



# Capability Reviews: The Findings of the First Four Reviews

# Foreword by the Prime Minister

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World-class public services are at the heart of the Government's commitment to the country. Since coming to office, the Government has delivered unprecedented and sustained increases in funding for key public services, introduced greater certainty into the planning of public spending and used high-level targets to drive better performance. These measures have brought about major improvements in our public services through, for example, reducing waiting times in the NHS and raising standards in schools. These priorities reflected the public's concern when the Government came to power.

Having achieved this, the public's focus is already moving on. Globalisation is profoundly changing the nature of our society. It forces businesses and people to step up a gear simply to keep abreast with the pace of change: commercial transactions are completed without delay; communications happen instantly; goods can be moved rapidly across huge distances.

Government is not immune to these changes. For it to continue to maintain its legitimacy, it needs to change its outlook radically. The technological innovations driving global change have not just opened up new opportunities for delivering services, but increased people's expectations of what they want from those who serve them.

To meet these challenges the State must provide the same level of customer service as the public have come to expect in every other aspect of their lives. To achieve this, the role of the State is not to control, but to enable. Making modern public services the cornerstone of the enabling state – where the State provides strategic direction not micro-management – requires a transformation of how we deliver our services.

This transformation must begin at the centre of government, with the departments and the civil servants who support the elected government. This is what the reviews of departmental capability, the first four of which are published today, are about.

Capability Reviews mark a watershed in the history of British public administration. For the first time, government departments have been publicly assessed on how well placed they are to meet the demands of the future. The reviews provide, for the first time, a transparent set of assessments, reached with the help of independent experts, to judge the relative capabilities of departments going forward.

The challenge for each department reviewed has been to draw up a detailed plan to address the points from each review. I very much welcome the reviews and the radical changes each department has outlined in response.

The departments' responses form the basis of the Civil Service's side of the public service reform bargain. They are set out in detail in this document and in the four published reviews. As this document makes clear, Civil Service leaders expect to be held to account for delivering the plans.

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Elected leaders too have to fulfil their side of the bargain. That means providing leadership, setting priorities, and being accountable to Parliament and the public for the departments they lead. It means offering clarity about the Government's priorities to meet the needs and demands of the public within the finite resources of the public purse. It does not mean micro-managing the projects and services delivered to the public by the Civil Service and the range of other public, voluntary and private bodies.

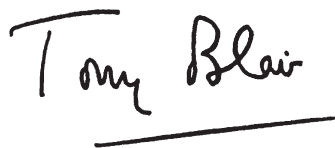
There are some critical common themes emerging from the reviews that we must address. In particular, as a result of the reviews, each of the four departments will:

- strengthen its governance within a clear and well understood framework of accountability and responsibility. Each Civil Service board should expect and seek clarity with its ministers over their respective roles and responsibilities, on the principles described above. Boards should, in turn, set clear operational frameworks for all the organisations commissioned by the department to deliver policy outcomes;
- transform its central headquarters. No two departments are the same, but within the unique circumstances of each department the role of the centre of each department will be to act as a strategic headquarters, focusing on high-level strategy and priority setting, managing performance and tackling failure, and building up the right expertise and skills. In particular the centre needs to make sure it has the right policy and strategy capabilities and a strong understanding of those who use and deliver the services;
- deliver a step change in the professional skills of the Civil Service in policy and strategy, operational delivery, and corporate services, such as finance, people management, procurement and information technology; along with increasing flexibility to enable these large and complex organisations to respond rapidly to changing circumstances and demands. These changes reflect the shift to a focus on delivery across the Civil Service. This emphasis has already been reflected in the arrival of many senior officials with expertise in delivery from the private and voluntary sectors; nearly half of all Senior Civil Servants have worked in the private sector during their careers. This is a trend which must and will continue, with nearly half of all Senior Civil Service jobs now being opened up to external competition;
- improve the way they engage with the individuals and communities they serve. All four plans contain details of how departments will engage better with customers, listen to their experiences of services, and feed back this information in good time for use in framing new policies and systems based on the evidence; and
- look ahead to the future challenges and anticipate new models of delivery, shorten the chains of delivery from the centre to the front line, and bring greater clarity throughout the organisation of the model itself, and the personal responsibilities and accountabilities that go with it. To do this we must and will gain a better understanding of the experiences of those at the front line; as one of the reviews found: 'a day on the front line is worth a month in Whitehall'.

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This Government's vision and plans for reforming public services is entering a critical phase. Users of services need to be given more control over them. This shift is happening at a time when the rapid growth in public spending, which the Government introduced to tackle a generation of underinvestment, is beginning to slow. The challenge now is to maintain our progress through creating a self-sustaining system reflecting the demands of the user, not the views of the producers.

The reviews mark a very significant development in the public service reform programme, and they have my support.

A handwritten signature in black ink that reads "Tony Blair". The signature is written in a cursive style and is underlined with a single horizontal line.

Tony Blair  
Prime Minister

July 2006

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# Introduction from the Head of the Home Civil Service

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My long-term aim as Head of the Home Civil Service is to develop a culture of excellence in every part of the organisation.

The Civil Service needs to position itself to be able to meet the challenges of rapidly changing international and domestic circumstances, as well as rising public expectations, over the decades to come. And, in the best traditions of the Civil Service, we must have the right skills to deliver the priorities of any elected government of whatever persuasion. To do this, we must be flexible, adaptable, fast-moving and skilful. We should be proud of our work, passionate about improving and clear about the need for more pace and professionalism.

As Head of the Home Civil Service I am responsible for ensuring that the whole Civil Service has the required set of capabilities, to lead and deliver public services well into the future. I commend what we have already achieved, but do not shirk the challenge of how much further we need to go.

In particular:

- We need to be recognised by ministers and by external bodies as a strong source of expert, objective policy advice, trusted by all to be honest, impartial and to act with integrity.
- We need to have highly developed policy and strategic capabilities, and an understanding of those who deliver and use public services.
- We need to deliver world-class, citizen-centred services, frequently in partnership, learn from the best examples of change and have the confidence and skills to apply what we learn.
- We need to improve some aspects of current performance, and soon. We are fully committed to tackling these issues, and urgently.

It is this thinking that led to the decision to undertake Capability Reviews – the first of their kind in central government. The programme was launched with the full support of the Prime Minister and my permanent secretary colleagues. The reviews form a rolling programme across Whitehall, with 17 reviews to be completed and published.

Today we are publishing the first four – for the Home Office and the Departments for Constitutional Affairs, Work and Pensions and Education and Skills. The departments reviewed represent nearly half of all staff in the Home Civil Service.

These reviews assess each department's capability to meet its future challenges. They do this objectively against an understanding of those challenges, and do not attempt to compare departments with widely differing scope and objectives. Their conclusions are all firmly grounded in objective evidence compiled with the help of review team members drawn from the public and private sectors. The findings have been reviewed for consistency by a moderating panel of experts, including members from outside the Civil Service.

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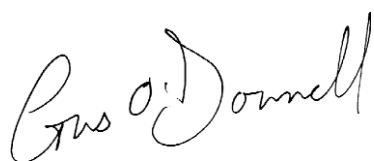
The reviews have been conducted with the full cooperation and support of the four departments. To be effective they have, of necessity, been in-depth in gathering facts and evidence, objective in their findings, and challenging for those under review. I should like to thank everyone involved, particularly staff in the Prime Minister's Delivery Unit, the members of the external review teams, and the staff within the departments themselves. I would like to extend special thanks to the permanent secretaries and their Secretaries of State.

The focus of the reviews is on future needs rather than auditing the past. The primary judgements assess the strengths and weaknesses of departmental capability to meet future expectations of citizens and ministers.

The reviews are key to helping permanent secretaries improve their departments. Each department has created, in response to the reviews, detailed plans to address areas where capabilities need to be strengthened, and to which they can be held to account. Progress is already being made and the momentum for a step change in capability and performance is now building.

My own department, the Cabinet Office, is in the next round of reviews. As a departmental head I am looking forward to the challenge that we will face, and to the actions which will help us achieve our overall goal of making government work better.

The details of each review are in separate reports for each department. In this document, the Cabinet Office has summarised the findings and actions as they relate to the public service reform agenda. The document also sets out how the process will move forward and how departments will be held to account for delivery.



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

July 2006

# 1. Summary of the findings of the first four Capability Reviews

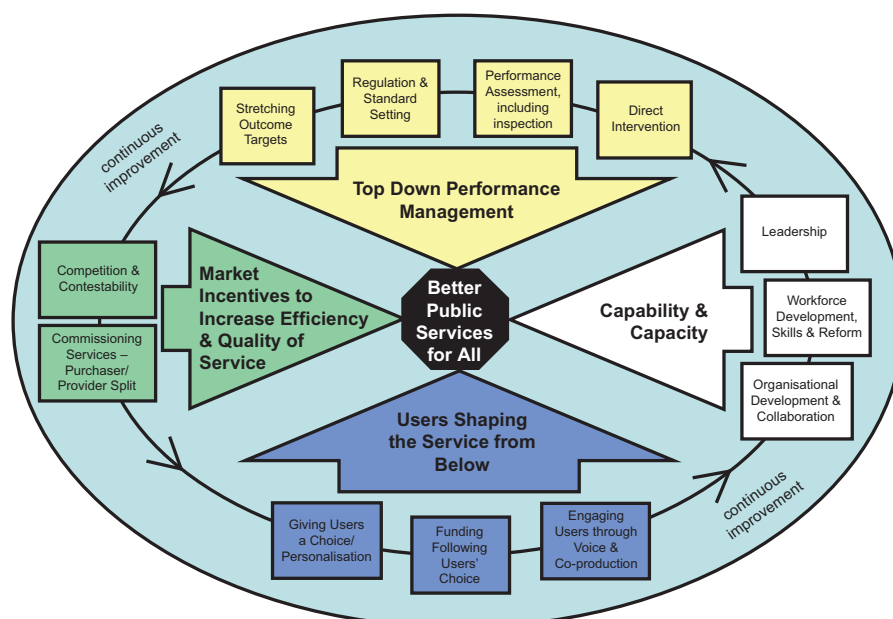
## 1.1 Capability Review findings: common themes

The first tranche of the Capability Reviews identified four common themes across each Department which are critical to achieving the goal of building capability in the Civil Service to meet the challenges of the future. This will position the Civil Service to respond to international and domestic trends which will drive the needs of users of public services over the decades to come.

These themes are:

- **Leadership from the centre** – how the core of each department can better perform the role of a headquarters by focusing on high-level strategy, managing performance, and ensuring that staff have the right skills.
- **Improving the way we deliver** – by looking more carefully at the model we choose for each public service, making sure that this is the right model for the task rather than an accident of history. This also means, where appropriate, introducing more diversity and contestability in the provision of public services, through, for example, competition, contracting out, public–private partnerships, trusts and other means.
- **Responding to the demands of the public** – through developing a better understanding of what society wants, getting better information about people’s experiences of services, and using this to design service provision more effectively.
- **Skills, capacity and capability reforms** – to make sure staff have the skills, equipment and leadership to deliver world-class levels of service to their customers and stakeholders.

These conclusions are captured in the diagram below, and each of the four themes is explored more fully in the rest of this report.



Each of the first four departments reviewed has signed up to a plan to improve capability in each of the four areas. Below is a summary of the main points in the plans for each department.

## **1.2 Summary of plans: the Department for Constitutional Affairs (DCA)**

**Plans set out in the Department's response to the Capability Review include:**

- **building on a reshaped centre of the Department, which has already seen a reduction of some 300 posts, and increased devolution to front-line agencies. Future plans include introducing a shared human resources service to improve capability across all parts of the Department and reduce costs by 40 per cent in this area;**
- **further enhancing the capability of the Departmental board to set high-level objectives and monitor performance by establishing new sub-committees which will report directly to the Board on: performance management; human resources; the Department's change programme; and its extensive estates portfolio;**
- **stepping up the Department's programmes to deliver efficiencies in criminal, civil, family and administrative justice and make strategic reductions in its cost base, whilst improving delivery;**
- **completing a major pay and grading review, which rationalises terms and conditions inherited from over 50 separate organisations, and delivering a flexible reward package for all of the Department's workforce;**
- **bringing greater financial stability to the Department as a whole by managing the legal aid budget and implementing Lord Carter's proposals on legal aid, ensuring a fairer deal for the vulnerable, the taxpayer, defendants and practitioners;**
- **using the Capability Review's findings to clarify the centre of the Department's relationship with its agencies and arm's-length bodies, and to strengthen the mechanisms by which the centre manages its relationship with those who deliver its services and understands the needs of those who use and rely on them;**
- **relentlessly focusing on building leadership capability within the Department through attracting external talent – two out of three appointments to the Department's senior level have been made from outside the Department – and re-launching a formal programme for identifying and managing those with the potential to rise to senior level; and**
- **strengthening the Department's programme and project management skills through targeted training for key people and the implementation of a new professional project and programme management framework.**

## **1.3 Summary of plans: the Department for Education and Skills (DfES)**

The Department has responded to the findings of the Capability Review and identified four key strands of action. The plans include:

- reducing the size of the centre of the Department by one-third by 2008 as compared with 2003, and developing a more mature relationship with those who provide services, through the New Relationship with Schools and other programmes;
- refreshing its existing five-year departmental strategy in the autumn and engaging customers, practitioners, partners and people through activities such as: local and regional visits and discussions by ministers and senior officials; organised conferences, workshops and roadshows; and written feedback to the Department;
- following the completion of the 2007 Comprehensive Spending Review, producing a new long-term strategy;
- underpinning the long-term strategy with an annual business plan setting out priorities and targets for the year ahead and providing a clear public basis for judging its achievements year on year;
- annually surveying the views of learners, parents and employers, both to ensure that the Department understands and acts on the issues that most concern them, and to evaluate performance in meeting their needs;
- setting up arrangements, within 12 months, to collect and act upon fast and effective feedback of data and intelligence from partners, providers, employers and users on what is happening at local level, what works and what is getting in the way;
- developing a new People Plan in consultation with staff and the trade unions to be in place by December 2006; and
- immediately drawing up and beginning to deliver a detailed implementation plan with board sponsorship to close the capability gaps that have been identified in the review.

## 1.4 Summary of plans: the Home Office

The Department's new board is urgently focusing, collectively, on how it can rebuild the Department's delivery record and reputation in line with the Home Secretary's vision, and match capability with priority in what is arguably Whitehall's most challenging department. Plans set out in the Department's response to the Capability Review and its reform action plan include:

- saving £115m per year in headquarters costs by 2010, which will be reinvested in delivering front line services. The size of the Department's headquarters will reduce from 9,200 in 2004 to 5,900 in 2010;
- developing a new 'contract' between ministers and officials, clarifying respective roles and expectations in relation to policy, operational delivery, and management;
- establishing the Immigration and Nationality Directorate as an executive agency, in shadow form by April 2007 and as a fully fledged agency in April 2008;
- focusing the headquarters of the National Offender Management Service on public protection and reducing re-offending through commissioning high-quality services for managing offenders;
- introducing sharper, simpler arrangements for managing police performance;
- making 15 immediate changes at director level in order to strengthen leadership in its most important areas, and completing a skills assessment of all directors by the end of September 2006, and the rest of the 250 most senior staff by April 2007;
- introducing a new system for identifying and managing talent and succession planning, strengthening its approach to performance management with more flexible rewards for the very best performers, and seeking to transform its approach to matching staff with the right skills to the right jobs.

## **1.5 Summary of plans: the Department for Work and Pensions (DWP)**

The Department will appoint a Director of Change Management, reporting directly to the top team to provide strategic direction for the implementation of this programme of action, which includes:

- putting in place, by March 2007, a specific capability reporting directly to the top team dedicated to transforming the Department's understanding of its customers and their needs;
- promoting a much stronger collective leadership at the very top of the Department by:
  - assessing the performance and reward of the Executive Team on their contribution to overall objectives as well as their individual objectives;
  - progressively extending this new system throughout the whole of the Senior Civil Service in the Department;
  - creating a forum in which the senior operational leaders in each business and corporate function regularly identify developments and initiatives which can be transferred from one part of the Department to others;
- a pilot programme, starting this year to give front-line staff (eg in Jobcentre Plus offices) substantially greater discretion in dealing with customers within a strategic framework of standard business processes;
- providing more effective external reference and challenge by appointing non-executive chairs to the boards of all four of the Department's businesses by the end of 2006;
- a new shared service organisation from September 2006 to improve accounting, payment, debt management and employee services through standardised processes and benchmarking its performance against the best in class in both the private and public sectors;
- conducting by autumn 2006 a fundamental review of its business strategy which will include introducing explicit customer standards and revamped lean processing techniques, to achieve a step change in the Department's efficiency and its ability to deal with all of its customers;
- undertaking a review of the Department's current performance and development system for its staff to both reinforce and sustain their commitment and support the delivery of its business outcomes; and
- negotiating performance enhancement agreements with its 10 key commercial providers with the aim of achieving substantial year-on-year improvements in terms of reduced cost and increased value.

## 2. Leading from the centre: setting priorities and managing performance

Over the last decade, the centre of government has undergone significant change to enable better long-term planning and implementation of the Government's strategic targets. Examples include the longer-term framework for public spending and the five-year plans for key departments published in 2004.

Similarly, the role of the centre of departments is changing to reflect the enabling role of government. The strength of the core department is paramount, particularly to ensure that current challenges are met and there is sufficient flexibility to respond to a changing environment.

Central government departments are responsible for setting strategies to meet Ministers' policy direction, and for ensuring that policy is delivered in practice through high quality public services. Many of these objectives are encapsulated in Public Service Agreement (PSA) and efficiency targets agreed with the Treasury at each spending review. This part of public service delivery could be termed 'top-down performance management'.

The first four Capability Reviews have identified much good progress across the departments in delivering stretching PSAs and efficiency targets. This is helping departments focus upon what is most important to ministers and the wider public.

For example:

- DfES has achieved significant improvements in school standards; for example, the proportion of 16-year-olds achieving five or more good GCSEs (A\*–C) has risen by over 10 per cent in the last eight years.
- The Home Office has achieved good progress towards crime reduction with the risk of being a victim of crime at its lowest level since the British Crime Survey started recording it in 1981.
- DCA (working jointly with the Home Office and Crown Prosecution Service) has already exceeded the target for bringing offenders to justice, with over 1.25 million crimes a year now dealt with by the police, prosecutors or the courts.
- DWP is making excellent inroads into their very demanding efficiency target of reducing headcount by 30,000 by 2008, whilst continuing to deliver better services to its customers – for example, helping lone parents find work in record numbers and helping to lift 700,000 children out of poverty since 1998.

There are many more such examples. However, the Capability Reviews have also identified that, whilst progress against PSAs and other top targets is necessary and welcome, it is not sufficient for delivering high-quality performance across the whole system. The reviews have suggested key areas where these departments must urgently improve their capability at the centre, and plans for doing so.

## 2.1 Redefining the centre of government departments

In the departments reviewed as part of this group, the reviews have found different structures reflecting the different natures of the departments' business.

DfES is already small and strategic, and its services are delivered through a number of delivery agents with over 4 million employees outside central government, most obviously schools, colleges and universities. DWP delivers its aims through large, powerful agencies such as Jobcentre Plus, which employ very large numbers of the overall department. DCA is heavily dependent on one arm's-length body outside of the Civil Service – the Legal Services Commission – and one Civil Service agency, Her Majesty's Courts Service. The Home Office has examples of most of the delivery models found across Whitehall.

The Capability Reviews have demonstrated the need in each case to travel further in the direction of reshaping and refocusing the centre of departments. This will allow the centre to utilise its strengths to empower the front line, strengthen partnerships with other delivery agents, and ensure a relentless focus on customers. Often this will mean streamlining the centre of the department to deliver this sharper strategic focus. Departmental centres must examine rigorously what the department is doing across the range of activities, and assess how well it supports front-line delivery and whether a particular function – for example research on specific areas of the department's policies – needs to be enhanced, undertaken somewhere else, or stopped altogether.

There are good examples from across departments in this area:

- In DfES, headquarters staffing levels will reduce in size by one-third between 2003 and 2008; and the Department is developing a more mature relationship with those who provide services, through the New Relationship with Schools and other programmes.
- The Home Office has outlined plans to save £115m per year in headquarters costs by 2010, which will be reinvested in delivering front-line services. The size of the group headquarters will reduce from 9,200 in 2004 to 5,900 in 2010.
- Additionally, the Home Office will develop a new 'contract' between ministers and officials, clarifying respective roles and expectations in relation to policy, operational delivery and management.
- DCA has already reshaped the centre of the department, devolving responsibilities to the front line and streamlining the centre by 300 posts – 20 per cent of the headquarters teams involved.

## 2.2 Stronger, strategic Civil Service boards

The reviews found the need to strengthen further the governance of core departments, driven by up to date and relevant business strategies. The Civil

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Service boards should have clarity in their collective relationship to their ministers, and have board members who demonstrate the right leadership behaviours, who have the right skills, supported by the right coaching and training, and who operate as a team.

Each department has committed to actions which will strengthen their core department and their boards. For example:

- Each DfES Board member will take direct, personal responsibility for implementing a section of the department's Implementation Plan, Board members will be held to account by the Permanent Secretary for what they achieve, and this performance assessment will affect their pay.
- The Home Office has put together a new board which is urgently focusing, as a team, on how it can rebuild the Department's delivery record and reputation, in line with the Home Secretary's vision, and to match capability with priority in what is arguably Whitehall's most challenging department.
- The DCA Board will put in place a better strategic framework for managing legal aid expenditure. This will include building better relationships with the Legal Services Commission and enabling the Courts Service to continue its modernisation programme.
- The DWP Board will aim to ensure that overall performance achieves the high standards set by the best parts of the organisation. This will build on a track record of basing policymaking on hard evidence, and learning from the success of the transformation of The Pension Service. The Department will focus increasingly on collaborating with others in Whitehall, local government, the private sector and the voluntary sector to achieve shared aims.

## **2.3 Challenging and relevant advice from outside**

The Civil Service does not have a monopoly on advice, nor does it seek one. On the contrary, we welcome external advice and challenge. One key aspect highlighted by the reviews is the need to have experienced and challenging non-executive directors (NEDs) to help the board function well, address conflicts and tensions, and continue to plan for the long term effectively. The reviews found that, whilst there are NEDs on most boards today, the Civil Service could get much greater value from their contribution. This is an area where the centre of government could help departments better. The Cabinet Office will therefore consider how we could get more out of our NEDs and create common proposals for their role, selection, deployment and rotation. We should aim for greater consistency in how we select our NEDs, have more clarity in what each NED role should be and how NEDs can properly provide departments with a valuable, but challenging, service more efficiently as a result.

## **2.4 Active management of delivery and performance**

Managing performance across the breadth of public service delivery models is complex. There are times when strong, detailed, central operational control is

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essential – for example, in times of crisis management. But more often it requires the centre to be more subtle, empowering and strategic. Good, relevant, timely management information is key.

It should be the culture of the board that every member strives to help address a weakness in any area of the business, and that action is rapid with real consequences when delivery falls short.

There is also a need for multiple tools and techniques, because what works in performance management for one area (for example hitting a precise target) may not always translate to another (such as reforming a whole system of delivery).

A strong performance management regime is therefore essential, one which is appropriate to the particular stage in the department's plans. The agreed departmental actions include:

- DCA's Management Board will together test and challenge performance data. A sub-committee of the Board will focus purely on performance management. This will help the department to set, track and deliver against robust and challenging performance targets following the outcome of the 2007 Spending Review.
- DfES will, from 2007/08, publish an annual plan setting out clear and measurable delivery priorities, driving the work of the department and providing a clear, public basis on which to judge performance.
- A priority for DWP will be improving their understanding of their customers as well as their underlying costs.
- The Home Office will look urgently to strengthen central capacity to look at accountability and risk in their performance management framework.

## 3. Improving the way we deliver

Each of the departments reviewed delivers or commissions services in a range of ways including:

### *Within the Civil Service*

- direct delivery by the department itself (eg Immigration and Nationality Directorate (IND) in the Home Office);
- in partnership with other departments (eg Office for Criminal Justice Reform); and
- executive agencies (eg DWP's Pension Service and the Home Office's Identity and Passport Service).

### *Outside the Civil Service*

- arm's-length non-departmental public bodies (eg Legal Services Commission for DCA);
- local government (eg schools);
- commissioned services from the wider public, private and third sectors (eg offender management); and
- regulated markets (eg pensions).

and combinations of all of the above.

The reviews clearly recognised that a range of delivery options is essential given the complexity of public services. Indeed, it is important that 'one size fits all' solutions are avoided, and this is not the recommendation of the reviews.

However, the reviews did find that there was considerable doubt about whether the current delivery models were chosen strategically for the purpose in mind – rather than inherited as an accident of history. There is often a lack of clarity as to precisely how the different models are intended to work together. And staff at all levels are often unclear about the models and their roles within them. Accountability frameworks in each model are different and not always clearly understood.

### **3.1 Choosing, clarifying and communicating the way we deliver**

The challenge going forward for departments is to understand these models and how to ensure that the most appropriate ones are in use. In each Capability Review the department is thus challenged to:

- assess how appropriate the model of delivery is to the business being delivered;
- shorten the delivery chain and learn from experiences on the front line;
- bring greater clarity throughout the organisation of the model itself, and the personnel responsibilities and accountabilities that go with it; and
- look ahead to the future challenges and anticipate new delivery models as they arise.

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The departments have committed to these actions. In particular:

- DCA has set out a clear and credible business model for the department. The next stage will embed a consistent shared understanding of the business for the department as a whole. The model clarifies the role of the corporate centre and the other bodies attached to the department.
- DWP has committed to negotiating performance enhancing agreements with its 10 key providers for the period until 2011, aiming to achieve significant year-on-year improvements in cost and value.
- The Home Office will establish the Immigration and Nationality Directorate as an executive agency and will focus the headquarters of the National Offender Management Service on public protection and reducing re-offending through commissioning high-quality services for managing offenders. It will also introduce sharper, simpler arrangements for managing police performance.
- DfES has committed to help everyone in its system – practitioners, partners, local authorities, other bodies and DfES staff – understand their role, and carry it out well within a clear framework of accountability, autonomy, enterprise, trust and self-regulation.

### **3.2 The role of the centre of the Civil Service: support and challenge**

As departments move towards delivering these plans to transform delivery, as a result of the Capability Reviews, the centre of government is reviewing what support and challenge we can provide to departments. Plans include:

- strengthening capability within the Cabinet Office to enable it to assist departments better in improving their organisational design and building professional skills;
- setting up a small Delivery Council of leaders in operational delivery across the sectors to share best practice (eg on commissioning models) and to provide expert practitioner input to the design and management of delivery models; and
- creating an overarching review of the appropriateness of our delivery models, led from the Civil Service Steering Group of senior permanent secretaries.

## 4. Responding to citizens, businesses and communities to shape services

Each of the departments reviewed provides services to the public. Some, like pensions and education, are provided directly to the citizen concerned. Others, like prisons and courts, are provided on behalf of the community. Our public services should be designed around the needs of the customer – whether that is an individual citizen, a business or a whole community.

Unlike the private sector, however, we do not always have the benefits of market forces and prices to drive behaviour. The complexity of delivering policy means we have to find more diverse ways to engage with our customers to shape our public services, and to gain their feedback about the quality of service delivery. This challenge is addressed in each of the plans.

### 4.1 Engaging with citizens, businesses, communities and stakeholders

Each review highlighted areas where the department could take more account of citizen and stakeholder interests in policies and delivery. In response:

- DWP has outlined detailed plans to engage better with customer groups and feed their insights back to operational managers and policy advisers. Crucially the department will ensure that a higher proportion of their people are working directly with customers.
- In DfES, learners, parents, employers and the providers of learning and children's services will be involved in helping shape the department's programmes to meet their needs. Here too, more staff will get exposure to front-line practice.
- DWP will, by the end of this financial year, have put in place a new reporting system dedicated to understanding better its customers and their needs, reporting directly to the Executive Team.

### 4.2 Engaging with front-line staff as a surrogate for stakeholder interests

The reviews also highlighted the need for more managers to connect with their front-line staff. A crucial message that we heard from one of the reviews was that 'a day on the front line is worth a month in Whitehall'. Staff know when something is not working and are good judges about the likelihood and risk of reforms bedding in.

To help with this, departments can take advantage of the Cabinet Office's recently launched Engage programme which shares best practice on how to engage with staff, customers and stakeholders to obtain real insight into the design of public services. Further plans are also reflected in each department's report.

## 5. Skills, capacity and capability reforms

The departments reviewed represented nearly half of all civil servants employed. Nearly one-quarter of the Civil Service works for DWP, around 15 per cent for the Home Office, a further 5 per cent in DCA and less than 1 per cent in DfES. Again, this reflects the diversity of service provision, with DWP providing many of its key services directly and DfES working strategically and primarily through other organisations.

There are encouraging examples across the departments about capability and capacity building. For example:

- DCA has invested in building its Senior Civil Service capability in advance of taking on new areas of responsibility, such as the integration of magistrates' courts in Her Majesty's Courts Service.
- The Home Office will make 15 immediate changes at director level in order to strengthen leadership in its most important areas, and will complete a skills assessment of all directors by the end of September 2006, and the rest of the 250 most senior staff by April 2007.
- Since Sir Peter Gershon's report on efficiency in 2004, departments have made major strides in transforming departmental finance capability, with qualified finance directors taking up post on the boards of all four departments reviewed, with a direct reporting line to the permanent secretary. DWP will implement a new shared service organisation to provide significantly improved accounting, payment and debt management services from September 2006.
- DCA have put their top 250 people through a rigorous assessment centre to ensure that they are developing the right skills. The department has also brought in new talent, with two-thirds of new appointments to senior ranks coming from outside the department.
- 3,000 public sector IT professionals, linked to eSkills UK, the IT sector skills council, have been brought together in a new government IT profession for training, career development and sharing expertise.
- Evidence-based policy making is improving in each department, such as we have seen at DWP where they have found effective ways of helping lone parents find work in record numbers.
- Each is playing its active part in cross-cutting strategies, such as the Transformational Government strategy to take advantage of new technology and shared services.

Each of the departments is also embracing the Professional Skills for Government programme – aimed at delivering a step change in the professional skills of the Civil Service in policy and strategy, operational delivery, and corporate services, such as finance, people management, procurement and information technology; along with increasing flexibility to enable these large and complex organisations to respond rapidly to changing circumstances and demands. These changes reflect the shift to a focus on delivery across the Civil Service.

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This emphasis has already been reflected in the arrival of many senior officials with expertise in delivery from the private, wider public and voluntary sectors – a trend which must and will continue. 46 per cent of Senior Civil Servants now have experience of working in the private sector; the figure is 59 per cent for the very top management. Nearly half (43 per cent) of all Senior Civil Service jobs are opened up to public competition.

However, the reviews have shown a number of areas where the management and development of people with the right skills, the right numbers and at the right time could be substantially improved.

## **5.1 Better people and skills, through better human resources**

The Capability Reviews identified that in order to achieve the degree of changes required, the human resources (HR) functions of each Department must:

- ensure the HR functions have the right strategic experience so that they can work with departmental boards to support a step change in capability and enablement of the workforce;
- drive a talent review programme to develop the right professional skills and capabilities, including, for example, the succession planning for top leadership roles and the interventions necessary to improve the overall calibre of leadership;
- move at pace towards shared HR services for basic administrative transactions – across the whole of the larger departments, with smaller departments pooling resources; and
- strengthen the cross-Whitehall network or council of the HR directors to help learn from each other, share best practice (for example in organisation development) and strengthen the systems of accountability and performance management.

Each department has set out actions which will move these changes forward. For its part, the centre, through the Cabinet Office's Head of Profession for HR, will provide central support and challenge.

## **5.2 Developing and rewarding people**

Each review highlighted the passion and enthusiasm for serving the public that exists right through every part of the four departments. This is a great platform on which to build, and high-quality leadership drives higher performance.

The reviews have made a clear separation between strong HR functions – which are necessary – and strong people management at all levels – which is essential to get the best out of our people. And the reviews have found strong evidence that whilst our managers think they are good managers of people, their people do not always share that view.

So each department is taking active steps to develop and reward people, management capability in managers at all levels. For example:

- DWP will implement a review from first principles of its performance and development system for staff to support the delivery of business outcomes and to sustain the commitment of their people.
- DfES will establish a new people management plan to include: extensive use of upward feedback; greater recognition and reward for good management skills; dealing effectively with poor and coasting performance; and ensuring people have a better understanding of delivery systems and the impact of policies at the local level.
- DCA will use the level of confidence staff have in their senior managers as a key measure of progress and has put the top 250 people in the department through a rigorous assessment centre to match skills to future challenges.
- The Home Office is completing a baseline assessment of the skills of all of its board members and directors, which it will then roll-out to the rest of its top 250 Senior Civil Servants.

To foster more corporate leadership throughout the Senior Civil Service as a whole, for the first time the Cabinet Secretary is developing the 200 most senior civil servants in the UK as a leadership group, and they will discuss how to implement the plans for HR transformation set out in these reviews and elsewhere.

### **5.3 Building a public service operational delivery capability**

Government departments, as we have seen, work through a variety of complex delivery models. There is, of course, much that can be learned from the private sector in this area. Additionally, we must make sure we meet the legitimate demands for public accountability and transparency for the way in which we use public resources, through, among other things, parliamentary and media scrutiny.

We must therefore build the operational capability within the Civil Service which captures the best of the private sector, but also has its own special characteristics to meet the unique demands of government.

In short, the reviews indicate that we need more leaders with real experience in public service operational delivery. Indeed, the new reforms are taking us into new areas – such as commissioning services – where we need new skills.

Each of the departments is now taking actions to strengthen the capability appropriate to their delivery chain – for example:

- DWP will appoint external chairs to the boards of all of its businesses.
- All DWP chief operating officers will come together to share best practice and make best use of their resources.

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- DCA will build stronger relationships with the Legal Services Commission, helping it to manage the legal aid budget and implement Lord Carter's proposed reforms.
  - DfES will establish new streamlined business models for delivery chains and consider the potential for a 'DfES group' of NDPBs and other key partners.
  - The Home Office will implement a new operating model, with a clear split between the centre's role of developing policy and setting the performance framework and the individual businesses' role of delivering on targets, and with a Performance and Reform Unit to drive performance and intervene when necessary.

Additionally, a new head of the operational delivery profession across Whitehall has recently been appointed, and we have established an Association of Chief Executives of Executive Agencies. Both are represented on the new Delivery Council drawn from across the wider public services sector. A key focus of all these groups will be to create a strategic response to the need to generate operational delivery skills of the highest calibre and have these recognised as one of the most important skill sets in Whitehall and certainly on a par with policy making.

## 6. Forward plans: managing improvements in capability

Unsurprisingly, each department is at a different stage of its reform and capability building programme. In summary:

- The Home Office's problems are well known and documented, though, as the review points out, there are areas of good performance. The Capability Review has helped the Home Secretary and Permanent Secretary to shape their reform plan. The Home Office has perhaps the hardest combination of policy and operational challenges in Whitehall and will always be under intense scrutiny. So the Capability Review, and the other plans, set out the forward path.
- DCA has come a long way in the short time since its establishment in 2003. Much progress has been made. It is still on a journey to meet its vision and so has more to do. The review has been helpful in signposting where the Department is experiencing 'growing pains' and where the next phase of this journey will require new or better capability. Providing it implements the agreed actions, it can continue on its journey to meet the vision set for it with confidence.
- Both DWP and DfES have in the recent past performed well against stretching targets and both have examples of great success. But the reviews have highlighted major challenges for the future, particularly as the welfare and education agendas for the country are becoming ever more demanding. The message for both departments is the need to sharpen still further their core capabilities and, across their delivery chains, to focus on developing self-improving services, build on their successes and work as a team to bring all services to the level of their best. By taking the actions set out in the reports, both should become future signposts of success across the whole of Whitehall.

These reviews are not an end in themselves – they are designed to create actions by which permanent secretaries can improve their own departments and from which we can all learn. So once the initial review of each department is signed off, it becomes a commitment from the Permanent Secretary to the Cabinet Secretary as well as his or her stakeholders. As a result:

- The plans will formally become part of the personal performance management of the Permanent Secretary.
- The Cabinet Secretary will review progress against the actions through six-monthly stocktakes with the Permanent Secretary and the top team of each department.
- The Cabinet Secretary will ask the review teams and the Prime Minister's Delivery Unit to help with 'formal' assessments on progress, with the possibility of priority reviews for key areas not making progress fast enough.
- The Cabinet Office will publish a summary report on departments' progress after a year.
- The Cabinet Office will work to ensure that the activities of the centre are focused towards those cross-cutting actions which support and enhance the findings of this set of reviews.
- The Prime Minister's Delivery Unit will conduct and publish a full re-assessment around every two years so that we can ensure that the step change in capability we all seek happens in practice.

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The next reviews, of the Cabinet Office, the Department of Trade and Industry and the Department for Communities and Local Government, are already underway.

These first four reviews, and the wider programme of Capability Reviews, are the start of a new way of ensuring that the Civil Service plays its full part in delivering world-class, modern public services in the years ahead.

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