



National Audit Office

**BRIEFING FOR
THE PUBLIC
ADMINISTRATION
SELECT COMMITTEE
NOVEMBER 2008**

Public Administration Select Committee: Cabinet Office Performance Briefing

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National Audit Office

Public Administration Select Committee: Cabinet Office Performance Briefing

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This briefing has been prepared for the Public Administration Select Committee to provide an overview of the work and performance of the Cabinet Office in the financial year 2007-08 and subsequent months.

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Summary

Aim and scope of this briefing

1 This briefing has been prepared for the Public Administration Select Committee to provide an overview of the work and performance of the Cabinet Office in the financial year 2007-08 and subsequent months. The briefing takes as its basis the Cabinet Office's Annual Report and Accounts 2007-2008, drawing upon the work of the National Audit Office together with relevant material from other external and internal reviews of departmental performance. The contents of the briefing have been shared with the Cabinet Office to ensure that the evidence presented is factually accurate, but the commentary and views expressed are the sole responsibility of the National Audit Office.

The Cabinet Office's role and priorities

2 The Cabinet Office acknowledges in its Annual Report and Accounts that its aim – 'making Government work better' – is broad. The Cabinet Office sees itself as carrying out three key functions:

- supporting the Prime Minister – to define and deliver the Government's objectives;
- supporting the Cabinet – to drive the coherence, quality and delivery of policy and operations across departments; and
- strengthening the Civil Service – to ensure the Civil Service is organised effectively and has the capability in terms of skills, values and leadership to deliver the Government's objectives.

3 The Comprehensive Spending Review, published in October 2007, sets out two levels of indicator against which departmental performance is measured. The Government's main priorities continue to be set out in the form of Public Service Agreements. The Cabinet Office leads the delivery of PSA 16 **increase the proportion of socially excluded adults in settled accommodation and employment, education or training** and is a delivery partner for three others. The Comprehensive Spending Review also requires each department to agree strategic objectives to allow a fuller measure of progress across its self-defined key activities. The Cabinet Office has six Departmental Strategic Objectives, discussed in more detail in Chapter 4.

4 In addition to his role as head of the Cabinet Office, the Cabinet Secretary is Head of the Home Civil Service. This gives him responsibility for appraising the performance of Permanent Secretaries and overall responsibility for the Civil Service (**Figure 1**).

Figure 1
The Civil Service

Organisation (as at December 2007)		(1)
Government departments	25	
Agencies	100	
Non-Departmental Public Bodies (as at 31 March 2007)	827	(2)
Employees		
Employees in central Government departments (full-time equivalent)	457,900	(3)
Proportion of employees that are female	51%	(3)
Proportion of employees from a minority ethnic group	8%	(4)
Proportion of employees disabled	7%	(4)
Proportion of employees in the Senior Civil Service	1%	(4)

Source: (1) Civil Service Yearbook (2) Public Bodies 2007. NDPBs are accountable through departments but employees of NDPBs are not generally civil servants (3) Office for National Statistics, Public Sector Employment Q2 2008 (17.9.08). Employees of the home civil service, excluding Wales and Scotland; (4) Civil Service Statistics (30.9.07)

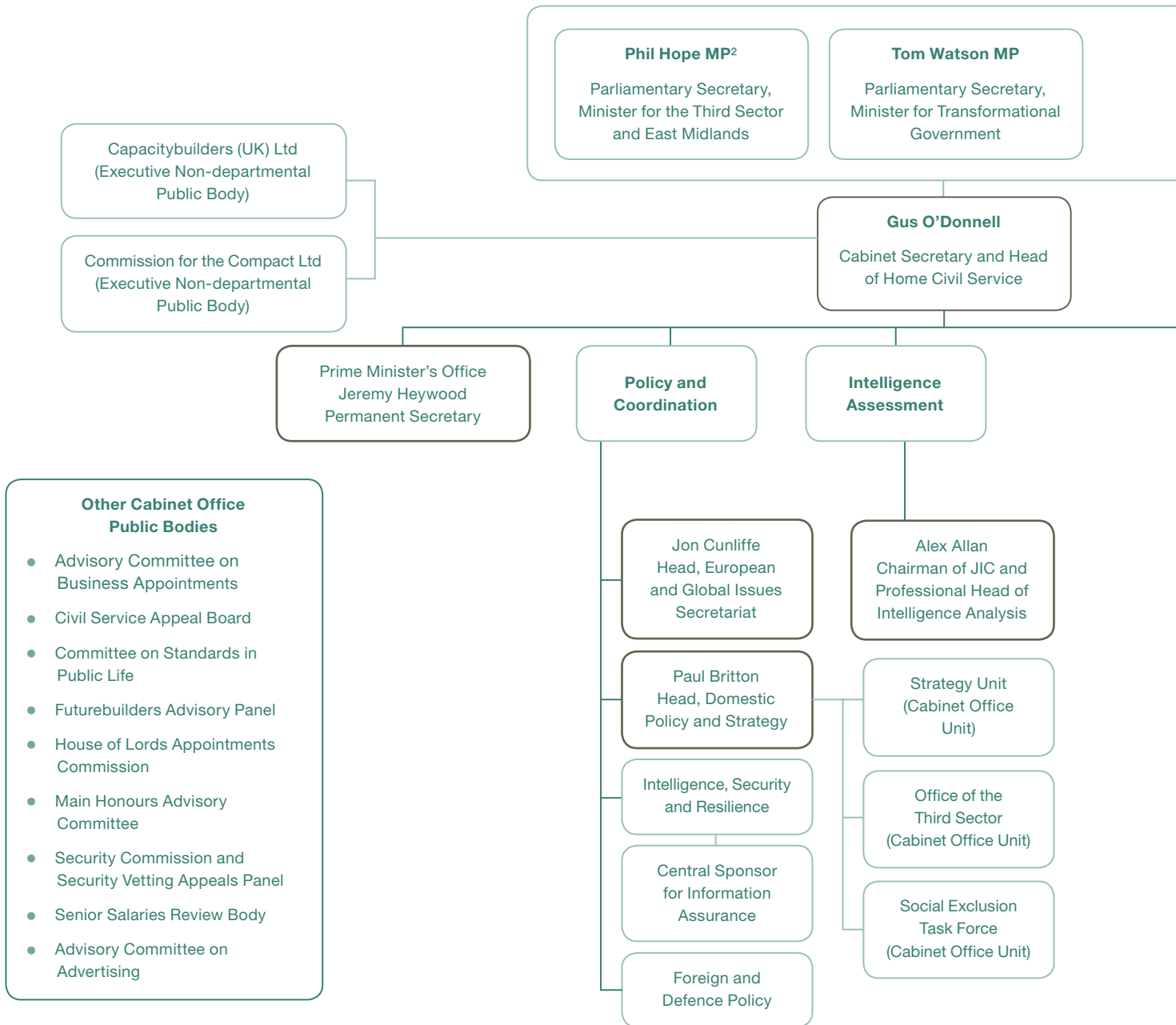
The structure of the Cabinet Office

5 The Cabinet Secretary heads the Cabinet Office and chairs the Board. The Board's Terms of Reference in 2007-08 were:

- taking account of the goals set by the Civil Service Steering Board to ensure that the Cabinet Office plays an effective role as part of the centre of government;
- to set, in consultation with Ministers, the strategy for the Cabinet Office, and to drive its delivery;
- in consultation with Ministers and others, to set judicious objectives and targets for the Cabinet Office and to ensure that they are met by necessitating effective monitoring systems and instructing interventions where they are required;
- to set, on advice from the management group, and in consultation with Ministers, the resources to be allocated to each Cabinet Office group;
- to take a strategic – and proactive – overview of the Cabinet Office change programme, and to be ultimately accountable for the delivery of the Capability Review Implementation Plan;
- to lead talent management within the Cabinet Office;
- to lead risk management within the Cabinet Office; and
- to agree, on advice from the management group, the management policies for the Cabinet Office, including a clear People Strategy.

6 **Figure 2** overleaf shows the Cabinet Office Board and the wider Cabinet Office family of operational units and public bodies. **Figure 3** on page 8 shows staff numbers in the main groups of Figure 2.

Figure 2
Cabinet Office Ministers, Board members and areas of responsibility 2007-08

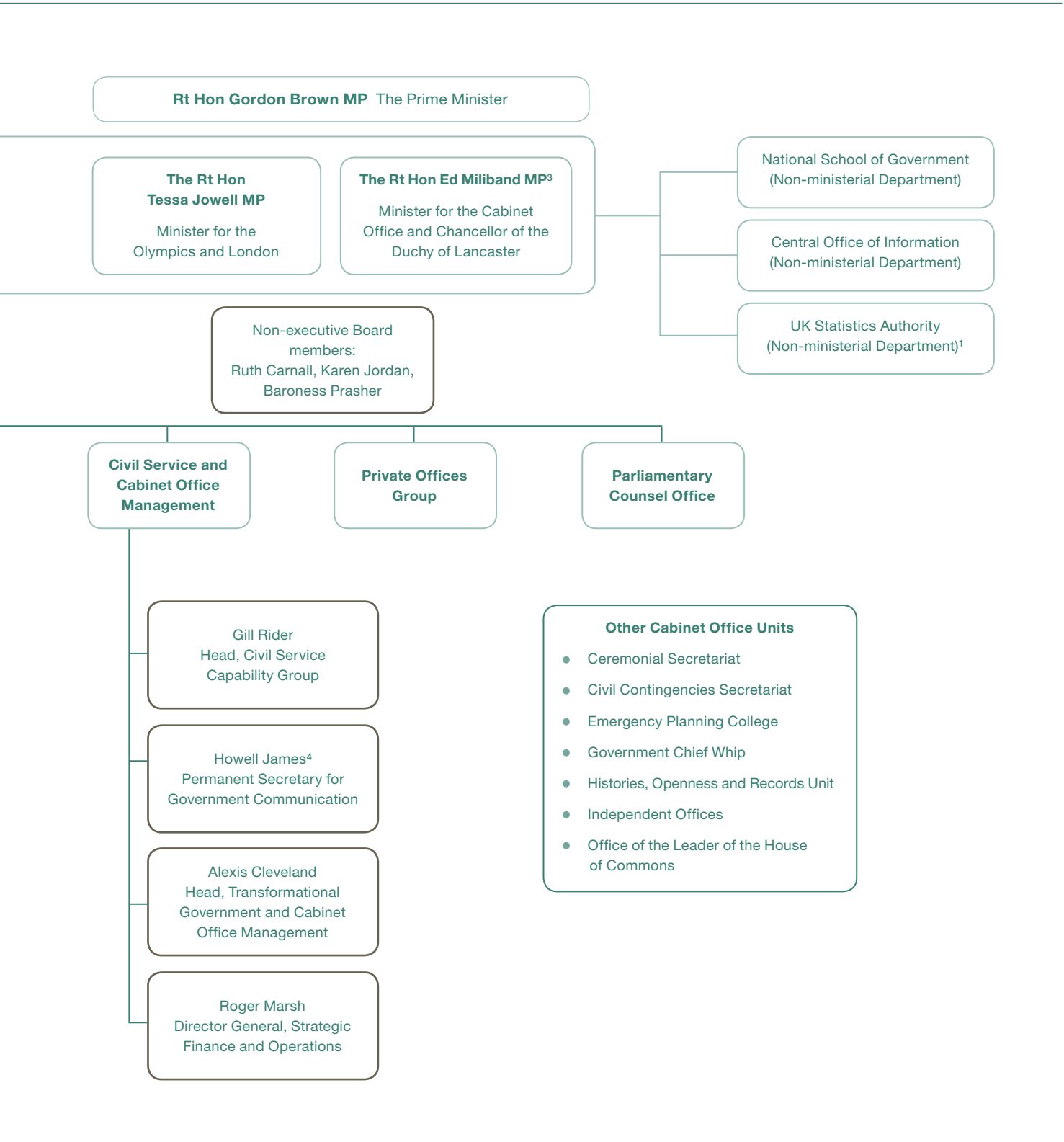


Key:
 Board Member

Source: Cabinet Office

NOTES

- 1 The UK Statistics Authority was established on 1 April 08 by the Statistics and Registration Service Act 2007.
- 2 Phil Hope MP was succeeded by Kevin Brennan MP in October 2008.
- 3 Ed Milliband MP was succeeded by Liam Byrne MP in October 2008.
- 4 Howell James left the Cabinet Office in June 2008. Matt Tee was appointed as his replacement in November 2008.



7 In January 2008 Jeremy Heywood was appointed the first Permanent Secretary for the Prime Minister’s Office. The Prime Minister’s advisers have moved into the Cabinet Office and the aim is for the Prime Minister’s Press Office, Policy Unit and Private Office to work much more closely with counterparts in the Cabinet Office.

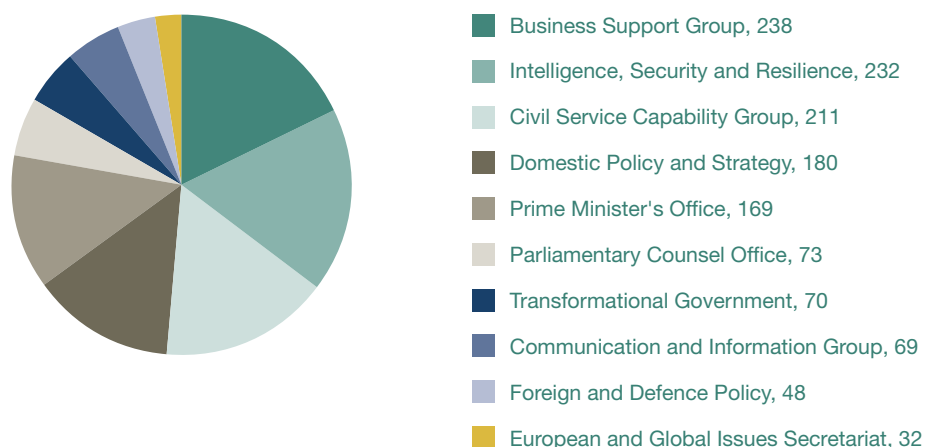
Machinery of Government changes

8 On 1 April 2007 Lord President of the Council and Leader of the House of Lords, the Leader and Deputy Leader of the House of Commons, and the Offices of the Government Whips in the House of Commons and the House of Lords moved from the Privy Council Office to the Cabinet Office.

9 On 28 June 2007 the Government announced three transfers from the Cabinet Office: the Better Regulation Executive and Local Better Regulation Office to the Department for Business, Enterprise and Regulatory Reform; and the Prime Minister’s Delivery Unit to the Treasury.

10 Government Skills, the body set up to improve the skills of people working in the central government sector and armed forces, transferred to the Department for Innovation, Universities and Skills on 1 April 2008. Also on that date the UK Statistics Authority was established as a non-ministerial department for which the Cabinet Office has ultimate ministerial responsibility. Its predecessor body, the Office for National Statistics, was the responsibility of the Treasury. At the same time the e-Delivery team moved to the Department for Work and Pensions.

Figure 3
Staff numbers within each Cabinet Office group



Source: Cabinet Office Annual Report and Accounts 2007-2008

NOTE

1 Figures are average full time equivalents for the year 2007-08. The Cabinet Office does not identify staffing levels in Intelligence Assessment, Private Offices Group and Strategic Finance and Operations.

Summary of overall performance against PSA targets

11 Figure 4 summarises the Cabinet Office's performance against its 2004 PSA targets, which it was due to hit by the end of 2007-08.

Figure 4

Cabinet Office performance against 2004 SR PSA Targets

Target	Assessment of progress in 2006-07	Outcome as at 31 March 2008	Commentary
Improve public services by working with departments to help them meet their PSA targets, consistently with the fiscal rules (joint target with HM Treasury).	On course	Slippage	40 per cent of the 80 per cent of 2004 targets reported on by departments were behind schedule.
By April 2008, work with departments to build the capacity of the Civil Service to deliver the Government's priorities, by improving leadership, skills and diversity. On diversity meeting the specific targets of: <ul style="list-style-type: none"> • 37 per cent women in the Senior Civil Service (SCS); • 30 per cent women in top management posts; • 4 per cent ethnic minority staff in SCS; • 3.2 per cent disabled staff in SCS; and • in the longer term, work to ensure that the Civil Service at all levels reflects the diversity of the population. 	On course	Partly met	Progress in improving skills and leadership, but in the absence of quantified targets.
Increase voluntary and community engagement, especially among those at risk of social exclusion.	On course	Not met	The Cabinet Office inherited responsibility for this target in 2006-07. The level of volunteering peaked in 2005 (the 'Year of the Volunteer') and has now returned to 2001 levels.
Increase the capacity and contribution of the voluntary and community sector to deliver more public services.	Broadly on course	Too early to tell	Due to a changeover in data systems used to measure the outcome. Following concern about the previous system, the NAO approved changes to the indicator. The Cabinet Office also inherited this target in 2006-07.

Source: Cabinet Office Annual Report and Accounts 2007-2008

NOTE

The Cabinet Office's target to improve regulation and reduce bureaucracy transferred to the Department for Business, Enterprise and Regulatory Reform during the Spending Review period.

Key issues

- 12** During 2007-08 the following key events and issues involved the Cabinet Office.
- The Cabinet Office did not fully meet any of the SR2004 PSA targets for which it was the lead department. Assessments of progress in 2006-07 proved over-optimistic.
 - Total departmental spending increased by 18 per cent in 2007-08, driven by a large increase in grant provision to private sector and other bodies. Some of the grant programmes were underspent.
 - The Cabinet Office performed well against most of its SR2004 efficiency targets, especially reported cash savings (£33 million) and reductions in staff numbers (140 posts), although it was not able to meet targets for relocation of staff.
 - The Cabinet Office is responsible for the Capability Review programme, designed to measure the Civil Service's capability to meet future challenges, and to drive improvement to fill the gaps. A review found that it had reached a crucial stage which could lead either to 'take-off' or 'tail-off'.¹
 - The Cabinet Office's own Capability Review, and Sir Suma Chakrabarti's subsequent review, emphasised the need for the Board to become better at providing leadership for the Cabinet Office and for the whole Civil Service. A team undertaking an interim stocktake expected to see tangible outcomes in the second-stage review due at the end of 2008.

¹ www.nationalschool.gov.uk/downloads/Capability_Review_Sunningdale_91107.pdf.

Chapter One

Financial review

Cabinet Office budget and expenditure

1.1 The Cabinet Office spent £360.9² million in 2007-08. This represented an underspend of £71.2 million (16 per cent) against the amount voted by Parliament. The main areas of underspend were the 'near-cash' administration budget (paragraph 1.4), capital grants (paragraph 1.10) and aspects of the security budget. The Cabinet Office also administers the Principal Civil Service Pension Scheme and this is discussed at the end of this chapter. Once net capital expenditure and a small amount of Consolidated Fund Extra Receipts are removed, this leaves a net operating cost of £341.2 million in 2007-08. How this expenditure splits by Cabinet Office objective is shown at Appendix 1.

1.2 The Cabinet Office Annual Report and Accounts provides information on spend over time only on a resource budget basis. These totals vary slightly from operating costs. Spending on cash or near-cash³ items in the resource budget⁴ increased by 20 per cent in 2007-08, mainly due to increases in grant payments by the Office of the Third Sector. Future planned spending, as laid out in the Comprehensive Spending Review (**Figure 5** overleaf), levels out from now onwards.

Administration and programme expenditure

1.3 **Figure 6** overleaf shows expenditure split between administration and programme costs.⁵ Total costs are partly offset by £88.0 million of income from other departments for services provided by the Cabinet Office, including Capability Reviews and Parliamentary Counsel's work in drafting legislation and providing legal advice.

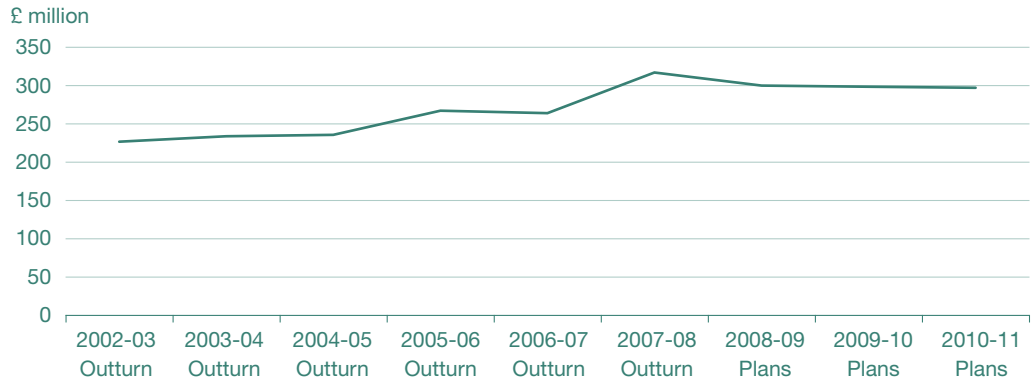
² Net resource outturn plus net voted capital.

³ 'Near-cash' means that the transactions have cash implications but the timing of payment might differ, for example when payment is made in arrears.

⁴ Figures are based on Departmental Expenditure Limit budgets which are used to control expenditure but are not audited by the Comptroller and Auditor General, though he does review them to ensure consistency with the financial statements. The figures can vary slightly from those in resource accounts.

⁵ The operating cost reconciles to the net resource outturn (Figure 4) with the addition of £634,000 of 'other income payable to the Consolidated Fund.'

Figure 5
Cabinet Office expenditure on 'near-cash' items within its direct control

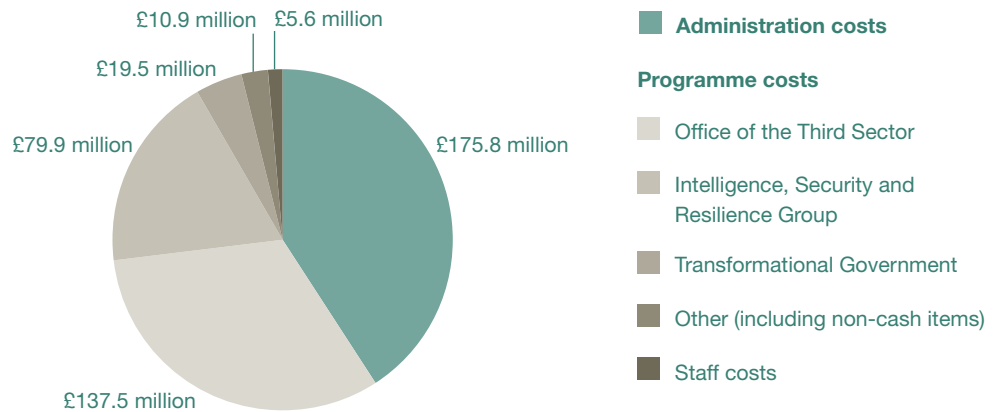


Source: Cabinet Office Annual Report and Accounts 2007-2008, table 1, page 98

NOTE

The graph excludes capital expenditure. 'Near-cash' means that the transactions have cash implications but the timing of payment might differ, for example when payment is made in arrears.

Figure 6
Cabinet Office gross administration and programme expenditure



Source: Cabinet Office Annual Report and Accounts 2007-2008

Administration expenditure

1.4 In 2007-08 the Cabinet Office's net administration costs were £144.6 million (gross costs were £175.8 million on an operating cost basis), an increase of 3.3 per cent on 2006-07 but a reduction of around seven per cent on previous years. Staff costs represented just under half of the gross total (**Figure 7**). Despite this year's increase, the administration budget was underspent by £21.8 million, including £15.9 million on the 'near-cash' budget. The Cabinet Office identifies the causes of this as: higher than expected procurement and headcount efficiency savings; estate rationalisation; improved management and control of consultancy expenditure; demand on departmental resources from global events being less than anticipated; and centrally identified pressures which did not materialise before the end of the financial year.⁶

1.5 The Cabinet Office Annual Report and Accounts shows a notional increase in administration costs in 2008-09 (**Figure 8** overleaf). This is because the figure includes cost-of-capital programme expenditure, which the Cabinet Office explains is reclassified from administration to programme 'once the actual position becomes clear during each financial year'.⁷ For comparison, the original 2007-08 budget was £236.6 million, £92.0 million above the reclassified outturn.

Figure 7
Breakdown of administration costs

	£m
Staff costs	81.6
Accommodation and utilities	26.9
Other expenditure	67.4
<i>Less income</i>	
Office of the Parliamentary Counsel	(12.0)
Central management of the Principal Civil Service Pension Scheme	(9.9)
Other income	(9.3)
Total	144.6

Source: Cabinet Office Annual Report and Accounts 2007-2008

NOTE

Figures do not sum exactly because of rounding.

⁶ *Cabinet Office Annual Report and Accounts 2007-2008*, p108.

⁷ *Cabinet Office Annual Report and Accounts 2007-2008*, p97.

Office property

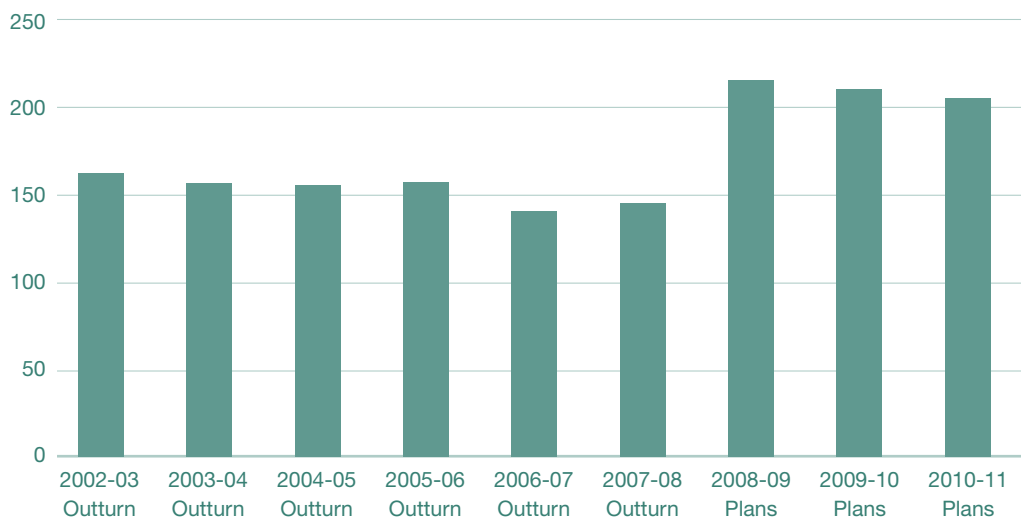
1.6 The National Audit Office looked at the office property element of administration costs in depth this year. *Improving the Efficiency of Central Government's Office Property*, published in November 2007, analysed the use of office space by 16 departments, including the 14 office buildings of the Cabinet Office.⁸ The report assessed each department's property asset strategy and capability to deliver the strategy. **Figure 9** shows results for the Cabinet Office, and **Figure 10** gives a comparison of accommodation cost data with other departments. High costs might in part reflect the large amount of space in listed buildings in central London.

1.7 In its response in July 2008 the Treasury acknowledged that office space across the Government estate is used 25 per cent less efficiently than in the private sector and that it costs two and a half times more to locate a civil servant in London than elsewhere. It promised that all departments would have asset management plans in place by September 2008.

Figure 8

Chart showing total administration budget of the Cabinet Office over time

Total administration budget (£m)



Source: Cabinet Office Annual Report and Accounts, table 1, page 98

⁸ The report used 2005-06 figures, the most recent audited data available at the time.

Figure 9

Cabinet Office performance on office property

Property Asset Strategy: Good practice exists in many areas.

Delivery of strategy: Good practice exists in many areas.

Governance (at Board level): Majority of areas reviewed could be more effective; some assurance that direction of travel is positive.

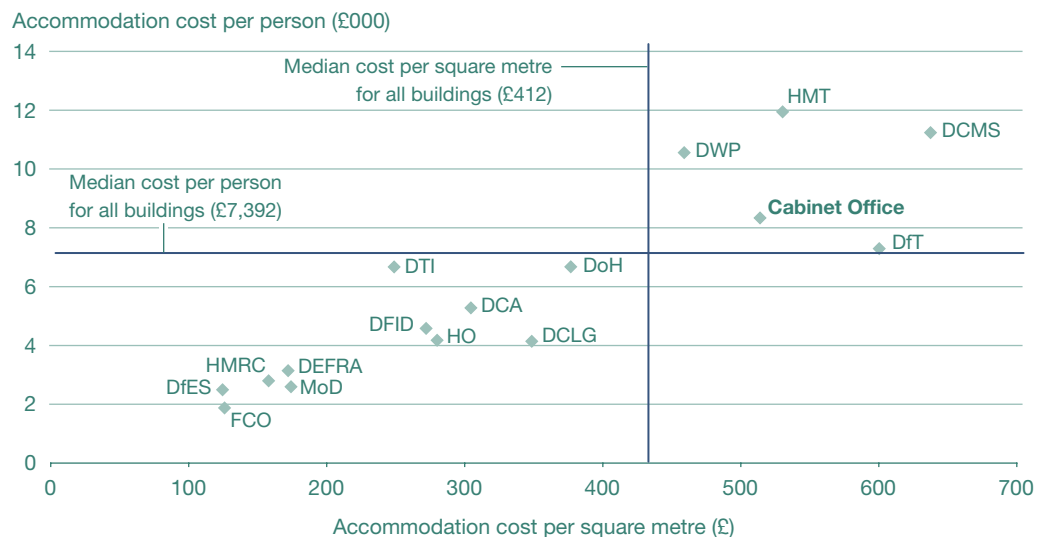
Capacity and Capability: Majority of areas reviewed could be more effective; some assurance that direction of travel is positive.

Statistics:	Position (out of 16 departments)
Accommodation cost per square metre – £513	4th highest
Accommodation cost per person – £8,436	4th highest
Space per person – 17 square metres	8th highest

Source: National Audit Office report *Improving the efficiency of central government's office property*

Figure 10

Relationship of Cabinet Office accommodation costs to other departments



Source: National Audit Office report *Improving the efficiency of central government's office property*

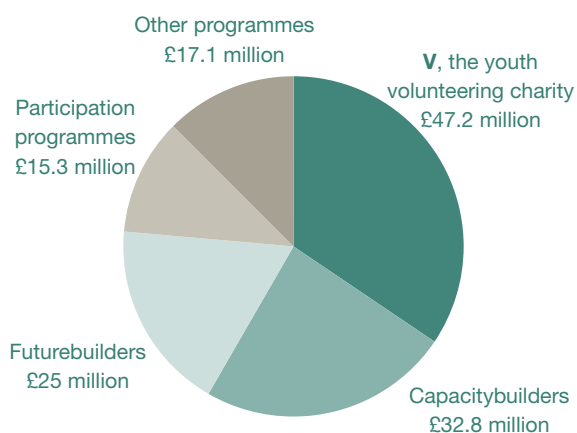
Programme expenditure

1.8 The Office of the Third Sector distributes the majority of Cabinet Office programme expenditure not concerned with intelligence, security and resilience. **Figure 11** shows how it spent its 2007-08 funds, which were 30 per cent higher than in the previous year.

1.9 Funds for **v**, the youth volunteering charity, increased from £25.6 million to £47.2 million. Grants to the Futurebuilders fund, established to provide loans to third sector bodies competing for Government work, increased from £16.5 million to £24.2 million. Capacitybuilders (UK) Ltd, an executive Non-Departmental Public Body, received £32.8 million from the Office of the Third Sector. Its Annual Report and Accounts records that it faced challenges in the year, including payments of £433,558 to incorrect recipients, resulting in a qualified audit opinion on the accounts. The money was fully recovered. The Capacitybuilders Internal Audit Service also raised concerns about risk management, control and governance arrangements. A 'fit for purpose' plan was developed and a review of the body carried out by the Office of the Third Sector. Capacitybuilders has implemented the review's recommendations and the Cabinet Office will exercise greater oversight. New Board members and a strengthened executive team have been appointed, including a new Chief Executive who will take up post in December 2008.

1.10 The Office of the Third Sector underspent its 2007-08 capital grant allocation by £23.2 million due to 'delays in third sector organisation grant recipients being able to meet important conditions before funds can be disbursed [and] the rescheduling of a number of new projects reflecting new government priorities, to future financial years'.⁹

Figure 11
Office of the Third Sector programme expenditure



Source: Cabinet Office Annual Report and Accounts 2007-2008

Progress against efficiency targets

1.11 Spending Review 2004 efficiency targets for the Cabinet Office were adjusted during the period to reflect Machinery of Government changes. **Figure 12** shows the adjusted targets and performance against them. The Cabinet Office reported that it had exceeded its targets for efficiency savings and headcount reduction, but will not achieve its target for relocation of staff from London and the South East. Efficiency savings of £32.8 million consisted of four elements (**Figure 13**).

1.12 The National Audit Office reported on efficiency gains across Government in its report *The Efficiency Programme: A Second Review of Progress* in February 2007. There was clear evidence of positive change in general but some individual efficiency gains carried a significant risk of inaccuracy. Reported headcount reductions were broadly robust. The report looked at the Cabinet Office's project to generate efficiency savings by reducing procurement costs. Some of the savings were linked to contracts that pre-dated the start of the efficiency programme. Although improved practices had been introduced, the Cabinet Office had not necessarily used acceptable baselines against which to measure progress, and further supporting evidence was required.

Figure 12

Cabinet Office performance against efficiency targets

Target	Achievement
£22.5 million in annual efficiencies (3% a year) by 31 March 2008. ¹	£32.8 million.
Headcount reduction of 100 posts by 31 March 2008. ² Target lowered to 75 following transfer of Better Regulation Executive.	140 posts.
Relocation of 225 posts outside London and South East by 2010-11. ³	41 posts. The Office of Government Commerce has concluded that scope for further reductions is limited due to changes in the Cabinet Office's role since the target was set.

Source: Cabinet Office Annual Report and Accounts 2007-2008

NOTES

- 1 Following the transfer of £2.5 million from the original target to the National School of Government.
- 2 Following the transfer of 50 posts from the original target to the National School of Government.
- 3 Following the transfer of 25 posts from the original target to the Department for Business, Enterprise and Regulatory Reform.

Figure 13

Reported Cabinet Office efficiency savings

Corporate services	£5.5 million (target: £4.3 million)
Improved procurement	£16.2 million (target: £14.5 million)
Building a leaner and more efficient centre of Government	£7.6 million (target: £3.1 million)
Estate consolidation	£3.5 million (target: £0.6 million)

Source: Cabinet Office Annual Report and Accounts 2007-2008

Future savings

1.13 The 2007 Comprehensive Spending Review requires the Cabinet Office to make savings of five per cent in real terms in each of the next three years. The largest savings are intended to come from the Cabinet Office's value for money delivery agreement included within the Comprehensive Spending Review. **Figure 14** shows the Department's target of £35 million of annual savings by 2010-11 and the indicative savings figures for interim years published by the Department. In addition, the Cabinet Office is committed to £13 million of asset sales over three years.

1.14 The Cabinet Office has identified the main risks to delivery as staff reluctance to adopt new procedures, especially in relation to procurement, and unforeseen demands to deliver new work to shorter timescales. These risks will be addressed through 'targeted support' from senior managers and the Board, and 'ruthless prioritisation' of work when demands exceed capacity with 'clear and unambiguous advice on the impact of these changes'.

Principal Civil Service Pension Scheme

1.15 The Cabinet Office is responsible for the central administration of the Principal Civil Service Pension Scheme. This involves the management and development of Civil Service pension arrangements, procurement of services, software and publicity material. Most management functions are delegated to employers. The costs of the scheme, apart from around £10 million of annual administration costs, do not form part of expenditure reported in the Cabinet Office's own accounts.

Figure 14

Value for money savings expected over the period of the Comprehensive Spending Review

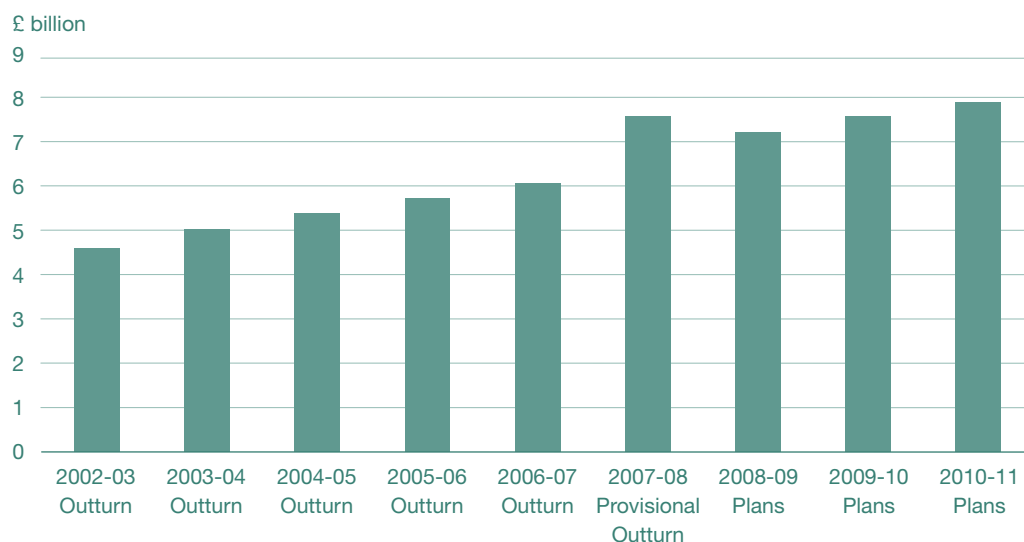
	2008-09 (£m)	2009-10 (£m)	2010-11 (£m)
Administration	8.30	12.60	20.10
Corporate Services	0.04	0.10	0.13
Procurement (near cash)	13.10	13.40	13.80
Procurement (capital)	0.85	0.87	0.90
Total	22.29	26.97	34.93

Source: Cabinet Office

1.16 Figure 15 shows net expenditure on Civil Service Superannuation in recent years and the planning amounts in Comprehensive Spending Review 2007. The provisional net expenditure figure for 2007-08 rose by 25 per cent from the previous year. Net expenditure consists of three main components: interest payable on the value of pension scheme liabilities; the increase in the value of pension scheme liabilities; and contributions receivable, which partly offset the other two elements. The first two components both depend on the value of scheme liabilities, which is in turn affected by the discount rate set by the Treasury. During the year the Treasury reduced the discount rate from 2.8 per cent to 1.8 per cent, substantially increasing the value of pension scheme liabilities and, as a consequence, net expenditure in the year.

Figure 15

Civil Service Superannuation expenditure: outturn and planned



Source: Cabinet Office Annual Report and Accounts 2007-2008, table 1, page 98

Chapter Two

Cabinet Office capability

Cabinet Office staffing overview

2.1 The Cabinet Office employed 1,283 staff at 31 March 2008. This continued a long-term trend of falling numbers (**Figure 16**), partly due to Machinery of Government changes and partly due to efficiency gains. Appendix 2 shows the deployment of Cabinet Office staff across functions in more detail.

2.2 The Cabinet Office launched a People Strategy for its staff in July 2007 covering the next three years. It is built around five themes: partnership, empowerment, cohesion, diversity and innovation. The Strategy emphasises leadership, the quality of management and how to reward people. A People Plan lays down specific actions to meet the strategy, including:

- a Diversity Action Plan;
- new systems for performance management and reward; and
- overhauling systems for managing the development of staff, including transfers between posts.

Figure 16
Cabinet Office full-time equivalent staffing figures



Source: Cabinet Office Annual Report and Accounts 2007-2008

NOTE

Figures represent a snapshot on 31 March each year so the figure for 2007-08 differs from averages over the year presented elsewhere.

2.3 The charity Public Concern at Work reported in June 2007 on whistleblowing procedures in place in Government. The report put the Cabinet Office last in a league table of departments when assessed against criteria set down by the Committee of Standards in Public Life. The Cabinet Office replied that all policies and practices would be looked at as part of its roll-out of the People Strategy.

Staff attitudes

2.4 The Cabinet Office has surveyed its staff every year for the last three years (**Figure 17**). Staff have, in general, increasingly positive views about working in the Cabinet Office, with opinions on leadership improving strongly in 2007 from a low base.

The Chakrabarti review

2.5 In the wake of its own Capability Review, the Cabinet Office commissioned Sir Suma Chakrabarti, then Permanent Secretary at the Department for International Development, to lead a review on *The role of the Cabinet Office – Leadership through effective collaboration*. The review team reported in April 2007, and the Cabinet Office published the report in November 2007 with its response.

Figure 17

Staff attitudes to the Cabinet Office: people survey results

Question	2007 %	2006 %	2005 %
Working for the Cabinet Office			
I am proud to work for the Cabinet Office	72	72	68
I would recommend the Cabinet Office as a good place to work	65	60	57
I feel a strong sense of belonging to my Unit	82	73	73
I feel a strong sense of belonging to the Cabinet Office	60	46	45
I feel a strong sense of belonging to my parent department (if on loan)	47	44	33
I feel a strong sense of belonging to the Civil Service	68	63	62
Working for the Cabinet Office makes me want to do the best work that I can	63	64	64
Leadership effectiveness			
The Cabinet Office as a whole is well managed	41	28	29
The Cabinet Office Board are sufficiently visible	43	15	33
The Cabinet Office Board provide effective leadership	29	14	–
I feel that change is well managed in the Cabinet Office	31	14	19
I feel that the Cabinet Office Board are role models in promoting the culture and values of the Cabinet Office	26	15	–

Source: Cabinet Office

2.6 The review's main recommendations were that:

- The Cabinet Office should be linked more closely to the leadership of the Civil Service through senior staff moves in and out of the Cabinet Office;
- for cross-Government priorities there should be more accountability of Permanent Secretaries to the Cabinet Secretary as Head of the Civil Service;
- the Cabinet Office should seek feedback on its performance from other departments; and
- key senior positions in the Cabinet Office should be occupied by the very best people in the Civil Service.

2.7 The Cabinet Secretary asked the Cabinet Office Head of Transformational Government and Cabinet Office Management to develop an implementation plan. The Cabinet Secretary accepted the need:

- to clarify the respective roles and expectations of the bodies that run the Civil Service – the Permanent Secretaries' Management Group, the Civil Service Steering Board and its sub-groups;
- to implement common standards and processes across departments, and a governance system that can decide on funding priorities and compliance issues; and
- for the Cabinet Office to develop an overview of Government priorities and guidance for departments with cross-Government responsibilities, with the extent of Cabinet Office intervention depending on the priority of the work and departmental capacity.

Cabinet Office Capability Review update

2.8 A one year stocktake of the Cabinet Office's response to its own Capability Review was published at the end of 2007 (**Figure 18**). The stocktake found encouraging signs of progress and noted that the Cabinet Office would be expected to show 'tangible outcomes' to illustrate progress made when a full second-stage review is carried out at the end of 2008.

Figure 18

Progress in the 12 months since the Cabinet Office Capability Review

Key action area	Progress
To define more clearly how the Cabinet Office enables the business of Government	The 'Compact' agreed by the Cabinet Office and the Treasury laying out how they will work with departments needs to be broadcast widely and become an integral part of the way that the Cabinet Office works. This Compact is reproduced at Appendix 3. The review team expects the business of promoting behaviour change and innovation to continue at a fast pace. The Cabinet Office should concentrate on adding value in areas that only it can.
To strengthen the Cabinet Secretary's capacity to lead transformation across the Civil Service	Reviewers recognised that progress had been made in standardising ways of working, but reported that the Cabinet Office needs to develop a vision of the future for the Civil Service and to define outcomes. The Civil Service Capability Group has a crucial role to play, and the review team will be looking for measurable outcomes in areas like the Civil Service People Framework when there is a full second-stage review.
To make a high-level vision come alive for every individual and unit within the Cabinet Office	The Cabinet Office has developed a vision, and Board members are addressing specific challenges. Going forward the Cabinet Office needs to define what success looks like and cultivate a culture to turn plans into results.
To create coherent systems so that the Cabinet Office can deliver	The Board faces the challenge of taking important decisions quickly to improve the Cabinet Office by prioritising improvements in core functions along the lines of the widely-welcomed changes in human resources.

Source: http://www.civilservice.gov.uk/about/accountability/capability/web_reports/CO_oneyear.asp

Chapter Three

Performance against SR2004 Public Service Agreement (PSA) targets

3.1 This chapter reviews the Cabinet Office's performance against its 2004 Public Service Agreement targets which were due to be achieved by the end of 2007-08. PSA Target 3, **ensure that departments deliver better regulation and tackle unnecessary bureaucracy in both public and private sectors**, was transferred to the Department for Business, Enterprise and Regulatory Reform under the 2006 Machinery of Government changes, so is not reported here. New PSAs and Departmental Strategic Objectives (DSOs) for the Cabinet Office announced in the Comprehensive Spending Review 2007 are discussed in Chapter 4.

PSA Target 1: Improve public services by working with departments to help them meet their PSA targets, consistently with the fiscal rules

Joint target with HM Treasury

3.2 Success in meeting this target is measured by the percentage of PSA targets that are assessed as 'met' by other departments. The role of the Cabinet Office and HM Treasury is to support departments in the planning and management of their targets, whilst responsibility for delivery rests with individual departments. An overall assessment on this PSA will be made once the Cabinet Office and HM Treasury receive final assessments for 90 per cent of all SR2002 and SR2004 targets from departments.

Outcome against the target

3.3 For 2007-08, the Cabinet Office reports 'slippage' in meeting this PSA. Departments have so far reported **slippage** on 40 per cent of SR2004 targets and 25 per cent of SR2002 targets, based on their 2007 Autumn Performance Reports. Progress has been reported on 80 per cent and 90 per cent respectively of all SR2004 and SR2002 targets.

National Audit Office validation

3.4 The NAO's Third PSA Validation Compendium Report in December 2006 stated that the data system used by Cabinet Office to measure this PSA was 'broadly appropriate but the system needs strengthening'. The NAO's Fourth Validation Compendium Report (December 2007) found that 85 per cent of systems used to measure progress toward SR2004 targets were fit for purpose or broadly appropriate.

Future work in this area

3.5 There is no direct replacement for PSA Target 1 under the new PSAs.

PSA Target 2: By April 2008, work with departments to bring the capacity of the Civil Service to deliver the Government's priorities, by improving leadership, skills and diversity. On diversity, meeting the specific targets of:

- 37 per cent women in the Senior Civil Service;
- 30 per cent women in top management posts;
- 4 per cent ethnic minority staff in the Senior Civil Service;
- 3.2 per cent disabled staff in the Senior Civil Service; and
- in the longer term, work to ensure that the Civil Service at all levels reflects the diversity of the population.

Cabinet Office is the delivery lead

3.6 The Civil Service Capability Group has led the work on improving leadership capability. Work on skills improvement is led by Government Skills, which is the Sector Skills Council for central government with an aim to 'improve the delivery of public services by working with employers to reduce skills gaps'. Government Skills, formed in February 2006, was originally based in the Cabinet Office but transferred to the Department for Innovation, Universities and Skills in April 2008. Progress on diversity improvement is measured by achievement against the four targets listed in the PSA.

3.7 The Cabinet Office has used the database of information about the Senior Civil Service to measure progress in improving leadership, skills and diversity.

Outcome against the target

3.8 For 2007-08, the Cabinet Office reports progress towards this target as 'partly met'.

3.9 Leadership. The Cabinet Office has used figures at April 2007 to report on progress. The results are shown in **Figure 19** overleaf.

3.10 Skills. The Cabinet Office has worked towards improving skills in Government through the following activities:

- increasing the proportion of Senior Civil Service staff with a professional qualification and reduction in Senior Civil Service staff whose specialist skills are not recorded (results in **Figure 20** overleaf);
- development of a three year skills strategy for central government endorsed by Permanent Secretaries in January 2008;

- continuing management and expansion of the Professional Skills for Government framework, which defines the set of competencies and leadership skills required by civil servants; and
- signing of the Skills Pledge in 2007, along with all main departments, signalling the intent to support employees in gaining their first qualification at NVQ Level 2.

3.11 Diversity. The Cabinet Office failed to meet the specific diversity targets. Progress, and a new set of targets going forward, are summarised in **Figure 21**.

Figure 19

Performance against PSA Target 2: leadership

Performance Indicator	Desired Outcome	Result (at April 2007)
Staff turnover in the Senior Civil Service (SCS)	The 2005-06 PSA technical notes stated that the longer term aim was to increase turnover from eight per cent in 2002-03 to 12 per cent.	10.3%
Number of posts filled by open competition	The 2005-06 PSA technical notes stated that about half of vacancies should continue to be filled by open competition through to 2008.	38%
Median length of time in a SCS post	4 years	2.9 years
Proportion of SCS with over 12 months experience of working outside the civil service	None provided	60%
Proportion of SCS who work a flexible working pattern (e.g. part-time or job-share)	None provided, but expected to increase over SR period. At April 2003 the proportion was 4.5%	5.2%

Source: Cabinet Office Annual Report and Accounts 2007-2008

Figure 20

Performance against PSA Target 2: skills

Performance Indicator	Baseline (April 2004) %	Desired movement	Actual result (April 2007) %
Proportion of SCS staff with professional qualification	36	Increase	42
Proportion of SCS staff whose specialist skills are not recorded	64	Decrease	26

Source: Cabinet Office Annual Report and Accounts 2007-2008

Figure 21

Performance against PSA Target 2: diversity

	Position at 31 March 2008	PSA target for 1 April 2008	Has PSA been met?	New targets in 2008 Civil Service Diversity Strategy
	%	%		%
Women in SCS	32.1	37.0	No	39
Women in top management posts	26.6	30.0	No	34
Black and minority ethnic staff in SCS	3.4	4.0	No	5
Disabled staff in SCS	3.0	3.2	No	5

Source: Cabinet Office Annual Report and Accounts 2007-2008

National Audit Office Validation

3.12 The NAO's Third Validation Compendium Report in December 2006 stated that the data system underlying the measurement of this PSA was 'broadly appropriate but the system needs strengthening'.

Future Work in this Area

3.13 The Civil Service Diversity Strategy, published by the Cabinet Office in July 2008, sets out the Government's vision for diversity and a framework to achieve it. The Strategy sets specific targets which it aims to hit within five years as well as plans for behavioural and cultural change, better leadership and talent management. Work on improving leadership and skills continues with the Capability Review process.

3.14 There is no direct replacement for PSA target 2 in the Cabinet Office's new PSAs or DSOs. The Department for Work and Pensions, however, leads on the new PSA 8 **maximise employment opportunities for all**.

PSA Target 4 (Element 1): Increase voluntary and community engagement, especially among those at risk of social exclusion

Cabinet Office is the delivery lead

3.15 This target aims to encourage those who are most likely to be isolated from society to engage more with their communities. The technical note to the PSA classifies those at risk of social exclusion as people with no qualifications, a disability, long term illness or belonging to a minority ethnic group. Voluntary activity is measured in terms of people who have volunteered at least once a month in the previous 12 months. Data to measure progress came from the Citizenship Survey, a biennial household survey conducted by the Department for Communities and Local Government. This PSA was transferred to the Cabinet Office from the Home Office following Machinery of Government changes in 2006.

Outcome against the target

3.16 The Cabinet Office **did not meet** this PSA target. The 2007 Citizenship Survey shows that the proportion of those at risk of social exclusion who volunteered at least once a month was at the same level as the 2001 baseline figure of 41 per cent. The figure rose to 43 per cent in 2005, the Year of the Volunteer (before the Cabinet Office took over as delivery lead), but then dropped back to the 2001 level.

3.17 Work in this area was led by the Office of the Third Sector which was created within the Cabinet Office in May 2006 out of the Active Communities Directorate in the Home Office and the Social Enterprise Unit in the Department of Trade and Industry. Four programmes contributed to this target: Volunteering for All and Goldstar, which aimed to strengthen volunteering for those at risk of social exclusion; the National Youth Volunteering Programme **v** (which created 210,000 youth volunteering opportunities over the SR04 period); and Dare to Care, in partnership with Community Service Volunteers, which recruited 38,000 volunteers to address issues of child poverty. In addition the Government provided long term strategic funding for volunteer umbrella organisations to provide advice for other organisations and develop good practice.

National Audit Office Validation

3.18 The Citizenship Survey, which is the data system underlying the measurement of this PSA target, was validated in the NAO's Fourth Validation Compendium Report in 2007. The report stated that the data system was 'fit for purpose' with strong controls over data collection and processing. It noted, however, the Cabinet Office does not define a quantifiable measure of success, such as a percentage increase, in order for the target to be met successfully.

Future Work in this Area

3.19 Future work in this area by the Office of the Third Sector consists of:

- a total of £117 million committed to volunteering programmes through **v**;
- a cross-government group to increase opportunities to volunteer within the public sector, with the Government's volunteering champion Baroness Neuberger recently conducting a review of volunteering in health and social care;
- £4 million invested in developing new programmes to train volunteers and volunteer managers;
- £2 million for a new 'access to volunteering' fund for disabled people;
- guidance on criminal record checks to reduce unnecessary barriers to volunteering; and
- monitoring progress against National Indicator 6 on volunteering in the local government performance framework.

PSA Target 4 (Element 2): Increase the capacity and contribution of the voluntary and community sector to deliver more public services

Cabinet Office is the delivery lead

3.20 This target aims to enable a greater contribution from the third sector towards delivery of public services. The capacity of the voluntary and community sector to deliver more public services is measured using an index that combines number of employees in the sector, number of volunteers and direct funding received. As with Element 1, this PSA was transferred to the Cabinet Office from the Home Office following Machinery of Government changes in 2006.

Outcome against the target

3.21 The Cabinet Office reports progress against this target as **too early to tell** for 2007-08 having previously described progress as 'broadly on course' in 2006-07. The loss of certainty was due to the changeover of the data system used to measure the outcome following the NAO's criticism of the previous system.

3.22 Work on this area is led by the Office of the Third Sector. Its aim is to develop and support an environment which 'enables the third sector to thrive, growing in its contribution to Britain's society, economy and environment'. It works in partnership with central and local government and the third sector.¹⁰ Its December 2006 plan *Partnership in Public Services: the public services action plan* is intended to help develop the relationship between government and the third sector. The plan, which was jointly developed with five other departments¹¹, lays out four elements to strengthening the relationship: commissioning, procurement, learning from the third sector and accountability. Implementation of the *public services action plan* continues and recent initiatives are covered in paragraph 4.12. The Office of the Third Sector also funds ChangeUp and Futurebuilders, two programmes designed to build capacity in third sector organisations.

¹⁰ Office of the Third Sector's 2008-09 Business Plan.

¹¹ The five other departments are the Department of Health, Department for Education and Skills, Department for Communities and Local Government, Department for Work and Pensions, and Home Office.

National Audit Office Validation

3.23 The data system previously underlying measurement of this PSA, the State of the Sector Panel Survey, was assessed in the NAO's Fourth Validation Compendium Report in December 2007. The report found that 'the system needs strengthening' as the survey would be unable to provide a robust measurement at the end of the PSA period. The report also noted that:

- a quantifiable measure of success, such as a percentage increase, is not defined; and
- the current basis for measurement included only inputs, providing an indication of the capacity of the sector, but not the contribution made.

3.24 The Cabinet Office responded by using different but more accurate data systems to collect the three existing elements of the measurement index.

Future Work in this Area

3.25 The 2007 Comprehensive Spending Review reflects the growing importance of the third sector in the Government's plans for future public service delivery. Third sector organisations are delivery partners in 27 of the 30 new PSAs. DSO 3b **enabling a thriving third sector** is discussed in Chapter 4. The capacity of the third sector will continue to be measured as part of PSA 21 **build more cohesive, empowered and active communities** for which the Cabinet Office is a joint delivery partner.

3.26 The Office of the Third Sector's work to build on the *public services action plan* (paragraph 3.22) includes training for public service commissioners funded until 2011; and looking at how third sector organisations can form successful consortia to deliver public services better, particularly focusing on current economic challenges. Capacitybuilders is commissioning the first programme-wide evaluation to measure the impact of the ChangeUp programme.

Chapter Four

The Cabinet Office going forward – CSR 2007 Strategic Objectives and PSAs

4.1 The Comprehensive Spending Review, published in October 2007, set out the Cabinet Office's main priorities in the form of Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs). These are designed to cover the full range of key departmental activities. The Cabinet Office leads on one PSA, is a delivery partner in three others, and has six DSOs. **Figure 22** overleaf shows how the Cabinet Office's DSOs map onto its structure.

DSO 1: Build an effective UK intelligence community in support of UK national interests, and the capabilities to deal with disruptive challenges to the UK

4.2 The Intelligence, Security and Resilience Group supports the Prime Minister's Security Adviser, Permanent Secretaries, and Ministerial Committees in coordinating the policy, funding and delivery of security, intelligence and resilience and its work is overseen on behalf of Parliament by the Intelligence and Security Committee. It is currently working to implement the Prime Minister's National Security Strategy, published in March 2008. Performance indicators are classified.

4.3 The Cabinet Office is a partner in the delivery of the new PSA 26 **reduce the risk to the UK and its interests overseas from international terrorism**¹² and PSA 30 **reduce the impact of conflict through enhanced UK and international efforts**.¹³

DSO 2: Support the Prime Minister and the Cabinet in domestic, European, overseas and defence policy-making

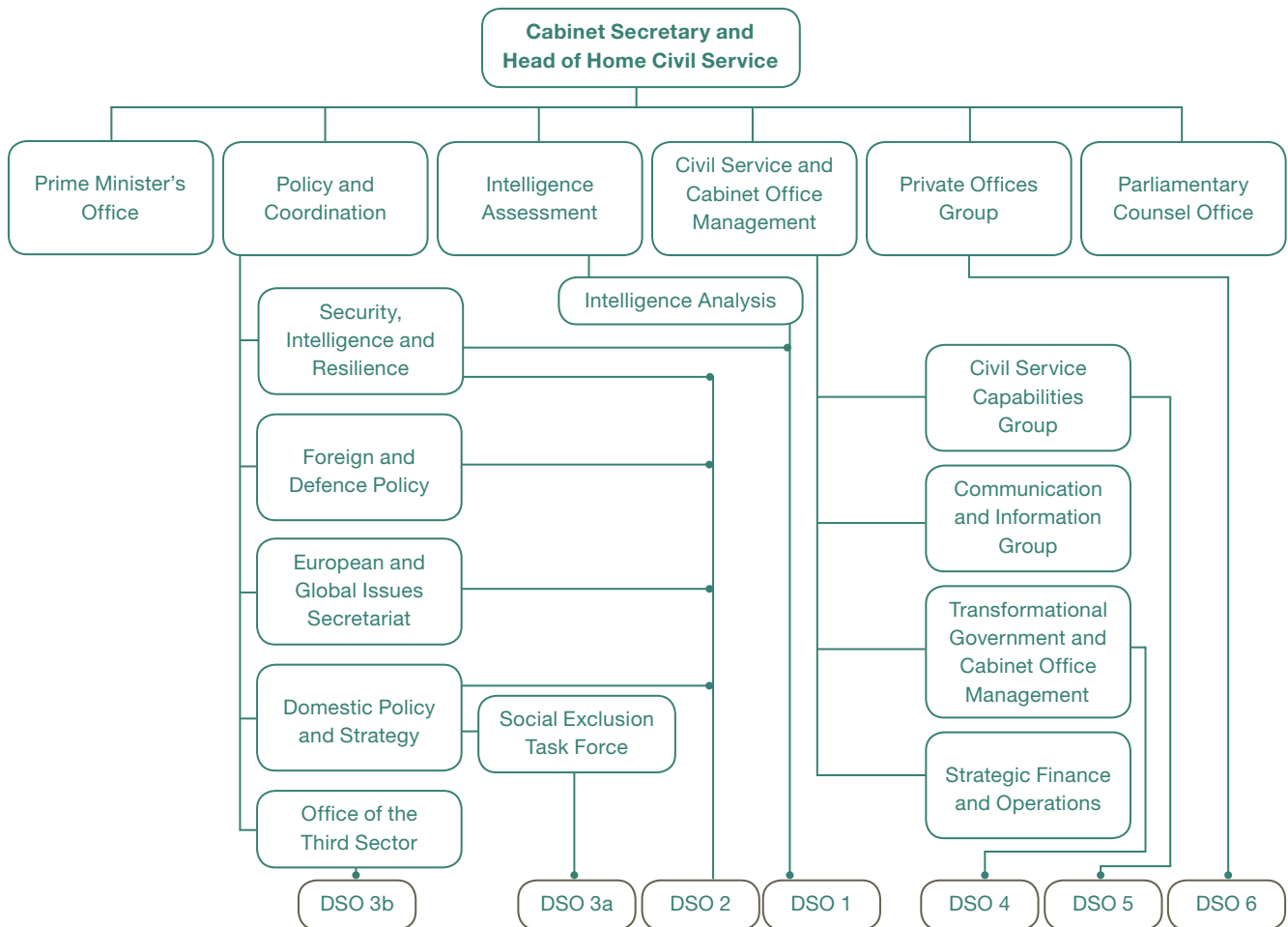
4.4 Progress on the DSO to support the Prime Minister and Cabinet in policy-making will be measured through stakeholder surveys of Ministers and departments.

¹² Delivery agreement not published for security reasons.

¹³ The Foreign and Commonwealth Office is the lead department; other key delivery departments are the Ministry of Defence and the Department for International Development.

4.5 The Cabinet Office provides policy advice through various secretariats. The Economic and Domestic Secretariat, from the Domestic Policy and Strategy Group, provides advice on issues such as machinery of government changes and public sector pay. The European and Global Issues Secretariat coordinates the Government’s European and international policies and supports the Prime Minister by helping preparations for European Council and G8 meetings. The Foreign and Defence Policy Secretariat, the Intelligence, Security and Resilience Group and the Joint Intelligence Committee are all involved in helping formulate defence and security policies and ensuring cross-government coherence with these issues.

Figure 22
How responsibility for DSOs maps onto the structure of the Cabinet Office



Source: National Audit Office

4.6 The Cabinet Office's Strategy Unit is charged with supporting delivery of the Government's objectives, promoting innovation in policy development and addressing both long term and cross-cutting strategic issues by working closely with other departments. The unit has a core staff about 45, and people are seconded into and out of the unit for particular assignments.

4.7 The Central Sponsor for Information Assurance in the Cabinet Office has overall responsibility for strategic oversight and coordination of the National Information Assurance Strategy,¹⁴ published in June 2007. Following high profile incidents of data loss, the Cabinet Office produced a report, *Data Handling Procedures in Government*, a month before the Public Administration Select Committee's hearing on data handling in July. The Cabinet Office's responsibilities arising from the report include producing an annual report on information risk as a whole in 2008-09. This will cover the progress made by departments in improving data handling procedures and the cross-government spending to achieve this. Progress will be overseen by the Cabinet Committee on Personal Data Security.

DSO 3a: Improve outcomes for the most excluded people in society

4.8 Under the Comprehensive Spending Review 2007, the Cabinet Office will lead in delivering PSA 16 **increase the proportion of socially excluded adults in settled accommodation and employment, education or training**. This is the only PSA for which the Cabinet Office is the lead department. Six other departments will work with the Cabinet Office on delivery.¹⁵ The Cabinet Office's Social Exclusion Task Force developed PSA 16 and will support its delivery. The Task Force was set up in 2006 within the Cabinet Office to combat exclusion among society's most marginalised people and tackle barriers facing disadvantaged families as a whole. It is a successor to the Social Exclusion Unit, established in the Cabinet Office in 1997 and moved to the Office of the Deputy Prime Minister in 2001.

4.9 The PSA target forms a proxy for the third sector's ability to involve communities in designing and delivering solutions to local problems. National targets have not been set for PSA 16. Local authorities are expected to set individual targets as part of their Local Area Agreements if social exclusion is agreed to be a priority for their area by Local Strategic Partnerships and Government Offices. The main groups targeted are young people leaving care, offenders on probation and those with mental health problems or severe learning difficulties. Their progress will be measured by eight indicators within the Local Authority National Indicator Set,¹⁶ covering placement in settled accommodation and engagement with employment, education or training.

¹⁴ http://www.cabinetoffice.gov.uk/csia/national_ia_strategy.aspx

¹⁵ The main partners are the Department for Work and Pensions and Department for Communities and Local Government, assisted by the Ministry of Justice, Department for Children, Schools and Families, Department for Innovation, Universities and Skills, and Department of Health.

¹⁶ The Local Authority National Indicator Set is used to measure implementation at local level of the Government's national priorities and is compiled by the Department for Communities and Local Government.

DSO 3b: Enable a thriving third sector

4.10 The Cabinet Office is a delivery partner for the new PSA 21 **build more cohesive, empowered and active communities**.¹⁷ The PSA target forms a proxy for the third sector's ability to involve communities in designing and delivering solutions to local problems. The Office of the Third Sector in the Cabinet Office will build relationships between government and the third sector, support the third sector's development, develop an evidence base of the third sector's impact, and secure a good policy and regulatory environment for the sector. Sir Bert Massie was appointed in March 2008 as the new Commissioner of the Compact. He is leading a review of whether the Compact, which sets out principles and agreements underpinning the relationship between government and the third sector, should be supported by statutory powers.

4.11 Performance measures for PSA 21 are the number of employed staff in the third sector and an index measuring levels of formal volunteering. The Cabinet Office DSO 3b additionally includes measurement of the percentage of government funding to third sector organisations which is for three years or more; and the quality of the local environment for the third sector. A national survey is currently providing a baseline for changes in third sector organisations' views of their local environment. As part of the 2007 Comprehensive Spending Review the Office of the Third Sector is funding the National Programme for Third Sector Commissioning, designed to improve the way that the public sector commissions services from the third sector.

4.12 By 2011 the Government is intending to invest over £260 million in the **v**, ChangeUp and Futurebuilders programmes. In addition, the Grassroots Grants Programme aims eventually to spend £130 million giving small grants to grassroots groups to continue their community focused activities, while the Community Assets programme aims to spend £30 million refurbishing underused local authority assets to transfer to local organisations.¹⁸ The Office of the Third Sector also plans to spend £5 million with additional funding from the Economic and Social Research Council and the Barrow Cadbury Trust, to establish a Third Sector Research Centre, led by the University of Birmingham, to investigate the effectiveness of third sector organisations. One of the aims is to address the lack of evidence, highlighted by the Public Administration Select Committee, on the third sector's distinctive contribution to the design and delivery of public sector services.

4.13 The National Audit Office will be reporting in early 2009 on the ChangeUp and Futurebuilders programmes in *Building the capacity in the third sector*. The National Audit Office is also working with the Office of the Third Sector and HM Treasury to develop guidance on proportionate reporting for Government-funded third sector organisations.

¹⁷ The lead department is the Department for Communities and Local Government. Other delivery partners are the Department for Culture, Media and Sports, the Home Office, the Department for Environment, Food and Rural Affairs, the Department of Health and Regional Government Offices.

¹⁸ *Cabinet Office Annual Report and Accounts 2007-2008*, page 35.

DSO 4: Transform public services so that they better meet the individual needs of the citizen and business

4.14 DSO 4 takes forward the three main themes of the Transformational Government strategy:¹⁹ focus on the user, joining up services across Government to maximise efficiency, and professionalisation of IT, particularly project management. The National Audit Office published work relevant to the first two of these themes during 2007-08. The Cabinet Office published the *Transformational Government Annual Report 2007* in July 2008, describing initiatives and case studies illustrating progress in particular sectors of Government.

Focus on the user

4.15 In July 2007 the National Audit Office published *Government on the internet*, which looked at the impact of the Government's investment of £1 billion in e-Government and another £5 billion in IT services between 2000 and 2005. The report concluded that:

- most users were aware of only a few heavily used Government sites while some experienced difficulties with other sites that had large amounts of text and poor search engines;
- users were reasonably happy with the quality of Government websites but satisfaction levels had improved only marginally in recent years; and
- there was scope to improve the efficient running of Government websites, estimated as costing over £200 million a year.

4.16 In response in July 2008,²⁰ the Cabinet Office and Central Office of Information stated that they will work to have in place by 2009: improved search facilities; accessibility policy plans; measures to reduce the risks of interacting electronically with those appointed to act on behalf of others; and standard approaches to capturing website costs.

4.17 The 2007 Comprehensive Spending Review contains the Service Transformation Agreement.²¹ Included within this, departments pledge that by 2011 'avoidable' contact with the public will be cut by 50 per cent. Work is also being carried out to migrate 95 per cent of online Government services to two Government 'supersites' – Direct.gov and Businesslink.gov – by 2011 and improve the experience of those who still wish to have more personal contact.

¹⁹ *Transformational Government, enabled by technology*, 2005.

²⁰ *Treasury Minutes on the First and Second Special Reports and the Sixteenth to the Twenty Second Reports from the Committee of Public Accounts 2007-2008*.

²¹ http://www.hm-treasury.gov.uk./media/B/9/pbr_csr07_service.pdf

Joining up services

4.18 The Government has a programme to promote shared services for corporate functions such as finance or human resources, identifying potential annual savings of £1.4 billion. The National Audit Office published *Improving corporate functions through shared services* in November 2007. The report found a range of shared services initiatives underway but that the Cabinet Office lacked a clear overview of the benefits being secured by departments. At the time of publication, only the Cabinet Office had committed to using shared services offered by the Department for Work and Pensions. No organisations had plans to buy services from Her Majesty's Revenue & Customs, the other large department designated as a seller by the Cabinet Office. The Department for Children, Schools and Families and the Department for Innovation, Universities and Skills are now planning to buy services from the Department for Work and Pensions.

4.19 In its response in July 2008, the Cabinet Office committed to having benchmark data on cost and performance for human resources and finance functions available in 2009, and to work towards the inclusion of corporate services performance data in annual reports.

Professionalisation of IT

4.20 The Cabinet Office works through the Chief Information Officers' Council to improve the IT skills of senior civil servants and IT officers and is leading the Technology in Business Fast Stream for graduate entrants. The Cabinet Office has divided public services into nine groups and required each to develop its own strategy to improve IT skills. It is also involved in a project to implement a strategy for local government.

DSO 5: Build the capacity and capability of the Civil Service to deliver the Government's objectives

Civil Service leadership and innovation

4.21 The Civil Service Capability Group, established in June 2007, is responsible for increasing the leadership capability of the Senior Civil Service. As well as assessing leadership capacity as part of Capability Reviews, it has incorporated an assessment of leadership skills into the performance assessments of all 4,000 members of the Senior Civil Service. New entrants to the Senior Civil Service are sent on leadership induction courses developed by the Civil Service Capability Group.

4.22 During the year the Cabinet Office ran *Civil Service Live*, the first major event for the whole civil service designed to encourage innovation and spread good practice, attended by around 6,000 civil servants. The Cabinet Office has also, in partnership with the Office for Government Commerce and the National Audit Office, launched the Civil Service awards in order to recognise and reward best practice.

Capability Reviews

4.23 In 2007-08 the Cabinet Office completed the last tranches of Capability Reviews of main departments: the Department of Health, the Department for Transport and the Crown Prosecution Service (June 2007); HM Revenue & Customs and HM Treasury (December 2007); and a 'baseline assessment' of the new Ministry of Justice (April 2008). In December 2007 the Cabinet Office published its analysis of *Progress and Next Steps*²² in which it identified four common areas of weakness emerging from Reviews.

- **Leadership.** The Cabinet Office found this to be the area where departments' boards and senior management were making the most progress.
- **Skills, capacity and capability.** The Government acknowledged that 'much more needs to be done' in its response to the Select Committee's report on *Skills for government* in November 2007. This is the development area that departments are 'finding the most challenging'.
- **Delivery and performance.** Among actions to improve performance are the Cabinet Office's Transformational Government initiative and the new cross-cutting PSAs.
- **Delivery models.** The Cabinet Office noted that the degree of improvement varied and challenges remained around the links between departmental senior management and those involved in front line delivery.

22 http://www.civilservice.gov.uk/about/accountability/capability/web_reports/progress_next_steps.asp

4.24 In November 2007 the Sunningdale Institute at the National School of Government produced an evaluation of the Capability Review programme for the Civil Service Steering Board.²³ The evaluation was positive about: the ‘fitness for purpose’ of the review model; the quality of review teams; and the way the process was driving change. It pointed out that reviews did not look at inter-departmental working on cross-Government issues or Ministerial involvement, and there was considerable variation in the degree to which departments had responded to the findings of Reviews. The evaluation recommended strong ‘follow-through’ procedures to ensure that the initiative did not suffer from ‘tail-off’.

4.25 The National Audit Office is carrying out a study of how departments have responded to Capability Reviews. We intend to publish the results early in 2009.

DSO 6: Promote the highest standards of propriety, integrity and governance in public life

4.26 The Propriety and Ethics Team, part of the Private Offices Group in the Cabinet Office, publishes the Codes of Conduct for the Civil Service, Ministers and special advisers. The Codes of Conduct define behavioural and ethical standards across government. The Civil Service Code of Conduct was last updated in June 2006, the Ministerial Code of Conduct in July 2007 and the Code of Conduct for Special Advisers in November 2007. The list of Ministers’ interests, travel and gifts is published annually.

4.27 The Propriety and Ethics Team has also been involved in embedding ‘the core values of [civil service] impartiality, objectivity, honesty and integrity’ within legislation. Clauses to this effect were included in the draft Constitutional Renewal Bill published in March 2008. The Team has also looked at increasing the role of Parliamentary Select Committees in key public appointments. The Government announced in March that it would pilot the latter in its positive response to the Public Administration Select Committee’s report on the subject published in January.

Appendix One

Net expenditure per Cabinet Office objective 2007-08

Objective	Description	Net expenditure £'000
Objective 1	Supporting the Prime Minister – to define and deliver the Government's objectives.	58,717
Objective 2	Supporting the Cabinet – to drive the coherence, quality and delivery of policy and operations across departments.	214,835
Objective 3	Strengthening the Civil Service – to ensure that the Civil Service is organised effectively and has the capability to deliver the Government's objectives.	67,633
Total		341,185

Source: Cabinet Office Annual Report and Accounts Operating Cost Statement 2007-2008

NOTE

- 1 Objective 4 is 'Support Cabinet Office business', which underpins the successful delivery of the other three objectives. This objective is listed in the Annual Report and Accounts only in the staff numbers section. Expenditure on the objective is included pro rata across objectives 1-3.

Appendix Two

Number of staff per Cabinet Office objective

Objective	FTE Staff by Management Group	Management Group
Objective 1	27	Communication and Information Group
	20	Domestic Policy and Strategy
	16	European and Global Issues Secretariat
	35	Intelligence, Security and Resilience
	24	Foreign and Defence Policy
	169	Prime Minister's Office
	26	Transformational Government and Cabinet Office Management
Sub-Total	317	
Objective 2	111	Transformational Government and Cabinet Office Management
	12	Communication and Information Group
	144	Domestic Policy and Strategy
	13	European and Global Issues Secretariat
	190	Intelligence, Security and Resilience
	24	Foreign and Defence Policy
	73	Parliamentary Counsel Office
Sub-Total	567	
Objective 3	54	Transformational Government and Cabinet Office Management
	175	Civil Service Capability Group
	30	Communication and Information Group
	16	Domestic Policy and Strategy
	3	International Economic Affairs and Europe
	7	Intelligence, Security and Resilience
Sub-Total	285	
Objective 4	117	Transformational Government and Cabinet Office Management
	36	Civil Service Capability Group
Sub-Total	153	
Overall Total	1,322	

Source: Cabinet Office Annual Report and Accounts 2007-2008, p.88

NOTE

These figures represent average staff in post for the year.

Appendix Three

The Compact between the Cabinet Office and the Treasury

How we will work together

The checks and balances of Cabinet Government create challenges for departments working together.

Ministers will not always agree. Political imperatives change. Ministers need to test ideas in confidence with their officials. Different departments inevitably have different perspectives.

But the centre of government and departments can improve the way in which we work together.

We will all:

- keep the public and taxpayer at the centre of our work;
- encourage joined-up partnership in Government working;
- be as clear as possible in explaining our perspectives and decisions;
- work to understand each others' different views and priorities;
- respect each other's capabilities and right to manage;
- share information, analysis, solutions, strategies, intentions and best practice as much and as early as possible;
- identify problems early and seek solutions quickly;
- base our advice on evidence and sound analysis; and
- leave responsibility and credit where they belong.

We will all avoid:

- forgetting our role and focus;
 - working in silos;
 - working from different sets of information;
 - focusing on minor details and not on what matters;
 - creating unnecessary work;
 - setting unreasonable deadlines;
 - rudeness; and
 - blame culture.
-

The Compact, on the previous page, contains a set of principles to determine how all departments should work together.

Following their Capability Reviews, both Cabinet Office (including Number 10) and HM Treasury Group, the core bodies at the centre of Government, have explored how they can work better with other Government departments.

The Compact is not a one-way agreement. As much as it concerns how Cabinet Office and HM Treasury Group should behave towards other departments, it also concerns how other departments should reciprocate.

Clearly, nothing is achieved simply by agreeing principles. We now all have to strive to live by them. This will involve effort at every level, from ensuring that our day-to-day dealings with each other are respectful and appreciative, to restructuring processes all over Government to help us work better together.

Cabinet Office and HM Treasury Group will regularly survey their stakeholders to assess whether we are 'living' the Compact and will share the results of these surveys.

If you see a breach of this Compact, please raise the issue with the individual(s), their line manager or their Permanent Secretary so that between us we can improve the way Government works.

Best wishes,

Gus O'Donnell

Cabinet Secretary and Permanent Secretary to the Cabinet Office

Nick Macpherson

Permanent Secretary to the Treasury

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