



November 2016

Cabinet Office



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The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.21 billion in 2015.

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Departmental Overview 2015-16 Cabinet Office

Executive summary

This Departmental Overview looks at the Cabinet Office. It uses data about the Department's activities drawn from its accounts, and summarises the Cabinet Office's performance during the year ended March 2016, together with our recent reports on them. The content of the report has been shared with the Cabinet Office to ensure that the evidence presented is factually accurate.

Part One sets out some facts about the Department and its responsibilities:

- The Cabinet Office supports the delivery of the government's programme, making government work better together.
- It also leads programmes of reform for our democracy and coordinates national security.
- The Cabinet Office's biggest challenges going forwards are:
 - delivering ambitious efficiency and reform programmes;
 - shaping the civil service with the capabilities it needs to prepare for exit from the European Union; and
 - embedding a coherent framework for planning and management of government activity.

Part Two sets out findings from our work on the Department:

- The Comptroller and Auditor General (C&AG) certified the 2015-16 Cabinet Office financial statements with an **unqualified opinion**.
- From our value for money (VfM) and other work, we note the progress the Cabinet Office is making to become, with HM Treasury, an effective corporate centre for government, although:
 - there are issues around Cabinet Office's leadership and management of reform programmes, for example shared service centres;
 - challenges exist around the current skills and capability of Cabinet Office staff to deliver strategic priorities at a time of reducing headcount; and
 - while the Single Departmental Plans initiative is an improvement in performance management, it does not provide the degree of Parliamentary accountability that was promised.

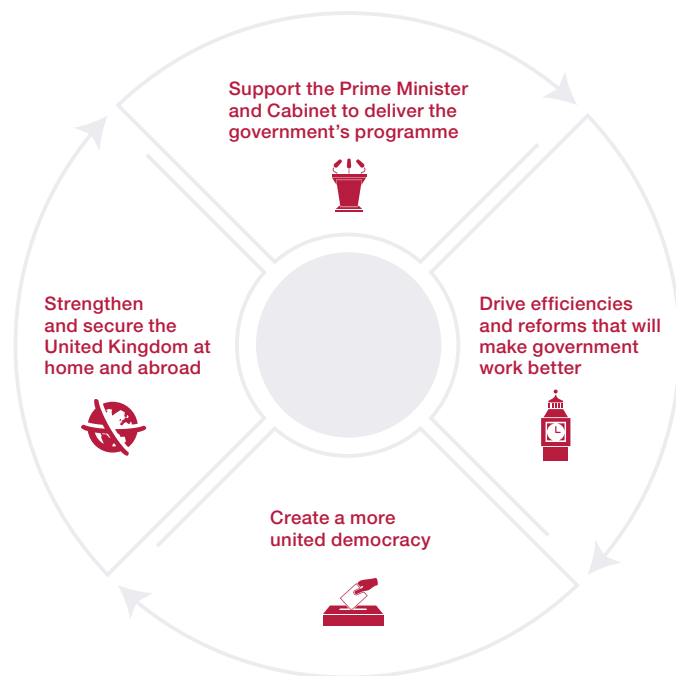
Part Three analyses the Department's major upcoming developments and challenges under three themes:

- Improving the capability of government to deliver. For example, the Government Digital Service (GDS) is due to release a digital strategy, which should set out how government services will be transformed further.
- Managing money and performance. For example, the Cabinet Office will need to implement the SDPs framework across government in a way that will improve detailed long-term business planning and identify value-for-money risks before they occur.
- Services and programmes delivered by the Cabinet Office. For example, a new agency (from April 2017) will own and manage much of the central government property estate.

About the Cabinet Office	Key facts	Where the Cabinet Office spends its money 2015-16	Services provided by Cabinet Office and related bodies	Cross-government functions led by Cabinet Office	Analysis of Cabinet Office spending over the next five years
Priorities and responsibilities			Key events 2015 and 2016		

About the Cabinet Office

The Cabinet Office, alongside HM Treasury, forms the government's corporate centre, coordinating policy and promoting efficiency and reform. Its purpose is to make government greater than the sum of its parts by providing challenge, support and expertise.¹



Cabinet Office's priorities and responsibilities²

Support the Prime Minister and Cabinet to deliver the government's programme



- Establish, implement and communicate the government's strategic priorities
- Support the effective operation of the Cabinet and Cabinet committees
- Draw up and facilitate the delivery of the government's legislative programme
- Ensure public appointments are filled by the best people and that they act in the right way

Drive efficiencies and reforms that will make government work better



- Improve government's ability to deliver major projects through the Infrastructure and Projects Authority (IPA)
- Reduce financial losses through the Fraud, Error, Debt and Grants function (FEDG)
- Achieve greater value for money from procurement and contract management through the Crown Commercial Service
- Building the government workforce's shape, size and capabilities through Civil Service Human Resources (Civil Service HR)
- Continue to improve the management of the government estate through the Government Property Unit (GPU)
- Roll out cross-government technology platforms and put more services online through the GDS.

Create a more united democracy



- Administers on matters of devolution and constitutional settlements, such as 'English votes for english laws'.

Strengthen and secure the United Kingdom at home and abroad



- Coordinate, deliver and implement the National Security Strategy and the Strategic Defence and Security Review through the National Security Secretariat
- Lead on intelligence assessment and development of the UK intelligence community's analytical capability through the Joint Intelligence Organisation

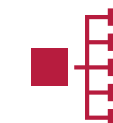
Key challenges for the Cabinet Office



To deliver ambitious efficiency and reform programmes.



Shaping the civil service with the capabilities it needs to prepare for exit from the European Union.



Embedding a coherent framework for planning and management of government activity.








¹ Until July 2016, the Cabinet Office also had a priority to build a stronger civil society. This priority was transferred to the Department for Culture, Media & Sport in 2016-17. The Office of Civil Society functions relating to policy innovation remain in the Cabinet Office.

² Cabinet Office Single Departmental Plan: 2015 to 2020 excluding the priority 'Build a stronger civil society'. Available at: www.gov.uk/government/publications/cabinet-office-single-departmental-plan-2015-to-2020/cabinet-office-single-departmental-plan-2015-to-2020

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Priorities and responsibilities			Key events 2015 and 2016		

About the Cabinet Office *continued*

Key events in 2015 and 2016

Nov 2015	Nov 2015	Jan 2016	Jan 2016	Feb 2016	Jul 2016	Aug 2016
						
Plans approved to establish a new central body to take ownership of all relevant government land and property to generate efficiencies in running the government estate and to sell property that government does not need.	Cabinet Office funding for the next five years was agreed when Spending Review 2015 was announced in November 2015 (see page 10).	Merger of Infrastructure UK and the Major Project Authority to create the Infrastructure and Projects Authority to provide expertise in infrastructure and major project development across government.	Civil Service HR Learning, Policy and Resourcing functions moved to Cabinet Office from various departments to put functional lead for HR strategy and operations in the Cabinet Office.	Introduction of Single Departmental Plans, which is part of the government's new system for planning and performance management at the departmental level.	In July 2016 the following Machinery of Government changes were made: <ul style="list-style-type: none"> • The Office of Civil Society (OCS), which worked to grow a stronger civil society, moved to DCMS; and • The European and Global Issues Secretariat transferred to the new Department for Exiting the EU. 	Crown Commercial Service reforms its operating model under a new chief executive. It aims to standardise services, focusing on procurement of common goods and services.

Key facts

£548 million

annual net spend (capital and resource) in 2015-16 against budget of £597 million.



2,150

permanent staff and 200 non-payroll staff on average employed by Cabinet Office during 2015-16.



£750 million

reduction in government property annual running costs claimed by Cabinet Office since 2010, and £1.8 billion of capital receipts raised.



£170 million

2015-16 Cabinet Office expenditure on Office of Civil Society (OCS) and Innovation (now transferred to DCMS), including National Citizen Service grants.



63%

Cabinet Office employee engagement (December 2015), a measure of an employee's attachment to their employer. The civil service average is 58%.



£24 billion

(£22 billion March 2014) total estimated overdue government debt balance as at 31 March 2015 (tax owed, overpaid tax credits or fines unpaid, for example).



£405 billion

Whole-life costs (as at 30 September 2015) of Government Major Projects Portfolio (GMPP) being assured, supported and reported on by the IPA.



£18.6 billion

of efficiency savings claimed across central government departments in 2014-15 compared with 2009-10, as part of its shared role with HM Treasury.



500,000

identities verified by GOV.UK Verify in 2015-16 (to prove who people are online before using GOV.UK services). GDS has also started work on building GOV.UK Pay (to take payments from the public) and GOV.UK Notify (to notify the public about the progress of their transactions with government).

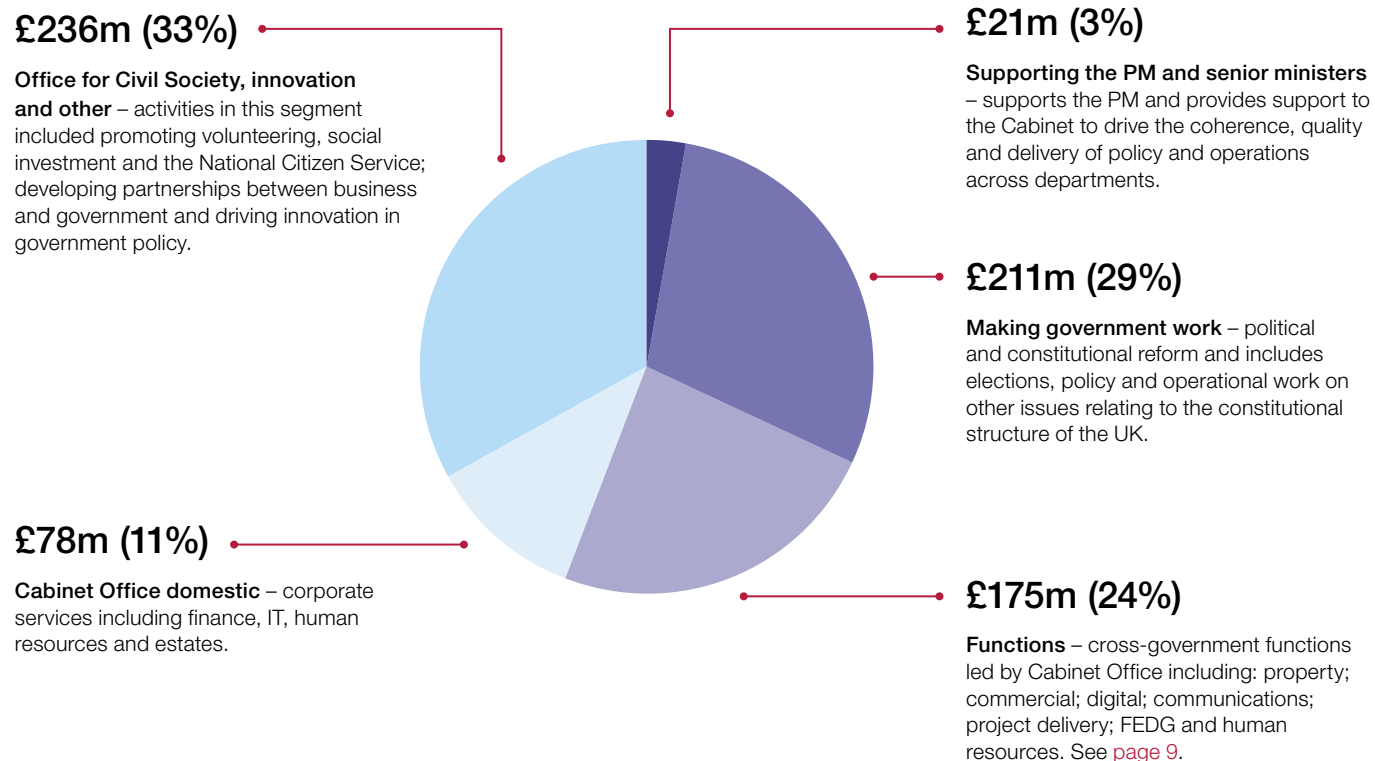


About the Cabinet Office	Key facts	Where the Cabinet Office spends its money 2015-16	Services provided by Cabinet Office and related bodies	Cross-government functions led by Cabinet Office	Analysis of Cabinet Office spending over the next five years
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Spending by segment	Spending by type
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Spending by segment

The Cabinet Office has a smaller budget than most central government departments. However, the Cabinet Office does have an important influencing role, for example through leadership of government commercial and digital functions, setting of certain spending controls, and delivering the efficiency and reform agenda. The Cabinet Office also oversees the Principal Civil Service Pension Scheme and is responsible for the development of policy and maintenance of Scheme rules and finances.



Notes

- 1 The expenditure figures refer to gross resource expenditure within the Departmental Expenditure Limit (DEL)
- 2 Total expenditure was £721 million (this excludes depreciation). Total with depreciation was £740 million.

Source: Cabinet Office 2015-16 Annual Report and Accounts; Note 2: Statement of Net Resource Outturn by Operating Segment

About the Cabinet Office	Key facts	Where the Cabinet Office spends its money 2015-16	Services provided by Cabinet Office and related bodies	Cross-government functions led by Cabinet Office	Analysis of Cabinet Office spending over the next five years
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Spending by segment	Spending by type
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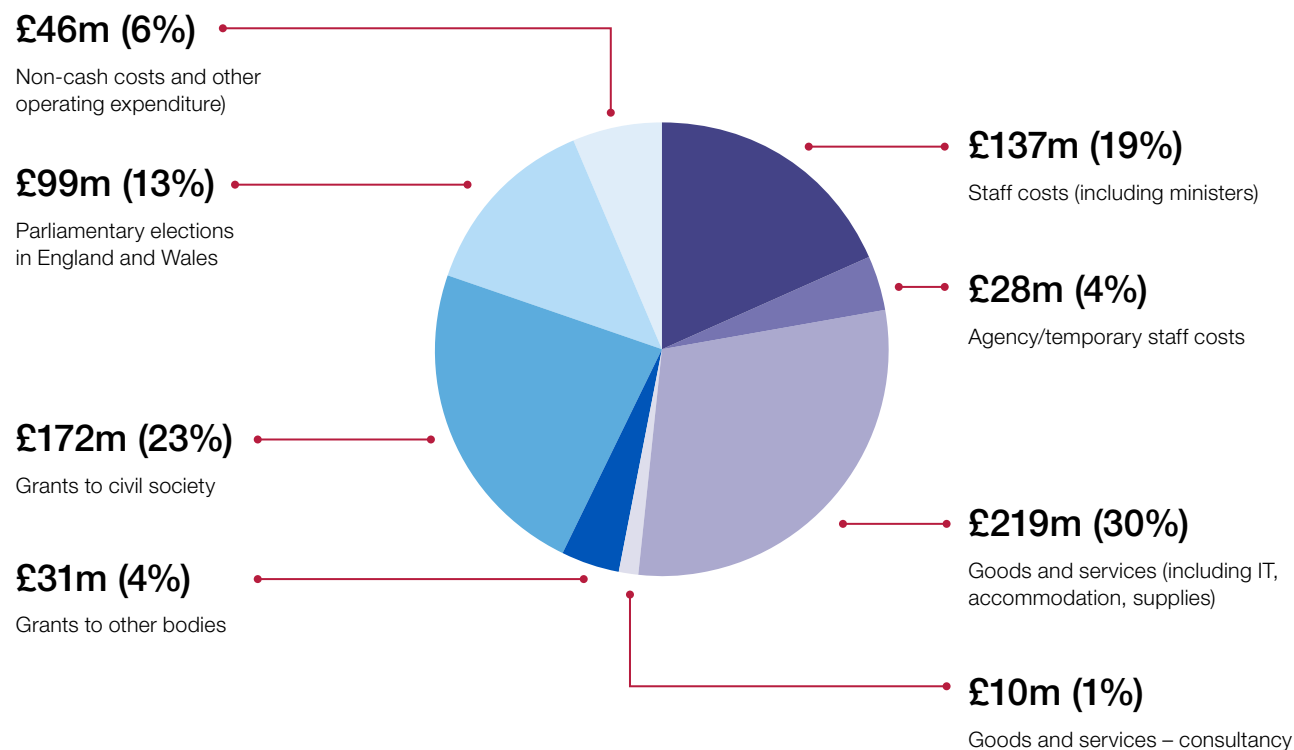
Spending by type

The majority of Cabinet Office grant expenditure has been to build the civil society, which will not be part of the Cabinet Office's spend from 2016-17 onwards. Directly administering grant expenditure will be a much less significant part of the Cabinet Office's activities, although it will still lead on cross-government grant management policy.

The cost of running the 2015 UK General Election in England and Wales was also significant in 2015-16 and is comparable to the cost of the European Parliamentary Election shown in the 2014-15 Cabinet Office accounts.

The Cabinet Office has a relatively high spend on temporary staff (at 17% of total staff costs, 19% 2014-15), which highlights a challenge for the Cabinet Office in delivering an ambitious programme of long-term reform with a relatively transient workforce.

Cabinet Office expenditure 2015-16



Note

1 Figures include both Resource Departmental Expenditure Limit (RDEL) and Annually Managed Expenditure (AME). The total expenditure in-year was £742 million (RDEL: £740 million, AME: £2 million).

Source: Cabinet Office 2015-16 Annual Report and Accounts

Services provided by Cabinet Office and related bodies



Government back-office

Shared Services Connected Limited (SSCL) delivers transactional financial, employee-related HR, payroll and procurement services to the Cabinet Office and a number of other central government bodies.

SSCL is overseen and partly owned by the Cabinet Office. It processes ~£50 billion of government payments, including 260,000 public sector employees' pay, each year.

Led by Cabinet Office, the government has been in negotiations with SSCL over the additional cost of SSCL's activity to provide and develop its services. These negotiations are to be concluded.

The Cabinet Office had also contracted with another supplier, arvato, to provide back-office transactional services for a number of other government departments. Customers other than the Department for Transport have now withdrawn from their shared service centre contracts and will seek other arrangements.



Civil service pensions administration

The civil service pension arrangements are administered by MyCSP Limited, a company overseen and partly owned by the Cabinet Office. It processes 493,000 active civil servant members of the scheme and payments to 639,000 pensioners (as at 31 March 2015).

The total liability to pay civil service pensions in the future was £194.84 billion as at 31 March 2015. The 2015-16 Principal Civil Service Pension Scheme accounts have not yet been published.



Fraud, error, debt and grants

The Fraud, Error, Debt and Grants team work across government to reduce loss through fraud, error, non-collected debt and inefficiency of government grants. It aims to increase departments' capacity and has deployed products such as the National Fraud Initiative, the Debt Market Integrator and the Government Grants Information System.

The Cabinet Office estimates the loss to government from fraud and error in 2015-16 was £29 billion to £40 billion.

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Cross-government functions led by the Cabinet Office

Project delivery £405 billion



Whole-life cost of the Government Major Projects Portfolio in September 2015

Cabinet Office has responsibility to manage the government's ability to deliver projects. The IPA was established in January 2016 with the intention to combine existing project expertise in initiation, financing, assurance and support. It aims to optimise government's project planning and delivery.

Human resources £11.3 billion



Annualised salary cost of civil servants as at March 2014

The Civil Service HR profession aims to build a strong HR community with a reputation for high performance and strong professional development. Cabinet Office hosts the Learning, Employee Policy and Operations expert services. Resourcing is line-managed from Cabinet Office, ahead of its full transfer to Cabinet Office in 2017-18.

Commercial £225 billion



Approximate government spend per year with private and voluntary providers

The Crown Commercial Service is a trading fund that brings together the government's commercial policy, advice and direct buying. It has responsibility to manage the procurement of common goods and services, improve supplier and contract management and lead on government procurement policy. £12.8 billion of public sector procurement business is channeled through its central deals.

Digital £5.3 billion



Net book value of government IT hardware and software as at 31 March 2015

The GDS leads on the digital transformation of government, working with government departments to build platforms, standards and digital services. It also runs GOV.UK, builds platforms such as GOV.UK Verify and works to improve the quality of government data.

Property £2.7 billion



Total cost of running the government estate in 2014-15

The GPU has central oversight over all government land and property. It works across the civil service to create an efficient government estate, provide value for money to the taxpayer, dispose of surplus property and build new homes.

Communications £413 million



Cost of government communications, 2013

The Government Communications Service (GCS) is responsible for providing leadership on government communications. It sets professional standards and provides expert guidance to support campaigns. It recruits and develops communications professionals and provides networks for them to collaborate.

Analysis of the Cabinet Office's spending over the next five years

The 2015 Spending Review announced funding for the following programmes within Cabinet Office:

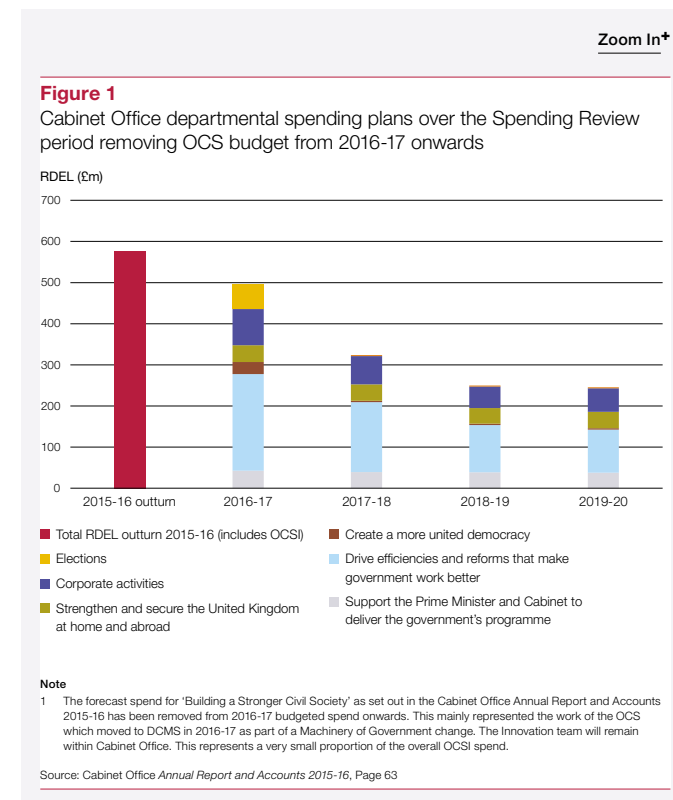
- Cross-government digital (including further development of GOV.UK);
- Property programmes (including the new property model to centrally own and manage the central government estate);
- Social Impact Bonds (since moved to DCMS along with OSC; and
- One Public Estate (to support local authorities to use their assets more effectively).

Increased funding for the National Citizen Service (NCS) was also announced. However, the OCS (including NCS) moved to DCMS in July 2016. The OCS (including innovation) budget represents a significant portion of Cabinet Office spend and the removal of this reduces its budget from 2017-18 onwards by approximately £200 million to £300 million per annum (**Figure 1**).

Without OCS, the Cabinet Office will significantly reduce its total budget over the course of the Spending Review period while tasked with delivering ambitious plans to transform government's digital, commercial and property services.

The Cabinet Office also announced the ambition of annual resource savings of £60 million by 2019-20 against its own expenditure. This is to be achieved from efficiencies in Corporate Services and rationalising headcount. Implementation of this had already begun in 2015-16. The Cabinet Office recorded a £4.2 million provision for a voluntary exit scheme in its 2015-16 accounts and reduced the average number of staff employed in the year from 2,472 to 2,403.¹

¹ *Cabinet Office Annual Report and Accounts 2015-16*, page 51, '2.3 Average number of persons employed'.



Findings from our audit of the 2015-16 Annual Report and Accounts

C&AG's audit opinion and report to Parliament

The C&AG certified the 2015-16 Cabinet Office financial statements with an **unqualified opinion**.

A short report was included on the accounts to describe the approach to assessing the regularity of grants awarded to Kids Company. The grants were awarded with appropriate authority and fell within the agreed activities of the Cabinet Office, as voted by Parliament. Therefore, the C&AG concluded that, despite the concerns raised around the value for money, they were regular.

Progress on accounts preparation and certification



In 2014-15, the annual report and accounts were certified in September 2015 with a delay due to difficulties in preparing reliable accounts. As a result, the Cabinet Office reviewed its financial management processes and controls and begun work to transform its finance function.

In 2015-16 the accounts were certified before the summer Parliamentary recess.

Governance statement

The Cabinet Office's governance statement covered significant matters relating to risk, governance and internal control. In 2015-16 there were several changes carried out to Cabinet Office's corporate governance arrangements including the introduction of an Executive Committee and two sub-committees intended to strengthen the assurance regime.



The Cabinet Office highlighted these significant risks and issues in its statement:

- **Skills and capability** – not having staff with the skills and capability to deliver strategic priorities at a time of reducing headcount.
- **Shared services programme** – failure to manage risk, unrealistic timetables and a lack of clear leadership. The Cabinet Office has introduced new governance and management arrangements in light of this.

- The two Principal Civil Service Pension Schemes are administered by MyCSP Limited, a company owned in part by the Cabinet Office. During the year, MyCSP encountered operational issues in the processing of pension payments, and in providing accurate and timely information on entitlements.

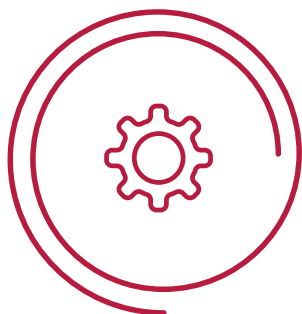


The Cabinet Office stated that it plans further work during 2016-17 to strengthen its control environment.

Findings from our value-for-money audits and investigations

The NAO's Effective Strategic Centre cluster focuses on four themes in its assurance work.

1



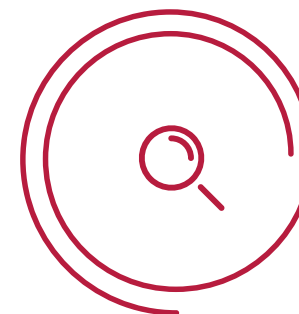
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3



4



Improving government

We expect the centre of government to lead civil service reform, professionalisation and the overall system of government.

Improving government's delivery through others

We expect the centre of government to lead the development of government's commissioning, commercial capability, grant-making and the stewardship of effective markets for public work.

Improving government's management of money

We expect the centre of government to manage government finances in a way that takes account of the long-term fiscal risks.

Improving the centre of government

We expect the centre of government to be effective in providing its services to others, managing its own programmes and overseeing the system of government.

1 Improving government

We expect the centre of government to lead civil service reform, professionalisation and the overall system of government.



Shared service centres (May 2016)

Our report shows government's programme to transfer back-office functions to shared service centres has made savings but has not achieved value for money to date.

The report found:

- weaknesses in the programme design;
- the Cabinet Office did not secure sufficient buy-in from departments at an early stage of the programme; and
- the Cabinet Office did not act in a timely and effective manner as problems emerged with the programme.

The Cabinet Office introduced new governance and leadership arrangements in 2014 and 2015. The programme, however, had encountered such delays that the current plan and system designs may be out-of-date. The Cabinet Office recognised this and was exploring options within the current arrangements to ensure financial savings and improved functionality.

Government's management of its performance: progress with Single Departmental Plans (July 2016)

Our report looked at the government's new system for planning and performance management at the departmental level. We found that there have been improvements in some elements of the way government currently plans and manages public sector activity, but overall the coherent, enduring framework for planning and management that government needs does not exist.

While the Single Departmental Plans (SDPs) initiative builds on learning from previous performance systems, it does not provide the degree of Parliamentary accountability that was promised, nor represent good practice in transparency. SDPs have the potential to improve detailed long-term business planning and identify value-for-money risks before they occur; however, there is more work to be done to embed the culture change needed across government.

Departments' oversight of arm's-length bodies: a comparative study (July 2016)

Our report found that the Cabinet Office needed to develop greater coherence and consistency in the oversight of arm's-length bodies by departments.

2 Improving government's delivery through others

We expect the centre of government to lead the development of government's commissioning, commercial capability, grant-making and stewardship of effective markets for public work.



Government's spending with small and medium-sized enterprises (March 2016)

Reported the progress made so far and the challenges faced by the government in its efforts to increase its spending with small and medium-sized enterprises (SMEs) further by 2020. The Cabinet Office estimates that 27% (£12.1 billion) of government procurement spending reached SMEs in 2014-15, surpassing its target of 25%. Government now aims to increase its spending with SMEs to 33% by 2020. To track government's performance, the Cabinet Office's Crown Commercial Service (CCS) has worked with departments to improve information on spending with SMEs.

Government needs to take a more concerted effort not only to remove barriers to bidding, but to ensure that what and how government procures achieves the desired benefits of using SMEs. Government must also balance its aspirations for using SMEs with other potentially conflicting priorities, such as pressures on departments to make savings. Among the NAO's recommendations is for the CCS to identify

areas of government spending where SMEs can have the most impact and to use best practice to inform future decisions.

Transforming contract management: progress review (Committee of Public Accounts, March 2016)

Reported that while there was progress in some areas the pace of change was disappointing. The Cabinet Office and HM Treasury had carried out commercial capability reviews of 10 departments in 2014-15, but most of the recommendations had not been implemented by the time of the report.

The Cabinet Office needed to raise its game, challenge departments that were lagging behind and support them where necessary. It needed to tackle the longstanding problem of a civil service culture that does not place enough value on commercial expertise, for example by emphasising commercial skills more in making promotions to the senior civil service. By the end of the Parliament, the Committee expects to see a civil service which is first rate at managing commercial contracts. Without good progress, value for money will continue to be undermined.

Investigation into the government's funding of Kids Company (October 2015)

We carried out an investigation into the government's funding of Kids Company, finding that:

- Kids Company received at least £46 million of public funding, including significant contributions from the Cabinet Office between 2013–2015;
- in June 2015, Cabinet Office officials advised ministers that a further grant to Kids Company did not represent value for money. The grant was made in July 2015 under a ministerial direction; and
- in each funding round, government planned to work with Kids Company to secure longer-term sustainability and reduce its dependence on government but it failed to do so.

Findings from our audit of the 2015-16 Annual Report and Accounts

Findings from our value-for-money audits and investigations

Improving government

Improving government's delivery through others

Improving government's management of money

Improving the centre of government

3 Improving government's management of money

We expect the centre of government to manage government finances in a way that takes account of the long-term fiscal risks.



Spending Review 2015 (July 2016)

Our report set out the high-level financial plans for departments, examined the effectiveness of the Review as a spending and planning tool. Spending reviews set clear limits for departmental spending and allow departments to plan for the medium term. The process has been improved, including how HM Treasury works with the Cabinet Office. But the approach remains rooted in bilateral negotiation, which works less well for tackling difficult and entrenched issues, and is not yet the best environment for achieving value for money. The medium and long-term impacts of funding decisions (both financial and non-financial) may not be properly considered.

Report of the Comptroller and Auditor General: Whole of Government Accounts 2014-15 (May 2016)

The Whole of Government Accounts (WGA) show the government's overall financial position as defined by accounting standards, and so is a key part of the mechanisms for understanding the government's financial performance. The 2014-15 WGA is an accurate reflection of the use of public resources. However, as with 2013-14, the C&AG's opinion was qualified. HM Treasury is not yet achieving its target of publishing the accounts within nine months of the year end.

Net expenditure (the shortfall between income and expenditure) increased to £152.0 billion in 2014-15. The accounts included for the first time the reporting of Cabinet Office cross-government fraud, error and debt data.

4 Improving the centre of government

We expect the centre of government to be effective in providing its services to others, managing its own programmes and overseeing the system of government.



Accountability to Parliament for taxpayers' money (February 2016)

Departmental accounting officers (AOs) are responsible and accountable to Parliament for their department's use of public money and the stewardship of its assets. In our report, we found that the incentives on an AO to prioritise value for money were weak compared with those associated with the day-to-day job of satisfying ministers. We recommended that the Cabinet Office should identify and put in place measures to change incentives for permanent secretaries to emphasise their AO responsibilities, alongside their duty to ministers. For example, it should ensure that AO responsibilities are given more weight in the formal appraisal of each permanent secretary's performance. It should also give more emphasis to AO duties in each permanent secretary's performance objectives. This should go beyond mere general statements about the AO's role; for example, objectives should make explicit how specific programmes and priorities will be pursued in accordance with value for money.

Investigation into members' experience of civil service pension administration (February 2016)

Our report examined the quality of pension services since it was brought in-house in September 2014.

Following the changes many scheme members and employers expressed dissatisfaction with the service provided by MyCSP. Our report made a number of recommendations to the Cabinet Office and Civil Service Pensions Board, which included to work with employers and MyCSP to produce a plan as to how data will be cleansed and maintained; continue to reform the governance arrangements; manage the performance of MyCSP; and define roles and responsibilities clearly.

Delivering major projects in government: a briefing for the Committee of Public Accounts (January 2016)

Our report stated that greater transparency on project performance is required. It reported that there are concerns that a third of projects due to deliver in the next five years are rated as being in doubt or unachievable if action is not taken to improve delivery.

Use of consultants and temporary staff (January 2016)

Our report found better scrutiny of proposals within government since 2010 has helped to reduce annual spending on consultants and temporary staff (C&TS) by £1.5 billion. However, since 2011-12, annual spending on C&TS has gone back up by £400 million to £600 million while departments were reducing their permanent workforce.

In 2014-15 the Cabinet Office spent 35% of the cost of its civil servants on C&TS, whereas the average for departments was 6% to 8%. While the Cabinet Office recommends that departments review proposals for C&TS, we found that the Cabinet Office itself did not always follow its own procedures.

Fraud landscape review (February 2016)

Our report concluded that the exact scale of fraud within government is unknown but excluding tax credit and benefit fraud, detected fraud in 2014-15 across government was equivalent to only 0.02% (£72.9 million) of total expenditure (£306 billion). Given current fiscal challenges, reducing the level of fraud is one potential way of making savings while protecting services. We acknowledged that the Cabinet Office had provided valuable guidance and expertise to departments, while we recommended that Cabinet Office should improve transparency and raise awareness of fraud.

Major programmes and developments

Property

The Government Property Unit will deliver a **New Property Model**, which is planned to be operational in April 2017. A new agency will own and manage much of the central government estate to achieve two goals:

- a more commercial approach to asset management; and
- efficiencies through developing cross-government portfolio management.

The **Government Hubs** programme aims to reduce government estate from 800 buildings to fewer than 200 by 2023.

The Cabinet Office noted in its 2015-16 Annual Report and Accounts delays in implementing the programme due to difficulties in recruiting staff with required skills. The NAO is carrying out value-for-money reviews into capability and government property strategy in 2016-17.

The Spending Review 2015 announced a further £31 million funding for **One Public Estate** to support local authorities working with other public sector bodies to deliver property-focused programmes.

Devolution

As part of its commitment to deliver a stable constitutional settlement, the Cabinet Office has implemented proposals for English Votes for English Laws, which addresses the so-called West Lothian question by requiring the explicit consent of English MPs to legislation which only affects England and where the equivalent power is devolved. Cabinet Office supported the Scotland Office to deliver the Scotland Act in March 2016 and the Wales Office on the Wales Bill. These pieces of legislation see more powers devolved to the respective legislatures.

Digital

Government Digital Services set out three programmes to be delivered in the 2015 Spending Review:

- **Common Technology Services** – to standardise government IT and enable collaboration and cost savings between departments;
- The **Government As A Platform** – to deliver digital services through a common core technology architecture for the civil service. In 2015-16, work began to develop GOV.UK Pay and GOV.UK Notify using this platform; and
- **GOV.UK Verify**, which enables individuals to prove their identity online, went live on 24 May 2016 having spent several years under development and is currently available for 10 online services. There was an underspend in the GOV.UK Verify budget due to lower than expected use in 2015-16, as set out in the Cabinet Office's accounts.

Other developments

The Cabinet Office also set out plans to work collaboratively with departments in the following areas, although no major programmes were announced:

- Major projects and programmes – working collaboratively with the IPA;
- Commercial relationships;
- Communications;
- Fraud error and debt; and
- Public Bodies Reform – redefining the relationship between departments and their arm's-length bodies.

Digital transformation – Role of the Cabinet Office

The Government Digital Service (GDS) was established in 2011 to “help government make digital services and information simpler, clearer and faster”. Claims were made that this could deliver savings estimated at £1.7 billion to £1.8 billion annually. A report from the then UK digital champion recommended creating a single portal for all government services and a team in the Cabinet Office with an overall chief executive officer for Digital.

GDS is hosted in the Cabinet Office with **Kevin Cunningham** appointed its head in August 2016.

There has been a succession of high-level changes at ministerial and executive level. Following Francis Maude’s departure from government in 2015, the executive director and many of his GDS senior team left and there were further departures during 2016.

GDS staff numbers have increased by approximately 300 from 200 (2013) to 500 (2015).



GDS has also taken on a role in the development of common core infrastructure (‘platforms’) which can potentially be used by departments. Examples include GOV.UK (publishing), Verify (identity assurance), Notify (text messages) and Pay (collect money by credit card or PayPal).



Some challenges it faces

The allocation of £450 million in the 2015 Spending Review is a significant increase in times of continued pressure on spending. However:

- the GDS may not have the levers to deliver new core infrastructure (‘platforms’) across government;
- capability and skills remain a challenge for GDS and departments. Efforts to date to address the problem have had little impact, because it is a wider problem for the government and the economy;
- learning the lessons from implementation of GOV.UK Verify where take-up has been lower than expected; and
- a digital transformation strategy and data strategy has not yet been published.

General trends in digital across government



Business-wide transformation

Departments are having to think beyond specific projects and consider their longer-term operating models and the transformation portfolios and programmes needed to implement them.



Cyber security and information assurance

As systems open up to the web, departments need to respond to threats from attack and theft and to assess the quality of information that may be outside their immediate control.



Data strategy

Departments will need to improve the internal use of data and exploit new techniques in analytics.



Legacy systems

Departments will have to address the difficult issues of the old generation of technology and systems.

Major programmes and developments

Improving capability of government

Managing money and performance

Services and programmes delivered by the Cabinet Office

Digital transformation – Role of the Cabinet Office

Workforce capability

Project and programme delivery

Workforce capability

To ensure standards of public service are maintained, major projects are delivered and cost reductions are sustainable, all departments must progress faster to develop strategic workforce plans that are integral to the way departments function, reflect our diverse society and ensure they recruit or develop the critical skills they need.¹

Strategic workforce planning – minimising the ‘capability gap’

Like any organisation, government needs to have the right people in the right place at the right time and at the right cost to carry out all that it needs to do. Strategic workforce planning is an ongoing process through which an organisation aligns its workforce – its capability – with its priorities to enable it to meet its legislative, regulatory or service requirements as well as its organisational objectives. Planning in this way helps departments identify whether they have a ‘capability gap’, such as a lack of staff with specialist skills. The NAO’s work to date has found that in general departments are weak at strategic workforce planning and departments often lack comprehensive and reliable information on workforce skills. The Cabinet Office has had skills shortages in some areas of its business including the GDS, where it makes extensive use of temporary staff, and the Crown Commercial Service, where it is introducing new pay arrangements to attract and retain skilled staff. In the next year, we understand, the Cabinet Office will review the Senior Civil Service

(SCS) pay levels and framework to ensure there is more coherence between similar jobs across government and to recognise and encourage the retention of scarce skills and experience.

Changes in the workforce and its cost

Between 2010 and 2015 most departments reduced their staff numbers, and the number of civil servants (full-time equivalent) reduced by 18%, from 492,010 to 405,570. The Cabinet Office workforce increased by 30% between 2010 and 2015 (when it was 2,980 at 31 March 2015), in part due to Machinery of Government changes.

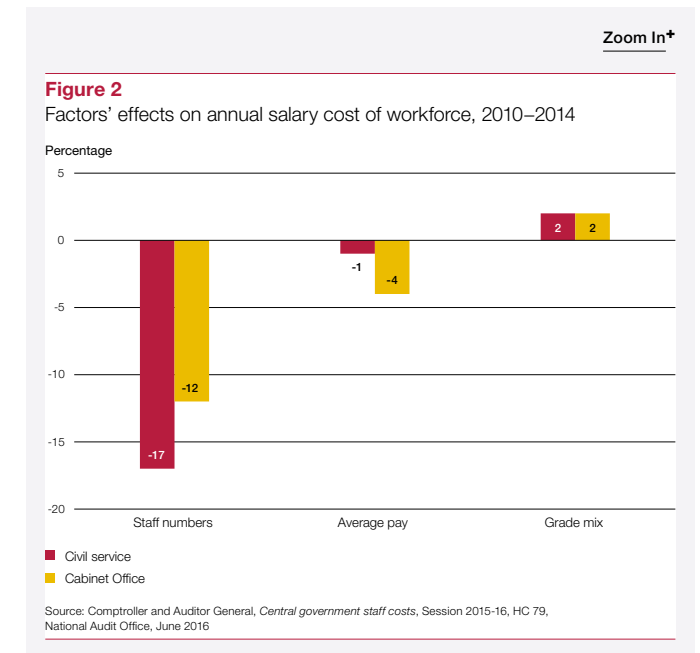
Between 2010 and 2014 (after removing the effects of Machinery of Government changes) the Cabinet Office reduced the annual salary cost of its workforce by £22 million. This reduction was achieved by reducing the numbers of staff (saving £16 million or 12%) and average salaries (saving £6 million or 4%) (**Figure 2**).

Contained within these figures was a £3 million cost (2% of salary cost) resulting from an increase in the seniority of the Cabinet Office grade mix.

Use of consultants and temporary staff

Consultants and temporary staff can be an important source of capability for departments that are transforming how they do business. However, they can be twice as expensive as permanent staff. Departments need to use strategic workforce planning to drive down their dependency on consultants and temporary staff.

Of the 17 main departments, the Cabinet Office spent the most on consultants and temporary staff as a proportion of its permanent staff payroll costs (which were £134 million in 2014-15). It spent the equivalent of 24% of these payroll costs on temporary staff and 11% on consultants.

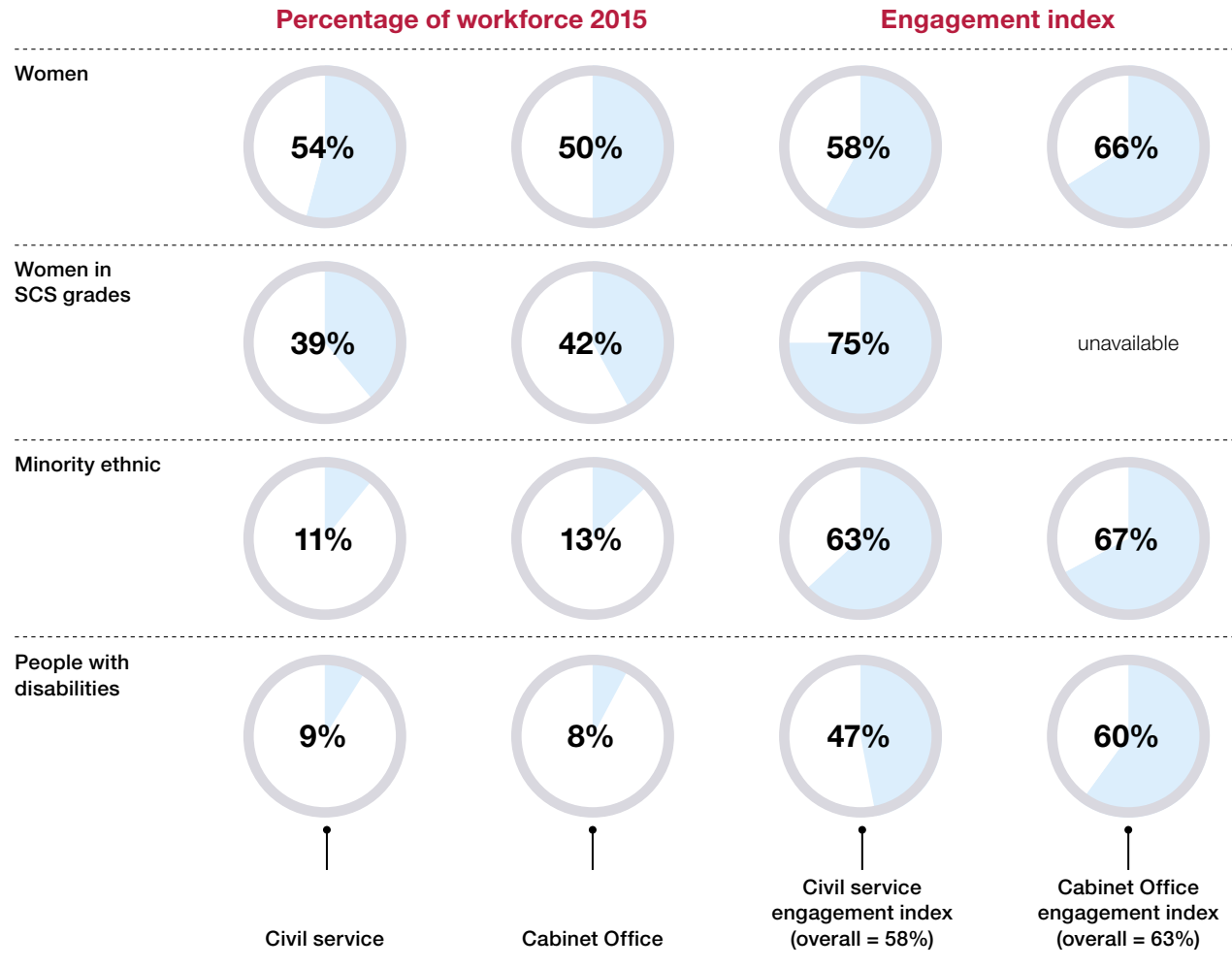


¹ In 2015-16, the NAO published three cross-government reports relating to workforce capability – [Central government staff costs](#); [Diversity, equality and inclusion in the civil service](#); [Use of consultants and temporary staff](#).

Workforce capability *continued*

Diversity, equality and inclusion

A diverse workforce, made up of individuals with a wide range of characteristics and experiences, and creating an inclusive and supportive work environment are vital to improving capability. The civil service needs a working environment in which staff are motivated, feel able to contribute and are confident that their talents will be used, regardless of their background or working style. The approach taken to diversity and inclusion is a sign of a department's ability to implement workforce reforms. The Cabinet Office published its own [equality and diversity objectives and information](#).



Source: National Audit Office analysis of Office for National Statistics and Civil Service People Survey 2015 data

Project and programme delivery

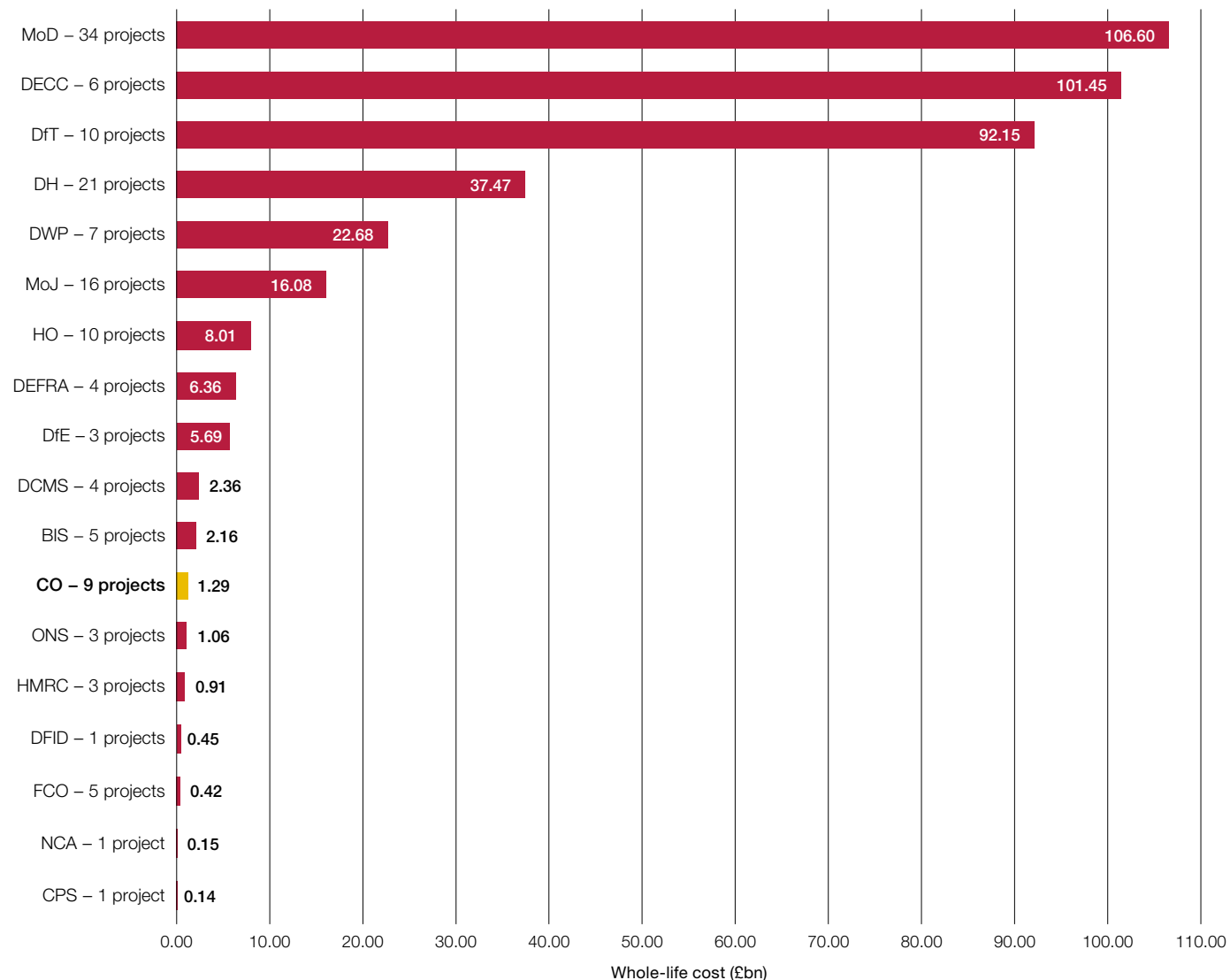
Major projects in government

Many of a department’s objectives are implemented through projects. In September 2015, the Government’s Major Projects Portfolio, which includes the biggest and riskiest projects, comprised 143 projects with estimated whole-life costs of £405 billion. Of these, 100 are due to be delivered in this Parliament but four have durations of over 25 years. Some span several departments or seek to meet multiple objectives. Three departments – MoD, DECC and DfT – accounted for 74% of the portfolio by value. A major delivery challenge for the Cabinet Office is getting buy-in across departments.

The nine Cabinet Office projects are (NB: [based on information published in July 2016](#), based on data from September 2015 – At this point in time the New Property Model was not included): Commercial Capability Programme; Electoral Registration Transformation Programme; GOV.UK Verify; FOXHOUND Programme; ISSC1; ISSC2; New Civil Service 2015 Pension Scheme Implementation; National Cyber Security Programme; Government Office Hubs Programme.

Note

1 MoD = Ministry of Defence; DECC = Department of Energy & Climate Change; DfT = Department for Transport; DH = Department of Health; DWP = Department for Work & Pensions; MoJ = Ministry of Justice; HO = Home Office; DEFRA = Department for Environment, Food & Rural Affairs; DfE = Department for Education; DCMS = Department for Culture, Media & Sport; BIS = Department for Business, Innovation & Skills; CO = Cabinet Office; ONS = Office for National Statistics; HMRC = HM Revenue & Customs; DFID = Department for International Development; FCO = Foreign & Commonwealth Office; NCA = National Crime Agency; CPS = Crown Prosecution Service.



Major programmes and developments

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Project and programme delivery

Project and programme delivery *continued*

Recurring themes across government

Government has not had a record of accomplishment in delivering major projects. The lack of clear, consistent data to measure a project's performance makes it difficult to say whether performance is improving. Data on costs and benefits are often poor or absent and over-optimism is not uncommon. Coordinated and controlled management of multiple projects as a portfolio to achieve a set of objectives, both within departments and across government, is lacking and there is no central oversight around prioritisation between departments. Poor early planning has put projects at risk through inadequate options appraisals and ineffective piloting and testing. Skills shortages in project and programme management and in digital and commercial, combined with a lack of capacity to undertake a growing number of projects, remains a challenge. Persistently high turnover of senior responsible owners (SROs) and the heavy workloads for SROs raises concerns over how best to ensure accountability for how taxpayers' money is spent. Many responsibilities have been devolved to local bodies and there is increased cross-departmental working that could result in unclear lines of accountability.

Our [Update of the National Cyber Security Programme](#) (2014) found the programme risk register highlighted that there was not enough skilled personnel in the public sector to deliver the programme's objectives.

Main challenges for this Parliament

The main challenges for departments and the centre of government (HM Treasury and the Cabinet Office) during this Parliament are to:

- 1 encourage departments not to make firm commitments on cost and timescales for delivery before their plans have been properly tested;
- 2 develop an effective mechanism whereby the centre of government can prioritise all major projects according to strategic importance, and capability is deployed to priority areas; and
- 3 make sure departments and the centre of government put in place systems and data which allow proper performance measurement of projects and their corresponding portfolio.

Our report on shared service centres found problems with programme design. The government did not develop an overall programme business case. The absence of an overarching business case, which could have covered aspects such as how funding would be shared and benefits monitored, contributed to the programme being treated as several separate projects. Some departments were left to fund much of the programme themselves, despite benefits not accruing equally between customers.



Managing money and performance – Accountability

Accountability to Parliament for taxpayers' money is part of good public management and democratic government. The NAO's work shows that as the complexity of policy and implementation has increased, the balance of pressures on AOs has shifted to potentially undermine accountability to Parliament.¹

Systems of accountability

AOs operate at the head of a **system of accountability**. There are four essentials of accountability (**Figure 3**). The AO's role has increasingly had to adapt to **wider changes in government** that make accountability more complex, such as greater local devolution, outsourcing and cross-cutting working. AOs now commonly delegate, devolve or share delivery responsibilities.

Government generally has poor **performance and cost data** for overseeing systems of accountability. New Single Departmental Plans were intended to improve this, but they have only limited usefulness for public and Parliamentary accountability (see [page 13](#) for more information).

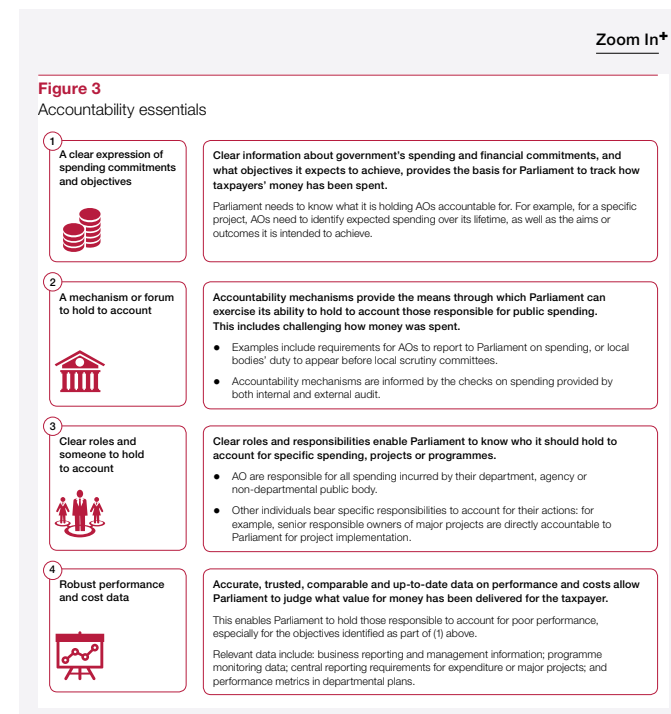
AOs' responsibilities for public money

AOs are responsible for using public resources wisely and safeguarding taxpayers' interests. **AOs lack the confidence to challenge ministers** over the feasibility or value for money of policies or decisions.

AOs can request a formal **ministerial direction** to proceed with a policy or course of action where they have serious concerns about its propriety, regularity, feasibility or value for money. This is often seen as the 'nuclear option' and is rarely used. The following ministerial directions have been issued for Cabinet Office in the past year:

- Special advisers' severance pay (13 July 2016).
- Kids Company (29 June 2015).

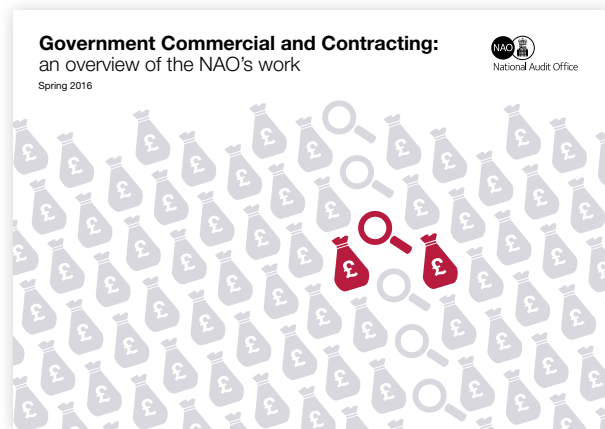
¹ Our report [Accountability to Parliament for taxpayers' money](#) in February 2016, was followed by a [Committee of Public Accounts report](#) in May 2016. The reports focused on the responsibility of departmental AOs to account to Parliament for the use of taxpayers' money.



Source: Our report [Accountability to Parliament for taxpayers' money](#), published February 2016

Services and programmes delivered by the Cabinet Office – Commercial and contracting

NAO commercial overview



In spring 2016 the NAO published an [overview](#) of the six themes government faces in its management of commercial relationships: capability; managing service delivery; accountability and transparency; government working as one customer; managing markets; and using new commercial models. The Cabinet Office, through the government commercial function, has a major role in raising performance across government in these areas.

Capability: The Cabinet Office is leading a programme to improve commercial capability across government



Improving commercial capability is a top priority for the civil service. The Cabinet Office led a programme of Commercial Capability Reviews across departments, which were completed in spring 2015. The Cabinet Office summarised common themes in its [progress report](#) to the Committee of Public Accounts in December 2015 (see **Figure 4**).

The Cabinet Office's progress report also set out how departments would produce commercial 'blueprints' in 2016. These will set out the commercial capabilities and structures departments need, and plans for delivering that capability. They are expected to be endorsed by departments' boards.

Government's response to the [Committee of Public Accounts report](#) announced the establishment of the Government Commercial Organisation (GCO), which will be a single employer for senior commercial staff across government. Staff will start to transfer into the GCO in late 2016.

Figure 4

Common themes from 2015 commercial capability reviews

- The need to increase the number of senior experienced commercial staff and reduce the need for less-skilled junior staff.
- The need to reduce the high vacancy levels in key commercial functions, through increasing the appeal of the commercial profession in government.
- Ensuring clear lines of accountability for commercial decision-making in all departments, to board and Permanent Secretary level.
- Improving the commercial skills and awareness of non-specialist policy officials, particularly in contract management settings.
- Refocusing of commercial capability away from the procurement process and redirecting commercial resource towards market-shaping and contract management activities.
- Improved coordination of commercial resources across government to direct commercial expertise towards high-risk and high-demand programmes.

Source: Cabinet Office, written evidence to Committee of Public Accounts, December 2015

Services and programmes delivered by the Cabinet Office – Commercial and contracting *continued*

Government as one customer: The Cabinet Office oversees centralised buying through the Crown Commercial Service (CSS)



Government has recognised that it needs to act as one customer to exploit its buying power in the market. The Cabinet Office is responsible for overseeing the CCS, which aims to get better value for money from some £15 billion of common goods and services by centralising the buying and its management across all departments.

At the end of 2015 seven departments had transferred £2 billion of spending to CCS. Previous NAO reports have highlighted issues government needs to manage including getting clarity on the operating model for the centre of government and departments to allow departments to determine how their own commercial functions should operate. The NAO will report on the CCS in 2016-17.

Accountability and transparency: Cabinet Office progress has been mixed on improving transparency



In 2016 the Cabinet Office published guidance for government on the use of [Open Book Contract Management](#). Its [Commercial Standards](#) (2016) mandate the consideration of open book in all new contracts. The increased transparency over providers' revenues and profits proposed by the Cabinet Office in its [Transparency Principles](#) of 2015 has yet to be realised.

Cabinet Office sponsored bodies

Bodies outside of the Cabinet Office's accounting boundary

Ministerial Departments

[Office of the Leader of the House of Commons](#)

[Office of the Leader of the House of Lords](#)

Trading Fund and Executive Agency

[Crown Commercial Service](#)

Bodies within the Cabinet Office's accounting boundary

Executive non-departmental public body

[Civil Service Commission](#)

Advisory non-departmental public bodies

[Advisory Committee on Business Appointments](#)

[Committee on Standards in Public Life](#)

[House of Lords Appointments Commission](#)

[Main Honours Advisory Committee](#)

(Honours and Appointments Secretariat)

[Parliamentary Boundary Commission for England](#)

[Parliamentary Boundary Commission for Wales](#)

[Security Vetting Appeals Panel](#)

[Senior Salaries Review Body](#)

Independent Commission on Freedom of Information (dissolved on 11 March 2016)

Corporation sole

[The Office of the Registrar of Consultant Lobbyists](#)

Other body

[Office of the Commissioner for Public Appointments \(OCPA\)](#)

Recent National Audit Office publications



[A Short Guide to the Cabinet Office](#)
National Audit Office, July 2015

[Protecting information across government](#) (Sep 2016)

[Government's management of its performance: progress with single departmental plans](#) (Jul 2016)

[Spending Review 2015](#) (Jul 2016)

[Disposal of public land for new homes: a progress report](#) (Jul 2016)

[Departments' oversight of arm's-length bodies: a comparative study](#) (Jul 2016)

[The Business Impact Target: cutting the cost of regulation](#) (Jun 2016)

[Shared service centres](#) (May 2016)

[Government commercial and contracting: an overview of the NAO's work](#) (May 2016)

[Government's spending with small and medium-sized enterprises](#) (Mar 2016)

[Accountability to Parliament for taxpayers' money](#) (Feb 2016)

[Fraud landscape review](#) (Feb 2016)

[Investigation into members' experience of civil service pension administration](#) (Feb 2016)

[Investigation into the acceptance of gifts and hospitality](#) (Feb 2016)

[Use of consultants and temporary staff](#) (Jan 2016)

[Delivering major projects in government: a briefing for the Committee of Public Accounts](#) (Jan 2016)

[Companies in government](#) (Dec 2015)

[The digital skills gap in government: Survey findings](#) (Dec 2015)

[Competitive and demand-led grants: good practice guide](#) (Nov 2015)

[Investigation: the government's funding of Kids Company](#) (Oct 2015)

[Confirmed impacts: Helping to improve strategic management of debt owed to government](#) (Oct 2015)

[Confirmed impacts: Improving the efficiency and effectiveness of grant spending](#) (Oct 2015)

[Confirmed impacts: Shining a spotlight on contract management](#) (Oct 2015)

[The art of spending public money wisely](#) (Oct 2015)

[Managing business operations – what government needs to get right](#) (2015)

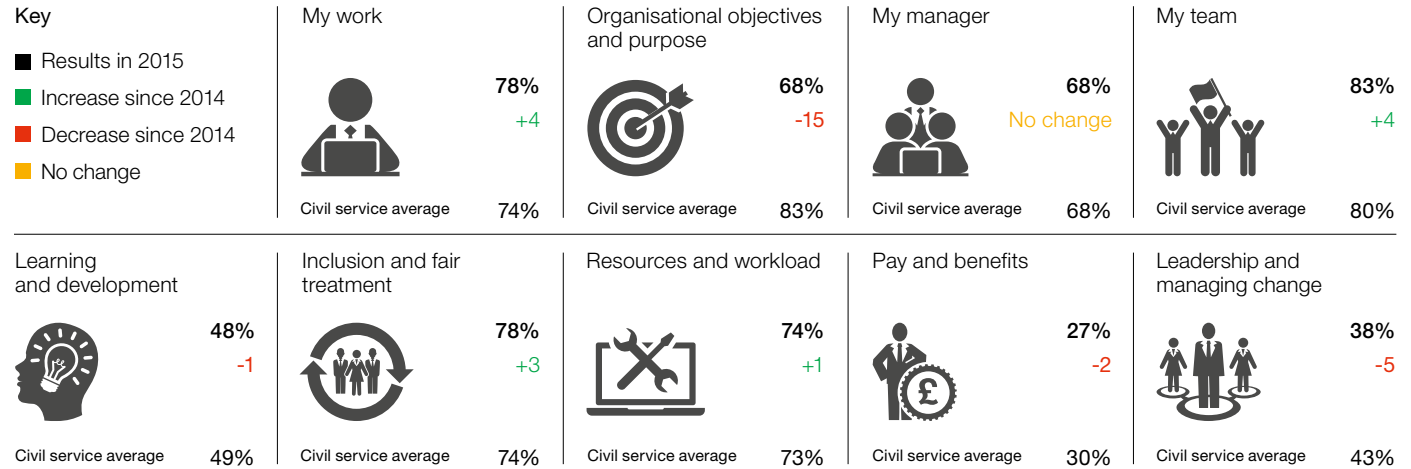
Civil Service People Survey results 2015

The government conducted its [Civil Service People Survey](#) annually for the past five years, the most recent being carried out in October 2015.

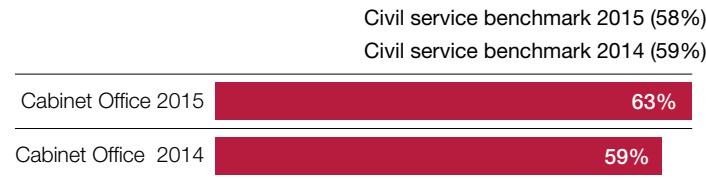
Employee engagement is shaped by experience at work, which has been measured by the survey. The overall Cabinet Office employee engagement score is shown on the right giving the scores for the nine factors surveyed which influence engagement. The percentile figures indicate the proportion of respondents who have expressed positive feelings.

[Results of the Cabinet Office People Survey 2015.](#)

Attitudes of staff in 2015 compared with 2014 – Cabinet Office



Engagement index 2015 and 2014



Sources: Civil Service People Survey 2015 and 2014