induction into the SCS and a requirement to consider performance against the leadership framework in annual appraisals; and
- providing more support for boards and increased mobility at director general level to build effective teams.

Business models

The Capability Reviews have shown how tough it is to deliver in government. Diverse delivery chains, partnership working, the need to negotiate and influence, customers who are hard to reach or to identify – all these factors can make it more difficult, but also more important for departments and those within them to shape, understand and actively manage performance through these complex models.

Business models describe how an organisation is set up internally and how it is connected with delivery arms, partners or agents in order to deliver its services. Business models in government are complex accretions of history, built up over years of machinery of government changes and different initiatives to restructure and improve public sector delivery. Each leaves its mark and each is interpreted differently by different departments. Departments reviewed so far range from the DWP model of direct delivery through agencies, to system management with devolved delivery in DfES, and the Home Office using a wide range of different models for different parts of its business.

This complexity means that it is particularly important for departments to understand their business models and manage them effectively. To achieve complex and challenging delivery outcomes and efficiencies, departments need to make smart decisions about how they deliver them and about the incentives, accountabilities, roles and responsibilities underpinning their operations.

Review teams focused in particular on the following key questions for departments:

· Is the purpose of the departmental centre and headquarters functions clear?
· How do you ensure you have clear roles and responsibilities, rewards and incentives, which are understood across the delivery chain? Do they reflect the business model(s), and are they supported by appropriate governance arrangements?
· How well do you understand your business model(s)?
· How do you identify and agree accountabilities and responsibilities for delivering desired outcomes across the delivery chain? How do you make sure that they are clear and well understood by all parties?
· How do you negotiate and contract with delivery agents, stakeholders and partners? How are these agreements documented and shared?

Findings

Departments that scored highly in this area demonstrated:

'… a clearly articulated business model, set out in the departmental framework and widely understood throughout DWP and its agencies. This has been a robust basis for delivery and has provided a clear focus for enabling change … roles and responsibilities are clearly delineated.'

'DFID operates a decentralised, devolved business model that has served it well to date … The business model also gives DFID corporately and at country level a variety of options for channelling its development assistance … The business model is well understood throughout the organisation and is regarded as a significant strength by external stakeholders.'

In departments for which this was an urgent development area, findings included:

'… organisations across the group would all benefit from greater clarity on the levers, incentives, sanctions, roles and responsibilities of the different parts of the Department and its delivery partners.'

'The basis for the management relationships between the Department and its executive agencies is not always clear or applied consistently.'

'The Department does not have an explicit understanding of how existing business models and its engagement with sponsored bodies should operate. Whilst delivery networks have been mapped, they have not generally been rationalised or made effective.'

Reviews have found many examples of excellent delivery, with clarity about roles and responsibilities throughout the delivery chains for individual Public Service Agreements (PSAs), programmes and projects. There have been fewer examples of strategic business models applied consistently across the whole range of individual departments' business objectives and, where appropriate, shared with other departments.

Table 2 – Four key issues for effective business models

Analysis of the review findings shows the four most important elements of business models on which departments need to act.

Departmental centres	Building a small and strategic 'core' that sets direction and adds value, with clear roles and responsibilities
Supporting systems and processes	Developing clear systems and processes that operate throughout the delivery chain, including clear governance and accountabilities for delivering outcomes
Managing through relationships	Managing through relationships, influencing and negotiation, as well as direct delivery
Understanding the business model	Articulating the department's business model and communicating it throughout the department and to delivery agents, stakeholders and partners; ensuring current and future policy decisions are informed by an understanding of the business model

Source: Capability Reviews Team analysis of review reports, March 2007

Issue 1. Departmental centres

Without necessarily requiring delivery to be devolved formally, departments need to have a strong, strategic heart to set direction. This helps to provide a greater strategic and performance management focus at the centre and a strong focus on delivery.

On this issue, Defra is planning to reduce the number of people working in the core department. *'Core Defra has a clear business model within which Defra is responsible for determining policy and setting targets, and delivery partners are responsible for implementation.'* DCA has taken this approach further in devolving policy development to its agency Her Majesty's Courts Service (HMCS).

Reviews found that this can be challenging:

> *'The Department has an inconsistent understanding of how the business model should be applied in practice and how it will interact with its family of delivery partners.'*

> *'But this framework is not yet clear and/or bought into, which means that the relationship between … strategies is not always clear.'*

> *'The Department … should develop a more differentiated, segmented and risk-based approach to engagement with its sponsored bodies. This should concentrate more explicitly on those engagements where it can add most value.'*

Challenges in implementing such an approach include the difficulty of managing the borders and relationships between strategy, policy and delivery; the calibre and skills of staff in the core who are charged with managing performance and setting strategic direction; and the difficulty of defining the value that the centre adds to delivery arms.

Issue 2. Supporting systems and processes

Review teams were looking for a set of systems and processes through which departments operate and manage their business models, including governance arrangements, roles and responsibilities and incentives. Reviews found that in many cases these are applied inconsistently:

> *'Whilst the Department's non-departmental public bodies (NDPBs) work to specific objectives and business plans, there is an inconsistent approach to monitoring amongst their departmental sponsors … Some NDPBs report unnecessary micro-management and others report "benign neglect".'*

> *'Responsibilities, funding arrangements and relationships with NDPBs are not always managed in the way they were originally established by the Department. There are also examples of overlapping responsibilities between the Department and its NDPBs.'*

Whilst departments should not apply a 'one size fits all' model to their relationships with delivery partners, they should have clear systems and processes both for managing performance through the delivery chain and for making decisions about how individual relationships should work, based on factors such as relative risk.

Issue 3. Managing through relationships

Systems and processes are vital, but effective performance in this area also requires excellent skills in relationship management, influencing and negotiation.

'The Department's delivery systems are increasingly complex, with a wide range of partners and delivery agents. This will test to the full its capacity to lead and influence, rather than exercise more traditional direct control through regulation and funding.'

'There needs to be a more mature relationship based on collaborative working, a shared agenda and agreed responsibilities.'

Departments increasingly need skills to manage relationships and to deliver through influence and persuasion, rather than through a top-down centralised approach.

This requires new approaches and different skills to ensure that staff concentrate on building relationships that focus on what really matters, rather than managing through low-level targets and administrative processes.

Issue 4. Understanding the business model

Business models in government are complex and it is not surprising that the reviews found they are often not widely understood.

'Considerable thought and energy have gone into a clear written framework setting out the business model. The next stage needs to embed a consistent shared understanding of the business model for the Department as a whole.'

'The issue is not primarily the organisational structures themselves, but the clear specification to all concerned of how they should operate. Changing structures does not in itself solve problems. The goal is to change behaviours. The aim should be to produce a consistent rationale that underpins the existing structures and helps them work better.'

Business models are a product of history – diplomatic posts, courts, military structures, schools and museums have stood the test of time and tradition; other, newer structures have appeared on top of these. Departments are faced with the challenge of understanding their business models, knowing how to manage performance and add value, often in long and complex delivery chains, and, where

necessary, making decisions to streamline or change structures which may be long-standing and inspire significant loyalty.

Actions

Eight departments have areas for action designed to address these issues.

- **Departmental centres:** Actions here include improving the scrutiny and challenge functions of the centre and the board; strengthening accountability; and defining the role, purpose and value added of the departmental centre.
- **Supporting systems and processes:** Actions include developing new performance management and feedback systems; aligning business processes, performance management and priorities; and developing clear performance frameworks balanced with freedom to manage.
- **Managing through relationships:** Actions include better strategic engagement with delivery agencies to learn and share good practice, and developing more inclusive and engaged relationships with delivery partners based on ongoing dialogue.
- **Understanding the business model:** Actions include articulating and communicating the business model to all staff and delivery partners, and supporting reviews of governance and accountability with a comprehensive communications strategy.

Departments reviewed in the first two tranches are already making progress in these areas:

Case studies 12 and 13 – Effective business models

Case study 12: DCA has been working with its agencies to ensure the clear, collective understanding of the vision and business model necessary for the entire DCA family to operate within a tight corporate framework. Though DCA still faces the challenge of bringing the business model and vision to life for all staff, there have been positive early signs of engagement and, as a result, joint working across the businesses is improving and relationships between agencies are being transformed.

Case study 13: DTI is reviewing its model of relationships with its delivery partners. It has re-established a network of delivery sponsors in the Department and has arranged the first conference of the whole DTI family to take place in April 2007. This will look at how the Department and its delivery bodies can work together more effectively as well as offering participants wider networking opportunities.

Next steps

At times, the centre of government has actively engaged in this area, through the creation of Next Steps agencies, the programme of quinquennial reviews of NDPBs and initiatives such as landscape reviews and peer reviews. Recently, however,

departments have been left on their own to manage their own delivery landscapes. The evidence suggests that they have struggled. Work has started to provide departments with more support and guidance in this area:

- the Sunningdale Institute is sponsoring a departmental network to analyse business models in a number of departments and to look for opportunities to improve them and manage them better;
- the 'Top 200' group of the most senior civil servants is looking at this area;
- the Corporate Development Group in the Cabinet Office and DWP have set up an organisational design network;
- the National School of Government is providing an MSc in organisational design for civil servants, developed with Birmingham University; and
- the Prime Minister's Delivery Unit (PMDU) has been commissioned by the Cabinet Secretary to carry out a project looking at business models in government with a view to producing guidance on what departments should consider when reviewing or establishing delivery bodies.

This is an area where more work needs to be done.

Delivery and performance

Departments are challenged to deliver much more with significantly less administrative spend. Customers are increasingly demanding of public services – and government departments are responsible for reaching the marginalised and disadvantaged, at home and abroad. All of this puts a premium on truly effective performance management, based on real customer understanding and a relentless focus on value for money.

The role of the Civil Service in delivering public services has become much more high-profile over recent years. Professional Skills for Government (PSG) firmly establishes operational delivery on an equal footing with policy delivery.

The PSA regime, the Gershon efficiency review and an increased emphasis on skills in project and programme management have all helped to lead to some significant delivery successes, such as:

- an increase in the number of lone parents in work;
- improved attainment for 11-year-olds in English and maths;
- a strong Pension Service, putting the customer at the heart of its process re-engineering in order to achieve better customer experience, better jobs for staff and lower costs;
- reducing the number of non-decent homes by more than a million, with social landlords on track to make 95 per cent of the social housing stock decent by 2010; and

- helping to transform Sierra Leone from a conflict-ridden state, which was exporting instability and harm to the region, to a stable, peaceful, democratic and increasingly successful country.

Some government departments deliver services directly or though agencies; for others, delivery is a more distant matter of controlling and influencing through lengthy delivery chains. For all, issues of how to deliver public services effectively to increasingly demanding clients, how best to use resources and how to manage performance in a way that results in continuous improvement, are increasingly salient.

Review teams focused in particular on the following key questions for departments:

- Do you have the right skills, resources, structures and plans necessary to deliver the strategy as part of a clear model of delivery?
- Do you prioritise (and de-prioritise) and sequence deliverables, taking account of a proper risk management strategy, focused on change management priorities?
- Are your delivery plans aligned with the strategy? Are they robust and regularly reviewed?
- Do you have high-quality performance information supported by research and analytical capability? Does it allow you to track performance across the delivery chain?
- Do you actively respond to performance issues and follow them up?
- How do you know that your delivery chain understands customer needs and the drivers for satisfaction and responds to them?
- How do you feed performance management information back into the development of your strategy?

Review team members considered this in the light of departments' capability to set a clear direction and vision for the future and develop a set of clear and challenging outcomes, aims and objectives.

Findings

Departments that scored highly in this area demonstrated:

'… some good and some satisfactory internal procedures to support delivery … [and] a number of high-quality plans in place to … drive corporate discipline … including financial management, information management, and HR and performance management.' (DTI)

'... [an ability to manage and track] performance in its service delivery functions, and [using] this to drive innovation … UK Visas' introduction of a balanced scorecard, bringing together performance data on key issues, has enabled staff throughout the delivery chain to monitor the impact of their work.' (FCO)

In departments for which this was an urgent development area, reviews found:

'… performance management data and management information being commissioned by, and delivered to, the Board are inadequate to enable it to manage the Department and the delivery partners.'

'… the need to improve systems and processes, risk management approaches and the relevant skills.'

'… risk-averse performance management … The Board, Board Executive and programme executives do not yet have sufficient, timely and structured information on progress and risk in critical programmes. This makes it more difficult for them to provide the groups and individual senior responsible officers with effective challenge.'

Table 3 – Four key issues for delivery and performance

Analysis of the review findings shows the four most important elements of delivery and performance on which departments need to act.

Managing against priorities	Setting clear priorities and then managing against them, taking tough decisions to stop programmes where necessary and allocating resources consistently to priority areas
Effective performance management	Effective performance management driven by the board and embedded throughout the organisation and delivery chain
Strategy to delivery	Turning the department's strategy into effectively realised delivery; consistently ensuring that delivery plans are aligned to meet strategic objectives
Getting the basics right	Consistent application of project management disciplines, from planning to benefits realisation; a culture of continuous improvement and sharing and embedding best practice

Source: Capability Reviews Team analysis of review reports, March 2007

Issue 1. Managing against priorities

Effective prioritisation is particularly important when resources are stretched. Reviewers frequently found that staff in departments do not feel that clear priorities have been set, based on tough decisions. Too often, reviews found that departments add new priorities on top of old programmes, without taking decisions to discontinue areas of work that are failing to add value, or that no longer meet strategic priorities.

'Managing priorities is especially important because of the multi-faceted and demanding delivery challenges faced by the Department.'

'Whilst agencies have their own priorities, and the Spending Review sets overall resource allocations, there is no shared list of departmental priorities that drives resource allocation, including trade-offs between different areas.'

'The Department has not yet taken sufficiently tough choices … in order to make the best use of resources.'

The reviews found examples of prioritisation exercises that were difficult for boards, and that were driven by the need to make financial cuts and meet headcount reductions, rather than by strategic appraisal. Departments still tend to 'share the pain' rather than allocating resources consistently to shared priorities.

Issue 2. Effective performance management

Departmental boards are responsible for performance management. Increasingly, tools such as balanced scorecards and other performance and financial reports are used, but the evidence on how well these are understood and applied to manage performance is mixed.

'The Board receives good quality information every quarter to monitor programmes and performance against Millennium Development Goals and PSA targets, efficiency targets, financial and risk management.'

'Management information is generally too complex; production of the balanced scorecard is resource-intensive and does not encourage senior decision makers to prioritise the most important issues.'

Performance and financial management data are often poor, though departments are tackling this.

'The Department does not yet have sufficiently robust management information about unit costs, or a well-sourced understanding of value for money upon which to base decisions. However, there are initiatives underway – including training in finance awareness – to address this.'

More important, however, is having the right sort of challenging and honest performance management conversations.

'At all levels, effective internal challenge is still seen as a choice rather than a duty. Staff do not consistently see problem solving and risk mitigation as their prime responsibility here, sometimes focusing instead on reporting the current position.'

This is a key skill for boards and managers to learn.

Issue 3. Strategy to delivery

The reviews found excellent practice in setting direction and in developing outcome-focused strategy, but poorer performance on translating this consistently into delivery.

Reviewers found that in one department:

'The Board perceived that staff are too distant from the front line, and lack knowledge about what is actually happening to enable them to inform practice and improve delivery.'

Such disconnects mean that strategy and policy are not routinely informed by delivery realities. Departments have to deal with complex delivery landscapes and challenging objectives, and to manage large-scale businesses. This can make flexible delivery alignment to strategic objectives across the business challenging.

'The Department has a set of long-term outcomes, but has not yet fully aligned these with its delivery plans. The focus for delivery tends to be primarily on targets and outputs associated with individual delivery agencies, rather than on cross-cutting and more strategic outcomes.'

An increased emphasis on engagement with frontline staff and delivery partners, and a more customer-centred approach to service design, can help to make the necessary links between strategy and delivery.

Issue 4. Getting the basics right

Whilst there is excellence in delivery in government, all too often it exists in individual silos and projects, and is not replicated and shared across organisations or more widely across the Civil Service.

There is effective implementation of basic business disciplines in parts of the Civil Service, but the reviews found that these disciplines are not systematically implemented across departments or across government. This will be a major barrier to meeting increasingly challenging targets for efficiency and aspirational delivery outcomes.

Departments need to focus on ensuring that they learn from best practice in delivery in their own and other organisations and that they apply these lessons consistently across their organisations and delivery chains.

Actions

Eleven departments have areas for action aimed at improving delivery and performance. These include:

- **Managing against priorities:** Actions in this area include better resource and people management to support priorities.

- **Effective performance management:** Actions include improving data and intelligence from the front line to identify what works; establishing a new, transparent performance management system throughout the delivery chain; ensuring that performance against objectives is monitored as an integral part of business planning; and developing a new balanced scorecard.
- **Strategy to delivery:** Actions include setting a clear set of objectives, linking these to delivery outcomes and managing against the objectives; engaging staff, stakeholders and customers in strategy development; and ensuring that policy development is consistently informed by customer intelligence.
- **Getting the basics right:** Actions include setting up structures for operational managers to meet and share good practice; introducing customer standards and lean processing; establishing internal delivery centres of excellence and overhauling governance arrangements.

Departments reviewed in the first two tranches are already making progress in these areas:

Case studies 14–16 – Better delivery and performance

Case study 14: An example of a comprehensive approach to delivery and performance management is DfES Schools Directorate's 'Bridge'. An area of the directorate has been set aside to provide a practical working environment in which everything from strategy, through delivery chains, to performance management information, is set out in a coherent way and made visible and accessible to all, allowing DfES and its partners to work together to develop delivery policies and performance interventions. The Bridge brings together comprehensive performance information down to individual pupil level, including current data on outcomes and local impact. It reflects both innovation and a willingness to drive through new approaches with an emphasis on improved outcomes.

Case study 15: The Home Office is placing increased focus on an operational delivery. Responsibilities are being clarified through a departmental framework document and structural changes such as the creation of the National Improvement Agency and the establishment of the Border and Immigration Agency as a shadow agency. Monthly operational reviews, chaired by the Permanent Secretary, have been introduced to tighten performance management in all areas of the Department. Resources have been shifted from the centre to the front line and a new delivery unit is being established to work with business areas on solving delivery problems and driving improved performance.

Case study 16: The DCA Board established the systems and structures to promote a more corporate understanding of, and engagement with, change and performance issues. The Board has established a performance subcommittee dedicated to performance management, and a change executive to focus on the management of the DCA mission critical portfolio. This work has also been linked to newly developed business planning and medium-term financial planning processes.

The Prime Minister's Delivery Unit, HM Treasury and the Office of Government Commerce have been working to help departments deliver their PSA outcomes and their mission critical projects and programmes.

A new delivery council has been set up to provide expert input into cross-cutting agendas supporting the transformation of government and the building of capacity in delivery skills and competencies. It works in support of the PSG operational delivery profession and supports Transformational Government. It has also established the Customer Insight Forum, a network of heads of insight from the public sector, which is working to establish a culture in government that values insight and is willing to act on it. A set of service design principles has also been developed.

Next steps

The 'Top 200' group of the most senior civil servants is looking at performance management, including the ability of board members to have the right, challenging conversations about performance.

Under the new Comprehensive Spending Review of 2007, departments will be required to define delivery metrics for their outcomes, allocate costs against these and report against them. This should give departments stronger and better tools to manage performance and increase accountability for delivery, provided that they put in place effective accountability and incentive arrangements throughout their organisations and delivery chains.

There is a clear need to continue to focus on developing delivery skills, as part of the wider skills and capacity building agenda set out below.

Skills, capacity and capability

In a challenging environment of headcount reductions and efficiency savings, departments must make the most of their people and build individual and collective capability to deal with the challenges ahead. This means effective talent management, skills development and proactive and challenging performance management. The Capability Reviews have consistently identified that departmental boards find it difficult to put sufficient emphasis and focus on these issues.

Government departments depend on their people to deliver. High-performing organisations recognise the need to recruit, develop and manage their people to improve productivity, encourage innovation and develop excellence.

Review teams focused in particular on the following key questions for departments:

- How do you nurture talent and encourage innovation in order to build capacity?
- Do you have a leadership development/promotion process that is fair and transparent?

- How do you manage the performance of everyone by rewarding good performance and tackling poor performance?
- Do you get enthusiastically involved in identifying talent and building capability in individuals and teams?
- Do your culture, behaviour and staff profile reflect the diversity of the customers you serve?

Reviewers also considered the performance and capability of corporate services, including, but not limited to, human resources (HR).

Findings

DCA was the only department to score well placed in this area:

'[The Department] led the way in developing a strong leadership programme for its Senior Civil Servants and those in grades immediately below them … a strong team of leaders in the Senior Civil Service, both home-grown and new recruits, attracted by the opportunities offered by the Department's change agenda. Important leadership roles have been filled with professionals of a high calibre.'

In departments that scored less highly, review team findings included:

'Current overall capability in leadership, project management and people management, for example, must improve urgently to meet this degree of change. The shortfall in current capability is sometimes evidenced by the Department's over-reliance on external consultants to plug the gaps.'

'… little evidence that [the Department] nurtures in its permanent staff the wider skills needed for advancement to the most senior levels in the Civil Service.'

'People management is underdeveloped and undervalued … poor performance is badly managed … staff feel that advancement results from being good at policy development rather than management of people. The Department needs to do more to encourage consistent good practice such as coaching, feedback and team meetings to drive every individual's performance upwards … Some specific skills are in short supply, in particular in HR, finance, IT and contract management.'

Too frequently, review teams found that departments could manage their people more effectively. This is not simply a question of HR functions, but is about line-management, starting at the top of departments. Boards have not prioritised people development and management, which is then often reflected in under-developed and under-resourced HR functions and a lack of strategic people and performance management.

The Civil Service is consistently amongst the most attractive employers for graduates and increasingly attracts a wide range of talented recruits from the wider public, voluntary and private sectors into key leadership positions. Again, it is clear that individuals within departments have significant strengths – from passion and commitment, to in-depth technical skills and deep knowledge. However, reviews found that departments do not consistently take a strategic approach to developing, managing and deploying their people to meet business needs. This can lead to frustration and unfulfilled potential at an individual level, and worrying skills and talent gaps at departmental level.

There were three key aspects of skills, capacity and capability that reviews identified as being the areas where action was most needed to improve departments' capability to deliver.

Table 4 – Three key issues for skills, capacity and capability

Analysis of the review findings show the three most important elements of skills, capacity and capability on which departments need to act.

Better people management	Ensuring that people are managed effectively, poor performance is tackled rigorously and people at all levels are stretched, challenged and motivated to perform
Better HR and other corporate services	Building more effective and professional corporate services in government departments so that they can contribute effectively to raising business performance
Skills gaps	Understanding the skills required to deliver against tomorrow's challenges and systematically developing staff to meet them

Source: Capability Reviews Team analysis of review reports, March 2007

Issue 1. Better people management

In the recent SCS survey, only 19 per cent of Senior Civil Servants thought that poor performance was managed effectively; 33 per cent were satisfied with their organisation's approach to performance management.

Review findings include:

> *'Poor performance is not tackled … line managers … have yet to grasp their accountability to manage and develop people with HR support.'*

This is not simply a question of dealing with poor performance, though this is vital. Effective performance management also focuses on developing excellent performance, and identifying talent and succession planning as well as delivering business excellence. Several departments are working to ensure that performance objectives are systematically derived from departmental objectives and business plans; the challenge will be to drive this through and deliver improved performance.

Issue 2. Better HR and other corporate services

There have been concerted efforts over recent years to professionalise corporate services and ensure that departments recognise the value that excellent corporate services can add to delivery. The reviews found some good practice here; financial management reviews and the requirement for professionally qualified finance directors were clearly having a positive impact in many departments. However, the reviews found:

> *'Almost without exception, corporate systems and processes are poor.'*

> *'The Department does not yet use HR as a strategic tool to manage and develop its 16,000-strong ... workforce and to drive and support change and organisational redesign.'*

This suggests that there are two key challenges for departments: the ability of leaders to understand the strategic value that excellent corporate services can add and the ability to get the basics right. Getting the basics right often requires significant investment in people and systems, which will only be made when boards understand the contribution these corporate services can make to effective delivery and better performance.

Issue 3. Skills gaps

Civil servants are committed to improving their skills. The recent SCS survey found that 76 per cent of Senior Civil Servants felt that their performance had improved as a result of skills they had developed over the previous year. However, the reviews found specific skills gaps in departments:

> *'The Department needs to bridge key skills gaps in providing and using economic analysis, in strategic financial management and in project and programme management, and increase the range of staff with credible frontline delivery experience.'*

> *'The skills required in the future are different from the current skills mix and plans to fill the future skills gap are not yet clear.'*

Departments need both to tackle identifiable skills gaps and to develop a strategic approach to skills development.

One specific example can be found in the area of evidence and analytical skills. Whilst departments are increasingly using evidence and analysis to underpin their strategy development, this is an area that should be developed further. Good practice exists where departments develop analytical skills in their people, value them and embed economists and analysts within policy functions. Policy specialists need a good understanding of basic economic and statistical tools and techniques in order to hold intelligent conversations with professionals, commission appropriate research and analysis and ensure that policy development is evidence-based.

Actions

All reviewed departments have actions in this area.

- **Better people management:** Actions here include developing a new people plan using upward feedback, rewarding management skills and addressing both poor and coasting performance; building a new performance management system in consultation with staff; and developing a framework for recruitment, talent management and succession planning.
- **Better HR and other corporate services:** Actions include strengthening HR leadership and systems; providing more efficient services through a shared services approach and making high-level appointments in the corporate services; and strengthening their representation on the board and in departmental management systems.
- **Skills gaps:** Actions include tackling specific skills gaps in areas such as research and analysis; developing an overarching skills strategy based on a comprehensive benchmarking of skills against the PSG framework; and investing in staff development and secondment programmes to develop the skills required.

Departments reviewed in the first two tranches are already making progress in these areas:

Case studies 17 and 18 – Performance management and leadership development

Case study 17: DfES has set out clearly to its staff the importance of people management skills, putting them on a par with other skills, such as policy development expertise. This message has already been tested at the recent promotion panel, which placed a strong emphasis on candidates' people management skills. This will be tested again at the end of year appraisals – those unable to demonstrate the necessary skills will not receive a top performance marking.

Case study 18: The Home Office is assessing the leadership capabilities of its 25 most senior leaders, and each assessment includes a personal development plan to address any skills gaps. A new approach to identifying and managing talent below the SCS is being established. New processes for personal performance management, recruitment and promotion are being introduced. These, amongst other activities, will help to equip Home Office staff with the right skills for the job, creating and sustaining the strong team of capable leaders that the Department needs.

Professional Skills for Government has, for the first time, articulated the skills required by civil servants at different levels. Corporate heads of profession in areas such as IT, HR and finance are increasingly developing skills and raising standards in these areas through a mixture of external recruitment and internal development. New guidance on performance management will require all Senior Civil Servants to have objectives related to people management. Talent management and succession planning processes are in place for the top posts across departments.

Next steps

It is clear, however, that much more emphasis and energy need to be devoted to this area by the corporate leadership of the Civil Service.

- Government Skills, the new Sector Skills Council for government, is reviewing the impact of PSG and considering what further measures are needed to revitalise the framework and increase its impact;
- a new People Strategy is being developed to include workforce and skills strategies and metrics; this must be developed collaboratively, with regard to business needs and owned and implemented by permanent secretaries; and
- the National School of Government is working to align its provision of courses to the strategic skills needs of the Civil Service.

Most importantly, there needs to be a root and branch cultural change that sees people development and management as a fundamental priority for boards and line managers at every level. Poor performance in this area, as in any other, should no longer be tolerated or accepted. HR functions should be valued and regenerated to provide strategic leadership and support to line managers.

5. Conclusion

These reviews are about creating radical and sustainable change in individual departments and the Civil Service as a whole. This report has demonstrated both the progress that has already been made towards this, and also the distance that remains to be travelled. The specific actions for departments, and the four overarching issues for government, provide a clear and challenging agenda for the future.

There are strong foundations to build on, a huge amount of enthusiasm and energy to drive that change through with pace and passion, and much in the way of good practice and achievement to build on. Even in the elements of capability where performance is weaker, there is good practice in departments and in business areas within departments. The case studies and examples in this report should encourage departments to learn from each other and to share good practice.

In October 2007, there will be a further report on progress made a year after the first Capability Reviews. This will look at the progress made by the departments involved in these first reviews. Departments are already actively engaged in monitoring their own performance against their action plans, with the Cabinet Secretary holding them to account at six-monthly stocktakes, based on assurance activities carried out by the Capability Reviews Team drawing on input from review team members. After a year, departments should be able to demonstrate significant and sustainable change to tackle their key capability gaps.

The report will also review whether sufficient action has been taken in departments and across government on the common issues that have been identified in this and previous cross-tranche reports. The new Civil Service Steering Board will take a key role in ensuring that progress is made to address these issues.

The Civil Service is already responding positively to these challenges. In departments, groups are engaged in supporting individual areas for action and working with boards and permanent secretaries to deliver change. Across the Civil Service, groups of the 'Top 200' and the Senior Civil Service are working corporately to tackle cross-cutting issues. The Cabinet Office, in response to its own Capability Review, is defining its role and relationship with departments more clearly, and improving the support that units such as the Corporate Development Group can provide. Together, this momentum for improvement should enable the real change to be made that will ensure that the Civil Service has the capability it needs to meet the challenges ahead.

Annex A: The model of capability

The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The reviews provide an assessment of capability for departments, identify key areas for improvement and set out key actions to address these areas.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 49 questions.

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

Leadership

Key questions that test current capability

L1 Set direction

- How do you set a clear direction and articulate the vision to provide a compelling and coherent view of the future?
- How do you take difficult decisions, and do you follow them through?
- How do you generate common ownership of the vision amongst the board, the department and delivery owners?
- How do you maintain focus when faced with crises/system shocks? How do you balance this with the need to keep the vision up to date when circumstances change?

L2 Ignite passion, pace and drive

- Are you seen as role models in the department, inspiring the respect, trust, loyalty and confidence of superiors, peers and staff? Do you talk, listen and act on feedback and thereby demonstrate an understanding of the business?
- Do you display passion about meeting delivery outcomes?
- How do you engage personally with customers and staff in the department and across the system?
- How do you maintain energy and enthusiasm? How do you inspire staff to be proud to work for the organisation?

L3 Take responsibility for leading delivery and change

- Do you drive delivery by taking responsibility, welcoming challenging feedback on performance and learning lessons from successes and failures?
- How do you role-model an effective corporate culture of teamwork within the system? Do you and the senior leadership team act as an effective guiding coalition and initiate work across boundaries to achieve delivery outcomes?
- Do you accept the pressing need for change? Do you demonstrate your personal commitment to that change?
- How do you manage change effectively? How do you champion and drive through that change, addressing and overcoming resistance when it occurs?
- Are you open, honest, courageous and unflinching in delivering tough messages to your ministers and the department?

L4 Build capability

- How do you nurture talent and encourage innovation in order to build capacity?
- Do you have a leadership development/promotion process that is fair and transparent?
- How do you manage the performance of everyone by rewarding good performance and tackling poor performance?
- Do you get enthusiastically involved in identifying talent and building capability in individuals and teams?
- Do your culture, behaviour and staff profile reflect the diversity of the customers you serve?

Strategy

Key questions that test current capability

S1 Focus on outcomes

- Do you have one overarching set of clear and challenging outcomes, aims and objectives that will improve the overall quality of life for customers and benefit the nation?
- How do you work with ministers to develop strategy?
- How do you negotiate trade-offs between 'priority' policies?
- How do you work with other departments and partners external to government when developing strategy?

S2 Base choices on evidence

- How do you understand what your customers and stakeholders want?
- How do you identify future trends and plan for them? How well do you identify and manage the associated risks?
- How do you innovate by developing creative solutions to challenging problems? How do you ensure appropriate ambition?
- How do you choose between the range of options available?
- Once a strategic challenge has been identified, what process do you follow to address it, and who is involved?
- How do you ensure that your decisions are informed by sound evidence and analysis?
- How do you design systems that deliver your strategic objectives? How do you consider whole systems and understand the cost base?

S3 Build common purpose

- How do you align and enthuse the different players in the delivery chain to deliver?
- How do you remove obstacles to effective joint working? How do you share learning in order to ensure the strategy is delivered?

Delivery

Key questions that test current capability

D1 Plan, resource and prioritise

- Do you have the right skills, resources, structures and plans necessary to deliver the strategy as part of a clear model of delivery?
- Do you prioritise (and de-prioritise) and sequence deliverables, taking account of a proper risk management strategy, focused on change management priorities?
- Are your delivery plans aligned with the strategy? Are they robust and regularly reviewed?
- Are your delivery plans consistent with each other? Do they form a coherent whole that will deliver your strategy?
- How do you maintain a focus on efficiency and value for money?

D2 Develop clear roles, responsibilities and business model(s)

- Is the purpose of the departmental centre and headquarters functions clear?
- How do you ensure you have clear roles and responsibilities, rewards and incentives, which are understood across the delivery chain? Do they reflect the business model(s), and are they supported by appropriate governance arrangements?
- How well do you understand your business model(s)?
- How do you know whether you have the right balance between centralised and decentralised services?
- How do you identify and agree accountabilities and responsibilities for delivering desired outcomes across the delivery chain? How do you make sure that they are clear and well understood by all parties?
- How do you negotiate and contract with delivery agents, stakeholders and partners? How are these agreements documented and shared?

D3 Manage performance

- Do you have high-quality performance information supported by research and analytical capability? Does it allow you to track performance across the delivery chain?
- Do you actively respond to performance issues and follow them up?
- How effective is high-level programme and risk management across the delivery chain?
- How do you ensure and maintain effective control of the department's resources and the quality of its outputs?
- How do you know that your delivery chain understands customer needs and the drivers for satisfaction and responds to them?
- How do you ensure that your delivery chain captures and realises benefits?
- How do you feed this information back into the development of your strategy?

Annex B: Assessment categories

Strong – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.

Well placed – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.

Development area – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.

Urgent development area – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.

Serious concerns – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)

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