



House of Commons
Public Administration Select
Committee

**Good Governance and
Civil Service Reform:
'End of Term' report on
Whitehall plans for
structural reform**

Eleventh Report of Session 2010–12

*Report and appendices, together with formal
minutes*

*Ordered by the House of Commons
to be printed 12 July 2011*

HC 901
Published on 18 July 2011
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Public Administration Select Committee

The Public Administration Select Committee is appointed by the House of Commons to examine the reports of the Parliamentary Commissioner for Administration and the Health Service Commissioner for England, which are laid before this House, and matters in connection therewith, and to consider matters relating to the quality and standards of administration provided by civil service departments, and other matters relating to the civil service.

Current membership

Mr Bernard Jenkin MP (*Conservative, Harwich and North Essex*) (*Chair*)
Nick de Bois MP (*Conservative, Enfield North*)
Alun Cairns MP (*Conservative, Vale of Glamorgan*)
Michael Dugher MP (*Labour, Barnsley East*)
Charlie Elphicke MP (*Conservative, Dover*)
Paul Flynn MP (*Labour, Newport West*)
Robert Halfon MP (*Conservative, Harlow*)
David Heyes MP (*Labour, Ashton under Lyne*)
Kelvin Hopkins MP (*Labour, Luton North*)
Greg Mulholland MP (*Lib Dem, Leeds North West*)
Lindsay Roy MP (*Labour, Glenrothes*)

Powers

The powers of the Committee are set out in House of Commons Standing Orders, principally in SO No 146. These are available on the Internet via www.parliament.uk

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pasc>.

Committee staff

The current staff of the Committee are Clive Porro (Clerk), Ben Williams (Second Clerk), Alexandra Crampton (Committee Specialist), Paul Simpkin (Senior Committee Assistant) and Su Panchanathan (Committee Assistant).

Contacts

All correspondence should be addressed to the Clerk of the Public Administration Select Committee, Committee Office, First Floor, 7 Millbank, House of Commons, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5730; the Committee's email address is pasc@parliament.uk.

Contents

Report	<i>Page</i>
1 Report	3
Conclusions and recommendations	5
Appendix 1: Letter from Mr Bernard Jenkin MP to all Permanent Secretaries, April 2011	6
Appendix 2: Responses from Departments together with analysis by Professor Andrew Kakabadse	7
Formal Minutes	95
List of Reports from the Committee during the current Parliament	96

1 Report

1. We have been conducting an Inquiry into Good Governance and Civil Service Reform at a time when the Civil Service is faced with twin challenges of enabling the Government's plans for major public service reform and significantly reduced administrative budgets. We will be reporting in due course.

2. As part of the Inquiry we wrote to each Departmental Permanent Secretary for further details of the corporate change programmes we anticipated would be necessary to meet these two challenges. We also requested information on cross-departmental working in Whitehall and the central coordination of change programmes by the Cabinet Office.

3. We received 14 responses. We thank those Permanent Secretaries for providing this information to us. We are surprised and disappointed that the Department for Culture, Media and Sport and the Department for International Development have not replied despite our repeated entreaties.

4. We commissioned our Specialist Advisor, Professor Andrew Kakabadse, Professor of International Management Development at Cranfield University School of Management to analyse 13 of the responses we received. His analyses are contained in Appendix 2. The reply from the Department for Energy and Climate Change was received more than a month after the deadline given to Permanent Secretaries and therefore too late to be assessed by Professor Kakabadse in time for our Report.

5. Professor Kakabadse accompanied his analysis with the caveat that the full context of a department's capability to successfully implement internal change programmes cannot be judged solely on their written response:

Where leadership is the determining factor in realising success, it is important to, at least, understand context – in effect, what is really happening in this Department that cannot be captured on paper? The only way to discover 'life behind the scenes' is to talk to the staff and management about their level of motivation and will to see through the changes required.¹

6. The main critical requirement for success identified by Professor Kakabadse was the "*quality of leadership and management*" in Whitehall.² He stated

Having a clear vision concerning how to meet departmental priorities while being stringent over costs and also whilst motivating people, captures the nature of the leadership challenge facing the senior management of Whitehall.³

7. However Professor Kakabadse was deeply concerned about the absence of governance to coordinate these change programmes at the centre of government. Placing high

¹ Appendix 2 Letter from Professor Andrew Kakabadse to Mr Bernard Jenkin MP, Chair of the Public Administration Select Committee, 8 July 2011

² *Ibid.*

³ *Ibid.*

importance on the coordinating role for the Cabinet Office and HM Treasury, he noted that

... there is no point in placing extensive demands on the delivery Departments of Whitehall, asking them to reconcile the 'Big Society' agenda with extensive cost reduction requirements, without then being able to provide reasonable oversight, namely, governance ...

The central Departments of Whitehall ... are, to my mind, required to 'oversee' the governance of the change programmes for which the delivery Departments are accountable.⁴

8. Professor Kakabadse concluded

I have to say that the governance of change is the greatest concern I have. I do not detect sufficient awareness of the need or desire to provide holistic governance to support the delivery Departments in meeting the Government's priorities.⁵

9. We are concerned that the Centre of Government is not providing strategic leadership and a governance framework to departments in managing their change programmes. This will be necessary to share best practice and ensure that structural reforms are implemented successfully across the whole of Government.

10. We hope the Government will find this evaluation of use in developing transformation programmes across Whitehall. We will come back in due course to examine how far these programmes have progressed and succeeded.

11. We intend to repeat this process of evaluation in a year's time to establish what progress has been made.

⁴ *Ibid.*

⁵ *Ibid.*

Conclusions and recommendations

1. We received 14 responses. We thank those Permanent Secretaries for providing this information to us. We are surprised and disappointed that the Department for Culture, Media and Sport and the Department for International Development have not replied despite our repeated entreaties. (Paragraph 3)
2. We are concerned that the Centre of Government is not providing strategic leadership and a governance framework to departments in managing their change programmes. This will be necessary to share best practice and ensure that structural reforms are implemented successfully across the whole of Government. (Paragraph 9)

Appendix 1: Letter from Mr Bernard Jenkin MP to all Permanent Secretaries, April 2011

As part of its ambition to bring about a “Big Society” the Government has set out a reform agenda involving greater decentralisation of power and enhanced social action at local levels alongside proposals for considerable reform of public services.

At the same time the Spending Review commits the Government to a large reduction in departmental administration costs by an average of a third.

Except for a fundamental review of arms length bodies the machinery of government has been left largely unchanged. However, the need for profound changes to the size and role of the Civil Service appear implicit in the Government’s ideas for a Big Society and as a consequence of spending reductions.

As part of its inquiry into good governance and civil service reform the Public Administration Select Committee (PASC) would like to obtain a better understanding of the changes which are facing departments at present and how they plan to meet them. In particular it would like to know:

- What impact, if any, are the reforms envisaged in the Government’s ‘Big Society agenda’ likely to have on the way your department is organised and operates?

If there are no consequences for your department organisational structure as a consequence of the Big Society agenda please explain why this is the case.

- What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review?

If no structural change is required, what action are you taking to achieve the required reduction in administrative budgets?

- How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?
- What consideration has been given to retaining or acquiring those skill sets—for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action—necessary to deliver the Government’s reform plans?
- What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?
- Does your reform process involve other government departments or public bodies?

The inquiry is coming towards its concluding stages and I look forward to receiving your responses by the 13 May to enable us to finalise our Report.

Appendix 2: Responses from Departments together with analysis by Professor Andrew Kakabadse

Letter from Professor Kakabadse to Mr Bernard Jenkin MP

Thank you for inviting me to act as Advisor to the Public Administration Select Committee (PASC). I have really enjoyed working with you and your colleagues and feel that it has been a privilege to offer comment on the Whitehall Departmental briefs submitted to PASC.

I feel it important to write to you to provide explanation concerning why I have made the comments I have.

First, the briefs helped me better understand the depth and range of challenge that the Civil Service faces. I now have greater respect than before for the Whitehall public servant. The briefs confirm that the majority of Civil Service Departments have to exercise, in parallel, four core critical and contrasting capabilities. I do not know of other organisations comparable in size or budget that need to concurrently pursue four (at times, ill fitting) critical skills. You will find that many of my comments centre around the likelihood of meeting priorities when being required to pursue contrasting objectives. Overall, however, the quality of leadership and management to do so, highlight for me, the capability of the British Civil Servant.

Second, under current conditions of maintaining and enhancing service whilst also substantially reducing costs, the demand for high quality leadership from Whitehall is far greater than I have witnessed. Having a clear vision concerning how to meet departmental priorities while being stringent over costs and also whilst motivating people, captures the nature of the leadership challenge facing the senior management of Whitehall. Without intending to, 'leadership' became the theme that attracted greatest comment from me. The reason for this is that it is clear to me that the 'real' strategic lever left to the Senior Managers of each department is leadership. It is evident from reading the briefs that it is up to management, Department by Department, to critically determine how to find a way through their unique challenges. Where a brief does not, or does not sufficiently discuss the leadership challenges to be faced, I raise questions concerning whether considered attention has been given to meeting the demands for driving through change. The three briefs, Health, Home Office and Defence, I find to be of a high standard but even then I feel compelled to raise the question as to whether jointly meeting demanding performance requirements and cost reduction targets is, for them, just a stretch too far? In so doing, I do not imply criticism of these three Departments but rather genuinely ask whether the capabilities highlighted in the briefs are sufficient to meet the demands placed on the Departments?

Third, I further consider that deeper insight into the workings of each Department is necessary in order to determine whether each Department is realistically able to meet its priorities. Where leadership is the determining factor in realising success, it is important to, at least, understand context – in effect, what is really happening in this Department that

cannot be captured on paper? The only way to discover 'life behind the scenes' is to talk to the staff and management about their level of motivation and will to see through the changes required. I do not make such a request idly. I feel it is the only effective way to gauge the preparedness of an organisation to recognise its unique, if not idiosyncratic, qualities and from there dig deep and find out whether it is able to face the stringent demands it faces. Context is a fundamental consideration in determining whether the leaders of any entity have the capability to overcome the challenges they face and to realise the priorities set. As stated, through raising questions I do not imply criticism of the Department concerned. It is more that further information is needed in order to form a reasoned view.

Four, I take a different stance concerning the briefs provided by the Treasury and the Cabinet Office. Here, I do suggest critique on the grounds that there is no point in placing extensive demands on the delivery Departments of Whitehall, asking them to reconcile the 'Big Society' agenda with extensive cost reduction requirements, without then being able to provide reasonable oversight, namely, governance. As a truism, the greater the dependence on leadership (as opposed to systems and processes), the greater the need for meaningful governance. The reason is that the Senior Management of each Department will naturally attend to their priorities (especially when reconciling a cluster of contrasting priorities) and only look to other parts of Government when functionally required to do so. Such operational cross linkages across Government are evident in the briefs submitted.

However, when taking a broader view across Government, the need to minimise disaggregation and attend to those issues that unfortunately could derail the overall change process, is a critical necessity. That broader governance awareness is hardly evident from the documents I have read. My fear is that under circumstances as these, where each Department is stretched and where too much is left to leadership to find ways forward, 'joined up Government' may well be neglected. It is unrealistic to expect the delivery Departments to be tasked with meeting strategic and operational priorities and equally be jointly responsible for the governance of Whitehall. That then raises the question of the critical role central Government Departments should play in ensuring for 'joined up governance for joined up Government'. The central Departments of Whitehall, Cabinet Office, No. 10 and the Treasury are, to my mind, required to 'oversee' the governance of the change programmes for which the delivery Departments are accountable. The Treasury brief in particular mentions that slight adjustment will be made to their operating budget as a result of the 'Big Society' initiative. There is no indication of whether the Treasury will provide sound monitoring and/or stewardship of the changes required across Whitehall and how that would be exercised. There is equally no suggestion that consultation has taken place with other Departments in order to identify what governance is required from the 'heart of Government'. The Cabinet Office brief does offer much more information on the nature of its overarching responsibilities across Whitehall and other agencies. However, what is missing is insight into the Cabinet Office's leadership capability to provide for governance, in particular, stewardship. The Cabinet Office brief is impressive in highlighting the range of activities it's pursuing and the effort being made to realise successful outcomes. Even more reason therefore to request for more information to, at least, see the likelihood of success. In making such a request, I recognise any entity's reluctance to hang out 'its dirty laundry'. That is not what I ask for, but simply request some view of what leadership is really needed to realise change across Government, especially from the heart of Government. I point to the Ministry of Defence brief, probably

the most comprehensive and impressive of all of the submissions sent to me, as the model which informs on structural and process change and the leadership to see such change through. It is important to point out that major change programmes have rarely failed solely due to inadequate planning, poor structural reform and ill intent. Most change programmes fail because of poor leadership and inadequate governance 'as applied on the day'. Ironically, the change programmes that fail are all too often supported by professional planning, sound structures and good intention. What was missing was the skill to deliver, bearing in mind the unique set of challenges (context) facing the management of the organisation at that moment in time.

On having studied the briefs sent to me, I have to say that the governance of change is the greatest concern I have. I do not detect sufficient awareness of the need or desire to provide holistic governance to support the delivery Departments in meeting the Government's priorities. I recognise that the Cabinet Office brief points to the role of Departmental Boards and the contribution its Non Executive members should play in guiding each Department. I do not detect similar emphasis given to Departmental Boards in the briefs of the delivery Departments. Central Government's role in the governance of Government, particularly at a time of demanding change, is the one area that I believe requires further considered attention.

I hope I have provided sufficient explanation for the comments I make on each of the briefs that I return to you. Should further comment be required from me, please feel free to ask.

Also, please feel free to publish this explanation of my reasoning, particularly as Whitehall's capacity to deliver on the change priorities identified may ultimately be shaped by the level of governance oversight (or the lack of it) by central Government.

Written evidence submitted by Ministry of Justice — May 2011

I am writing in response to your letter of 24 April, on the changes faced by Departments in taking forward the Spending Review 2010 and the Big Society principles.

The Ministry of Justice (MoJ) is following an ambitious programme of reform over the Spending Review period, during which we will make £2bn of savings. These will be achieved by taking a new approach to delivery of public services, delivering our services more efficiently, and reducing MoJ's headcount and estate. In setting out the Department's programme of reform I will deal with each of your questions in turn.

Impact of the Big Society on organisational structure

The Department is organising its services according to the Big Society themes of public service reform. Three of our Departmental priorities are:

- increasing responsibility and the power of the citizen;
- changing how we provide services to the public; and
- working differently, saving money, and focussing on the frontline.

These three priorities link up with Big Society principles of public service reform, community empowerment, decentralisation and transparency. We are changing our

organisational structure in the following ways: we will focus on the frontline and slim down the strategic core of the Department; corporate services will be shared wherever possible; and we will use good governance to ensure we obtain value for money and understand and manage the risks facing the MoJ.

The Big Society is already having an impact on our services. We are commissioning more and more services from suppliers in the private and voluntary sectors, with increased competition likely to lead to a greater plurality of providers. The recently completed prison competitions resulted in HMP Buckley Hall remaining managed by the public sector and HMP Birmingham, HMP Doncaster and Featherstone 2 by the private sector which will realise substantial savings in the current spending round.

As set out in our Business Plan, we are currently developing a cross-departmental competition strategy that will set out our aims and principles in relation to which MoJ services and functions to compete. The strategy will include developing specific competition proposals – including options on offender services and legal aid – alongside work to continue to build capability and capacity within the Department to manage effective competitions. There will be an expectation that options incentivise small and medium sized enterprises, voluntary and community sector organisations, or consider mutualisation.

Structural reform due to the Spending Review

We are creating a leaner, more cost effective Department which supports decision-making and essential frontline services. Our programme will transform the Department and generate savings of around 23% (£2bn) by 2014/15.

We estimate we will lose around 15,000 posts, of which around 10,000 from the National Offender Management Service, 3,000 from Courts and Tribunal Service and 1,000 - 2,000 from elsewhere in the Department. Where possible, staff reduction will be through natural turnover and voluntary redundancy.

We have reviewed our operating model and concluded that the Department's headquarters should operate as follows:

- provide shared strategic leadership based around a clear governance framework, delivering a common performance framework, assuring the delivery of a coherent change portfolio;
- provide prioritised and targeted use of policy resource, within a single area, focused on the key changes needed to deliver Ministerial priorities;
- provide shared and grouped common functions delivering an efficient and effective service; and
- reduce the burden on the front-line through streamlining the tiers of management needed to monitor and assure delivery.

The Department has already restructured its Senior Civil Service. Since December 2009 we have reduced our numbers of Deputy Directors by 22%, Directors by 32% and Directors General by more than half. Further restructuring at lower levels is ongoing. The MoJ is now structured around four areas - corporate performance, policy, and two main delivery

agencies: the National Offender Management Service (NOMS) and HM Courts and Tribunals Service (HMCTS). In addition, we anticipate that the Legal Services Commission will convert to an executive agency next year (with enabling legislation to be brought forward shortly). The Public Bodies Bill, currently before Parliament, reduces the number of MoJ-sponsored arm's length bodies. Those that remain will receive more of their corporate services directly from the Department.

These programmes are already in place and in many cases have already started to deliver benefits both in terms of enabling the Department to live within its financial settlement and in improving its focus and coherence.

Implementing the changes

The Ministry of Justice Business Plan 2011-2015 is our formal plan for implementing the changes set out above. A copy of the Business Plan is annexed to this letter and an updated version will be published on the No10 website shortly. The structural changes to the Department are referenced in section 5 of the Business Plan. Regular progress reports are published on the Number 10 website, ensuring that the Department is held to account.

Retaining expertise

The Department is committed to acquiring and retaining the expertise necessary to carry out these reforms. As part of the Transforming Justice programme we are carrying out a review on how MoJ commissions services. This includes exploring whether we have the right skills in the right place in order to achieve efficient and effective commissioning and contracting of services over the next 5-10 years. We work with the Cabinet Office Efficiency and Reform Group on the delivery of Centralised Procurement and publish all requirements, tenders and contracts over £10,000 on the single government portal to broaden the scope of opportunities for small businesses. The MoJ is also about to publish an action plan that will provide help and guidance for small businesses and the voluntary and community sector seeking to do business with the MoJ.

The programme of work we are taking forward on competition will allow us to deploy resources (procurement or legal support, for instance) more strategically to achieve value from our competed services and functions.

In March, we published plans to increase community access to local criminal justice, and will publish more information about sentencing, justice outcomes and local justice services. We are also developing means by which decision-makers can assess the impact of crime on community life, gather views on community priorities and then use the information as part of the justice process.

We are developing the use of Neighbourhood Justice Panels. These bring local volunteers and criminal justice professionals together to decide what action should be taken to deal with some types of low level crime and disorder, using restorative justice approaches. More generally, we are increasing the accessibility of information on a range of volunteering opportunities across the CJS to enable community participation.

The management of unpaid work by offenders serving community sentences (Community Payback) is being competed and contracting arrangements will ensure strong community links so that local people can nominate projects. We will continue to monitor the Department's capability in facilitating this type of community involvement and delivering this and similar reforms.

Lessons learned

The Transforming Justice (TJ) programme, which brings together our key change initiatives, is perhaps the biggest Whitehall change programme in a generation. It has been underway for two years and we have achieved a lot already. One of the most important features of TJ has been its balance between strategic leadership and bottom-up design to develop a vision for justice in 2015. I took the decision to appoint one of my Directors General as the dedicated lead on TJ, removing his other responsibilities to ensure dedicated Board-level focus on change. We have led the programme, but design – particularly on processes, systems, and business model – has been undertaken by staff across the Department, including 1,500 transformers from all parts of the business. In last year's staff engagement survey I was pleased to note that, despite the cuts that are already beginning to bite, an increased number of MoJ staff value the Department's ability to lead and manage change.

I can draw on political lessons too. For TJ to be a success we have needed to create political consensus across parties, especially on our policy reform agenda. The process of engagement with politicians – with Labour Ministers and Opposition Shadows before the election, and with the new Ministerial team after election – was central to this. We knew that whichever party or parties formed the new Government we would be able to present a reform agenda that suited them. Of course there remain political risks to our changes: legislation needs to get through both Houses; Ministers need to be able to justify tough choices in the face of media criticism. Importantly, many of our reforms – both policy and organisational – require a refocussing from protecting providers to empowering users. This will involve hard decisions affecting vested interests including lawyers and the unions.

The Department has sought expertise and feedback from a number of sources in drawing up our plans for reform. At my request, the TJ programme has been evaluated by the Institute for Government (IfG). IfG is due to publish its next interim report at the end of this month. It considers the overarching strategy behind Transforming Justice as a strength and has suggested future areas of focus which we will take forward.

As part of MoJ governance, and in line with Cabinet Office guidance, the Departmental Board is now made up of all its Ministers, the Permanent Secretary, two Directors General and four Non-Executive Board Members (NEBMs). The NEBMs bring expertise from other organisations in the public and private sectors, and offer challenge and advice to the Board. We are also seeking input from private sector companies to share good practice. In addition, we will be carrying out a self-assessment of capability in the Department as part of the new Capability Reviews process outlined by the Cabinet Office.

Perhaps the most important lesson has involved maximising MoJ's good luck. The breakdown of the old link between crime and the economy has meant that MoJ faces fewer

demand-side pressures despite the economic downturn. And we have been lucky in getting the right Ministers – Jack Straw and Kenneth Clarke are similar only in as much as they have empowered the Department to take a long-term view of the services that it provides.

Involvement with other Government Departments and Public Bodies

The MoJ has strong links with the other Departments connected to the Criminal Justice System (CJS), looking at the CJS efficiency agenda in particular: the Home Office, the Attorney General's Office and the Crown Prosecution Service. We are working with the Office for Civil Society and the Cabinet Office on community leadership and social action.

The Department is also working closely with the Department for Work and Pensions on the Work Programme and the Department of Health and National Health Service on the health of offenders (including mental health and addiction), including some of the Payment by Results (PBR) schemes. The PBR schemes have also expanded to include partnership with the Voluntary and Community Sector and Local Government.

Other Departments involved in our reform programme are the Better Regulation Executive and the Department for Business, Innovation and Skills on deregulation, and HM Treasury on growth. We also have links with the Department for Communities and Local Government on decentralisation and localism.

I trust that this letter, in conjunction with the Business Plan attached, provides the Committee with the Department's plans to meet the challenges of the Spending Review settlement and the wider public sector reform agenda

Analysis by Professor Kakabadse

I have read the brief presented by Sir Suma Chakrabarti, KCB, and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief offers detail of how the Ministry of Justice (MoJ) will pursue the 'Big Society' initiative. Three key Departmental priorities are highlighted, power and responsibility of the citizen; change of provision of service to the public; working differently through balancing concern over costs whilst also maintaining a focus on frontline service delivery.

It is reported that structural change has already started in preparation for 'Big Society'. Examples offered indicate the nature and type of projects already underway such as prison completions, some of which are managed by the public sector and others by the private sector indicating the extent of plurality of providers. Further, the brief draws attention to the cross-departmental competition strategy aimed at developing specific proposals to provide efficient service to the public. In so doing, the need to build capability and capacity to manage competition is recognised. Also, plans are in place to increase community access to local criminal justice.

Costs versus Effectiveness

The brief details the steps taken (and to be taken) in order to make the MoJ more cost efficient. It is reported that a number of posts have been cut and will be cut with specific mention of which posts and where (National Offender Management Service; Courts and Tribunal Service; i.e. 15,000 posts in total). In parallel to the steps taken to reduce costs, the brief highlights how service improvement, within a clear governance framework, is to be realised. Further, greater use is to be made of the targeting of policy resources in order to deliver on Ministerial priorities. It is emphasised that certain initiatives integrating service improvement and cost efficiency are already underway. Central to the reform is the focus on the front line and 'slimming down' the Centre of the Department through reforms such as the sharing of corporate services. The brief makes it clear that more change will follow. In particular, a considerable number of Director roles have been reduced. Also, the number of Arm's Length Bodies (ALBs) is to be reduced once the Public Bodies Bill passes Parliament.

Planning for Change

The brief also emphasises that considerable attention has been given to planning for change. The sub section 'Lessons Learned' reports the manner in which the steps to change will be managed. A 'bottom - up' and 'top - down' approach to change is underway and will be further pursued. The change process itself is considered all embracing with attention given to processes; organisational systems; people reduction and development; business model; all through extensive staff involvement and engagement. Also highlighted are the effects of change on critical stakeholder relationships both within the Civil Service and with external interests. In fact, the brief states that the MoJ is structured around four areas, corporate performance, policy and two delivery agencies, namely the National Offender Management Service and HM Courts and Tribunal Service. In addition, the Legal Services Commission is anticipated to convert to an executive agency. Critical to the reform process, the brief pays particular attention to the Transforming Justice Programme. For that to be successful, the need for political consensus across all parties is considered important. However, in doing so, the challenge for Ministers is justifying the choices they make and the political risk of doing so, particularly when accounting for external vested interests. As part of the 'working through change', the brief draws attention to the MoJ's close working relationship with other Departments such as the Home Office, the Cabinet Office, the Department for Work and Pensions and the Department for Communities and Local Government.

Key Skills to Retain

A detailed outline of the functional and professional skills and management competencies required to address the strategic challenges facing the MoJ is provided. The brief informs how resources will be deployed and how the community can be called upon to achieve the aims set by the MoJ, particularly through the use of Neighbourhood Justice Panels. Towards this end, the Transforming Justice Programme is undertaking a review of how MoJ commissions services, including assessing whether the right skills are in the right place.

Confidence to Succeed

The detail provided in the brief indicates that the senior management of the Ministry of Justice have the confidence to exercise the four core skills required of Civil Service Departments namely; policy advice, service delivery, contracting/sourcing skills and strategic facilitation/engagement skills. The clarity of description of strategic intent and the detail on how that intent is to be pursued indicates that the MoJ has thought through the challenges it faces and recognises the functional competencies necessary to realise service delivery improvement, cost efficiency and 'Big Society' aims. More attention could have been given to the leadership necessary to drive through the changes specified. Greatest attention is given to policy and structural reform and improvement to ways of working with external bodies but not to the 'nitty gritty' leadership challenges both middle and senior management will face.

Building Capability

The brief provided by the Ministry of Justice is one of the more impressive I have read. The questions raised by the Chairman of the Public Administration Select Committee seem to have been addressed. The necessity for building capability is spelt out, except for that of leadership. In order to fully ascertain whether the Ministry is able to implement what it says, in depth interviews with a select number of individuals would need to be conducted. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the MoJ's aims under conditions of simultaneously pursuing contrasting strategies (staff reduction versus risk assessment/good governance and greater need to draw on contracting skills). However, in the absence of such information, sufficient evidence is provided in the brief to presume that the Ministry of Justice is able to fulfil its aims. The strategic goals, being and to be pursued, are supported by detail on how these goals are to be implemented. More information on the 'real' leadership challenges to be faced would have been helpful in order to make meaningful comment. Yet, overall, the information provided in the brief gives me the confidence to state that the aims set are likely to be realised.

Written evidence submitted by Department for Transport —May 2011

Thank you for your letter of 24 April about your inquiry into good governance and civil service reform.

I will take each of your questions in turn.

DfT and the 'Big Society agenda'

We are working to ensure we deliver the Big Society principles across the Department.

Under the principles of the Big Society, DfT will be much more accessible to citizens, communities and local organisations, ensuring that we work with local people to support them in delivering locally-derived ambitions, removing barriers where they exist. The introduction of the Big Society Vanguard Communities has given us an opportunity to explore how this can be made to work – for example, by carefully considering the proposals for improving signage and removing street clutter put forward by the London Borough of Sutton, we have been able to identify where we need to change our approach to better meet local needs.

Under localism principles, we will be looking to local authorities to determine (and fund) their own policy priorities. As a consequence, while historically the Voluntary, Community and Social Enterprise sector (VCSE) would engage directly with us, we would now expect to see VCSEs commissioned by, and working directly in partnership with, local authorities.

Our shift towards localism will see a radical simplification of local transport funding by moving from twenty-six grants to just four. There will also be significant reductions in DfT's direct funding to VCSEs. We will work closely with VCSEs to reduce the level of risk once direct funding has come to an end, looking for more innovative funding approaches. In allocating funds (such as the £560m Local Sustainable Transport Fund) we will look favourably on funding proposals from local authorities that demonstrate strong partnerships with VCSEs in the design and delivery of local transport solutions.

We will work to find ways of ensuring our streamlined central Department is able to meet the additional level of local engagement that is required by the Big Society. That will include working with a now expanded group of stakeholders comprising Local Authorities and a broader collection of community groups and citizens.

We are also working with a wide range of partners to deliver the reducing regulation agenda. Our Department has significant regulatory responsibilities, not least because of the large volume of EU and International regulations we are tasked with implementing in the UK. We have put in place a robust governance structure for implementing the reducing regulation agenda in the Department and are working to put a deregulatory mindset at the core of how we work. Next week will see the first tranche of our regulation being opened up to scrutiny and challenge as part of the 'Red Tape Challenge'.

Structural Reform

We undertook a re-structuring of the central Department over the period September 2010 to April 2011. That involved a re-design of the Department's structures and individual roles against the business priorities for the Spending Review period. Key changes included a move from five Groups to four; the creation of larger, more flexible, Directorates; a flattening of the hierarchy; and the creation of individual jobs with greater responsibility. The design also allowed for peaks of work, such as the Olympics.

Implementation

The final elements of the structural changes are implemented this month. Work is now underway to bed down these changes and to ensure that the Department continues to perform effectively.

Key Skill sets

The first principle of the re-design of the Department was that the design should meet the needs of the business over the period to 2014/15. That included looking at our priorities and the skills, capabilities and expertise needed to deliver those priorities. The selection and allocation process then ensured that people with the necessary skills were placed in appropriate roles. The retention of key skills was therefore central, both to the design and to the selection/allocation process. A number of roles were identified which required skills sets, such as commercial skills, where the Department did not have sufficient numbers of people with those skills to fill them. These roles are being advertised.

Key lessons

The following lessons advised the approach we took:

- To take a re-design and then populate approach – starting with the structures and individual jobs and then placing people within those;
- To make the process as open and fair as possible – engaging regularly and transparently and providing as much opportunity as possible for people to participate fully and effectively;
- To make the change at pace – to minimise the impact on people and the Department by ensuring the process was not an extended one;
- To design against the needs of the work, within the necessary cost parameters – to ensure we had the right structures and skills to allow a smaller Department to perform effectively and deliver its priorities;
- To provide high quality re-deployment support those who did not find roles.

Other Stakeholders

The programme described above relates to the central Department only. We would be happy to provide details of the programmes in our Agencies and ALBs if that would be welcome. The wide impact of transport policies and services on our economy and society mean that the changes we make can not be viewed in isolation. That is why we have put an emphasis on making the re-shaping of the Department business led.

If you would like further information we would be happy to provide you with it.

Analysis by Professor Kakabadse

I have read the brief provided by Lin Homer and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact

- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

At the outset, the brief emphasises that the Department for Transport (DfT) is working to meet the principles of 'Big Society' through being more accessible to citizens, communities and local organisations and also identifying and removing barriers to change. The example of the 'Big Society' Vanguard Communities is provided to show how 'Big Society' principles can be made to work. Further example is provided concerning the allocation of funds to meet 'Big Society' aims, particularly having the Voluntary, Community and Social Enterprise sector (VCSE) in partnership with local authorities. In the move to localism, local transport funding will be simplified; a reduction of direct funding to VCSEs is planned but substituted by innovative funding approaches and by supporting greater partnership between local authorities and VCSEs. The aim is to enhance local engagement in keeping with the Big Society principles.

Costs versus Effectiveness

The brief points to a restructuring of the Department over the period September 2010 to April 2011. The Department is downsized and decentralised in order to have more flexible and responsive directorates. The change process is advanced and at the stage of being 'bedded down'. However, little information is offered concerning the challenges in bedding down change, the challenges of becoming more cost effective and also enhancing service delivery. In fact, little mention is made in the brief of how conflicting interests have been/will be handled and what is required of management to do so.

Planning for Change

Both in terms of 'Big Society' and cost efficiency/service delivery, it is reported that the DfT is focused on and will continue to be focused on meeting their goals over the period 2014/15. Towards this end, the brief reports on the work with a range of partners to reduce regulation and to developing a deregulatory mind set. It is stated that the skills, capabilities and expertise needed to deliver on the DfT's priorities have been examined. However, no further detail is offered concerning the particular skills, capabilities and expertise required and also how the change process is being led.

Key Skills to Retain

The brief states that in order to have the people with the necessary key skills to meet the Department's priorities, appropriate selection and allocation processes are in place in order to position those people with the appropriate skills to particular roles. Information on how such processes are working is not provided. No detail is offered to allow for comment

concerning which roles require which skills and what in fact is the most appropriate mix. However, the need for commercial skills and the shortage of skilled people in this domain is emphasised. To address this shortage, roles are being advertised. No detail is offered of the leadership skills necessary to address the challenges of change and whether further capability development is needed in this area.

Confidence to Succeed

The key lessons learnt to date and how these will assist in meeting the priorities of the Department are listed in the brief. These include the redesign of organisation structure and jobs; how to populate critical roles with the 'right' people; being transparent over restructuring and over the placement of people; managing the pace of change so as to minimise the negative effects on people; balancing the needs of the staff and management against the drive for cost efficiency and redeployment. It is indicated that the lessons learnt will act as a 'powerful guide' on how to go about reducing the size of the Department but also enhancing its ability to deliver on its priorities. Yet, little detail is provided on how this is intended to happen and the 'real' challenges that need to be overcome.

Building Capability

Overall, insufficient detail is offered in order for me to meaningfully comment on how the DfT will go about building the capability necessary to meet its priorities. Such doubt can be dispelled if a select number of interviews are pursued within the Department examining the Department's capacity to provide for policy advice, service delivery, meeting sourcing and contracting needs and strategic facilitation/engagement with the community and delivery partners. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (funding reduction versus the 'Big Society' principle of local accessibility). In the absence of such information, I raise the question as to whether the DfT has given sufficient consideration to the leadership challenges in meeting its aims. Further, I feel obliged to raise the additional question of whether sufficient detailed attention has been given to how resources will be deployed to meet the goals of the Department. The brief, as written, raises the doubt as to whether the senior management have, or will develop, the necessary leadership and management capability to lead through change.

Written evidence submitted by Foreign and Commonwealth Office — May 2011

Thank you for your letter of 24 April on the implications of the Big Society for the FCO and the changes we are proposing as a result of the Spending Review. I have answered the six questions you posed below and would be pleased to meet to provide more detail.

What impact, if any, are the reforms envisaged in the Government's "Big Society agenda" likely to have on the way the FCO is organised and operates?

The principles of the Big Society are less directly relevant to the FCO than they are to many other Government Departments, as the majority of our work is conducted overseas. But we have nevertheless sought to reflect it in our own working methods. We are facing big challenges as a result of the SR10 pressures as well as geostrategic trends around the world.

To help meet these we recently launched Diplomatic Excellence, our reform and modernisation agenda for the next four years. Our aspiration is that we should aim to be the best Diplomatic Service in the world, and that this drives everything we do in policy, diplomacy, public service, corporate support, leadership and management. Our public service delivery is concentrated in the provision of Consular Services and is where we interact with the British public most. A key part of our Consular Strategy is to improve the quality of service to our customers by using their feedback. This reflects the aims of the Big Society Agenda to give people the power to change things. Making sure we listen and act on feedback received will help make that power real.

What structural reforms, if any, will be required in the FCO as a result of the reductions in running costs arising from the Spending Review?

While the FCO is one of the smallest spending departments in the Government we are playing our part in undertaking reforms designed to bring down the fiscal deficit in line with the Government's reform agenda. The Spending Review equates to flat cash, or a 10% real reduction for the FCO family over the four year period. In order to meet these cuts while achieving our aspiration of Diplomatic Excellence we have put an ambitious plan in place to reduce our running costs by £100m per year by the end of the spending review period.

In terms of restructuring we are looking to shift resources across our network of posts overseas to reflect our policy priorities. The Foreign Secretary gave an oral statement to the House on 11 May regarding the future shape of the FCO's network and expenditure. We are also continuing to restructure the consular network to reduce costs by making more use of e-delivery for our services and by strengthening our flexible 'regional' approach to consular services. Last year in South East Asia over 40 consular staff moved around the region during peak demand and crises – including, twice, relocating the entire office within 24 hours during the political crises in Bangkok and flooding in Brisbane. We will also make changes to the structure of our workforce over the next four years.

How do you intend to implement these changes? Do you have a formal plan in place and if so what are its objectives, and timelines?

See answer to question 2. Our Diplomatic Excellence programme is a nine strand plan based around three goals: First Class Foreign Policy; A Strong Global Network; and A Strong and Skilled Workforce.

Alongside this the FCO has developed an ambitious plan to reduce our annual running costs by approximately £100m over the spending review period. The £100m will both reinforce our diplomatic front-line as supported by Diplomatic Excellence and achieve the savings required under our SR10 settlement.

Approximately one third of the £100m savings (£31m) will come from restructuring corporate services sections in our overseas posts. The majority of this saving will come from:

- continuing to localise remaining UK-based corporate service managers;
- making efficiencies in our global communications operation;
- reducing our numbers of locally-engaged support staff; and
- where possible, consolidating corporate and consular functions into regional hubs to maximise the efficiency of our back office and service delivery.

A further third (£34m) will come from our estates costs at home and overseas. As the Foreign Secretary announced on 4 May, we will be seeking to make £34m savings in our annual estates running costs by the end of SR10, as well as raising some £240m in capital from asset sales over the same period. Most of the latter will enable us to replace expensive estate with buildings with smaller running costs with some money being returned to the treasury each year. Our aim is an overseas estate which is fit for purpose, secure and supports the front line priorities of the FCO – and which represents good value for money for the taxpayer.

Finally we are looking to make £30m of savings by reducing the number of junior officers posted overseas. These are challenging proposals. But they will make the FCO more efficient and professional, and will ensure that our UK-based officers overseas are spending as much time as possible on front-line diplomacy.

What consideration has been given to retaining or acquiring those skill sets – for example, (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action – necessary to deliver the Government's reform plans?

The FCO is focused on these aims where appropriate. We already have in place professional procurement and facilities management teams to enhance our capability in these areas. We will maintain these. We are also committed to the wider aims of the Cabinet Office and HMT-led transparency initiative and have put in place processes which allow for the publication of spend, tender and contract data as well as Key Performance Indicators in specific areas like Estates and IT. One of these aims, which we fully support, is to ensure that all expenditure is carried out with an eye to value for money and public accountability. Our Minister for transparency responsibility, Alistair Burt, has taken a keen interest.

What lessons do you draw from previous reforms either within the FCO, from other departments, or from other organisations outside central government?

Diplomatic Excellence embraces more than our previous change programme and brings together policy, diplomatic skills, organisation and management to ensure that the corporate changes that we make explicitly support our three foreign policy priorities – security, prosperity and consular. A key lesson from our earlier programmes was the need to make explicit links between the support functions and the diplomatic front line. Cabinet Office has also led an efficient sharing of good practice between departments engaged in reforms through its Change Directors network. This has enabled us to engage with DfID, MOD and many others to share lessons learnt and to keep informed of changes elsewhere

that might impact on our own programmes. A good example of how such collaboration makes a difference is in our current close working with colleagues in UKBA. This has helped us ensure, for instance, that we each know what the other is doing in relation to the future of the global network of diplomatic posts.

Does your reform process involve other government departments or public bodies?

As mentioned above, running the government platform abroad makes close working with other government departments who use that platform essential. We will be setting up a Network Board from next month to give this structure. At PUS level there is close co-operation and regular contact on issues of common concern, and this translates into good relationships at working levels. In all posts where other government departments are working we are looking to ensure HMG operates as a single team under the leadership of the Head of Mission. Our aim is also to consolidate corporate services in order to drive efficiency and save money. We recently agreed a new system for charging other government departments on the FCO platform. It will reduce the amount and cost of bureaucracy and promote a joined up approach to management of posts overseas. We believe it will encourage more departments onto our platform and dissuade some from leaving.

I hope the above demonstrates the commitment of the FCO to the broad reform agenda the government has set for Whitehall Departments and is useful for your Report. I look forward to meeting up in person to discuss any of the areas where you would like more detail.

Analysis by Professor Kakabadse

I have read the brief presented by Simon Fraser, CMG, and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The Foreign and Commonwealth Office (FCO) brief indicates that the 'Big Society' initiative is less directly relevant to the FCO as most work is conducted overseas. However, detail is provided on how the principles underlying 'Big Society' are being adapted to enhance the FCO's working methods. With the objective of being 'the best Diplomatic Service in the world' and also in response to 'SR10 and geostrategic' trends and pressures, a

number of reform initiatives are under way. These include the 'Diplomatic Excellence' and the 'Consular Strategy' which are identified as mechanisms to continuously improve quality of service to FCO 'customers'. In keeping with the spirit of 'Big Society', listening and acting on feedback are identified as integral to the strategy of change.

Costs versus Effectiveness

Detail is provided on the strategy to reduce costs. The brief informs that the FCO is one of the smallest spending departments in Government. Nevertheless, a 10% reduction of budget is targeted leading to a reduction of £100 million per year over the Spending Review period. Further, a restructuring of the consular network is underway involving making greater use of e-delivery for services offered. Resources are being positioned overseas according to the policy priorities of the FCO, particularly that of flexible delivery of consular services at regional level. The brief clearly emphasises FCO's intent to offer a high level of service to all relevant stakeholders but within the cost targets set.

Planning for Change

The brief outlines how change is/will be pursued. Discussion focuses on the Diplomatic Excellence programme and the three goals pursued, namely, realising a first class foreign policy, growing a strong global network and developing a strong and skilled workforce. The cost savings also act as a vehicle for promoting change through localising corporate service managers, introducing efficiencies in global communications operations, reducing the number of locally-engaged support staff and consolidating back office service delivery and corporate and consular functions into regional hubs. Further, savings are identified in terms of estate running costs and also reducing the number of junior officers posted overseas. In addition the FCO intends to raise approximately £240 million through asset sales in the Spending Review period. The stated aim is to have the FCO more efficient and also more professional, especially in front line diplomacy.

Key Skills to Retain

The brief states that the FCO's approach to professional procurement, use of facilities management teams and key performance indicators will be critical to realising 'value for money', control over expenditure and greater transparency over public accountability. Further, the FCO brief is one of the few that identifies Ministerial involvement in the progress of the Department. However, other than the particular skills already identified, no other clusters of skills are emphasised as needing to be retained or discarded. Further, although the need for 'best' leadership and management are mentioned, no detail is offered as to the nature of the leadership skills to see through the changes prioritised.

Confidence to Succeed

The detail provided in the brief indicates that the senior management of the FCO have the confidence to succeed in the pursuit of their three policy priorities of security, prosperity and consular. To enable achieving these priorities, the Diplomatic Excellence programme is viewed as integrating the learning from previous change programmes whilst also bringing together the policy, diplomatic and organisation and management skills needed to run the FCO and also to drive through change. The brief further informs of the efforts made to better link the FCO support functions with the diplomatic front line. Attention is drawn to the engagement with the Cabinet Office, DfID, MoD, and the Change Directors

Network in terms of sharing 'lessons learnt' concerning the handling of change. The examples provided emphasise the benefits to be gained from the closer relationship with other entities, i.e., UKBA and the Network Board initiative.

Building Capability

The brief provided by the FCO emphasises the building of capability to meet its priorities. The questions raised by the Chairman of the Public Administration Select Committee seem, in part, to have been addressed. What is not clear in the brief is the nature of the lessons learnt from feedback (key part of the consular strategy to improve service quality) and the particular leadership capabilities necessary to see through the changes identified. Simply more detail is needed in these two areas. In order to fully ascertain whether the FCO is able to implement what it says, in depth interviews with a select number of individuals would need to be conducted within the Department. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (reduce cost of bureaucracy versus joined up approach to the management of posts overseas and the use of feedback to enhance front line diplomacy). In the absence of such information, sufficient evidence is still provided in the brief to presume that the FCO is able to fulfil its aims. Further insight concerning the nature of feedback received from 'the field', how that feedback was/is being used to develop operational staff and management and the leadership skills necessary for the future, would have drawn more detailed comment from me. Overall, the information provided in the brief gives me the confidence to state that the aims set by the FCO are likely to be realised, if attention is especially given to realistically meeting the leadership challenges being faced in driving through change.

Written evidence submitted by Department of Communities and Local Government — May 2011

In setting out its ambition to move to a smaller, more enabling state, the Coalition Government has indicated that it wants Whitehall Departments to deliver a fundamental shift of power away from central government to individuals, communities and neighbourhoods. DCLG holds lead responsibility within Government for decentralisation and localism and this means we play a key role in enabling the creation of the Big Society. This, in turn, means that the Department must become smaller and stronger, working strategically across Whitehall and with localities.

The 2010 Spending Review set out how the Government will implement its change agenda whilst tackling the fiscal deficit. DCLG's Spending Review settlement will require the Department to make a 33% real terms reduction in administration expenditure by 2014/15.

There has been a sustained effort in the Department to achieve efficiency savings, such as through the renegotiation of key contracts expected to deliver savings of around £11 million in 2011/12. However there will still be an estimated 34% saving in the Department's pay costs and a reduction of up to 40% in the core Department's workforce.

Delivering Ministers' priorities within this context requires DCLG to make fundamental changes to its organisational structures and ways of working. This will enable DCLG to become a smaller, more strategic Department which is making strong progress on its five Structural Reform priorities:

- Decentralise power as far as possible
- Reinvigorate accountability, democracy and participation
- Increase transparency by letting people see how their money is being spent
- Meet people's housing aspirations
- Put communities in charge of planning

Detailed information on how the Department is meeting these priorities is available in its Business Plan, published on the No 10 website on 13 May.

What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way DCLG is organised and operates?

Localism and the Big Society affect every part of DCLG's work and how we interact with our partners. We are committed to 'turning Government upside down' by transforming DCLG into an organisation that is responsive to the front line and local communities. We are doing this in all three pillars of Big Society: social action; community empowerment; and public service reform.

In empowering communities to engage in decision-making we are more focussed and open in the way we operate. We have greater transparency about pay and spending above £500. We regularly publish data in open format. We are exploring how we can use the wiki approach to develop policy and consult in a more interactive way and have begun to use an 'open-source' approach, for example through our new 'barrier busting' website. We have simplified the DCLG website and are looking at how we can encourage more interactive engagement with users.

We are using staff time and skills more effectively. We have introduced a system of more flexible deployment which will ensure that staff can be deployed more readily into our priority areas. There will be an increasing focus on using programme and project management skills to prioritise and plan our work, and to ensure the right resources are in place.

We are also introducing a new "localities" model through which the Department's Senior Civil Service members will build relationships with key people in a particular locality to help clarify key areas of interest and concern relating to Government policy and to help ensure that the needs of localities influence policy-making and delivery across Whitehall.

The Coalition Agreement committed the Government to take a range of measures to encourage volunteering and involvement in social action. We invite organisations to DCLG to speak about volunteering opportunities and actively promote volunteering to staff. In line with recent Cabinet Office guidance all DCLG Senior Civil Service members will have an objective setting out how they will foster an ethos of volunteering amongst their staff. All staff are entitled to take up to six days volunteering per year.

What structural reforms, if any, will be required in DCLG as a result of the reductions in running costs arising from the Spending Review?

The Department has rearranged its organisational structure to enable us to address the priorities in our Structural Reform Plan and to operate within our Spending Review settlement. The Department is now organised into the following portfolios:

- Localism Group - responsible for the transfer of power and funding from Whitehall to individuals and communities and building the Big Society;
- Neighbourhoods Group - responsible for creating the conditions which re-energise and empower individuals and communities to build successful cities, towns and neighbourhoods;
- Finance and Corporate Services Group - responsible for the delivery of all support services; and,
- Strategy and Programme Team – contributes to projects which will help make DCLG a more strategic department, better able to deliver its policy objectives and influence Whitehall.

A copy of the new Departmental structure is attached as an annex to this response.

Within each Group Directorates are responsible for leading specific elements of the Department's work. In the context of the Department's new role each Directorate has examined its activities in detail to ensure that the Department focuses only on essential work and has identified all work that could be scaled down or stopped. On this basis, and underpinned by detailed financial and headcount modelling, DCLG has assessed the number and type of staff required to deliver its core priorities.

Alongside this, the Department has developed a number of roles of time-limited duration that will not form part of the ongoing structure but which are required in the short term to finish work that is being discontinued. These roles run through to October 2012 at the latest.

To achieve the required staffing reductions the Department is seeking to maximise the reductions which can be achieved through voluntary exits. As such it has run a number of schemes seeking applications for voluntary redundancy. These have resulted in a significant number of staff being given offers to leave the Department on a voluntary basis.

Alongside this, the Department is carrying out a series of selection processes through which further reductions required in addition to those achieved through the voluntary schemes will be secured. The process for the Senior Civil Service has already completed. The process for Grades 6 and 7 commenced in April 2011; the remaining grades will start in June. All selection processes will complete by the end of October 2011.

The Department is absorbing functions as a result of the closure of the Government Offices and the Regional Development Agencies including ERDF closure, resilience, rent charges, planning and New Deal for Communities. We are also currently reviewing which Firebush functions to transfer into the Department.

Since the Spending Review the Department has been actively considering options for sharing a wide range of 'back office' services with other Departments. Two cross-Whitehall shared services launched on Monday 4 April 2011, with DCLG playing a major role in each. The first initiative covered internal audit, where the Department for Business, Innovation and Skills (BIS) and DCLG have joined up to deliver a shared service across their own Departments as well as to the Cabinet Office, the Department for Culture, Media and Sport (DCMS), and the Department of Energy and Climate Change (DECC). DCLG has also joined with the Department for Education (DfE) to create a Property Asset Management Division which delivers estates and facilities management services to the two Departments.

The Department is liaising with the Efficiency and Reform Group in Cabinet Office about its plans to create Whitehall-wide shared services for back-office functions. The Efficiency and Reform Group is due to publish its cross-government strategy on simplifying back-office services and reducing the cost of transactional services in the summer. In the interim, DCLG is continuing to develop options for sharing other back-office services with the major Arms Length Bodies in the DCLG Group.

How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?

The Department is managing the changes through a robust change programme which began in October 2010 and is comprised of two interlinked objectives: firstly, to make the Department smaller, reflecting the Spending Review and staff reductions programme; and secondly, to deliver a programme of activity to enable DCLG to become a top-performing Department. A Programme Office operating out of the People, Capability and Change function provides day-to-day co-ordination of delivery against the programme plan. The Department's Executive Team meets monthly as the Change Programme Board to provide governance and receive progress reports.

The Department will have completed the selection exercises described above by October this year. There will then follow a period of 12 months during which the Department's staffing complement will reduce to the numbers required. In October 2012 the Department will therefore have reached its ongoing complement of staff.

In addition to these staffing changes, a focussed programme of work is underway to ensure that the Department becomes a top-performing organisation that is best placed to deliver the Coalition Government's priorities, and to respond to challenges identified through staff surveys and third party reviews. In accordance with this ambition the Department's new leadership team identified the attributes that the Department should display and prioritise over the coming year: strong and visible leadership; being powerful at influencing; achieving excellence in developing our people; and consistently getting the basics of what we do right. All staff will have the opportunity to engage in developing these themes.

The Department has been in consultation with our recognised Trade Unions (Public and Commercial Services Union, First Division Association and Prospect) throughout the change programme and will continue to be so.

What consideration has been given to retaining or acquiring those skill sets – for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action – necessary to deliver the Government's reform plans?

As indicated above, the Department's new role will require different ways of working, including:

- Being more outward facing and collaborative
- Deploying and re-deploying resources more flexibly across the Department
- Enabling individuals, communities and councils to achieve what they want to achieve – rather than directing and controlling
- Developing a holistic approach to the way we work

This means that, amongst other things, people working in the Department will need to:

- Bring a strategic approach to policy making and service delivery
- Be innovative and creative
- Be able to work flexibly in project teams
- Build relationships and influence business partners across Whitehall and beyond
- Understand and respond practically to the concerns of the public and local communities
- Save money and drive value

We are therefore putting emphasis on competences such as these when making decisions on staff to retain in the organisation as part of the selection and voluntary exit processes, as well as in the development of the growing our people priority described above.

What lessons do you draw from previous reforms either within DCLG, from other departments, or from other organisations outside central government?

The Department has undertaken various change programmes in the past, including quite recently, and is taking lessons from those experiences in implementing the present initiative. Members of staff who were prominent in the last change programme have been deployed onto the current programme to bring continuity and experience. The Department is using formal feedback from Capability Reviews and from staff and stakeholder surveys to identify the key challenges that remain to be addressed through the current change programme. We are also in touch with other Departments undergoing similar change to learn from them and to share knowledge.

With regard to the restructuring process itself, we have sought advice, guidance and best practice from a number of other Departments, including BIS and DfT, who are undergoing similar change and we have worked closely with ACAS to ensure our procedures are sufficiently robust and fair. This fairness is a key underpinning element across the whole restructuring programme. We are engaging with our staff throughout the change process,

for example by consulting on the means by which the selection exercises should be carried out, and are reshaping quickly to minimise the restructuring period.

In addition, HR Directors from across Whitehall meet and share experiences regularly and learn from each other. Their experience also includes the reform of organisations outside of the public sector; this has proved extremely useful in terms of managing and delivering the DCLG Change Programme.

Does your reform process involve other government departments or public bodies?

Closure of the Government Office Network has been a substantial element of the DCLG change process. This exercise concluded on 31 March 2011 when all Government Offices closed. Several Government Office staff, in particular from Government Office London which closed in 2010, have joined the Department as a result. The Regional Development Agencies are also closing with some staff transferring to DCLG. The GO Network included staff belonging to a number of Government Departments. DCLG and the GO Network Centre delivered closure on behalf of all of the sponsor Departments.

Arm's Length Bodies

In line with the 14 October 2010 announcement by the Minister for the Cabinet Office and his update on 16 March 2011, the Department is reducing the number of its departmental Arm's Length Bodies from twenty-six to a maximum of nine. The Department is working closely with the Public Bodies Reform team at the Cabinet Office to implement the reforms and four Arm's Length Bodies have already closed. These are:

- National Tenant Voice
- Advisory Panel on Standards for the Planning Inspectorate
- Local Innovation Advisory Panel
- National Housing & Planning Advisory Unit

In addition the Community Development Foundation transferred to the voluntary sector on 31 March 2011. As announced by the Minister for the Cabinet Office on 16 March, we expect a further eleven to either close or transfer elsewhere by the end of 2012/13 – subject where appropriate to Parliament approving the legislation.

Within the Department a robust reform programme has been put in place to deliver the changes. A sub-committee of the Executive team has been established to provide corporate assurance to the Board and to oversee the effective delivery of the programme. A central team is in place to work directly with sponsor teams and the Arms Length Bodies themselves to manage risk, promote a consistent approach, and manage cross Whitehall dependencies.

In a number of areas reform of the Arms Length Bodies will impact on other Departments or public organisations, including:

- Plans to devolve the London element of the Homes and Communities Agency to the Mayor of London together with parts of the London Thames Gateway Development Corporation and Olympic Park Legacy Company.

- Devolution of other elements of the London Thames Gateway Development Corporation, the Thurrock Thames Gateway Development Corporation and the West Northants Development Corporation to the relevant local authorities.
- Transfer of the Residential Property Tribunal Service and the Valuation Tribunal Services/Valuation Tribunal for England to the Ministry of Justice and the HM Court Service and the Tribunal Service.

Analysis by Professor Kakabadse

I have read the brief presented by Sir Bob Kerslake and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief provides detail identifying the steps taken (and to be taken) by the Department for Communities and Local Government (DCLG) to meet the Government's 'Big Society' agenda. It is stated that the DCLG is committed to 'turning Government upside down' in order for the Department to be responsive to community needs. In fact, five structural reform priorities are highlighted; decentralisation of power; re-invigoration of accountability, greater democracy and participation; greater transparency particularly on money spend; meeting community housing aspirations; and having communities in charge of planning. The brief argues that all this is shaped according to the three elements of 'Big Society'; social action, community empowerment and public service reform. Examples are provided indicating how these aims are being realised, particularly through voluntary projects and the new localities model of local engagement.

Costs versus Effectiveness

At the outset of the brief, the cost targets and efficiency savings to be met are highlighted. DCLG intends to make 33% real reduction in administration expenditure by 2014/15. Further, efficiency savings are identified. Detail is offered showing how cost efficiency initiatives will be matched by performance enhancement measures. The brief specifies that DCLG is structured according to four portfolios; Localism Group (transfer of power/funding from Whitehall to individual communities); Neighbourhood Group (create conditions for local empowerment); Finance and Corporate Services Group (delivery of support services); Strategy and Programme Team (deliver strategic/policy objectives and influence Whitehall). The brief details how each Group Directorate will be staffed through full/part time and limited term duration employees. Voluntary staff reduction schemes are

in place with selection processes targeting further reductions. Additional initiatives are being launched to further reduce costs whilst also improving performance e.g., the sharing of back office services and shared estates and facilities management programmes with other departments such as Business, Innovation and Skills; Culture, Media and Sport; Energy and Climate Change; Education and the Cabinet Office to name but a few.

Planning for Change

The brief states that the initiatives already highlighted are being driven by a change programme started in October 2010. The change programme has two aims; cost reduction and performance improvement and through that DCLG intends becoming 'a top-performing Department'. Detail is also offered concerning how this programme is operationally managed and strategically led. A Programme Office provides operational co-ordination in order to ensure delivery against the programme plan. The leadership capabilities required of DCLG to deliver on the Department's objectives are clearly listed; strong/visible leadership, influencing for engagement, excellence in developing people and disciplined attention to getting the basics right.

Key Skills to Retain

To meet the DCLG priorities, the brief highlights that the Department will need to adopt different ways of working. These involve being outward facing, being collaborative, being flexible, engaging with communities to have them achieve what they want and enabling and developing a holistic approach to the way the Department works. In order to do so, the brief specifies further capabilities required of DCLG's staff and management, ranging from being strategic in policy making and service delivery; being innovative; working flexibly through project teams; influencing business partners; responding practically to the concerns of communities and all of these in conjunction with attention to cost reduction.

Confidence to Succeed

This brief, as written, indicates that DCLG has the confidence to meet the priorities it has identified. The range of skills required to meet the Department's priorities and the necessary partnerships to pursue, are identified and discussed in detail. The brief also captures how the reforms pursued will involve other departments and public bodies. The closure of the Government Office Network and the reduction of 'Arm's Length Bodies' (ALBs) are offered as examples of how DCLG has/will respond in order to deliver change and improve service. Further, a central team is in place to work with the remaining ALBs and the Cabinet Office to best ensure that community service agencies (e.g. Homes and Communities Agency) function effectively. The additional tasks of the central team are to manage risk, to ensure consistency in the pursuit of change and to management the interfaces across Whitehall. Additionally, feedback from capability reviews and staff and stakeholder surveys, guides how to address the challenges to be faced.

Building Capability

The brief provided by DCLG is one of the more impressive I have read. The questions raised by the Chairman of the Public Administration Select Committee seem to have been addressed and in considerable detail. In order to fully ascertain whether DCLG is able to implement what it says, in depth interviews with a select number of individuals will need to be conducted within the Department examining the capacity to provide for policy advice,

service delivery, meeting sourcing and contracting needs and strategic facilitation/engagement with the community. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (cost saving versus motivation/belief in the mission). However, in the absence of such information, considerable evidence is provided in the brief to strongly suggest that DCLG is able to meet its priorities. The brief identifies, in detail, how the strategic goals being/to be pursued are operationalised. Further, the brief highlights the range of skills and capabilities required now and into the future. Discussion also focuses on how core capabilities are to be developed and in so doing, the leadership skills needed to see through change. The information provided in the brief gives me the confidence to state that the aims set are more than likely to be realised.

Written evidence submitted by HM Treasury—May 2011

Thank you for your letter of 24 April which included a series of questions relating to the changes underway in departments, particularly relating to the Big Society agenda. Please find our response to your questions below:

1. What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way your department is organised and operates?

The Treasury is not an operational department and has very few direct delivery responsibilities (with the exception of issues like the Equitable Life Payment Scheme). As a consequence of this, the majority of the Treasury's budget constitutes administrative rather than programme expenditure. We therefore envisage that there will be limited direct impact on its organisational structure as a result of the Big Society agenda, and the changes this may have on the way in which public services are delivered. However, as the Treasury has a large Whitehall-facing role, it may have to make minor adjustments to its operating model as a result of changes to the way the rest of Whitehall organises itself to meet the Big Society agenda. It will keep this under review over the course of this Parliament and make any necessary changes if they are required.

2. What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review?

The recent Spending Review resulted in the Treasury's budget reducing by one-third over the course of the Parliament. The department undertook a comprehensive review of its structure and functions during the second half of 2010, and developed a blueprint for its future. This blueprint involves:

- a more focused work programme for the department, supported by a stronger business planning process in order to prioritise limited resources to where they are most needed;
- a new internal organisational structure based around a new unit of business (a Director-led Group) that provides greater flexibility for senior managers to move resources around to meet changing priorities and risks;

- a more efficient use of its infrastructure, compressing the department from five to three floors of the 1 Horse Guards Road building, and renting the remaining space to the Cabinet Office; and
- a reduction on staff numbers to around 1,000 staff by the end of the Parliament (from a peak of around 1,422 in September 2009).

3. How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?

The Treasury has a detailed implementation plan which is being taken forward by our implementation team. Many of the changes have already been made, as they were designed to 'go live' from 1 April 2011. This includes the new departmental structure and prioritised work programme. The changes to the department's infrastructure are due to take place this autumn. The department's headcount reduction trajectory is on track, with headcount currently just below 1,200. It is envisaged that the majority of the reforms will be complete by the end of this financial year.

4. What consideration has been given to retaining or acquiring those skill sets—for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action—necessary to deliver the Government's reform plans?

The Treasury has an agreed People Strategy, the aim of which is to ensure the department has the right capacity and capability in its workforce to enable it to deliver its work programme. Given the nature of its responsibilities and the size of its budget (which is predominantly administrative spend), the Treasury has a relatively small procurement requirement. However, the capacity and capability of this area has been increased following the Procurement Capability Review. The department is unlikely to need individuals skilled in community leadership and social action.

5. What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?

The recent Strategic Review of the Treasury looked at the lessons learned from previous change programmes carried out here – particularly the Fundamental Expenditure Review carried out in the mid 1990s. In addition, following the Capability Review process, the Treasury has also had access to the network of Change Directors across Whitehall (although the Treasury itself does not have a dedicated Change Director) so it can learn from the experience of other government departments.

The main lessons, which were incorporated into the recent Strategic Review, include:

- taking a holistic look at the organisation as a system (not just reforming one or two aspects in isolation);
- spending time involving staff in the design (so they feel a sense of ownership over the final blueprint);
- resourcing implementation properly (in recognition of the 'mission critical' nature of the task);

- moving quickly on implementation (avoiding a drawn-out process that can impact on morale); and
- ensuring strong and visible leadership (to set the right tone).

6. Does your reform process involve other government departments or public bodies?

The Treasury Group includes the Treasury, the Debt Management Office, the Asset Protection Agency, the Office for Budget Responsibility, and the Office of Tax Simplification. The vast majority of the reforms are focused on the Treasury itself.

In addition, the Treasury is seeking to clarify the boundaries between its own operation and responsibilities and that of some of its closest operational partners, including Her Majesty's Revenue and Customs, the Cabinet Office, the Department for Business Innovation and Skills, the Foreign and Commonwealth Office, and the Bank of England.

Analysis by Professor Kakabadse

I have read the brief presented by Nick Macpherson and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief draws attention to the Treasury's few direct delivery responsibilities and the fact that it is a central function and not an operational department. As the Treasury's budget constitutes administrative and not programme expenditure, the 'Big Society' agenda is considered as having a limited impact on the structure and workings of the Department. However, it is acknowledged that as a result of the Treasury's direct interface with all other Whitehall departments, 'minor adjustments' may have to be made to the way it operates as other departments organise themselves to meet with 'Big Society' requirements. These adjustments will be periodically reviewed through the course of this Parliament.

Costs versus Effectiveness

The brief emphasises that the recent Spending Review has resulted in the Treasury's budget 'reducing by one third over the course of the Parliament'. Additionally, the Treasury held its own review in 2010 and developed a blue print for having stronger business planning processes, a more focused work programme leading to prioritisation of limited resources, re-organisation allowing for greater flexibility of resource allocation to meet changing priorities, more efficient use of infrastructure (including reducing office space) and a

reduction of staff numbers. In fact, office space has been reduced from five to three floors at Horse Guards Road and some 400 plus staff members will have departed by the end of the Parliament.

Planning for Change

The brief makes reference to the Treasury's existing implementation plan. Headcount reductions, the prioritised work programme and the Department's restructure, all mentioned above, are highlighted. Although it is considered that most of the changes will be made by the end of 2011, no further detail concerning the nature and scope of these changes is provided.

Key Skills to Retain

The brief identifies the Treasury's 'People Strategy' as the mechanism for ensuring there is the 'right capacity and capability in its workforce' to meet its work programmes. Because of its limited administrative spend, it is implied that the Treasury's relatively small procurement requirement will not be exposed to the demands for change that confront other departments. Further, because of its Whitehall facing nature, the brief indicates that the Treasury will have little need for 'community leadership and social action' skills.

Confidence to Succeed

The brief draws attention to the Treasury's recent Strategic Review which surfaced the lessons learned from previous change programmes, such as the 'Fundamental Expenditure Review' and the 'Capability Review' process. These lessons range from adopting a holistic view to the organisation and the way it is managed, to enhancing engagement with staff, to resourcing according to the demands of the task, to pursuing project implementation according to the mission critical nature of the task and to ensuring for strong and visible leadership. However, no detail is provided concerning the level of skill and capability amongst Treasury staff and management in the above areas, or the need (or not) for the training and development of staff to reach desired levels of accomplishment and how and whether staff reduction is going to 'eat into' those areas which already have high performing staff and management. In fact, the brief offers no detail concerning the level of accomplishment in either functional skills or leadership capability amongst staff and management.

Building Capability

Insufficient detail is provided in order for me to meaningfully comment on whether the Treasury has the capability necessary to meet its priorities and if not, how it will develop the necessary skills amongst its staff. Such doubt can be dispelled if a select number of interviews are pursued within the Treasury particularly examining its capacity to both meet its change targets and to meaningfully interface with other Whitehall departments. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (people reduction versus providing an overarching governance umbrella for the rest of Whitehall). In the absence of such information, I raise the question as to whether the Treasury has given sufficient detailed consideration of how to develop the appropriate skill balance amongst its staff and management? Further detailed information should dispel such doubt. However, my greater concern is over the Treasury's view that it

need only make 'minor adjustment to its operating model' in relation to the rest of Whitehall re-organising itself to meet the 'Big Society' agenda. The reason I raise this concern is that I consider the Treasury, as well as the Cabinet Office and No. 10, to be the 'heart of Government'. The monitoring mandate of the Treasury is alluded to in the brief, as much by needing to clarify the boundaries between the Treasury, the Cabinet Office, the Foreign and Commonwealth Office, etc. However, there is no discussion over whether consultation has taken place concerning the 'appropriate' governance (especially that of monitoring) that the Treasury needs to provide for the rest of Whitehall. A guiding principle is that 'joined up governance' encourages 'joined up government'! On the basis that good governance involves monitoring but also sensitive stewardship, and in order for 'Big Society' to have a reasonable chance of success, should the Treasury evolve a more facilitative role in relation to other Whitehall departments? Instead, should such a role be taken up by the Cabinet Office? Have the other Whitehall departments been consulted as to the balance between stewardship and monitoring that they require from the Treasury, particularly in concurrently meeting the 'Big Society' agenda demands together with other priorities? The Treasury's suggested 'Arm's Length' relationship with other Whitehall departments requires reconsideration, bearing in mind the pressure on Departments to achieve 'real' cost reduction targets whilst maintaining and/or enhancing service delivery objectives and also 'Big Society' application.

Written evidence submitted by Ministry of Defence—May 2011

Thank you for your letter of 24 April on Civil Service Reform and Good Governance. I hope the information below will answer your questions:

1. What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way your department is organised or operates?

a. If there are no consequences for your department organisational structure as a consequence of the Big Society agenda please explain why this is the case.

The job of the Ministry of Defence is to direct and support the Armed Forces. This is not substantively affected by the 'Big Society agenda', and it will not therefore have any fundamental impact on the way the department is organised or operates. We may, however, need to reorganise the Reserve Forces and Cadet Associations, who provide estate management and other support activities for most of the MOD sponsored Cadet Forces, to reflect the move to local commissioning and delivery. This will be investigated by the Youth Engagement Review and could include the development of a different funding mechanism for Cadet Units to reflect local wishes. There may also be additional calls for non-Defence use of the Defence Estate in support of the National Citizen Service initiative and in response to local demands for additional support services.

2. What structural reforms, if any, will be required in your department as a results of the reductions in running costs arising from the Spending Review?

a. If no structural change is required, what actions are you taking to achieve the required reduction in administrative budgets?

The Strategic Defence and Security Review (SDSR) and the Spending Review set the Ministry of Defence challenging targets for efficiencies and staff reductions, both military and civilian. Delivering these while continuing to support and sustain the front line capability set out in the SDSR will require substantial changes in how the Department is structured and the way we work. The Secretary of State for Defence launched the Defence Reform Unit's Review led by Lord Levene, in August 2010. As set out in its terms of reference, this is a fundamental examination of how the Ministry of Defence is structured and managed. Its purpose is to develop a new model for Departmental management, which is simpler and more cost-effective, with clear allocation of responsibility, authority and accountability. It is taking account of:

- the Secretary of State's vision of a leaner and less centralised Department that is built around policy and strategy, the Armed Forces, and procurement and estates;
- the need for a more effective and efficient approach to force generation;
- the need to deliver integrated Defence outputs, including in current operations, and the importance of joint Service activity and effective military/civilian cooperation for that purpose;
- the need to reduce MOD running costs significantly;
-
- those decisions of the Strategic Defence and Security Review which significantly impact on Defence organisation and management; and
- the Permanent Secretary's role as principal Accounting Officer for the Defence budget.

Lord Levene is due to report by July 2011, and I therefore cannot comment further on the likely impact on the structure of the MOD at present.

Where it is possible to do so we are making decisions on specific proposals in advance of the final report. There have been two such to date. Both will allow us to provide high quality professional services at lower cost with fewer people. We expect these to save about 4,500 civilian posts by 2014, without reducing the effectiveness or reliability of service delivery, and to generate potential savings of around £1.5 billion over the first four years. This is a substantial contribution to our SDSR reduction and efficiency targets:

- On 16 February 2011 we announced proposals to create a single Defence Infrastructure Organisation to replace the Defence Estates organisation and include Top Level Budget (TLB) property and facilities management functions. Following consultation with the Trades Unions this launched at the beginning of April 2011. It places all estates, utilities and facilities management staff, hitherto spread across Defence Estates and every other TLB, under central leadership and will deliver consistent and professional standards of service across all areas of the Department. It has responsibility for MOD expenditure on infrastructure management and delivery activities, although each TLB retains a small user/intelligent customer infrastructure team to fulfil the function of identifying

and defining infrastructure requirements. Expert staff continue to be based in TLBs, but managed by the Defence Infrastructure Organisation;

- On 22 March we announced significant changes to the way we will provide corporate services in future. The main elements are:

to strengthen the role of the key corporate service process owners (the people who set the rules and standards for our corporate services such as civilian HR, finance and commercial), giving them greater authority over and accountability for their functions and processes. This came into effect on 1 April 2011;

to bring together the delivery of corporate services into a new Defence Business Services organisation which will stand up on 1 July and include elements of civilian HR, finance, information services and commercial functions;

to place the Defence Vetting Agency into DBS in Autumn 2011 - subject to the decision on the proposal to create a single vetting provider across government; and

to transfer the military HR functions performed by the Service Personnel and Veterans Agency to the DBS in 2013 - subject to final endorsement.

We are consulting the Trades Unions on the proposals for a Defence Business Services organisation before reaching a final decision and will be providing further details about the changes when that is complete.

3. How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives and timelines?

The Department has to deliver an unprecedentedly high volume of change over the next three years and beyond. It is the biggest programme of its kind in Defence for three decades. It is our highest priority outside current operations and must be done without prejudicing those operations. In one way or another, it involves everyone in Defence. To ensure this is taken forward coherently a Transforming Defence programme has been established comprising:

- The emerging Defence Reform Operating Model;
- Defence aspects of the SDSR and changes required by Planning Round 11;
- Defence Acquisition Reform, change programmes in Top Level Budget organisations, and change projects being monitored and assured in the Defence Change Portfolio;
- Structured transformation of processes, interfaces, information management and decision making; and
- An overarching major “hearts and minds” programme to transform mindsets, behaviours and ways of working across all areas of Defence.

This work is led by the Director General Strategy. Under him we have established the new post of Director Transformation Implementation, supported by the Defence Transformation Unit and an Engagement Team, working closely with the Defence Reform Unit as design and development of the operating model matures ready for cascading through the organisation.

Transformation is overseen by the Secretary of State's Transformation Steering Group, supported by the Defence Operating Board (Transforming Defence) chaired by 2nd Permanent Secretary, Mr Jon Day, and the Vice Chief of the Defence Staff, General Sir Nicholas Houghton, on behalf of the Secretary of State, Permanent Secretary and Chief of the Defence Staff. This Board meets weekly and has been reviewing development of the transformation programme, SDSR implementation, the corporate services transformation programme, the efficiency/non front line savings plan, Service and civilian manpower reductions, basing, and corporate and individual behaviours.

4. What consideration has been given to retaining or acquiring those skill sets – for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action – necessary to deliver the Government's reform plans?

We are very aware of the need to retain personnel with key skills as we reduce numbers in both the Armed Forces and the Civil Service, and redundancy and release schemes are being managed to ensure retention of an appropriate balance of skills and experience. Commercial skills and leadership are recognised priority skills areas for the Department. This is reflected in internal resourcing of training and education. We have implemented a range of measures to develop and retain these skills sets. A Commercial Skills Strategy has been adopted which will involve up-skilling the entire commercial function to common standards and to specified professional qualification levels. Conversion schemes are also being run to bring staff into the commercial function from other roles. Reflecting the importance of leadership in delivering defence reform, we are also piloting specific modules on leadership of change to be delivered to key staff across the Department.

With approximately 25,000 Adult Volunteers and 135,000 Cadets, the MOD Sponsored Cadet Forces have long provided excellent training for people of all ages to become community leaders. In addition to their normal training, many cadets (and their adults) undertake community projects or raise funds for other charities. We are investigating further opportunities for members of the Armed Forces to volunteer as qualified adventure training instructors for youth organisations like the Cadets or in support of initiatives like the National Citizen Service.

We also support a number of other initiatives that contribute to this objective. In particular since 2002 we have been running an Education Outreach Programme. This builds life long skills in students from a number of Further Education Colleges across the UK where diversity is frequently in excess of 60%; more than half the students supported do not have English as their first language, and some are designated as 'at risk'. Through mentoring, curriculum, personal development and employability skills support in the classroom and in 'taster' visits to Whitehall, over 2,500 students a year improve their chances of finding employment through training, and receiving an insight into the workings of a large employer. The programme was described by the Principal of Lambeth College as “a shining example of how employers and education institutions can work

together for the good of the local community". It won the 2009 Business in the Community Mentoring award and the 2010 Civil Service Learning and Development award.

5. What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?

As part of the background analysis underpinning the work of Defence Reform we have:

- reviewed the outcomes of previous defence change programmes, and a wide range of reports into aspects of the Department's business produced by Select Committees, the National Audit Office, and independent external experts;
- consulted a number of other large departments on their experience of major change programmes;
- analysed the way a number of other countries manage defence, representing a broad cross-section of capabilities, geography and approach, and looking at their experience under previous or current reform programmes; and
- explored change experience and lessons with a number of companies in the private sector.

From this we have identified a number of generic conditions for success in transformation:

- **Leadership:** leaders are role models who visibly lead and champion change;
- **Vision:** a coherent, unified, vision-led approach, which all leaders can adopt;
- **Engagement:** People - senior leaders and throughout - are consistently engaged to obtain their contribution and their buy-in;
- **Communication:** Leaders and key stakeholders "sing from the same hymn sheet" with strong, consistent communication of *why* and *how*;
- **Effective People:** a clear and visible focus on skills, competences and incentives as well as structures and processes;
- **Implementation:** a strong emphasis on incremental, sustainable, implementation planning with robust change and risk management;
- **Innovation:** visibly encouraging original and radical thinking, and leveraging both independent expertise and internal knowledge;
- **Honesty:** The programme's tone inspires confidence, enthusiasm and a "sense of opportunity" while being realistic about cuts and challenges;
- **Benefits:** benefits in effectiveness *and* efficiency that clearly outweigh the effort and risk involved.

6. Does your reform process involve other government departments or public bodies?

The scale of defence transformation is such that it is likely to have implications for our relationships with other Departments and public bodies, both in Whitehall and across the country, although the majority of our work is internal to Defence. We are therefore engaging others where necessary as work proceeds. In the 'Big Society' context specifically, both the Youth Engagement Review and Future Reserves 2020 Teams are engaging a wide range of other government departments including the Department for Education, FCO, DfID and the Cabinet Office.

Should you require anything further please do not hesitate to get in touch.

Analysis by Professor Kakabadse

I have read the brief presented by Ursula Brennan and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief emphasises that the 'job' of the Ministry of Defence (MoD) is to 'direct and support the Armed Forces', and in so doing, is not greatly impacted by the 'Big Society' agenda. However, mention is made at the beginning and at the end of brief concerning the 'Big Society' considerations facing the Ministry. The brief points to the need to re-organise the Reserve Forces and Cadet Associations, who provide estate management and other support to the MoD reflecting local commissioning and delivery. Further, the Youth Engagement Review and the Futures Reserves 2020 Teams are reported as already engaging with a number of government departments examining 'Big Society' shared interests.

Costs versus Effectiveness

The brief offers considerable detail outlining how the Strategic Defence and Security Review (SDSR) and the Spending Review have set challenging cost reduction targets for the MOD. It is specified that working towards reducing costs whilst supporting front line capability will require substantial structural change and changes in ways of working. The Lord Levene Review, due this month (July 2011), is taking account of the Secretary of State's vision for a leaner and less centralised MoD, a more effective and efficient approach to force generation, the need to deliver on integrated Defence outputs (joint Service

activity; military/civilian co-operation), the need to reduce running costs, the critical role of the Permanent Secretary as principal Accounting Officer for the Defence budget and the impact of the decisions arising from the SDSR on Defence organisation and management. Of the initiatives already underway, detail is offered concerning cost reduction programmes, such as the reduction of 4,500 civilian posts by 2014; the generation of potential savings of £1.5 billion over a four year period; the creation of a unitary Defence infrastructure organisation and the new Defence Business Services organisation replacing previous entities and integrating estates, utilities, facilities management, civilian and military HR, the Defence Vetting Agency, finance, commercial, etc., under a single roof. The aim is cost efficiency but also the strengthening of corporate services through greater authority and accountability being given to key function and process heads. The brief highlights that until the Lord Levene Review is due, no further comment can be offered on the structural changes the MoD will face.

Planning for Change

It is underlined that the MoD is facing 'unprecedented' change. Yet, despite this, the programmes of change specified are being given the highest priority outside current operations. In order for change to be successful, the brief emphasises that all in Defence are engaged. In order to enhance that change process in a coherent manner, a Transforming Defence Programme has been established consisting of; the emerging Defence Reform Operating Model; the changes required through Planning Round 11; changes to budget organisation and how change projects are to be monitored; changes to organisational processes; improvements to information management and decision making, and enhancing the leadership capacity to win over people and to change behaviours. The structures instituted to enable change are discussed, identifying which roles and persons hold accountability for leading through change. Equally, how the process of change is to be reviewed is also emphasised.

Key Skills to Retain

It is clear from the brief that considerable attention has been given to the key skills that need to be retained, where redundancy can be pursued and where release schemes can be best used. The intention behind these programmes is to reduce costs but also maintain an appropriate balance of skills. It is also emphasised that the development of commercial and leadership skills are a priority for the MoD. Parallel to reducing costs, formal training and education to develop critical skill sets is underway. In fact, a Commercial Skills Strategy is up-skilling the commercial function to a higher common standard. The brief refers to other training and development initiatives such as conversion schemes, leadership of change pilot programmes, how members of the Armed Forces could act as qualified training instructors to support the development of 25,000 Adult Volunteers and 135,000 Cadets and how to further leverage the Education Outreach Programme.

Confidence to Succeed

The brief discusses at length the lessons learnt from previous reforms and change programmes within the MoD, from other government departments and functions, from other countries management of defence and from the change experiences of a range of external bodies. Through such scrutiny, the brief clearly identifies the conditions necessary for change to succeed, with high performance leadership at the core for realising successful

change. The critical elements of leadership such as clear vision; sensitive and extensive engagement; commitment to consistent communication; the development of qualities as honesty, inspiring confidence; being disciplined in terms of project implementation whilst allowing for original and radical thinking, are specified as fundamental to successful change. Overall, the detail provided in the brief coupled with the discussion on the leadership and management skills necessary to make change work, indicates that considerable thought has been given by the MoD to the challenges it faces and to the commercial competencies, cost efficiency skills and leadership necessary to deliver on its extensive cost reduction targets as well as performance enhancement aims. The in depth discussion within the brief indicates that the senior management have the confidence to exercise the four core skills required of Civil Service Departments, namely; policy advice, service delivery, contracting/sourcing skills and strategic facilitation/engagement skills.

Building Capability

The brief provided by the Ministry of Defence is distinctly impressive. Despite the inability to offer further information due to the pending Lord Levene Review, the questions raised by the Chairman of the Public Administration Select Committee seem to have been addressed. In order to fully ascertain whether the Ministry is able to implement what it says, in depth interviews with a select number of individuals would need to be conducted within the MoD. The reason to pursue deeper inquiry is to ascertain the morale of military personnel, staff and management and their capacity to fulfil the MoD's aims under conditions of simultaneously pursuing contrasting objectives (substantial cost reduction versus maintaining force capability in the field as well as morale). This information is important to capture as the challenges facing the MoD are substantial. So much is dependent on whether staff, management and critical stakeholders believe that delivery of Defence priorities is possible under the present cost reduction regime. However, in the absence of such information, sufficient evidence is provided in the brief to strongly suggest that the MoD is able to fulfil the aims it has been set and has set itself. The strategic and operational goals being/to be pursued are supported by detail on how these goals are to be implemented. The leadership necessary to drive through change is equally discussed. The information provided in the brief gives me the confidence to state that the aims highlighted are likely to be realised.

Written evidence submitted by Department of Business, Innovation and Skills—May 2011

Thank you for your letter dated 24 April, asking for more information on the changes departments are facing through the reform programme and particularly in the light of the vision for the Big Society.

Despite a challenging Comprehensive Spending Review settlement, BIS is on course to deliver its contribution to the Government's priorities on growth, skills, innovation and regulation. In practical terms, BIS's resource budget will be reduced by 25% and capital spending will be cut by 44% over the course of the Spending Review period. This includes a 40% reduction to BIS's administration budget and savings of £228 million from abolition of the Regional Development Agencies.

BIS is managing the reductions in resource spending by reforming Higher and Further Education funding (delivering broadly 65% of savings), driving operational efficiencies (around 25% of savings), with the remainder of savings coming from cancelling lower priority activities.

In terms of administrative spending, and having already made significant head count reductions in 2010, BIS is in the process of a further reduction of 275 personnel in this financial year. We have also restructured the department to reduce hierarchy, clarify and expand roles and responsibilities. This will give staff more individual responsibility and contribute to a culture of flexibility across the Department as it delivers its objectives.

As an example of what is changing, we have reduced the number of directorates and merged areas of policy where it makes sense to do so, for instance bringing together business and skills in a single group. Similarly, we are studying new and creative ways to build capability across the department, exploring how volunteering might be integrated into employee learning and development.

We are also looking at the implications for BIS and our staff arising from the priorities in the Big Society. We want to use those priorities, particularly the ambition for reform of public services, to help drive change in the way we develop and deliver our policy objectives, creating a much lighter touch from the centre by using the knowledge and experience of our partners and stakeholders more effectively. As the lead department for Every Business Commits, we are working with business to help tackle some of society's most important challenges: creating jobs and skills, supporting communities and enterprise, carbon reduction and well-being.

Along with some of our key business partners, including Business in the Community (BiTC), the British Chambers of Commerce and the Social Enterprise Coalition, we are working to create the strongest case for responsible business. For example by supporting the BiTC in their Business Connector Programme we can increase the role of business at a local level by creating new partnerships to improve outcomes for communities. We are also working to remove barriers across government that get in the way of increased community activity, such as excessive bureaucracy on employment checks.

BIS has established new infrastructure to support the Big Society and coordinate work across the department and with other Government Departments. Specific examples of our focus include business mentoring support for those wanting to start up or grow their own business, recognising that business-to-business support is likely to be more effective than providing business services through the public sector. We are also looking to reform the landscape through our consumer empowerment strategy published last month, using the power of consumer choice and purchasing power to influence and change corporate behaviour.

I hope this illustrates the importance we place in BIS on delivering the Government's priorities and provides examples of our approach to civil service reform and building a Big Society. Please let us know if you require any further information.

Analysis by Professor Kakabadse

I have read the brief presented by Martin Donnelly, CMG, and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief indicates that the Department for Business, Innovation and Skills (BIS) has established an infrastructure to support the pursuit of the 'Big Society' agenda and to coordinate work across the Department and with other Government Departments. The 'Big Society' priorities will be used to drive through departmental change. The brief continues that the Department is working with a number of partners such as 'Business in the Community', the 'British Chambers of Commerce' and the 'Social Enterprise Coalition' to promote the case of responsible business. Mention is also made of BIS's intent to encourage business activity at the local level through creating new partnerships within communities. Also, the brief mentions that the Department is working towards removing barriers across Government in support of 'Big Society'. Initiatives under way include business mentoring support and the BIS consumer empowerment strategy. However, no detail is provided concerning the number of staff allocated to these schemes, the current skill level of staff, the skill level needed for the future, whether the staff allocated have had to be diverted from other functions/activities and how meeting the 'Big Society' agenda is impacting on the staff and running of the Department.

Costs versus Effectiveness

The brief identifies that BIS is meeting the Government's targets for growth, innovation and skills development whilst also pursuing cost efficiencies. It is stated that BIS's resource budget will be reduced by 25% additional to the capital spending cut of 44% over the Spending Review period. This includes savings of some £228 million realised through the abolition of Regional Development Agencies. Further savings are targeted through reforming Higher and Further Education funding, through operational efficiencies and the cancellation of lower priorities. The brief reports that BIS has already made headcount reductions, with a further reduction of 275 personnel targeted. Against the cost measures taken, performance effectiveness initiatives are under way which include departmental restructuring in order to reduce hierarchy and also the clarification and expansion of roles and responsibilities. The number of directorates has been reduced and policy areas have been merged, such as the integration of business and skills into one group.

Planning for Change

Other than the initiatives already highlighted, no explicit detail is offered on the steps taken/to be taken in the planning/preparing for change.

Key Skills to Retain

The brief mentions that 'new and creative ways' to the building of capability are being examined, but little further detail is provided. Volunteering and its integration into employee learning and development is offered as an example of how key skills can be retained/enhanced and capability built. Also, the brief features that staff will be given greater responsibility thus contributing to growing a culture of flexibility in the Department. However, no further detail is presented concerning the functional skills needed for the future (or not) and the management and leadership capabilities necessary to drive through the changes highlighted.

Confidence to Succeed

The brief states that BIS is on course to deliver its contribution to the Government's priorities on growth, skills, innovation and regulations. Other than giving example of the initiatives to be pursued and the projects already under way, no detail is offered outlining the challenges to be faced in order to successfully realise change. Also, no detail is offered on which skills are required for which task, whether existing staff and management require re-training and whether the leadership is able to address the challenges BIS will face.

Building Capability

Insufficient detail is offered in order for me to meaningfully comment on how BIS will build the capability necessary to meet its priorities. Such doubt can be dispelled if a select number of interviews are pursued within the department examining its capacity to provide for quality policy advice, effective service delivery, meeting sourcing and contracting needs and adopting a needs determined approach to strategic facilitation with the community. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (cost reduction versus supporting communities/carbon reduction). In the absence of such information, I feel obliged to raise the question of whether BIS has given sufficient consideration of how its aims will be achieved. The brief, as written, raises the doubt concerning whether the senior management have or will develop the necessary leadership and management capability to lead through the changes they identify.

Written evidence submitted by Home Office—June 2011

You wrote to seek evidence to support the Public Administration Select Committee's inquiry into 'Civil Service Reform and Principles of Good Governance'. You specifically asked for responses to six questions for which our responses are set out below.

1. *What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way your department is organised and operates?*

We are undertaking a radical shift of power, money and information in crime and local policing. We are moving decision-making out of Whitehall and replacing top-down bureaucracy with a new framework of democratic accountability for the police.

Our approach is based on placing the right accountabilities at appropriate levels in delivery systems. That is underpinned by a strong focus on subsidiarity: the presumption that decisions are based made as close as possible to their effect. In policing, for example, the Department is creating a system based in very large part on local decision – making by Police and Crime Commissioners (PCCs) and accountable Chief Constables, working within PCCs' direct electoral mandate. With the exception of some reserved areas such as counter-terrorism, and activities such as IT infrastructure or some types of procurement where it makes more sense to pursue national approaches, the Department's role will become about systems design and assurance rather than trying to up decision-making to the centre.

Combining this much greater localism with transparent accountabilities, and a focus on outcomes, will help local commissioners and leaders of public services enlist the support of the public and local organisations in tackling society's objectives in a much more rounded way. This kind of clarity and autonomy will help sweep away the kinds of structurally-constrained, exclusive and inflexible approaches that have frequently impeded responsive and efficient local services in the past. The Public Accounts Committee Report of 5 April 2011 on 'Accountability for public money' (HC 740) sets out the principles of systems assurance that will help to frame that kind of subsidiarity-based decision making.

2. *What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review?*

We will reduce the number of people working in the department over the Spending Review period, with a planned reduction of 6,500 FTE in total workforce (including contractors and agency workers); this is in addition to a reduction of over 2,000 staff in 2010/11.

This will be achieved through both structural reform, including integration of Government Equalities Office into the Home Office, wider sharing of services, the end of the ID Cards Programme, and streamlining existing structures.

Alongside this we are getting better value for money by, for example, re-negotiating IT and consultancy contracts to ensure we get price reductions; stopping some of what we did in the past, for example, restricting expenditure on discretionary spend such as travel and subsistence and marketing and communications.

3. *How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?*

The recently updated Home Office Business Plan 2011-2015 sets out in detail how these changes will be implemented. It includes the vision for the department, the coalition priorities, and the structural reform plan. The May 2011 update of the Plan is available here <http://www.homeoffice.gov.uk/publications/about-us/corporate-publications/ho-business-plan-2011-15/>.

4. *What consideration has been given to retaining or acquiring those skill sets – for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action – necessary to deliver the Government's reform plans?*

The Home Office Commercial Directorate provides a high performing commercial capability for the Home Office Group; this provides the department with a sound basis of expertise in contracting and commissioning. We are building on this through training and developing our own staff. The training is consistent with the Professional Skills for Government commercial and procurement competencies. The Home Office supports procurement staff to undertake training towards the Certificate of Competence and to full membership of the Chartered Institute of Purchasing and Supply (CIPS). Staff are strongly encouraged to train towards achieving the Certificate of Competence in Purchasing and Supply; and to promote the attributes and benefits of good procurement practice.

The Home Office Drugs, Alcohol and Community Safety Directorate is heavily involved in the Department of Health led drug recovery payment by results 'co-design' period. During this 6 month period - which has been developed as an opportunity for central government departments, local pilot areas and expert stakeholders to work together to design payment by results models - the Home Office is providing policy and analytical support to local areas in developing the models and mechanisms necessary to implement successful Payments by Results schemes and deliver shared outcomes. This is a new way of operating and we look forward to reflecting on the lessons learned over the co-design period.

With respect to community leadership, PCCs will provide strong local leadership on crime and community safety. They will not be operating in a local vacuum but will be part of a collective group of community leaders, collaborating on shared outcomes. We will help prepare the way for PCCs to develop strong and enduring relationships with local partners.

In order to cut crime, we need to put our trust in professionals and the public, enhance transparency and accountability and empower citizens to actively participate in their communities. The voluntary and community sector and social enterprises are the means through which people can most effectively participate in their communities to cut crime and enable people to feel safer in their neighbourhoods. The Home Office has a number of initiatives in the pipeline that will give local people more say in how money is spent and policy is formulated which is in line with getting local people and agencies to work together in genuine partnership and make best use of all available resources.

5. *What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?*

The Department's approach is based on rigorous identification and pursuit of outcomes, within a clear framework of accountabilities and subsidiarity wherever possible.

That is underpinned by the National Audit Office's (NAO) framework for structured cost reduction. This guidance draws upon their financial audit and value for money work. Further information on this approach can be found here: http://www.nao.org.uk/publications/1011/structured_cost_reduction.aspx

Our reform programme is also built upon the Home Office's previous Value for Money Programme which focused on stimulating and driving genuine and sustainable operational and organisational improvements which freed up resources to support delivery to the public.

6. *Does your reform process involve other government departments or public bodies?*

We are working closely with colleagues in Department of Health, Ministry of Justice, Communities and Local Government and the Attorney General's Office, as well as the Association of Police Authorities and Association of Police Authority Chief Executives on the work to develop the crime role of PCCs and the fit with local government, Criminal Justice System partners and other local delivery partners.

We are also working closely with colleagues across government, in particular Department of Health, Ministry of Justice and Department for Work and Pensions, on the development of successful Payment by Results models on drug recovery and reducing re-offending that effectively incentivise crime prevention and reduction work by the police and PCCs, along with criminal justice system and other local delivery partners.

Analysis by Professor Kakabadse

I have read the brief presented by Helen Ghosh and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief specifies that the Home Office is pursuing fundamental change concerning policy development, particularly over information on crime and local policing, and switching from Whitehall oriented centralised decision making to a more decentralised democratic framework of accountability. Although not stated, it is alluded that these changes are in keeping with the values underlying 'Big Society'. The reforms require identifying the 'right accountabilities' at the appropriate levels, supporting clear decision making at local level and ensuring that the Police and Crime Commissioners (PCCs) together with the Chief Constables are working towards their electoral mandate. Within this context, the brief identifies that the Home Office's role will be concerned with systems design and assurance. The brief specifies that certain areas, counter terrorism and IT infrastructure, will be exempt from decentralisation. The brief further specifies that, through greater localism, more transparent accountabilities and a focus on outcomes, local organisations, local commissioners and community leaders will be better supported to meet local needs. The

intent of the reform is to sweep away structurally-constrained and inflexible approaches that previously impeded service delivery.

Costs versus Effectiveness

The brief specifies a planned staff reduction of 6,500 FTEs (including contract/agency workers) over the Spending Review period. This is additional to the 2,000 staff reductions that are taking place in 2010/11. Such targets will be partly achieved through structural reform, such as the integration of the Government Equalities Office into the Home Office, a wider sharing of services, the streamlining of existing structures, the reduction of IT and consultancy contracts and the restriction of discretionary spend on such items as travel and subsistence. The brief refers to the Home Office Business Plan where a baseline spend reduction from £10.2 billion (2010/11) to £8.3 billion by 2014/15 is specified.

Planning for Change

The brief, once more, refers to the Home Office Business Plan 2011-2015 as the source of information on how the changes outlined are likely to be achieved. The Business Plan provides detail on the range of activities planned over the next five year period and how the programme of change will impact on other services/functions. However, what is not clear from the Home Office brief submitted to PASC, nor from the Home Office Business Plan, is how the change process of seemingly rapid decentralisation in conjunction with stringent cost cutting is going to be managed/led. Despite the evident attention to detail on structural reform and cost reduction, no clear insight is offered concerning the range of challenges the Home Office expects to experience that could derail their demanding programme of change.

Key Skills to Retain

Four core skill areas are identified; commercial capability, designing payment by results schemes, community based leadership and strategic facilitation skills to empower citizens to actively participate in their communities. The brief details the training and development support provided to improve commercial and procurement capabilities. Training to Chartered Institute of Purchasing and Supply (CIPS) standards is strongly encouraged. Concerning payment by results, considerable detail is offered outlining how the Home Office Drugs, Alcohol and Community Safety Directorate has piloted drug recovery. From the lessons learned to date, further application is being considered. Similarly, with community leadership and strategic facilitation, detail is provided on how such skills/practices are to be applied. Further detail can be found in the Business Plan concerning the organisation structure accountable for these four domains. Yet, as stated, no detail is offered on the leadership capabilities necessary to see through this programme of change and where leadership development should concentrate (if at all) so that Home office priorities can be realised.

Confidence to Succeed

The brief emphasises that lessons already learnt will enable the Home Office to undertake a rigorous identification of, and pursuit of, outcomes within a clear framework of accountabilities and subsidiarity. To enable the realisation of priorities (particularly the role of PCCs and to develop successful payment by results models), reference is made to working closely with other departments, such as Health; Ministry of Justice; Work and

Pensions; Association of Police Authorities; Attorney General's Office; to mention just a few. The brief highlights that the reforms being pursued are underpinned by the National Audit Office (NAO) framework on structured cost reduction. However, it is difficult to ascertain from this brief, what are the lessons learnt specific to the Home Office and how will these lessons be used to provide some indication of whether the Home Office will, partly or wholly, be able to realise the priorities set?

Building Capability

The brief provides considerable detail on how the Home Office intends to realise its priorities through structural reform, operational innovation and the development of distinct competencies. However, insufficient detail is offered on how the middle and senior managers of the Home Office will develop the capability to meaningfully lead the programme of extensive change and especially provide for quality policy advice, effective service delivery, meet sourcing and contracting needs and provide for strategic facilitation with the community. The concern raised does not lie in the area of functional skills such as contracting, which are specified in the brief, but more in the areas of leadership and the general management of integrating across a range of interest domains. Such doubt can be dispelled if a select number of interviews are pursued within the Home Office particularly exploring the leadership capacity to pull together a number of conflicting priorities whilst also leading through demanding and stretching change. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (extensive staff reduction versus the provision of support and facilitation for delivery partners). In the absence of such insight and with the brief as written, I raise the question of whether the Home Office has given sufficient attention to the nature of the leadership challenges its management will inevitably face and what will be the outcomes if the question of providing sound leadership is not sufficiently considered?

Written evidence submitted by DEFRA —June 2011

Thank you for your letter of 24 April 2011 about the PASC enquiry into good governance and civil service reform. You asked questions about the changes which we are facing as a department and how we plan to meet them. I have answered each question in turn below.

What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way your department is organised and operates?

Defra and the delivery network already benefit from a long history of committed civil society involvement in the protection and improvement of our public goods. Individuals, communities and civil society groups are very active in delivering outcomes that contribute to Defra's agenda. However, there is always more that we can do.

Our first response was to establish a small team in the Strategy Unit (SU) to help policy teams understand the Big Society and what it means for policy making and to promote Big Society approaches to policy making across the department and its delivery network. Policy teams are building a Big Society approach by:

- removing barriers (e.g. in the rural Eden Valley, officials are working closely with DCLG, Broadband Delivery UK, the local authorities and the local communities on seeking solutions in a number of areas, including on broadband, housing and the community buy-out of a local pub);
- encouraging partnership working (e.g. a new Animal Health and Welfare Board has been created for England. It will bring experts including farmers, veterinarians, welfare experts and others from outside Government together with the Chief Veterinary Officer and civil servants to make direct policy recommendations on policy affecting the health and welfare of all kept animals. Another example is the National Litter Convention which brought together 120 key private, public and voluntary sector organisations to challenge and advise on a new single message on litter to be used by all partners and to establish a framework where examples of best practice, innovations and commitments can be shared.);
- building community resilience (e.g. Exercise Watermark - which tested the country's response to flooding and a coastal surge. Crucially, the exercise involved not just Government departments and agencies, but communities, businesses and voluntary groups. During the exercise, more than 50 Big Society events took place, from a school evacuation to a Local Resilience Forum community event. The exercise was an opportunity for voluntary groups to test their partnership working with local responders to make sure volunteers are ready to support the professionals should they need to in a real emergency); and
- reforming the department's arm's length bodies (e.g. the proposed change in status of British Waterways to a new waterways charity, which will give waterways' users and the communities living alongside them greater involvement in how they are managed.)

Defra committed in its Business Plan to specific actions to support the building of the Big Society to enhance the countryside, habitats and the urban environment. For example, we have launched a national campaign to increase tree-planting by the private sector and civil society. The Big Tree Plant is a national partnership bringing together a wide range of organisations, including civic and community groups to plant one million trees and facilitate long term change that results in more community-led initiatives to plant more trees that reach maturity.

The department is also actively looking for opportunities to decentralise, and its Business Plan sets out a commitment to no longer hold power at national level unless absolutely necessary, but to devolve it to those best placed to deliver outcomes. For example:

- the review of waste policy announced in June 2010 is seeking to remove barriers to local decision-making on waste, and the abolition of inappropriate targets and legislation that restrict local action, to enable local authorities and private contractors to develop more comprehensive and cost-effective waste collection services; and
- in responding to the recommendations of the Pitt review to improve preparedness for flooding, Defra have consulted on reforms to the funding of flood and coastal erosion risk management post-2012 and the way forward will be announced in

spring 2011. National funding will reflect decisions made by local communities or by local authorities acting on their behalf, giving the local area more say over resources spent there.

Together with a new set of key principles and a co-ordinated approach to customer engagement and behaviour, policy teams are increasingly thinking about how to achieve outcomes other than through traditional means. For example:

- the department, together with the Environment Agency, Natural England and the Local Government Group, are exploring with self-selecting local areas what their key local environmental priorities are, and in what ways central government can help them in their efforts to do things differently – in a responsive and supportive, rather than directive, way; and
- the department is also working with the Local Enterprise Partnerships (LEPs) to develop their capability to deliver economic outcomes in environmentally sustainable ways.

Together, these approaches will result, in time, in reductions in the level of dependency on civil and public servants to deliver.

What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review?

If no structural change is required, what action are you taking to achieve the required reduction in administrative budgets?

Defra has taken the opportunity presented by the Spending Review to consider what are the things that only Defra can and must do and how we can deliver those.

In terms of our administrative budgets, the bulk of Defra's administrative costs relate to our delivery partners. Under the Public Bodies Reform Programme, Defra carried out a review of its Arm's Length Bodies (ALBs). Once all the proposed reforms are implemented, subject to Parliamentary approval, Defra will have moved from a network of 92 ALBs to 36.

Going forward, all public bodies will be subject to at least triennial reviews to ensure that: their functions are still needed; that the arms-length model remains the right delivery mechanism for the functions in question; and, that governance arrangements are robust and effective. As a result of the ALB Review and the Spending Review, Defra's delivery landscape will be streamlined, modernised and improved. Annexed to this note is a list of Defra bodies, including those outside the immediate scope of the review, together with their proposed future status.

Some of these changes are tidying-up measures where primary legislation is needed to complete the abolition process of defunct bodies such as Food from Britain, which ceased operations in March 2009, and the Committee on Agricultural Valuation, which has not met for some 20 years. The Public Bodies Bill offers the opportunity to do this, without tying up Parliament with a series of separate bills for each exercise. The proposal to transform British Waterways in England and Wales from a Public Corporation to a charity, similar to a National Trust for the Waterways, is of far more significance. It will allow key stakeholders the opportunity to play a far greater role in its governance and allow

them to bring their expertise and passion to the organisation. It will also improve the long term financial sustainability of the waterways by offering new opportunities for growing income from private and commercial sources.

Measures such as the plan to wind up the Agricultural Wages Board and Agricultural Wages Committees are intended to simplify and alleviate regulatory burdens on business. By doing away with dual minimum wage regimes on agricultural and horticultural businesses, the industry should be able to adopt modern flexible employment practices that apply generally.

We are making changes where possible by administrative means, for example by reclassifying a number of scientific advisory committees, the majority of which will continue to be overseen by the Scientific Advisory Committee. We have withdrawn funding from the Sustainable Development Commission and brought its key policy functions back into Defra. This change ensures that sustainable development is mainstreamed in Government. The Rural Communities Unit in the department is being expanded to focus rural policy expertise within government by strengthening Defra's rural capacity to lead on rural policy advice across Government.

In terms of reducing running costs, across the Department and its Arm's Length Bodies (including Agencies and NDPBs), our general approach is to achieve as much as possible from savings in non-pay costs, including significant reductions in the use of consultants, operational savings in IT and estates and other non pay costs.

Defra has run a Voluntary Exit Scheme across the core Department and its Agencies which has resulted in 666 staff taking up offers. Defra's non-departmental public bodies are managing their own staff exit schemes. Following the departures from this round of exits, we will need to re-assess the position and savings we have achieved before taking decisions on next steps. This will be aided by a Change Programme which, amongst other things, will be analysing spending plans for administrative budgets, looking at the component parts of pay and non-pay across the whole network.

How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?

For ALB reform, a central co-ordinating team is working on the Public Bodies Bill and implementation of the changes. Individual sponsor and policy team programmes are charged with implementing changes to individual bodies, working to common guidance. The objective is to support the required efficiencies, as well as improving both accountability and transparency, by implementing the announced changes as rapidly as possible, subject to Parliamentary process and detailed consultation. Some administrative changes have already taken place, but others may not be completed until 2013.

Internally a Change Director has been appointed, with a small supporting team, to carry through work on the change required in the Department to respond to the reform agenda. This Change Programme is still being scoped out at present but will ensure that we take a coherent and consistent approach across the piece so that we are best-placed to deliver our business priorities and meet our Spending Review settlement.

What consideration has been given to retaining or acquiring those skill sets—for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action—necessary to deliver the Government’s reform plans?

Each year an exercise is carried out to gain an understanding of current and future capability. In addition our annual talent review involves assessing our talent against these profiles. We will widen the scope of the annual review this year to gain a better understanding of the technical and professional capability required and will be working with the Change Programme to ensure any emerging gaps are identified and addressed, subject to resource constraints.

Regarding the specific skill sets you have highlighted:

i) Defra has a strong team in terms of contracting (i.e. procurement and contract management) in the core department and across its network. However, 40% of the team in core Defra is currently staffed by interims. The resource in procurement across core and the network has been reduced by 30% despite workload remaining the same and in the case of core Defra, increased workload procuring for some bodies in the network. While this represents a significant efficiency gain there is an ongoing challenge for Defra in developing permanent resource with this skill set. The Environment Agency procurement community are capable and focused on flood defence and ICT expenditure, the latter being something Defra needs to join up more closely going forward. On commissioning, procurement have developed a model for the acquisition/provision of goods and service, however it is recognised within Defra that more needs to be done in this area.

ii) Defra has in the past worked through civil society partners to stimulate social action and encourage pro-environmental behaviours, rather than directly with communities or individuals, and will continue to seek opportunities to do so. We will be considering the department’s skills needs as we move forward with the reform work. For example, the department will continue to support the “We will if you will campaign”, a collaborative project between business, civil society and government to address barriers to sustainable living and encourage action with individuals, communities and business on themes such as seasonal eating and water efficiency.

What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?

Reform needs active management and, depending upon complexity, can be both unsettling and involve significant transition costs before the full benefits are realised. We are capturing lessons learned from each completed component of the organisational changes and using those to update both central guidance and future reforms. In addition, the Department has a programme of work to improve its knowledge and data sharing to ensure this becomes more effective in a period of reform.

As part of the early scoping phase of our own Change Programme, we are looking at recent restructuring exercises currently being carried out in other Government Departments, as well as more widely. We are also drawing on the lessons from previous internal change exercises. Key lessons so far include: the need to ensure that the scope of and priorities for change are clear at the start of any change programme; that practical and delivery implications are considered as an integral part of this; and, the importance of regular and

clear communications. Other lessons include: the need to identify and explain the benefits of change as early as possible in the process; delivering quick wins to help generate momentum and support for change; involving staff appropriately in designing and implementing change; and, allocating sufficient resources to ensure that changes are implemented fully and embedded into our work moving forwards.

Does your reform process involve other government departments or public bodies?

Yes, we are working with the rest of the Defra network as we reform our delivery bodies. We are also working closely with other departments including Cabinet Office, HMT, BIS, CLG and DECC where interests in functions and/or bodies overlap.

ANNEX 1

PUBLIC BODIES REFORM - DEFRA BODIES MAY 2011

Body	Reforms
Advisory Committee on Hazardous Substances	No longer an NDPB - Reconstitute as a committee of experts (awaiting legislation Public Bodies Bill)
Advisory Committee on Organic Standards	No longer an NDPB - Body abolished on 31 October 2010
Advisory Committee on Packaging	No longer an NDPB - reconstituted as a committee of experts on 1 April 2011.
Advisory Committee on Pesticides	No longer an NDPB - Reconstitute as a committee of experts (awaiting legislation Public Bodies Bill)
Advisory Committee on Releases to the Environment	Retain - Retain on grounds of performing a technical function which should remain independent of Government
Agricultural Dwelling House Advisory Committees (x16)	No longer an NDPB - Abolish bodies and functions, as previously announced (awaiting legislation Public Bodies Bill)
Agricultural Land Tribunal	Retain and substantially reform – Functions retained on the grounds of requiring impartiality. Transfer jurisdictions of Agricultural Land Tribunals in England to HM Courts and Tribunals Service. (awaiting legislation Public Bodies Bill)
Agricultural Wages Board for England and Wales	No longer an NDPB - Abolish and bring agricultural workers under national minimum wages legislation, as previously announced (awaiting legislation Public Bodies Bill)
Agricultural Wages Committees (x15)	No longer an NDPB - Abolish bodies and functions, as previously announced (awaiting legislation Public Bodies Bill)
Agriculture and Horticulture Development Board	Under consideration - Industry event to take debate forward held on 15 March 2011. Change process to be led by new Chair.

Body	Reforms
Air Quality Expert Group	No longer an NDPB - reconstituted as a committee of experts on 1 April 2011.
Animal Health and Welfare Strategy England Implementation Group	No longer an NDPB - Body abolished.
Board of Trustees of the Royal Botanic Gardens Kew	Retain - Retain on grounds of performing a technical function which should remain independent of Government
British Waterways Board	No longer a Public Corporation - Abolish as a public corporation in England and Wales and create a new waterways charity – similar to a national trust for the waterways (awaiting legislation Public Bodies Bill)
British Wool Marketing Board	Retain - Retain on grounds of performing a technical function which should remain independent of Government
Broads Authority	Retain - Retain on grounds of performing a technical function which should remain independent of Government; but review governance and increase accountability (The Public Bodies Bill is intended to provide the legislative means to make changes)
Commission for Rural Communities	No longer an NDPB - Abolish and reinforce Government's capacity to reflect rural interests in policies and programmes, as previously announced (awaiting legislation Public Bodies Bill)
Committee on Agricultural Valuation	No longer an NDPB - Abolish body and functions, as previously announced (awaiting legislation Public Bodies Bill)
Commons Commissioners	No longer an NDPB - Legal dissolution of the Commissioners completed on 1 December 2010
Consumer Council for Water	Under consideration - Decision to be taken as part of OFWAT review launched on 26 August. Outcome of the review will be set out in the Water White Paper, due for publication in June 2011
Covent Garden Market Authority	Retain - Retain on grounds of performing a technical function which should remain independent of Government

Body	Reforms
Darwin Advisory Committee	No longer an NDPB - Reconstituted as an expert committee on 24 January 2011.
Environment Agency	Retain and substantially reform - Reform through structural, process and cultural change to become a more efficient and customer focused organisation; and clarify accountabilities. The Environment Agency in Wales may move to form part of a WAG Environmental Body.
Expert Panel on Air Quality Standards	No longer an NDPB - Body abolished.
Farm Animal Welfare Council	No longer an NDPB - reconstituted as a committee of experts on 1 April 2011.
Food from Britain	No longer an NDPB - body wound down in 2009 (awaiting legislation to abolish Public Bodies Bill)
Forestry Commissioners	Retain and substantially reform - The Government has announced that it will set up an Independent Panel to advise the Secretary of State on the future direction of forestry and woodland policy in England, on the role of the Forestry Commission, and on the role of the Public Forest Estate.
Gangmasters Licensing Authority	Retain - Government launched review of workplace rights, compliance and inspection arrangements in December 2010.
Independent Agricultural Appeals Panel	Retain - Retain on grounds of impartiality
Inland Waterways Advisory Council	No longer an NDPB - Abolish body and functions, as previously announced (awaiting legislation Public Bodies Bill)
Internal Drainage Boards (x 164)	Retain and substantially reform - Improve efficiency and accountability, amend functions, and increase the involvement of local communities (awaiting legislation Public Bodies Bill)
Joint Nature Conservation Committee	Retain - Retain on grounds of impartiality
Marine Management Organisation	Retain - Retain on grounds of performing a technical function which should remain independent of government

Body	Reforms
National Forest Company	Retain - Retain on grounds of performing a technical function which should remain independent of government
National Park Authorities (x9)	Retain - Retain on grounds of performing a technical function which should remain independent of government; but review governance and increase accountability – (The Public Bodies Bill is intended to provide the legislative means to make changes)
National Standing Committee on Farm Animal Genetic Resources	No longer an NDPB - reconstituted as a committee of experts on 1 April 2011.
Natural England	Retain and substantially reform - Reform through structural, process and cultural change to become a more efficient and customer focused organisation; and clarify accountabilities.
Pesticide Residues Committee	No longer an NDPB - Reconstitute as a committee of experts
Plant Varieties and Seeds Tribunal	No longer an NDPB - Transfer jurisdiction to HM Courts and Tribunals Service.
Royal Commission on Environmental Pollution	No longer an NDPB - RCEP abolished 31 March 2011.
Science Advisory Council	Retain - New model for the Science Advisory Council announced in a Written Ministerial Statement on 26 January 2011
Sea Fish Industry Authority	Retain - Retain on grounds of performing a technical function which should remain independent of Government
Sea Fish Licence Tribunal	Retain - To be retained on grounds of performing a function which requires impartiality.
Spongiform Encephalopathy Advisory Committee	No longer an NDPB - Body abolished on 30 March and functions to transfer to DH.
Sustainable Development Commission	No longer an NDPB - SDC ceased activity in March 2011 with formal wind-up over the next few months, following agreement by Devolved Administrations to withdrawn funding
Veterinary Products Committee	Retain - Retain on grounds of performing a technical function which should remain independent of

Body	Reforms
	Government
Veterinary Residues Committee	No longer an NDPB - Reconstitute as a committee of experts (awaiting Public Bodies Bill)
Water Services Regulation Authority - (OFWAT)	Retain - Review launched 26 August 2010 to ensure it is fit for future challenges. The outcome of the review will be set out in the Water White Paper, due for publication in June 2011
Zoos Forum	No longer an NDPB - Reconstituted as a committee of experts on 1 February 2011

Those bodies out of scope of ALB review

Body	Classification of body
Veterinary Laboratories Agency / Animal Health	Executive Agency
Conservation Board for Areas of Outstanding Natural Beauty x 2	Other
Veterinary Medicines Directorate	Executive Agency
CEFAS	Executive Agency
FERA	Executive Agency
Forest Research	Executive Agency of the Forestry Commission
WRAP	Other
RPA	Executive Agency
Keep Britain Tidy	Other
Drinking Water Inspectorate	Business function within core Defra, not an NDPB

Analysis by Professor Kakabadse

I have read the brief presented by Bronwyn Hill and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief opens by emphasising that the Department for Environment, Food and Rural Affairs (Defra) has a long and extensive commitment to civil society involvement in the protection and improvement of 'public goods'. Drawing on this long experience, the brief states that Defra has established a team in their Strategy Unit to ascertain the effect of 'Big Society' on policy making and also to promote 'Big Society' across the Department and its delivery network. The Department is building a 'Big Society' approach by:

- working with a variety of stakeholders such as local authorities and communities on issues of housing, broadband delivery and the community buy-out of local pubs, thereby removing barriers to local acceptance of responsibility.
- encouraging partnership working across a number of fronts such as animal health and litter reduction and through relevant parties making direct policy recommendations and encouraging best practice and innovation.
- building community resilience, particularly in response to flooding and coastal surge. The brief provides example of the range of partners brought together through 'Big Society' events in order to establish how, for example, local volunteers will assist the professionals in times of emergency.
- reforming Defra's Arm's Length Bodies (ALBs), through giving users greater involvement in the management of these bodies. One example provided is that of British Waterways emphasising its change of status to a waterways charity and hence it's likely involvement with users.

The brief states that Defra, through its Business Plan, is committed to specific actions to support 'Big Society', focusing initiatives on the countryside and the urban environment.

At this point I note that the Defra brief provides one of the most extensive statements (in comparison to the other briefs) on the use of teams to specifically examine the impact of 'Big Society' on policy development and implementation.

Costs versus Effectiveness

The brief makes the point that the greater part of Defra's administrative costs lie with the Department's delivery partners. Under the Public Bodies Reform programme, Defra has undertaken a review of its ALBs and subject to Parliamentary approval, the Department will reduce its network of ALBs from 92 to 36. The brief details further measures to reduce certain ALBs such as the 'Agricultural Wages Board', in order to be stringent on costs and

allow for more modern, flexible, employment practices to apply. Other changes to administration include reducing the number of Scientific Advisory Committees and reducing funding to the 'Sustainable Development Commission'. As a result and in order to enhance performance effectiveness, the brief informs that all public bodies will be subject to at least triennial reviews in order to see whether these functions are still needed and whether the ALB model is appropriate for the future. The ALB and Spending Reviews are identified as the mechanisms for streamlining, modernising and improving Defra's Arm's Length partners. The brief also points to the legislation necessary in order to complete the abolition of defunct bodies such as 'Food from Britain' and the 'Committee on Agricultural Valuation'. Further, across the board reduction in the use of consultants, IT and estates are additional cost reduction measures. To assist staff reduction, Defra has a Voluntary Exit Scheme which, to date, has resulted in 666 staff pursuing alternative employment. I should point out that the brief does not entirely concentrate on cost reduction but equally emphasises that where sustainable development is a prime consideration, funding has increased as is the case with the Rural Communities expansion. Although the brief is to be commended on the detail provided in terms of cost reduction exercises, few figures are included so as to clearly see the level of cost reduction that has and will take place.

Planning for Change

Three strategies are identified; first, Defra intends to decentralise as it has committed itself in the Business Plan to devolve power wherever possible in order to best deliver outcomes. Two examples of decentralisation are offered, namely, the 2010 review of waste policy to enable localised decision making on waste and the preparation for flooding and coastal erosion. It is stated that the Department's policy teams are rethinking how to achieve outcomes through a co-ordinated approach to local engagement and to delivery partners. Second, a central co-ordinating team is working on the Public Bodies Bill and the implementation of change. Additionally, individual sponsors and particular team programmes are charged with pursuing change with individual bodies, but guided by a common practice. The intention is to lead through change, enhance performance effectiveness and improve accountabilities and transparency but within the parameters of the Spending Review as soon as is possible bearing in mind Parliamentary processes and consultation. Third, a Change Director has been appointed, supported by a small team to pursue change through adopting a coherent and consistent approach to the delivery of priorities.

Key Skills to Retain

The brief reports that a capability exercise is undertaken annually in order to assess the skills required. It is also stated that this year's review will be extended to cover technical and professional capabilities. Two skill sets are highlighted; first, contracting and procurement, which, with a 30% reduction of staff and an increased workload (and despite efficiency gains realised), the Department acknowledges the challenge of developing a permanent resource in this skill set. Second, and through civil society partners by adopting collaborative skills, encourage social action and pro-environmental behaviour in order that communities take greater responsibility and overcome barriers to sustainable living.

Confidence to Succeed

The brief notes the unsettling nature of change and the significant transition costs that can arise if active management is not evident. As a result, the Department is capturing the lessons learnt through each stage of the Change Programme. Additionally, the Department is also harnessing learning from restructuring undertaken in other Government departments. In fact, a list of lessons learnt is provided, including thorough scoping prior to embarking on change, need for regular and clear communication particularly on the benefits of change, involving staff in the design and implementation of change, delivering quick wins in order to generate momentum, allocation of sufficient resources to the Change Programme and embedding change into the work of individuals and the Department. The brief, as written, indicates that Defra has the confidence to exercise the four core skills required of Civil Service Departments, namely, policy advice, service delivery, capacity, contracting/sourcing skills and strategic facilitation/ engagement. The brief details the initiatives under way and the mechanisms by which these initiatives will be pursued. The brief is also clear about the relationship between the Department and its delivery partners and/or ALBs. The creation of support teams to both think through and deliver on the priorities highlighted is particularly impressive. Again, I emphasise that Defra is one of the few briefs that emphasise a team approach to prepare and pursue the 'Big Society' aims. Although not termed as such, the brief does highlight the mix of leadership skills, including clear communication and bedding down change, necessary for driving through change. However, some further detail on the levels of cost reduction incurred and planned for would have been helpful in understanding the extent of the challenges being faced.

Building Capability

The brief provided by Defra is one of the more impressive I have read. The questions raised by the Chairman of the Public Administration Select Committee seem to have been addressed and in considerable detail. In order to fully ascertain whether Defra is able to realise what it says, in depth interviews with a select number of individuals will need to be conducted within the Department. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (realising localised solutions versus reducing the budget of delivery partners; need for greater procurement and contracting skills versus staff reduction whilst drawing on interim labour). However, in the absence of such information, considerable detail is provided in the brief about Defra's capability to meet its priorities. The brief identifies in detail how the strategic goals being pursued are to be operationalized. Further, the brief points to how the skills and capabilities, now and into the future, are to be identified and developed and also where capability shortfalls may exist. Some further examination of the specific leadership challenges facing middle and senior management would give more penetrating insight on how change will be led. Overall however, the information provided in the brief gives me the confidence to state that the aims set are more than likely to be realised.

Written evidence submitted by Department of Work and Pensions—May 2011

Thank you for your letter last month on civil service reform and principles of good governance. I set out here the response from my Department:

What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way your department is organised and operates?

a. If there are no consequences for your department organisational structure as a consequence of the Big Society agenda please explain why this is the case?

The Department has an ambitious agenda of reform which aims to create a new welfare system for the 21st century; to transform the opportunities for people without jobs to find work, support themselves and their families; to ensure people have decent retirement incomes; and to ensure the most vulnerable in society are protected.

The Department is working to support the 'Big Society reforms' by delivering a more efficient service. For Jobcentre Plus we want to move away from a one-size fits all approach, towards a more flexible business model which is tailored to a District and meets the needs of the community it serves.

The new flexible delivery model enables Jobcentre Plus District Managers to deliver local labour market solutions; harnessing all the resources in a particular area to meet the challenge of getting as many people into work as possible, including a stronger focus on working collaboratively with key partners to add value and achieve work outcomes. A new Performance Management Framework for Jobcentre Plus from 2011- 2012 reflects the focus on outcomes rather than process driven targets.

Jobcentre Plus District Managers have, from April 2011, delegated budgets enabling them or their staff to make choices about the types of support available and which elements of support are given to customers. A Flexible Support Fund forms part of the overall Jobcentre Plus offer to pre-Work Programme customers. It includes scope to support local partnership working and enable local decisions to improve employment outcomes or prospects of future employment outcomes for communities and individuals facing the most complex and intractable barriers to work.

Additionally, the Jobcentre Plus local autonomy initiative is intended to empower individual Jobcentre Plus District Managers with greater freedom to manage the means by which they will achieve their objectives. District Managers will have more autonomy – within the legislative framework and in line with overarching Ministerial and fiscal objectives - and also more accountability. A local autonomy District will be assessed primarily on the results it achieves, not the way it gets there, and will be judged against the same high level performance targets as the rest of the country - with the primary focus on reducing AME spend through higher off-flow rates to employment and a reduction in fraud and error. This is a radical new approach and presents a number of opportunities as well as risks and challenges. We are testing this new approach in two Trailblazer Districts: Greater Manchester Central & Cheshire, and South West Wales.

DWP is committed, through its Work Programme reform, to ensure public service delivery is diversified. The Work Programme will be different and will ensure people have the right support as the economy moves out of recession and into recovery. Providers will be free to design support based on the needs of individuals and target the right support at the right time. It moves from top down centrally specified support to allow private, public

and voluntary partners to come together to find innovative and flexible local solutions to local labour market problems.

Jobcentre Plus community engagement:

To increase the profile of Jobcentre Plus in the community and its potential to support Big Society local initiatives Jobcentre Plus has signed a National Partnership Agreement with the Prince's Trust to co-locate voluntary sector partners in as many of its offices as possible. This builds on the agreement in place with Volunteering England to support Work Together – a pre-work programme measure. The aim is:

- To provide volunteering and other placement opportunities for unemployed people which might prevent them needing to join the Work Programme
- Enhance the local relationship between Jobcentre Advisers and the voluntary sector by providing a regular presence of the sector via a desk or surgery
- Create a more personalised support package for Jobcentre Plus customers by developing a hub of all local volunteering opportunities
- Ensure timely and appropriate referrals to voluntary sector programmes and placements.

The initiative went live in Hull Jobcentre on 9 May 2011 with Newport, Sheffield, and Middlesbrough to follow on 1,2 and 3 June respectively. Jobcentre plus is working with other voluntary sector organisations to extend these co-locations as widely as possible.

Work Clubs are designed and run by groups of people who want to help unemployed people in their local area. Work Clubs are voluntary non-contracted provision that offer unemployed people a place to meet, share contacts/networks/ideas, hints and tips to support each other through the job seeking process.

The level of impact and Jobcentre Plus' involvement is likely to vary depending on whether local Jobcentre managers and external organisations identify the need. Local authorities, employers, voluntary sector organisations and community groups, amongst others will be encouraged to set up Work Clubs and Jobcentre Plus External Relations Managers have a role in working with local organisations/partnerships to support the development of Work Clubs in the locality. As Work Clubs are set up in different areas, Jobcentre Plus Personal Advisers will support by signposting customers to their local Work Clubs.

Jobcentre Plus also promotes initiatives such as Food Banks by featuring local schemes on District intranet sites in order to make this information available to their staff for use as a local signposting service should relevant customers seek help and guidance.

What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review?

If no structural change is required, what action are you taking to achieve the required reduction in administrative budgets?

The corporate centre has a crucial role to play in defining and driving our ambition to create a new welfare system for the 21st century; to transform the opportunity for people without jobs to find work and support themselves and their families; and to ensure that the most vulnerable in society are protected. We must do this with a 40 per cent reduction in resources by the end of this Parliament.

In order to achieve this, and deliver all our reforms, we will not simply reduce each area of the Department by the same proportion. To bring about a DWP which is nimble, has fewer layers, boundaries, and bureaucracy, we will reform the structures, culture and behaviours of the corporate centre.

The new structure will:

- support Ministers and drive their reforms including delivering the Social Justice agenda, while also helping front line colleagues better deliver services to millions of people;
- have the disciplines and tools to make the right choices, in good time, within the resources available;
- feature fewer layers in the organisation, so that everyone is clear about their own role, and the layer above adds value by doing something different; and
- have a smaller top team, committed to collective success but with clear personal accountabilities.

How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?

A Transformation Project is being set up with the aim of delivering the 40 per cent reduction in resources, embedding a new culture and behaviours in the corporate centre and ensuring staff throughout the new organisations have the skills necessary to carry out their new roles. We intend to seek assurance that our planning and resourcing is appropriate and will lead to the project being delivered successfully.

The new Executive Team and the new SCS structure will come into effect from the beginning of October. By that point, design, selection and posting for other grades will have started, but will not be complete. Therefore, existing teams will be brigaded under the new organisational structures, and the new SCS will assist in designing the remainder of the organisation. Our current plan is that all staff will be in their new posts by 31 December 2011.

What consideration has been given to retaining or acquiring those skill sets—for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action—necessary to deliver the Government's reform plans?

We plan to keep and develop internally the skill sets necessary to deliver both business as usual and our ambitious change programme. The Professional Services Director General will be responsible for ensuring that professional expertise is delivered in the most effective way, to support operational delivery, strategy and change. In addition, the new structure, as agreed by our Executive Team, will have specific teams that support the department's IT, commercial, compliance, governance and audit functions.

What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?

As the Transformation Project takes shape, we will use lessons learned from previous work within the department in 2010 – an internal Organisational Design Review – as well as from a large restructure that took place in 2000. In addition, we are using best practice from smaller, but equally significant restructures within the department – for example the merger of The Pension Service and Disability and Carers Service, which took place in 2008, and the set up of the Child Maintenance and Enforcement Commission in 2008.

We will also incorporate lessons learned from government departments that have recently restructured into the project – for example Ministry of Justice, Department of Transport and DEFRA, as well as looking at private sector organisations that have a similar operating model to us. For example, this may include the wider deployment of LEAN and Agile ways of working, which utilise cross-functional teams working together in a collaborative environment to design, develop and deliver outcomes at a faster pace, and which are more responsive to policy and other changes.

Does your reform process involve other government departments or public bodies?

We will endeavour to seek views from and consult with our key stakeholders in relation to ways of working they would wish to see from the department following the reforms, and we will inform key organisations and stakeholders of our plans throughout the project. However, our reform process itself does not involve other government departments or public bodies.

Please do not hesitate to contact me should you require further clarification.

Analysis by Professor Kakabadse

I have read the brief presented by Robert Devereux and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

At the outset, the brief states that the Department for Work and Pensions (DWP) is pursuing an ambitious agenda for reform. The stated aim is to create a new welfare system that enables people to find work, support individuals and their families, ensure that retirees

have decent incomes and the most vulnerable are protected. These aims are considered as supporting the 'Big Society' reforms. The DWP reform programme is positioned as focusing on a more flexible business model tailored to meet community needs. Through the Jobcentre Plus delivery mechanism, the 'one size fits all' approach is to be substituted by greater collaborative working with partners so that 'outcome' targets rather than 'process' targets are realised. The aim is that the community benefits from the services needed. The Jobcentre Plus structure allows for delegation of budgets thus allowing District Managers greater autonomy to meet local needs. The brief emphasises that the local autonomous District will be assessed on results (not on how these results have been achieved) whilst judged against the same performance targets set for the rest of the country. The targets include service delivery quality, cost reduction and reduction in fraud and error. The brief specifies that the approach/structures adopted are new and radical and are currently being tested in trailblazer districts, Greater Manchester Central and Cheshire, and South West Wales. Additionally, the DWP will draw on its Work Programme reforms to target the 'right support' at the 'right time' to internal staff and to private, public and voluntary partners. The brief stresses DWP's aim of finding innovative and flexible local solutions to local labour market challenges.

Costs versus Effectiveness

The brief states that decentralisation together with defining and driving forward a new welfare system for the 21st century has to be achieved within a budget target of 40% reduction in resources by the end of the present Parliament. Rather than position each part of the DWP with the same cost reduction targets, a 'value based approach' is adopted particularly focusing on the structure, support provided and behaviour at/of the corporate centre of the Department. The new structure intends to:

- support Ministers in the delivery of the Social Justice agenda, whilst assisting the 'front line' to deliver service to many millions.
- institute disciplines/tools to enhance choice making within the resources available.
- clarify roles and ensure that each layer of DWP clearly adds value.
- reduce the size of the top team and have it committed to success through collaboration and clearer personal accountability.

Planning for Change

In pursuing change, the brief emphasises the focal nature of the Jobcentre Plus scheme, which is aimed to:

- provide volunteering and other placement opportunities for the unemployed.
- enhance local relationships between Jobcentre Advisors and the voluntary sector.
- create a 'more personalised support package' for Jobcentre Plus customers.
- ensure for appropriate referrals to voluntary sectors programmes/placements.

The Jobcentre Plus scheme is currently being rolled out. Further, the brief specifies that Work Clubs (voluntary centres for the unemployed) will be an important vehicle to help

the unemployed meet to share perspectives and provide support for each other. In fact, engagement at local level across agencies is vital to the change process. Further, a Transformation Project is being formed with the twin aims of achieving cost reduction but also embedding the new culture and the desired behaviours in the Department's corporate centre. Staff in the restructured DWP will be provided with the skills to undertake their new roles. The new Executive Team and other structural changes should be in place by October 2011 and staff in their new posts by the end of December 2011.

Key Skills to Retain

The brief states that the skill sets necessary to realise the change programme will be identified and developed internally as the programme proceeds. In particular, the Professional Services Director General will be tasked with delivering the appropriate professional expertise in the way required for operational, strategic and change delivery. Also, specific teams will be available to support the IT, commercial, compliance, governance and audit functions. Although skill sets are referred to, the leadership capabilities necessary to pursue the change programme are not clarified. The brief offers detail on the structural reforms that are targeted and the benefits to be gained, but no discussion is evident of the managerial and leadership skills needed to ensure that the programme of change will be successful.

Confidence to Succeed

The brief states lessons have been learnt from previous change programmes, such as the 2010 internal Organisation Design Review and the merger of The Pension Service and Disability and Carers Service and the establishment of the Child Maintenance and Enforcement Commission. Lessons have also been learnt from external organisations such as the Ministry of Justice, the Department of Transport and private sector enterprises. The specific lessons centre around agile ways of working and utilising cross functional teams through growing a collaborative culture in order to design and develop better service outcomes whilst being responsive to policy changes and demands. The detail provided in the brief suggests that the senior management of the Department have the confidence to achieve the priorities of the Department. What is not sufficiently discussed is the nature of the leadership challenges facing the management of DWP and hence the leadership skills necessary to facilitate the changes stated. Pursuing decentralisation and reducing costs, all whilst attempting to fulfil the aims of 'Big Society', is going to be a challenging endeavour.

Building Capability

The brief provided by the DWP provides insightful detail on the structural reform to be pursued and the stakeholder engagement required. Some further detail on the leadership capabilities necessary to realise these change goals would have been helpful although it is acknowledged that the team approach is central to effective leadership. The questions raised by the Chairman of the Public Administration Select Committee are mostly addressed. In order to fully ascertain whether the DWP is able to implement what it says, in depth interviews with a select number of individuals would need to be conducted within the Department in order to ascertain the capacity to provide policy advice, service delivery, meet sourcing and contracts needs and strategic facilitation enhancing local partner engagements. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of

simultaneously pursuing contrasting strategies (flexible, localised welfare system versus considerable cost reduction). From the brief as written, I suggest that senior management more fully consider the tensions they will face and the nature of the leadership capabilities necessary to lead through this ambitious and demanding programme of change. Yet, in the absence of such information, the detail provided in this brief gives me sufficient confidence to state that the aims of the DWP are likely to be realised, better so if leadership development was presented as a more central priority.

Written evidence submitted by Department of Health—June 2011

I am writing in response to your letter of 24 April regarding the Public Administration Select Committee (PASC) inquiry into good governance and civil service reform. Your letter is very timely, and I welcome the opportunity to set out the ways in which the Department of Health (DH) is responding to the 2010 Spending Review and the Big Society agenda.

By way of context, as well as the challenge to make the Department a more financially sustainable organisation we are, at the same time, introducing significant change to the health and care system, changes which will result in a comprehensive transformation of health and care services and require DH to alter the way it does its business. We will need to adapt our operating model; our relationships with the health and care system and our leadership capabilities and behaviours. Throughout this our values and our core objectives – Better Health, Better Care and Better Value for All – remain constant.

As the Committee will be aware, the Government is currently conducting a Listening Exercise in order to reflect on and improve its plans for health service reform as laid out in the NHS and Public Health White Papers. Hence the precise details and timing of all of the structural reforms are yet to be confirmed. However, notwithstanding this I will give as full and helpful response as possible and take each of your questions in turn:

The Big Society in the Department of Health

The Big Society principles of decentralisation, transparency and funding reform are fully reflected in the priorities which our Secretary of State has set out for the NHS and the health and care system. These 'values' - which in turn are forming the way in which we create policy and behave as an organisation - focus on putting patients at the heart of the NHS, developing a more autonomous and accountable system with power shifted from the centre, improving public health through a new public health delivery system and reforming long-term health and social care. The programmes and policies that the Government has developed since the publication of the NHS White Paper (Equity and Excellence: Liberating the NHS) in July 2010 and the Public Health White Paper (Healthy People, Healthy Lives) in November 2010 set out in greater detail how these reforms and the Big Society agenda complement and support each other. The overall intention of the reforms is to give people greater control over their own lives, the services they use and the communities they live in – 'no decision about me, without me'.

Some examples of current and developing policy which bring the Big Society agenda to life include our work on social care, where service users are given choice and control over the budgets allocated to support them, and our work on developing social enterprise in the

NHS (through the Right to Request programme). Our support for the social enterprise sector through the Social Enterprise Investment Fund means that we are setting the pace across Whitehall. The learning from these programmes is shared with other departments so that all can gain from our experience.

Structural reform due to the Spending Review

Our planned structural reforms are firmly rooted in the context of the need to reduce overall running costs. Some existing functions will have to stop, some will stay the same, some will have to change and some new functions will be taken on. Changes in function will alter the size and shape of the Department – these include the changes to the NHS (both in terms of organisation and accountability), the establishment of new Public Health arrangements, transfer of key responsibilities to Local Government, rationalisation of the Department's current Arms Length Bodies (ALBs), and the restructure of the Department itself.

The changes proposed for ALBs are part of the wider reforms to the health and adult social care sector. They will lead to a more streamlined national sector, with ALBs carrying out only those functions that are essential to support delivery of the wider reforms. ALBs will deliver services in an efficient and effective way, for example through greater utilisation of the property portfolio and rationalisation of business support services as well as reductions in the overall administration costs of the current sector. Through these reforms, we anticipate over £180m of savings to current grant-in-aid provision by 2014-15.

Through the vigorous implementation of the efficiency controls that the Coalition Government introduced in May 2010, the Department has already made significant savings. For example, we have reduced the number of non-permanent workers by 770 from 2009/10 levels. Continuing efforts to reduce non-staff costs are also bearing fruit – for example, over the same period, costs of train travel have reduced by 42%, air travel is down 65%, and hotel costs are down 46%. As additional background it may also be helpful for you to know that, historically, the Department's baseline Administration Budget was focused on the core Department. However, in the 2010 Spending Review its scope was extended and now includes most Arms Length Body (ALB) expenditure that is funded by grant-in-aid, and any activities in Strategic Health Authorities (SHAs) and Primary Care Trusts (PCTs that do not represent the direct provision or purchase of healthcare). This increased the Department's baseline from around £200 million to £5.1 billion. By 2014-15, this £5.1 billion will need to fall by one third in real terms. These savings will be delivered through the reductions in bureaucracy that will be an outcome of the Government's reform agenda.

However, the further tightening of administrative budgets over the next four years, coupled with the reform agenda, will require a more systematic and radical reconfiguration of the Department's business model. Designing a more financially sustainable organisation is an important component of the Department's transformation programme.

Implementing change - transforming the Department of Health

We have taken an integrated approach to underpinning the design work required to implement the proposed changes to DH and its ALBs. The Health and Care Modernisation Transition Programme ("the Transition Programme") integrates a number

of structural reform programmes covering the changes necessary to the NHS, public health system and the Department. To ensure a comprehensive and joined-up approach, we have also set up a specific transition team to work with current ALB Chairs and CEOs. This transition process is being delivered through robust business and transition planning, and is backed up with regular engagement with key stakeholders across the health and social care system.

To ensure they deliver successfully and achieve our objectives, we have put in place strong and integrated governance linked to the DH and NHS Executive Management Boards.

Our objectives are to:

- deliver the structural changes to the system on time and within the allocated costs;
- ensure the transition of activities from the old system to the new system occurs smoothly, including the closure of entities and transfer of appropriate accountabilities, and that risks are managed effectively;
- ensure the future system is designed and built to deliver the target outcomes, and to run within the necessary cost envelopes; and
- ensure the health and care system maintains operational and clinical performance and emergency preparedness throughout the transition.

An Integrated Programme Office has also been established to support the Transition Programme's governance. Given the size and importance of the reforms, David Nicholson is the Senior Responsible Owner (SRO) for the NHS programmes, and I am SRO for the Department of Health, public health and ALBs programmes.

As additional background, you may also recall that all Departments were required to publish a Structural Reform Plan in Summer 2010 setting out in high-level terms the vision for the reform of health, public health and social care sectors and the Government's priorities over the next four years. This formed the basis of the Business Plan for 2011-15, published in November 2010. http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_121393 The "refresh" of the high level programme plan and Business Plan has been put on hold until the Listening Exercise is completed, after which the precise details and timescales of the structural reforms will be confirmed.

Retaining and Developing Capability

As DH moves through transition, it is vital that it does not lose sight of the need to invest in building capability. Developing staff will continue to be a priority. A Workforce Planning and Organisation Design process will help identify skills and capability issues and the action required to address them. DH will increase its investment in developing the skills that its staff needs to do their jobs well and to identify and support leadership talent in order to ensure the organisation has the right people with the right skills to deliver the DH's new purpose.

In addition, a Human Resources Strategy Group has been created to oversee and ensure effectiveness and efficiency in staff movement in the healthcare system during transition.

DH is gathering information about staff skill sets in PCTs and SHAs, and considering how this may map against possible future requirements. Work in relation to the retention of Senior Leadership talent in the NHS is underway.

DH also greatly values the voluntary and community sector's contribution to improving health, well-being and social care and for over twenty years has supported charities, community, and voluntary organisations, and volunteering, through grant funding. Social action and volunteering contribute to every sphere of health, public health and social care and is fundamental to building the Big Society.

Through its Health and Social Care Volunteering Fund, DH has allowed organisations to realise their potential, build capacity and capability, develop services and provide innovative solutions that can be rolled out nationally. DH remains committed to providing this level of resource to support and empower the voluntary and community sector and will continue to do so as part of the Government's vision on public sector reform, decentralisation and the inherent repositioning of relationships between the state, individuals and their communities

Lessons Learned

Harnessing staff feedback and experience of the Department's Change Programme in 2003, as well as being mindful of other legacy issues stemming from it, are underlying principles in the development of the current Transition Programme's HR processes. Key themes we have taken forward are the need for:

- early engagement and improved communication with staff plus mechanisms for staff feedback;
- increased pace – bringing uncertainty to a close for staff as quickly as possible through efficient people processes under a clear HR Framework;
- streamlining restructuring and selection processes with competence and capability at the heart of all appointments, minimising disruption and allowing critical business to continue through transition; and
- time-limited (rather than open-ended) redeployment activity for displaced staff at risk of redundancy. A focus on supporting displaced staff and allowing those that wish to leave to do so voluntarily allowing staff some control over their own futures.

We have also discussed and shared approaches with other government departments.

Working with other Departments

As a Department we continue to work closely with a number of other government departments on NHS modernisation. We work particularly closely with Communities and Local Government (CLG) on plans to improve local democratic legitimacy in the NHS; Business Innovation and Skills (BIS) on plans for introducing economic regulation to the health service; and HM Treasury on a range of issues including mechanisms for achieving greater efficiencies and maintaining financial control. In addition, the relationship between DH and local government will be critical to the effective operation of much of what is described in the *Liberating the NHS* Command Paper. I have also made a personal

commitment to building relationships across Government, and have held (or will be holding) bilateral seminars with the Permanent Secretaries at BIS, CLG, DfE and DCMS to discuss matters in which we hold a joint interest with senior officials.

The Department also works closely with other Government departments to consider and advise on the potential benefit, impact and opportunities for the Department, Voluntary and Community Sector and social enterprise organisations of the Big Society Agenda.

I hope that you find this response useful in helping to inform your Inquiry and finalise your Report. Many apologies for the delay in responding, and thank you to your office for allowing a deadline extension. Please do not hesitate to contact me if you require any further information.

Analysis by Professor Kakabadse

I have read the brief presented by Una O'Brien, CB, and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief states that priorities set by the Secretary of State for the Department of Health (DH) reflect the 'Big Society' principles of decentralisation, transparency and funding reform. These core principles are shaping the way policy is created and the way the NHS behaves, namely, having the patient as central to the Department; instituting greater autonomy and accountability; improving public health through more efficient delivery and through reforming long term health and social care. Since the publication of two White Papers in 2010, (Equity and Excellence; Healthy People, Healthy Lives) detail is publicly available on the programmes and policies being pursued. The aim of reform is to give people greater control over their own lives. The brief offers examples of initiatives underway, highlighting service user choice and control over the budgets allocated to support individuals and communities. These, together with the support for the social enterprise sector through the Social Enterprise Investment Fund, indicate the extent to which the 'Big Society' agenda is central to the programmes of change in DH.

Costs versus Effectiveness

The brief emphasises that structural reform is strongly determined by the requirement to reduce running costs. Detail is offered of the changes pursued, namely, to the shape and size of the Department, the establishment of new Public Health arrangements, transfer of

responsibilities to Local Government, the rationalisation of Arm's Length Bodies (ALBs) and efficiency controls. The rationalisation reforms applied to ALBs are likely to realise £180 million of savings by 2014/15. Further, it is reported that the 2010 Spending Review has targeted the Department's baseline administration budget of £5.1 billion to be reduced by one third by 2014/15. Additional costs savings are identified in the brief and include a reduction of 770 non-permanent workers and a further reduction of travel and accommodation costs.

Planning for Change

In parallel to the rationalisation programme, the brief details the considerable effort invested in maintaining/improving service levels. Through adopting 'a joined up approach', The Health and Care Modernisation Transition Programme integrates a range of structural reform projects. Also, a transition team is in place to assist ALB Chairs and CEOs with the change process. Mention is made of the 2010, Structural Reform Plan, that has formed the basis of the Business Plan for 2011-15 and how that, together with the Listening Exercise, guides the reforms underway. In fact, the changes targeted, such as structural change in line with allocated costs; smooth transition whilst accounting for risk; systems designed to deliver target outcomes; maintaining operational and clinical standards and performance; are discussed in relation to the governance oversight offered by DH and the NHS Executive Management Boards. In fact, the DH brief is one of the few that I have read that specifically discusses how to manage transition and ensure for regular engagement with stakeholders across the health and social care system whilst being supported by a recognised governance mechanism. One reason why many change programmes falter/fail in both Government and the private sector is that insufficient support is provided to line management when driving through change.

Key Skills to Retain

Developing staff is specified as a clear priority. The brief refers to the Workforce Planning and Organisation Design process as the mechanism for identifying the necessary skills and capabilities needed by DH now and into the future. Also stated is DH's commitment to increase investment in skills development and in supporting leadership talent, but it is not clear from the brief which skills or which specific leadership capabilities are to be given priority. Also not clear is how the investment in skills is to be reconciled with the cost reduction programme. However, what is identified is the Human Resources Strategy Group, a body created to ensure for the efficiency and effectiveness of staff performance during the transition period. Further, information concerning the skill sets required by the Strategic Health Authorities (SHAs) and in the Primary Care Trusts (PCTs) is being gathered and considered against future requirements. The brief draws attention to the support given to the voluntary and community sector and how that is in line with 'Big Society' aims. Through the Health and Social Care Volunteering Fund, the Department enables voluntary and community enterprises to realise potential, build capability, deliver service and provide innovative solutions. As skill development and retention is so critical to the Department's comprehensive change programme, four further considerations resulting from lessons learned are highlighted;

- improved communication through engagement and staff feedback.

- managing the pace of change within a clear HR framework in order to reduce uncertainty for staff.
- streamlining restructuring and selection through clear focus on competence and capability building.
- redeployment of staff (on a time limited basis) whilst also supporting displaced staff.

Overall, the brief focuses on the processes to identify relevant skills and capabilities needed and how to facilitate the development of these, but without specifying which specific skill clusters.

Confidence to Succeed

The brief specifies that DH works closely with other relevant government departments on NHS modernisation, particularly Communities and Local Government and Business, Innovation and Skills. The aim is to improve local democratic legitimacy in the NHS and introduce economic regulation to the health service. Attention is further drawn to the relationship with the Treasury in order to realise improvement in efficiencies and financial control. In fact, the brief highlights the strategic path being pursued by the Department and outlines in detail how the aims specified are to be realised. Mention is made more than once of the attention given/to be given to leadership development, but information into what sort of development is not specified. Despite this lack of detail, the clarity of the description of the structural and functional competencies necessary to realise service delivery improvement, cost efficiency targets and 'Big Society' aims, indicates that DH has thought through the challenges it faces.

Building Capability

The brief provided by the Department of Health is one of the more impressive I have read. The questions raised by the Chairman of the Public Administration Select Committee seem to have been addressed, with the proviso that if additional detail on the leadership capabilities required had been included, more insightful comment could have been offered on the Department's capability to see through change. The reason I raise this point is that the Department of Health is one of the departments considerably 'politically exposed' to the critique of pursuing cost reduction at the expense of standards of service. In light of exposure to such judgement, the brief could have offered deeper insights on the current level of management capability to be masterful at engagement with internal/external stakeholders, be listening oriented and be consistent in communications. I highlight these as examples of leadership skills necessary to lead through demanding change. In order to fully ascertain whether the Department is able to implement what it says, in depth interviews with a select number of individuals would need to be conducted within DH in order to assess the Department's capacity to provide policy advice, service delivery, meet sourcing and contracting needs and strategic facilitation. The reason to pursue deeper inquiry is to ascertain the morale of staff and management and their capacity to fulfil the Department's aims under conditions of simultaneously pursuing contrasting strategies (cost reduction versus partnering for better health). Such insight is especially relevant in order to meaningfully comment on DH's capacity to fulfil its aims. The strategic goals being and to be pursued are supported by detail on how these goals are to be implemented,

but it is considered that further detail is required. As stated, due to the 'politically' sensitive nature of DH, more detail on how leadership development is to be facilitated would have been helpful in order to offer opinion. Yet, even if such detail were available, one question remains and that is; do the staff and management of DH and related stakeholders believe that the necessary standards of health delivery are possible under the present cost reduction regime? Raising the question does not imply criticism of the Department but rather draws attention to the nature of the challenges facing DH. Only with further insight can comment be offered on whether the change priorities and the stated steps to realise change can be realistically achieved.

Written evidence submitted by Department of Education — July 2011

Thank you for your letter dated 24 April regarding the above subject. Please accept my apologies for the unacceptable delay in responding.

I very much welcome the opportunity to contribute from a DfE perspective to the inquiry that your Committee is conducting into Civil Service reform and the principles of good governance. I agree that the Government's ambitious reform programme raises questions about the future size and role of the Civil Service. My Department has tackled many of these questions over the past 12 months. For ease of reference, I have addressed each of your questions below, in the order in which you raised them.

1. What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way your department is organised and operates?

The Government's education reforms are closely linked to many of the themes in the Big Society agenda.

Our aim is to help create a much more autonomous system for both schools and wider children's services, where decision making is devolved as far as possible to professionals at the front line. To that end, the Department was restructured shortly after the General Election. We created a new directorate (the Infrastructure and Funding Directorate) which is responsible for the establishment of Free Schools, the upscaling of the sponsored Academies programme, and the roll-out of the converter Academies programme, all of which will ensure a schools system that is made up of more autonomous institutions. There are now 801 open academies, compared to 203 before the election.

The Infrastructure and Funding Directorate is also responsible for school funding, including the Pupil Premium, which gives headteachers the freedom to manage their budgets to support the most disadvantaged pupils, as they see fit. We have shifted substantial numbers of staff to resource these priorities, and drive forward this system-wide change. In the short to medium term, we are likely to continue to devote substantial resources to this area. In the longer term, it is likely that resource can be scaled back, leaving us with a slimmed-down Department, overseeing an increasingly autonomous system.

The departmental restructure also created a directorate responsible for education standards (the Education Standards Directorate) which, amongst other things, is overseeing policies that will lead to greater empowerment for teachers, and less central

prescription in the National Curriculum. This directorate has a resource dedicated to another Big Society priority; that of reducing bureaucracy. We have removed large swathes of unnecessary guidance and regulation, in order to promote local autonomy and innovation, and the Department now operates on a model where the presumption is against creating new regulation.

Finally, the Department is playing its role in the Government's transparency agenda, including publishing more information than ever before about school performance. This will enable parents to play a bigger role in driving up standards in schools, including through the establishment of Free Schools, which is, as you know, one of the flagship elements of the Big Society agenda.

What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review?

The Department is making significant structural reforms. We have closed or are in the process of closing eleven of our arms length bodies (ALBs) in the DfE 'family'. Some of the functions and staff of eight of our ALBs are either being transferred into one of four new executive agencies, or into the Department itself. Each executive agency will share corporate services with the Department.

In addition to our ALB reform programme and the departmental savings identified through the Spending Review, we have recently established a project team under my leadership, to consider the extent to which our internal departmental administration is properly and efficiently organised. The Project 2012 team is reviewing the impact of ministerial priorities on the work of the central Department to help assess our likely staffing requirements from 1 April 2012 onwards. It is also looking at the extent to which our internal processes and structures -from policy formulation to all aspects of internal and external implementation -can be 're-engineered' in the light of best practice from inside and outside the public sector. Building on this analysis, we will evaluate the scope for further efficiencies within our administration budget, and prepare an implementation and change programme in the light of the conclusions of this work.

How do you intend to implement these changes? Do you have a formal plan in place, and if so what are its objectives, and timelines?

Our reform plans are well underway. Three Non-Departmental Public Bodies (NDPBs) have already closed. For each executive agency being set up we have plans which include the transition of staff and functions from closing ALBs. In parallel, we are reconfiguring the delivery of our corporate services including a rationalisation of corporate posts across the whole DfE family. Our principle objective is to ensure we have the right organisation in place to implement efficiently the policies set out in our White Paper The Importance of Teaching without losing the expertise, key functions and good practice of our arms length bodies. The new DfE structure will be in operation by April 2012. I have attached a slide pack that sets out our plans in more detail, which I thought you would find helpful.

The Project 2012 team is due to report to Ministers in the autumn, with a view to undertaking further work in the New Year, preparing for implementation from April 2012 onwards.

What consideration has been given to retaining or acquiring those skill sets-for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action-necessary to deliver the Government's reform plans?

We have given a significant amount of consideration to ensuring that we have the right individuals, with the right skill sets, to deliver the Government's reform plans. In some cases, this has meant acquiring those skill sets. For example, in the case of the Education Funding Agency which we are currently establishing, a lot of effort is going into ensuring the right level of procurement and commercial expertise is available, to enable the agency to manage effectively the revenue and capital budgets of schools and colleges.

In other cases, our efforts have been focussed on effective deployment of existing skill sets. So, a significant strand of our ALB reform work is focussing on creating a strong, co-ordinated shared services function, which will help us to deploy specialist support as effectively as possible.

We have also focussed attention on harnessing expertise at the frontline, and using it effectively. On the Free Schools agenda, we entered into a grant agreement shortly after the election with the New Schools Network (NSN), a charity with expertise in helping groups interested in establishing new schools to develop their proposals. NSN have worked very closely with us over the past 12 months, and have been instrumental in supporting groups who are on track to open new schools in September this year.

Finally, we have harnessed the expertise of other voluntary and community sector organisations through our grants process, which, despite a significant decrease in funding levels this year, allowed us to award 118 grants, 5 of which were Strategic Partner Grants to organisations who are going to help build capacity in the system as a whole. In addition, we are working closely with local government partners to ensure that the sector-led system of local authority improvement support which we are developing together is informed by the legacy of the Commissioning Support Programme. This programme was supported directly from 2008 until 2011 to help local authorities improve the effectiveness of their commissioning of children's services.

What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government?

The DIE has significant experience of organisational change, acquired over the past few years. This includes the Machinery of Government changes involved in the creation of the Department for Children, Schools and Families in 2007, and the programme to close the Learning and Skills Council (LSC) (run between 2007 and 2009.) These, and all other such changes, have been managed in an efficient and effective manner, on time and to budget. We have sought to implement the lessons from our experience of these reforms, and have done so with a focus on three particular areas:

- Dedicated senior leadership support for the change programme;
- Application of proper project management disciplines to ensure delivery on time and robust accountability;
- Sustained visible communications from senior officials in the Department and agencies (experience has taught us that even when answers are not available, it is

always the case that staff appreciate the ability to ask questions and be kept as informed as possible about the implications of reform programmes.)

In terms of experience from other organisations, we are making very efficient use of our Non-Executive Directors (NEDs), both on our ALB reform programme and our Project 2012 programme. Our NEDs have a range of expertise outside central government (including law, corporate finance, venture capitalism and headship of a school), and are therefore ideally placed to provide support and challenge. We are also in the process of securing some pro-bono consultancy to further boost our ability to draw experience from the private sector.

Does your reform process Involve other government departments or public bodies?

As stated above, our reform process involves eleven of all Arms Length Bodies directly. These are listed below.

Training and Development Agency for Schools (TDA)

Children's Workforce Development Council (CWDC)

General Teaching Council for England (GTCE)

Young People's Learning Agency (YPLA)

Partnership for Schools (PIS)

National College (NC)

Qualifications and Curriculum Development Authority (QCDA)

British Educational Communications and Technology Agency (BECTA)

Independent Advisory Group on Teenage Pregnancy (TPIAG)

School Support Staff Negotiating Body (SSSNB)

Teachers' TV Board of Governors (TTVBG)

In addition, we are working closely with the Ministry of Justice on the Family Justice Review, the outcome of which is likely to have an impact on the Children and Family Court Advisory Support Service (CAFCASS).

Finally, much of the work we have done and are continuing to do on shared services, as part of our central administration reductions, involves a shared services arrangement with the Department for Work and Pensions.

I hope that you will find these responses helpful. Given the many interesting and varied questions raised by this inquiry, I would be happy to come and speak to your Committee about them, should you require more detail.

Analysis by Professor Kakabadse

I have read the brief presented by Sir David Bell, KCB, and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief opens by pointing out the effect of Civil Service Reform and Principles of Good Governance on the future role and size of the Civil Service, but that the Department for Education (DfE) has already been tackling many of the issues already raised. DfE's intention is to create an autonomous system for schools and wider children's services, devolving decision making to professionals on the front line. As part of the reform, the new Infrastructure and Funding Directorate has been created, responsible for the establishment of Free Schools, the devolving of school funding in order to give head teachers greater freedom to manage their budgets particularly with disadvantaged pupils, the up-scaling of the academies programme and the roll out of the converter academies programme. The intention to establish more autonomous institutions is already realised with 801 open academies in operation. The brief further states that resources will be focused towards system wide change that will ultimately leave a more slimmed down department supervising an increasingly autonomous system. In keeping with 'Big Society', the Education Standards Directorate has been established to oversee policy leading to greater empowerment for teachers and less central dictat from the National Curriculum. Through so doing, bureaucracy is being reduced, including that of having less regulation and promoting local autonomy and innovation. In support of these initiatives, the Department is promoting greater transparency especially in publishing information about school performance. Overall, the intention is to have parents play a greater role in improving standards in schools and also in the establishment of Free Schools.

Costs versus Effectiveness

The brief points to significant structural reform. Eleven 'Arm's Length Bodies' (ALBs) are either closed or are being closed down. Further, certain of the functions and staff of eight ALBs are being transferred into four new Executive Agencies, or into the DfE itself. The brief indicates that each Executive Agency will share corporate services with the Department. In terms of Departmental savings identified through the Spending Review, a Project Team is established under the leadership of Sir David Bell to examine Departmental administration and its efficiency. Part of the work of the Project Team is to assess the impact of Ministerial priorities and likely staffing requirements from April 2012

onwards. The approach is described as that of re-engineering internal processes and structures and adopting best practice from inside and outside the public sector. Building on the findings of the Project Team, a change programme will be initiated to pursue further efficiencies. No numbers are given concerning cost and headcount reductions and over what period other than that of April 2012, when further activity will be determined by the Project Team report.

Planning for Change

The brief points to changes already in operation. Three non-departmental public bodies have been closed. Further, the Executive Agencies established are examining the transition of staff and functions from closing ALBs. It is also stated that a rationalisation of corporate services across DfE is underway. Overall, the objective is for the right organisation to be in place to implement the policies captured in the White Paper, 'The Importance of Teaching', integrating efficiency implementation whilst also ensuring for no loss of expertise and through enabling key functions and good practice to be retained in the remaining ALBs. A helpful slide presentation has been provided to support the points made in the brief.

Key Skills to Retain

Attention in the brief is given to key skills retention. Aside from working toward having the right individuals with the right skills, acquiring particular skill sets is also part of DfE's skills strategy. The example offered is that of the Education Funding Agency, where work is underway to ensure that the right level of procurement and commercial expertise is available so that the Agency can effectively manage the revenue and capital budgets of schools and colleges. Additionally, the DfE's skills development strategy is focusing on the deployment of existing skills sets. Work is underway to create a shared services function whose purpose is to deploy specialist staff as effectively as possible. Concerning the Free Schools agenda, the New Schools Network (NSN), (a charity helping groups establishing new schools to develop proposals), is working closely with DfE. Further, the Department has harnessed the expertise of a range of voluntary and community sector organisations to award 118 grants, despite funding reductions. Overall, the brief points to the fact that DfE is working closely with local government partners to provide support to help local authorities improve the effectiveness of the commissioning of children's services.

Confidence to Succeed

The brief, as written, indicates that the DfE has the confidence to meet the priorities it has identified. The brief points to the significant learning captured from previous organisational change initiatives. This includes Machinery of Government changes involved in the creation of the Department for Children, Schools and Families and the programme to close the Learning Skills Council. The lessons learnt are now being used to focus on three areas; having a dedicated senior leadership to support the change programme; the appropriate application of project management to ensure for accountability and on-time delivery; and the enhancing of communication between the Department and agencies. The brief identifies that the Department intends to draw on its Non Executive Directors (NEDs) to support the ALB change programme and further programmes of change. The current NEDs are identified as having expertise in the areas of law, finance and venture capitalism and school headship. What the brief does not outline

is the quality of leadership capability to see through the changes specified. No mention is made of which particular leadership skills are deemed important to see through the programme of change for this Parliamentary period. Equally, no mention is made of the nature of the on-the-ground leadership challenges facing the Department in meeting the change goals prioritised.

Building Capability

The brief provided by the DfE is impressive except for the fact that insufficient attention is given to the nature of the leadership challenge facing the Department in driving through change. The questions raised by the Chairman of the Public Administration Select Committee have been, in part, addressed. Further information on the leadership capability reality within the Department would have allowed me greater opportunity to offer further comment. In order to fully ascertain whether the DfE is able to implement what it says, in depth interviews with a select number of individuals will need to be conducted within the Department examining the capacity to provide for policy advice, service delivery, meeting sourcing and contract needs and strategic facilitation/engagement with the community. The reason to pursue deeper enquiry is to ascertain the morale of staff and management and their capacity to fulfil the DfE's aims under conditions of simultaneously pursuing contrasting strategies (cost and headcount reduction versus partnering with local Government, ALBs and other bodies). In the absence of such information, I feel obliged to raise the question of, how capable is the Department of leading through the changes it identifies? In so doing, I acknowledge the impressive detail provided concerning meeting the 'Big Society' agenda, the rationalisation of ALBs, the acknowledgement that greater attention has to be given to contracting and commissioning and also to the lessons learnt from previous change experiences. With additional insight on leadership capability I would have more confidence to say whether the aims set are likely to be realised.

Written evidence submitted by Cabinet Office—July 2011

I am writing in response to your letter of 24th April posing a number of questions on the above subject in relation to the organisation of the Cabinet Office.

What impact, if any, are the reforms envisaged in the Government's 'Big Society agenda' likely to have on the way your department is organised and operates? How do you intend to implement these changes?

The Coalition Government has in the period since the General Election radically reformed the programmes and structural arrangements it inherited. It has thus moved away from a wide range of small-scale support programmes towards fewer programmes targeted on its Big Society priorities -Community Organisers, Community First, Volunteering, the Big Society Bank and the National Citizen Service. This change of focus was recognised through restructuring and retitling the former Office for the Third Sector into the Office for Civil Society. Structurally, the changes will allow the Office of Civil Society to be smaller by the end of the Spending Review period than its predecessor.

Objectives and timelines for the commitment to 'Build the Big Society' (along with the wider Cabinet Office commitments to achieve the reforms currently taking place to shift power from government to the people) are set out in the Structural Reform Plan. This is

published on the No.10 website as part of the full Cabinet Office business plan (the other sections of the plan cover Vision, Coalition Priorities, Departmental Expenditure and Transparency).

What structural reforms, if any, will be required in your department as a result of the reductions in running costs arising from the Spending Review? How do you intend to implement these changes?

The Cabinet Office during 2010/11 implemented a wide range of measures to reduce cost which will provide benefits throughout the Spending Review period. Key amongst these has been the creation of the Efficiency and Reform Group (through a Machinery of Government change), which has brought together a range of functions previously scattered between departments to lead and drive substantial changes and reforms in Civil Service HR, ICT, commercial and procurement, estates and other support functions. A formal ERG Change Programme has been set up to lead this change, with an overall objective to "create an Efficiency and Reform Group that supports departments and Whitehall to deliver significant efficiency savings to achieve value for money and the reform programme to deliver Government's objectives over the short, medium and longer terms."

The ERG has also changed the way in which these functions are carried out between the centre and departments, allowing it over the two years to 31 March 2012 to reduce the headcount and cost of its aggregated functions by one-third; as well, of course, as generating very substantial efficiencies across government. Further savings will come from changes to the structure of programmes run by the Office of Civil Society, as described above.

ERG is now embarked on substantial reforms of its operational delivery functions, including arrangements for learning and development within the Civil Service, affecting the National School of Government; for procurement by government departments, affecting Buying Solutions; and for government marketing and advertising affecting the Central Office of Information. Other improvements to our processes to achieve greater efficiencies across Whitehall include the establishment of the Major Projects Authority, the creation of the Government Digital Service, a cross-government ICT strategy, and the implementation of the next generation of the Government HR service.

Elsewhere within the department, other structural changes have included the impact for the Cabinet Office of the Government's reforms of Arms Length Bodies; and smaller-scale changes within the National Security Secretariat flowing from the creation of the National Security Council and Office of Cyber Security, and publication of the Coalition Government's National Security Strategy. More broadly, the Cabinet Office has also put in place rigorous scrutiny and control procedures to drive down, and gain better value for money, from expenditure on consultants, ICT programmes, and marketing and advertising, as well as tight controls on filling appointments as they become vacant. It has embarked on a radical estates rationalisation programme, allowing savings of one-third in its estates costs, as well as generating substantial benefits for the Exchequer from the sale or re-occupancy of the buildings it vacates. And it has put in place programmes at both corporate and individual Group level to generate, test and implement ideas from individual members of staff to achieve cost savings. These, together with corporate-level changes, have allowed significant savings in discretionary expenditure; for example, on travel and accommodation costs.

The measures described above, together with a wide range of small-scale efficiency measures in all Groups within the Cabinet Office, means that the Department enters the Spending Review period having already implemented many of the measures necessary to enable it to deliver the priorities of the Coalition Government within the resources available. As a consequence, it has run and recently concluded a Voluntary Early Departure exercise, under which some 200 staff left the department by end June.

What consideration has been given to retaining or acquiring those skill sets -for example i) expertise in contracting and commissioning or ii) facilitating community leadership and social action -necessary to deliver the Government's reform plans?

The Efficiency and Reform Group now operates a Flexible Resourcing and Development model across its core structure. This model of working allows for a more flexible working environment by allocating staff to time-bound assignments to ensure we are best able to focus our resources to deliver our priorities. It also offers staff an increased focus on their development, by providing everyone with:

- an opportunity to join one of nine development streams within ERG, each representing a specific professional community, led by a head of development stream and supported by development managers. The development streams currently available include Analysis; Business Support; Commercial; HR & Capability; Information Technology and Digital; Policy Delivery; Procurement and Contract Management; Programme and Project Management; and Strategy.
- a development manager who will support and encourage them in their development to ensure they are equipped to work in a variety of assignments across ERG.

This approach to resourcing will help to ensure we are able to deliver our priorities, through encouraging staff development in all areas needed to support reform across both central and wider government.

In relation to acquiring key skill sets including contracting and commissioning, we are looking at how best this can be effectively delivered in the most appropriate way. In some cases this may be in managing supplier relationships at a central level using the Crown Commercial Representatives to leverage the public sector's power most effectively using leading Commercial Directors/CIOs. In other cases, such as pilots for mutualisation, key teams are being established to provide expert support in early prospects and to build teams within the pilot bodies that will be capable of commissioning or delivering the necessary services effectively in the future. In other areas ERG is developing best practice to inform bodies of the required skills and how best to acquire and use them depending on the requirement of reform and the duration for which their added value is necessary. Within ERG, the commercial interchange programme with industry was launched by MCO in February 2011 and is currently running as a pilot. The programme is designed to facilitate a two way commercial skills and knowledge exchange. The initial focus is on developing commercial capability within government procurement teams and the Major Projects Authority, with the intention to scale this up to include placements for key project staff such as Senior Responsible Owners. ERG is planning to further exploit this good work by expanding the programme to a broader set of industry partners. This will allow for a

greater exchange of skills and experience between industry and the Civil Service to ensure we are both benefiting from the highly skilled individuals across the sectors.

With regard to skills in community leadership and social action, policy on the 'Civic Service' project is being developed within the Cabinet Office to provide civil servants with opportunities to use their skills to support civil society organisations, and to use social action/volunteering as a means of learning and professional development. On 17 February the Government announced that as part of this initiative each civil servant will be encouraged to do at least one day of volunteering per year using special leave. Within the Cabinet Office in particular, there has been a volunteering scheme called Contribution to help enable this.

What lessons do you draw from previous reforms either within your department, from other departments or from other organisations outside central government?

Overseeing these changes and the operation of the department is the Cabinet Office Board. This is chaired by the Minister for the Cabinet Office and comprises a mix of ministerial, official and non-executive members. It is responsible for planning and performance; strategy and learning; resources and change; and risk. Every ministerial department is in the process of embedding structural changes to its governance arrangements through the introduction of enhanced departmental boards. The key role of the enhanced departmental boards is to provide the collective strategic and operational leadership for government departments.

This means the non-executives will play an important role in ensuring the success of the wider civil service reform plan, for example through advice and challenge, particularly on capability and performance against plans, and through helping Departments learn from other organisations, bringing in their own experience of what works outside government.

The Change Team delivering the Machinery of Government change and the subsequent ERG Change Programme seeks best practice and lessons learnt from both the private and public sectors for guidance where appropriate. The SRO for the ERG Change Programme has previously led a change programme within the government that reduced the size of the Office of Government Commerce by 20% in 12 months; and the Change Team is led by a Senior Civil Servant on secondment from Defra to ensure we learn the lessons from their move to flexible resourcing a few years ago. Cabinet Office leads on Machinery of Government policy across government, and publishes best practice guidance for such changes. More generally, the Cabinet Office continually reviews the organisation's capability to meet future challenges. A published assessment and response is made through the Whitehall wide programme of Capability Reviews.

Does your reform process involve other government departments or public bodies?

The Cabinet Office is at the heart of reform across government, and also has a coordinating role. On the issue of the Big Society there are regular meetings at ministerial level and at Directors General level to discuss cross cutting work across different departments. These enable departments to come together to discuss specific projects, understand the implications of reforms, and to look at opportunities and any difficult issues for growing the Big Society. The Public Service Reform White Paper is being drafted within the Cabinet Office, with consultation across Whitehall and beyond to the wider public sector. The

reforms being implemented involve numerous other government departments and public bodies; consultation and feedback is constantly sought to anticipate new opportunities and challenges ahead.

I am of course happy to provide more advice if required .

Analysis by Professor Kakabadse

I have read the brief presented by Sir Gus O'Donnell, KCB, and have the following comments to make.

The criteria that I use to assess the brief are:

- 'Big Society' Impact
- Cost Discipline versus Effectiveness of Service
- Planning for Change
- Key Skills Retention
- Confidence to Succeed
- Building Capability

'Big Society' Impact

The brief informs that the Coalition Government, through its reform of programmes and structural arrangements, has moved away from supporting a range of small scale programmes to supporting fewer programmes in keeping with 'Big Society' priorities, namely, Community Organisers, Community First, 'Big Society' bank, etc. As part of the change process, the former office for the Third Sector has changed to the Office for Civil Society. The brief equally points to the Cabinet Office Structural Reform Plan that highlights Coalition priorities, departmental expenditure and transparency. Although not explicitly stated, the brief implies that the Cabinet Office is central to steering through the extensive programme of change internally and across Government.

Costs versus Effectiveness

The brief emphasises that the Cabinet Office, during 2010/11, has and is in the process of implementing an extensive range of measures that both reduce cost and also show positive benefit within the Spending Review period. Critical to change and cost reduction is the Efficiency and Reform Group (ERG). The ERG has brought together a range of functions and activities, previously spread between departments, and in so doing, has realised significant efficiency savings. It is reported that the ERG has altered the way in which these functions are operationalised between centre and departments, thus allowing for a headcount and cost reduction by one third of the aggregated total up to the end of March 2012. The brief points to the control procedures introduced by the Cabinet Office to drive down expenditure on consultants, ICT programmes, marketing and advertising, as well as adopting a cost conscious approach to appointments as vacancies arise. As part of the same programme, a rationalisation of Estates is underway with savings of one third of Estate costs and further benefits for the Exchequer from the sale, or re-occupancy, of buildings. Further cost saving schemes have involved inviting individual members of staff

to identify where additional cost saving can be introduced. In terms of people, a voluntary early departure exercise has resulted in some 200 staff leaving the Cabinet Office. Despite the detail, the brief does not provide numbers indicating what level of cost is targeted, although some indication is given concerning the number of people that are likely to leave or move on to other roles and tasks.

Planning for Change

The brief offers extensive detail on the importance and likely impact of ERG, both in reducing cost and driving through change. The ERG change programme has an overall objective to create 'an Efficiency and Reform Group that supports Departments and Whitehall', to realise both efficiency savings as well as value for money, particularly in areas as Civil Service HR, ICT, Commercial and Procurement, Estates, etc. ERG is reforming operational delivery functions affecting the National School of Government, procurement by government departments, buying solutions concerning Government marketing and advertising which in turn influence the working of the Central Office of Information. Examples provided of further efficiencies across Whitehall include the establishment of the Major Projects Authority, the creation of the Government Digital Service (an across Government ICT strategy initiative) and also the introduction of the next generation Government HR Service. Other structural changes are underway, that include the reform of 'Arm's Length Bodies' (ALBs), changes within the National Security Secretariat and the publication of the Coalition Government's National Security Strategy. Particular attention will be given to contracting and commissioning. Through the Crown Commercial Representatives, the managing of supplier relationships from the centre will be an area of interest in order to better leverage the public sector's capacity for efficient contracting. Further, key teams are being established with the purpose of enhancing commissioning and the more effective delivery of service. Within this domain, ERG is examining how to enhance commercial capability within Government procurement teams and the Major Projects Authority, so that placements can be provided for key project staff such as Senior Responsible Owners.

Key Skills to Retain

ERG is equally focused on the better use of people through its Flexible Resourcing and Development Model. Staff are offered the opportunity to join one of nine programme development streams within the ERG. These are, Analysis; Business Support; Commercial; HR and Capability; Policy Delivery; Procurement and Contract Management; Programme Project Management; Information Technology and Digital; and Strategy. A Development Manager will support staff to work across a variety of assignments. In so doing, staff will be better utilised as a result of development and through supporting reform across central Government and other departments. ERG is also tasked with developing best practice in contracting and commissioning and how this can be effectively delivered to relevant stakeholders. Further, ERG launched (February, 2011) the Commercial Interchange Programme with industry, which is currently run as a pilot designed to facilitate a two way commercial skills and knowledge exchange. This, together with other projects, will allow for a greater development of skills and experience between industry and the Civil Service. Mention is also made of skill enhancement in Community Leadership and Social Action through the Civic Service Project which is being promoted through the Cabinet Office. The intention is to have Civil Servants use their skills to support Civil Society organisations

and have social action/volunteering as a mechanism for learning and professional development. Each Civil Servant is encouraged to undertake at least one day of volunteering per year.

Confidence to Succeed

The brief, as written, indicates that the Cabinet Office displays the confidence to meet the priorities it has identified. The 'oversight' of the changes highlighted and the operation of the Office is through the Cabinet Office Board. The Board is chaired by the Minister for the Cabinet Office. The Board members include Ministerial, official and Non Executive members. The Board is responsible for planning and performance; strategy and learning; resources and change; and risk. The brief further emphasises that each Ministerial Department is in the process of implementing structural change to its governance arrangements through the establishment of Departmental Boards. The purpose of these Boards is to provide collective, strategic and operational leadership of Government departments. It is emphasised that the Non Executive members of these Boards are expected to make an important contribution to wider Civil Service Reform. The brief further discusses the role and contribution of the Change Team in delivering change to the Machinery of Government. Led by a Senior Civil Servant on secondment from Defra, the lessons learnt, particularly over Flexible Resourcing, from Defra and from both private and public sectors, are central features of the change programme. The brief emphasises that the Cabinet Office is central to determining policy on Machinery of Government across Whitehall, publishing best practice guidance as well as reviewing Government's capability to meet future challenges. The Cabinet Office is placed as being at the heart of Government and as such, is viewed as having a powerful, co-ordinating role. Concerning 'Big Society', the brief informs that regular meetings take place at both Ministerial and Director General level to discuss work that crosses departmental boundaries. A particular example is the Public Service Reform White Paper, currently being drafted within the Cabinet Office, which has involved consultation across Whitehall and with other Public Service bodies. However, what is not discussed is the 'reality' of the leadership capability that exists to drive through such extensive change within the Cabinet Office and across Whitehall. What the brief offers in considerable detail is what is being, or will be done. What is not clear from the brief is how well this is done or what leadership skills are practiced well and which require attention?

Building Capability

Despite the reservations highlighted, the brief provided by the Cabinet Office is impressive. The questions raised by the Chairman of the Public Administration Select Committee seem to have been addressed in considerable detail, except for that of leadership and stewardship. In order to fully ascertain whether the Cabinet Office is able to implement what it says, in depth interviews with a select number of individuals will need to be conducted within the Cabinet Office, examining the capacity to provide for policy advice, service delivery, facilitating and monitoring sourcing and contracting needs and enabling strategic facilitation/engagement with the community. The reason to pursue deeper enquiry is to ascertain the morale of staff and management and their capacity to fulfil the Cabinet Office's aims under conditions of simultaneously pursuing contrasting strategies (cost and headcount reduction versus intimate interaction with other Government Departments over the governance/stewardship of the change process). Of all of the briefs I

have received, this is the one where I especially emphasise the need for further inquiry, particularly because of the impact (or not) of the Cabinet Office across Government. It is important to capture whether the reach of the Cabinet Office, as highlighted in the brief, is viewed as impactful by the other Departments. Under the current circumstance of extensive change, the likelihood of disaggregation across Whitehall exists. The need therefore is to have in place a central governance process that guides to a 'joined up Government' approach. Yes, the brief outlines the Cabinet Office goals concerning 'Big Society' enhancement, the structural changes being pursued within the Cabinet Office and across Whitehall and also the cost reduction measures taken. The brief identifies in detail how the Cabinet Office's strategic goals are to be pursued and operationalised. What the brief does not provide is sufficient insight into the leadership challenges that exist in making change happen and the quality and level of leadership and stewardship skill to address these challenges. Such insight would have been helpful in order to offer more meaningful comment as to whether greater emphasis should be given to leadership and stewardship skill development. Despite the detail provided and the clarity of argument outlining the reason for the priorities being pursued, I still find it difficult to comment on whether the aims set are likely to be realised without having further insight on the leadership capability to see through change. I make this point respecting that the Cabinet Office is so central to the changes required by Government. For this reason, further information is needed on the Cabinet Office's quality of engagement and governance oversight across Whitehall and related agencies.

Written evidence submitted by Department of Energy and Climate Change—July 2011

What impact, if any are the reforms envisaged in the Government's 'Big Society Agenda' likely to have on the way your department is organised and operates? If there are no consequences for your department organisational structure as a consequence of the Big Society agenda please explain why this is the case.

DECC is a relatively small department, but it has a very wide and challenging remit. The Department is being re-organised in the wake of the spending review to reflect its objectives and priorities for the future. The Big Society agenda will therefore bear on the way DECC operates rather than how it is structured.

- DECC's strategic objectives are to:
- save energy with the Green Deal and support vulnerable consumers;
- deliver secure energy on the way to a low carbon energy future;
- drive ambitious action on climate change at home and abroad;
- manage our energy legacy responsibly and cost-effectively.

The Big Society is relevant to how these objectives are delivered in a number of ways. DECC is for example keen to empower communities to develop local energy efficiency and renewables projects.

A number of DECC's actions reflect the Big Society agenda, such as:

- the Low Carbon Communities Challenge - a two year action-research programme for testing localised, community-led models for delivering carbon savings, reducing energy consumption, and fostering social cohesion;
- the Community Energy online web portal - the Portal, provides helpful tools and information to enable communities and others to develop local community based energy projects;
- the ability for Local Authorities to sell electricity - a change in legislation made to allow local authorities to sell electricity they generate themselves from renewable sources;
- the Green Deal – from late 2012 this will enable private companies, local authorities and civil society organisations to offer energy efficiency improvements to households, communities and businesses at no upfront cost, thus providing individual citizens with an opportunity to take action to improve the energy efficiency of their homes without having to invest in this up-front;
- the on-line 2050 calculator –this allows citizens to build pathways for reducing future carbon emissions, and to help them understand some of the possible consequences of different pathways.

What structural reforms, if any will be required in your department as a result of the deductions in running costs arising from the Spending Review?

If no structural change is required, what action are you taking to achieve the required reduction in administrative budgets?

Savings and reductions

The savings required by DECC's Spending Review settlement, including reducing admin costs by a third, have been spread across the Department and arms length bodies. DECC is making these savings by:

- Consolidating overlapping areas: for example domestic and international energy security; and carbon budgets and strategy;
- Concentrating efforts on the most important priorities and scaling back or stopping work in lower priority areas;
- Bearing down on non-pay costs such as travel, consultancy and the costs of shared services;
- Delivering savings from arms length bodies by matching grants to DECC's new priorities;
- Changing the way we work to get the most out of our resources.

As a result of realigned priorities, over the coming months DECC will move to a new structure. Key elements of structural change include:

- a reduction from five Directors General to four (one being a new Chief Operating Officer post);
- Reallocation of staffing resources to increase capacity and skills to deliver key priorities, and to reduce the resources in lower priority areas.

In 2011/12 across the department over 50% of staff will be affected by the new structure and will need to make changes to the work they do.

Around 9% of staff will need to find new jobs within the department.

How do you intend to implement these changes? Do you have a formal plan in place and if so what are its objectives and timelines?

The Department's DECC Future programme led to a business planning process which resulted in recommendations to Ministers about future priorities and the allocation of spending review resources. The objectives of DECC Future are to :

- Allocate firm budgets for 2011/12 and indicative budgets for the rest of the spending review period;
- Deliver the de-prioritisation decisions made in the run up to the spending review process;
- Ensure that key delivery projects have the right level of skills, resource, planning and programme management to deliver;
- Prioritise and sequence tasks so that workload fits resources, stopping those tasks that are lower return, duplicative or unlikely to deliver;
- Identify and plan the transition to the structure, staffing profile and mix, delivery landscape, flexibilities and ways of working needed for the future;
- Understand redundancy needs and plan the process.

Budget decisions were announced in April and the department is now implementing the outcomes. The overall goal is to complete the restructuring within the next few months. Detailed work is being carried out under the DECC Future programme within DECC's Groups to achieve this.

What consideration has been given to retaining or acquiring those skill sets - for example (i) expertise in contracting and commissioning or (ii) facilitating community leadership and social action - necessary to deliver the Government's reform plans?

One of DECC's key priorities is to ensure that it develops and retains the skills it needs to deliver on the Government's commitments over the Spending Review Period. DECC has developed a number of learning programmes which focus on developing the specialist and delivery skills it needs – including stakeholder engagement contract management, customer insight and procurement.

What lessons do you draw from previous reforms either within your department, from other departments, or from other organisations outside central government

DECC is a department that has had to cope with change since its creation from BIS and Defra nearly three years ago. Its agenda means that it works with other government departments and with organisations outside central government. DECC draws on these experiences all the time as it copes with the current reforms.

Does your reform process involve other government departments or public bodies?

DECC works closely with a number of other government departments and public bodies to ensure that its future agenda and priorities are aligned with theirs. For example DECC is working closely with the Department for Communities and Local Government on the planning agenda and with DEFRA, BIS and DfT on the Carbon Plan.

DECC has recently carried out a review of its delivery landscape, which included looking at Ofgem E-Serve, the Carbon Trust, the Energy Saving Trust, the Coal Authority and the schemes delivered for DECC by the Environment Agency. It was published on 19 May. The review set out our intention to improve the governance arrangements with existing delivery bodies, tender competitively new services to support the Green Deal and that, unless there was a clear case to place delivery of new programmes with a specific body, then delivery should be led by DECC but with much of the delivery put out to competitive tender. DECC liaised with a number of other government departments and the devolved administrations during the Review

DECC is responsible for leading the National Emissions Target Board. The role of the board is to provide senior oversight of carbon budgets and national climate change policy to:

- Ensure policies to deliver carbon budgets are identified and deliver and to challenge policies that could potentially make budgets harder to meet;
- Consider broader policy on carbon budgets e.g. cost-effectiveness of meeting budgets, balance of policy tools, setting of future budgets, tackling aviation and shipping, financial penalties;
- Monitor cross-Government performance against carbon budgets.

The submission from DECC arrived too late for it to be analysed by Professor Kakabadse.

Formal Minutes

Tuesday 12 July 2011

Members present:

Mr Bernard Jenkin, in the Chair

Paul Flynn
Charlie Elphicke
Robert Halfon

Kelvin Hopkins
Greg Mulholland
Lindsay Roy

Draft Report (*Good Governance and Civil Service Reform: 'End of Term' report on Whitehall plans for structural reform*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 11 read and agreed to.

Papers were appended to the Report as Appendices 1 and 2.

Resolved, That the Report be the Eleventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 13 July 2011 at 9.30 am

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2010–12

First Report	Who does UK National Strategy?	HC 435
Second Report	Government Responses to the Committee's Eighth and Ninth reports of Session 2009-10	HC 150
Third Report	Equitable Life	HC 485 (Cm 7960)
Fourth Report	Pre-appointment hearing for the dual post of First Civil Service Commissioner and Commissioner for Public Appointments	HC 601
Fifth Report	Smaller Government: Shrinking the Quango State	HC 537 (Cm 8044)
Sixth Report	Who Does UK National Strategy? Further Report with the Government Response to the Committee's First Report of Session 2010-11	HC 713
Seventh Report	Smaller Government: What do Ministers do?	HC 530
Eighth Report	Cabinet Manual	HC 900
First Special Report	Cabinet Manual: Government Interim Response to the Committee's Eighth Report of Session 2010-12	HC 1127
Ninth Report	Pre-appointment hearing for the post of Parliamentary and Health Service Ombudsman	HC 1220-I
Tenth Report	Remuneration of the Parliamentary and Health Service Ombudsman	HC 1350