



National Audit Office

Report

by the Comptroller
and Auditor General

Cross-government

Capability in the civil service

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Capability in the civil service

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

21 March 2017

This report examines government's approach to identifying and closing specialist capability gaps in the civil service.

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Key facts

£405bn

whole-life cost of projects in the Government Major Projects Portfolio (September 2015)

26%

reduction in the number of civil servants since 2006 (in full-time equivalents)

2.1

average score (out of five) departments gave themselves for their current capability in workforce planning

- 3** main areas where the civil service needs to increase its capability
- 11** functions in government: areas of expertise that provide professional support and services to departments
- 14,100 – 40,700** the range of estimates of the total number of civil servants in the commercial, digital, data & technology, and project delivery functions, 2016
- 25** professions in government that develop capability standards and training
- 2,000** additional staff with digital skills needed within five years
- £145 million** estimated annual cost of these additional digital staff
- 22%** of posts unfilled for senior recruitment competitions chaired by the Civil Service Commission in 2015-16

Summary

1 The capability of the civil service means its ability to implement policy effectively. The civil service needs the right number of people with the right skills in the right place, supported by effective accountability, governance and information. This report focuses on the people aspects of capability – specifically, whether the civil service has the right specialist capacity and skills to undertake all that government wants it to do. The Cabinet Office has lead responsibility for increasing the capability of the civil service, although departments are responsible for identifying and meeting the skills needs of staff and their own workforce.

2 Recent budgetary constraints have meant that departments have had to undertake ambitious transformation programmes to rationalise their organisational structures, change the way they deliver services or add efficiencies to existing processes. Departments have faced significant reductions in their administrative budgets, with corresponding reductions in staff numbers and resources that can be used for learning and development. Departments also need different skills as they introduce different operating models and new technology.

3 This report examines government’s approach to identifying and closing specialist capability gaps in the civil service. We consider two things in particular: **capacity** – numbers of staff in post; and **skills** – ensuring that those in post have the right skills to do their jobs properly. The report looks at:

- the extent of the challenge government faces in securing the right capability;
- how effectively government assesses its capability needs and skills levels;
- plans to address specialist capability gaps; and
- the implications for civil service capability of leaving the European Union (EU).

Key findings

The challenge faced by government

4 Civil servants are responsible for an increasingly complex range of tasks and projects. Government is asking the civil service to deliver more, even though its size has reduced by 26% since 2006. The work of government is becoming ever more technical, and delivering government policy objectives increasingly needs a response from the civil service. This may be through providing joined-up services to the public, or carrying out programmes that need departments to coordinate their work. Government's major projects have an estimated whole-life cost of over £405 billion with 29 considered to be complex transformation projects (paragraphs 1.10 to 1.14, Figure 1 and Figure 2).

5 Weaknesses in capability undermine government's ability to achieve its objectives. We have recently seen improvements in how some departments manage projects but we continue to report regularly on troubled projects. Our work shows that many delivery problems can be traced to weaknesses in capability. For example, a lack of expertise in project and programme management contributed to the collapse of the InterCity West Coast franchise competition in 2012. We also found that the Common Agricultural Delivery Programme suffered from a high turnover of senior leaders. The Infrastructure and Projects Authority's (IPA) gateway reviews show that skills, management and resourcing are among the top three concerns highlighted by reviewers (paragraphs 1.19 to 1.22, Figure 3 and Figure 4).

6 Government projects too often go ahead without government knowing whether departments have the skills to deliver them. Government is seeking to deliver a challenging portfolio of major projects, including Hinkley Point C, High Speed 2, and the Trident renewal. While the civil service has skilled people, many of these projects draw on the same pool of skills. For example, in rail projects such as Crossrail and Thameslink, we have seen skilled civil servants performing a number of project roles or being moved to fill skills gaps for new priorities or projects.¹ Government has recently accepted that project leaders and accounting officers need to assess whether projects are feasible at the outset, including whether departments have the right skills to deliver them (paragraphs 1.23 to 1.29).

¹ Comptroller and Auditor General, *Progress in the Thameslink programme*, Session 2013-14, HC 227, National Audit Office, June 2013; Comptroller and Auditor General, *Crossrail*, Session 2013-14, HC 965, National Audit Office, January 2014.

Government's assessment of its specialist capability

7 Government has identified three main capability gaps for the civil service.

It has identified shortages in digital, commercial and project delivery skills. These skills are needed to manage the transformation of organisations or service delivery. Government's 2016 *Civil Service Workforce Plan* focuses on developing career paths, opening up recruitment, and changing pay structures to attract key staff.² Government is also seeking to develop specialist capability through the cross-government 'functions': 11 'areas of specific expertise' that provide professional support and services to departments, such as finance, project delivery and human resources (paragraphs 2.1 and 2.2).³

8 Departments know they need more specialist posts to achieve their objectives.

In the absence of robust forecasts, we surveyed departments on their specialist skills needs and found that many do not think they are strong enough in key project delivery and commercial competencies, such as project planning, benefits realisation and contract management. Departments also reported they that would need around 2,000 additional staff in digital roles within five years' time. We estimate that the annual cost of those digital staff would be between £145 million and £244 million. However, the Government Digital Service (GDS) and IPA believe shortages for digital and project delivery skills will be much greater, particularly given the range of transformation and digital projects ahead (paragraphs 2.15 to 2.19, and Figures 10 to 12).

9 Departments do not know what skills they have, whether these are in the right place, and what additional skills they need. We have reported a number of times since 2011 on government's lack of proper workforce planning and that it does not have a clear picture of its current skills. Government's workforce planning has focused on the number of people in posts and tended to treat these as generic. As a result it has not assessed the skills of the current workforce in a comparable or structured way. Departments have also not had the means to assess how people are deployed, such as the use of time recording for specialists, with rare exception. This means government does not know enough about who is doing what and when, and whether those carrying out tasks have the necessary skills (paragraphs 2.4 to 2.8 and Figure 6).

10 Departments are now in the process of producing better workforce plans, but have a long way to go to address the lack of underlying information. In April 2016, the Committee of Public Accounts recommended that departments prepare comprehensive workforce plans. The Cabinet Office set ambitious requirements for these plans and has supported departments' preparations. It worked with departments to determine the baseline of their ability to do workforce planning, which they assessed as 'developing'. Departments were due to publish their workforce plans in March 2017. The 10 draft workforce plans that we have seen show considerable improvement on previous attempts, but remain focused on staff in post and can only give a high-level view of how staffing requirements are likely to change. They are also not yet aligned to single departmental and functional plans (paragraphs 2.9 to 2.14 and Figure 8).

² Cabinet Office and Civil Service, *Civil service workforce plan: 2016–2020*, July 2016.

³ Cabinet Office, *The functional model: a model for more efficient and effective government*, policy paper, March 2015.

Government's plans to address its specialist capability gaps

11 Government has a plan to fill its capability gaps and the functions are making progress in building specialist skills. Government's approach is based on growing skills in the civil service, developing clear career paths and encouraging a talent 'pipeline'. The aim is to create a more professional, delivery-oriented civil service. Some functions, such as commercial, have made rapid progress in identifying departments' specialist skills needs, introducing rigorous skills assessment, and moving towards greater pay flexibility for scarce skills. For example, all commercial specialists at grade 6 and above are now having their skills levels formally assessed (paragraphs 3.1 to 3.7 and Figure 15).

12 Government's capability initiatives will take time to mature and greater urgency is needed. The functions are at different levels of maturity and most do not have well-developed workforce data. The success of the functions, and government's overall capability strategy, also depends on departments taking up what the functions are offering, which given departmental autonomy is not compulsory. And departments have yet to work out what the development of functions really means for how they organise themselves. We therefore see a key risk that uptake of the functions by departments will be too slow for the dynamic environment in which government finds itself. Government's rate of improvement needs to match more closely the growth in the challenges government is facing (paragraphs 3.7 and 3.8).

13 Government does not fully understand the private sector's capacity to supply skills. The civil service needs people who can carry out highly technical projects with large digital and behaviour change components. People with these skills are scarce and government tends to assume that it can get the skills it needs for projects from the private sector. However, around one in four senior recruitment competitions run by the Civil Service Commission in 2015-16 resulted in the post not being filled. Many of these were for senior posts with specialist commercial or digital skills. Our review of departmental workforce plans to date suggests departments do not have clear resourcing strategies to fill such capability gaps (paragraphs 3.9 to 3.13).

14 Leaving the EU will further increase the capability challenges facing government. The Cabinet Secretary has referred to the United Kingdom's decision to withdraw from the EU as "the biggest, most complex challenge facing the civil service in our peacetime history".⁴ Government has staffed-up two new departments to support this process. The capability demands go beyond these two departments and the civil service is currently evaluating the longer-term impacts of Brexit on its staffing needs. For example departments, such as the Department for Environment, Food & Rural Affairs, which have had large amounts of EU-derived funding and legislation need legal, economic and sector experts to deal with the implications of Brexit. They will have to do this while using their remaining staff to achieve pre-existing priorities (paragraphs 4.1 to 4.13).

4 Jeremy Heywood/Civil Service News email, The Government's objectives for Brexit – a message from the Head of the Civil Service, 18 January 2017.

Conclusion

15 Government is facing ever-increasing challenges in providing public services. Continuing budgetary restraint is putting pressure on departments, which are already managing important reforms with fewer staff and smaller budgets. The decision to leave the EU also means government will have to take on tasks previously undertaken by others, requiring the development of skills not previously planned for. Government has acknowledged that it needs to do more on workforce planning. It has committed all departments to producing workforce plans by March 2017 and is seeking to develop specialist skills by setting out clear career paths and introducing pay flexibility where required. But progress so far has been slower than the growth in the challenges the civil service is facing.

16 Government has based its plan on growing skills in the civil service, and these will take time to develop. The scale of the challenge means there is a need for greater urgency. Government needs to measure and tackle its specialist capability gaps. It needs to develop a more sophisticated understanding of its capability needs, both within individual departments and in its cross-government functions. Government also needs to integrate the work of the functions more effectively with that of departments, so that specialist skills development in departments is strongly supported. Until it does this it will not be able to develop a civil service capable of meeting the challenges of modern government.

Recommendations

- a** In the absence of a short-term solution to the civil service's capability gaps, the government needs to prioritise its projects, activities and transformation programmes. It should stop work on those it is not confident it has the capability to deliver.
- b** Every significant project should have an assessment of the capability required to deliver it and how that capability will be filled. This should then support the accounting officer when approving projects to start or when major changes are made.
- c** Likewise, departments should assess the capability requirements of their ongoing operations as part of annual business planning.
- d** All functions should set out both people and operational standards that provide clear benchmarks for these capability assessments.
- e** Departments are working to improve their workforce planning so it includes skills assessment and plans for developing capability. All functions should also undertake similar exercises, if possible building on current efforts such as functional talent reviews.
- f** All functions and departments should assess how best, or make clear to what extent, they can obtain resources from the private sector to fill capability gaps.
- g** The Cabinet Office should ensure departmental workforce plans, functional plans and single departmental plans are integrated.

Part One

The challenge faced by government

1.1 In a government context, capability means the civil service's ability to implement government policy effectively. Capability requires a combination of the right people with the right skills in the right place supported by appropriate accountability, governance, systems, processes and information. In this report we focus on the people aspect of capability rather than the structures. In particular we focus on the specialist capacity (the number of people in post) and skills (the skills and expertise of the people in post to do their jobs effectively).

1.2 This part sets out the challenges faced by the civil service and why it is important to ensure that the civil service has the right number of people with the right skills. It also sets out the roles and responsibilities for civil service capability.

Multiple bodies are responsible for civil service capability

1.3 Responsibility for civil service capability is shared by multiple bodies, as well as professions and functions.

The Cabinet Office

1.4 The Chief Executive of the Civil Service, within the Cabinet Office, has overall responsibility for the capability of the civil service. He is supported by the Chief People Officer, who heads the government's human resources function. Most of the other heads of functions (see below) also sit within the Cabinet Office, including the Chief Commercial Officer and Director General of the Government Digital Service.

The 18 departments and their executive agencies

1.5 Departments and executive agencies are the employers of civil servants. They are responsible for their own workforce planning, for appointing people to posts and for developing the skills of their staff. They often run their own training initiatives, but will also draw on initiatives run by the heads of professions and functions.

The 25 professions

1.6 Most civil servants belong, at least nominally, to one of 25 recognised civil service professions (Appendix Four). Each profession has a nominated head who is responsible for developing capability standards and training. For example, the Permanent Secretary for Health is the head of the policy profession. Not all of those in a profession will work directly within its associated function. For example, an accountant might work on policy and not in the finance team.

The 11 functions

1.7 The functions are a new concept, introduced in 2013. Government's main approach to building specialist capability is through these functions. The functions cover 11 specialist areas, such as finance, human resources, commercial and digital, data & technology, and are managed on a cross-government basis.

1.8 All of the functions are represented among the 25 recognised civil service professions. The additional professions include specialisms such as operational delivery and policy. Functions differ from professions in that they are responsible for both the quality of work and the capability of the people. They seek to provide a more coherent approach to recruiting, developing and deploying specialists, and creating broader cross-government career paths.

1.9 Although each function is different in its structure, most comprise a functional leadership team in the Cabinet Office, a central service delivery unit, and the specialists within each department (Appendix Three). The functions introduce a 'matrix management' approach to specialists, with specialists working both for their department and across government for their function.

Civil servants are responsible for an increasingly complex range of tasks and projects

1.10 The civil service faces five developments that are likely to shape and constrain the civil service's capability needs for the foreseeable future.

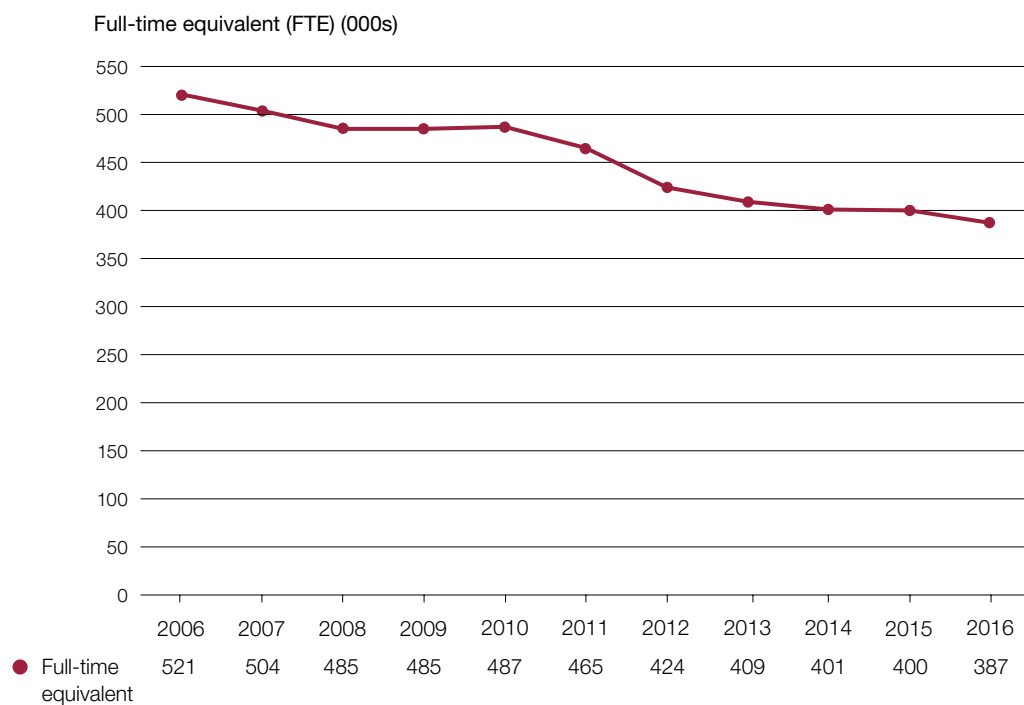
1) Continuing restraint in the public finances and fewer staff

1.11 Austerity has already had an impact on the capability of the civil service, with a greater expectation that departments will do more with less. The civil service is getting smaller, with the number of civil servants falling since 2006 to 387,000 in 2016 (26%). The civil service was at its smallest since the Second World War in June 2016, when there were 384,000 full-time equivalent civil servants (**Figure 1** on pages 12 and 13). Departments have reduced their workforce mainly by minimising recruitment, which has changed the age profile and the pipeline of talent and skills – 40% of civil servants are now aged 50 or over.⁵ Departments told us that this was a particular issue with specialists, many of whom may retire in the next five to 10 years. We expect continuing fiscal restraint for the foreseeable future and further headcount reduction as a result of the 2015 Spending Review.

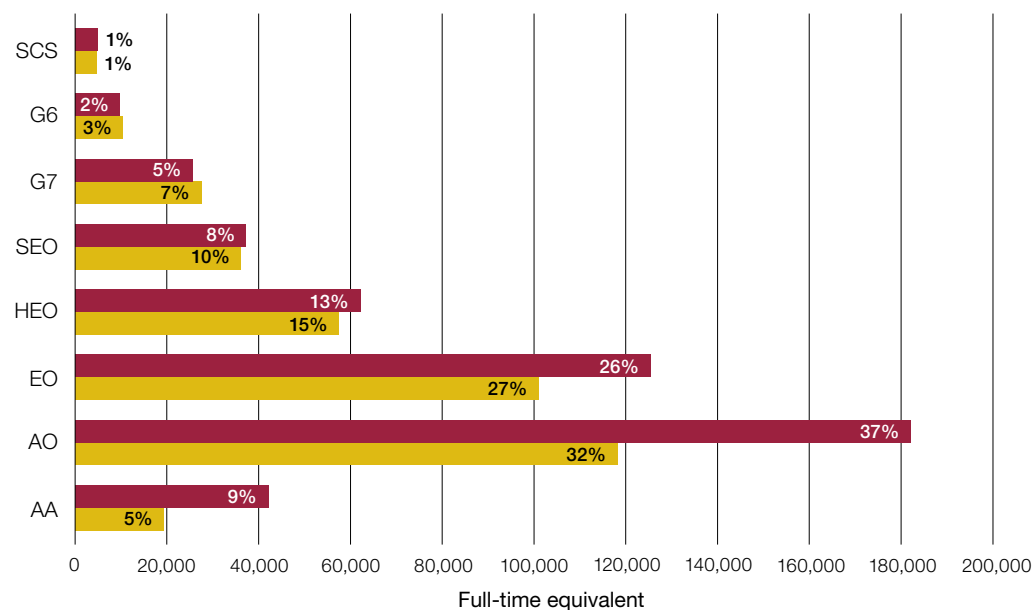
⁵ Comptroller and Auditor General, *Central government staff costs*, Session 2015-16, HC 79, National Audit Office, June 2015.

Figure 1
Trends in the size of the civil service

The civil service is getting smaller

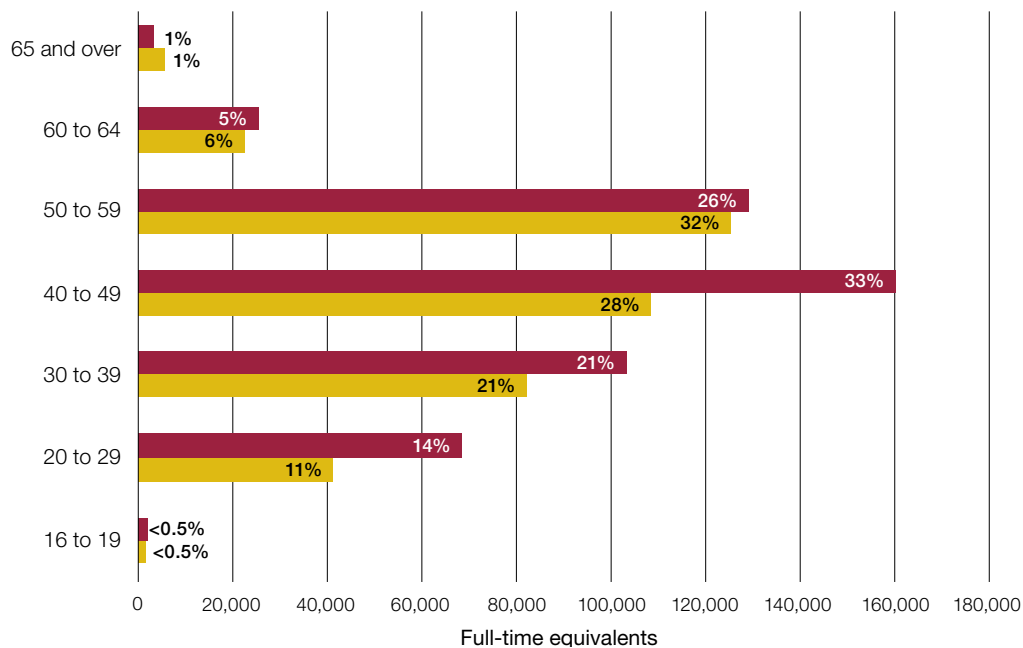


Most of the reductions have been in more junior grades (numbers show percentage of overall workforce)



Grade	AA	AO	EO	HEO	SEO	G7	G6	SCS
2010	42,204	181,992	125,403	62,204	37,205	25,534	9,754	4,964
2016	19,245	118,213	100,956	57,471	36,063	27,469	10,409	4,796

And most of the reductions have been in younger cohorts, so the overall civil service has got older (numbers show percentage of overall workforce)



Age	16 to 19	20 to 29	30 to 39	40 to 49	50 to 59	60 to 64	65 and over
■ 2010	2,028	68,498	103,235	160,194	129,091	25,474	3,387
■ 2016	1,483	41,192	82,081	108,409	125,338	22,537	5,578

Notes

- 1 The percentages may not add up to 100% due to rounding.
- 2 For operational security reasons, central government security workforce numbers were restated in 2016.
- 3 The percentage shows the proportion of the civil service represented by the grade that year. Excludes records classified as unknown.
- 4 SCS = Senior civil service, G7 = Grade 7, G6 = Grade 6, SEO = Senior executive officer, HEO = Higher executive officer, EO = Executive officer, AO = Administrative officer and AA = Administrative assistant.

2) No reduction in the overall workload of the civil service

1.12 Most of the public services that were delivered before the cost reductions continue to be delivered. In September 2015, the 143 projects on the Government Major Projects Portfolio (GMPP) alone involved £405 billion of public spending (in whole-life costs). As the Chief Executive of the Civil Service stated, government is doing “30% too much to do it all well”.⁶ The Committee of Public Accounts noted that government tends to “add to its list of activities without effective prioritisation”.⁷

3) Increasing pipeline of infrastructure and capital projects

1.13 To stimulate the economy and increase productivity, the government has set out the largest ever plan for infrastructure investment to 2020 and beyond.⁸ Between 2016-17 and 2020-21, the government expects that more than 40% of the projects will be delivered with government investment. This includes well-known large projects and programmes across government including Hinkley Point C, High Speed 2, Crossrail, the Great Western route modernisation programme, decommissioning of the Magnox nuclear power plants and the Priority School Building Programme.

4) Technological changes and increasing expectations of citizens

1.14 Citizens’ experiences as consumers have led them to expect public services to be more individualised, and available digitally; they also expect to be kept up-to-date on progress. For instance, HM Courts & Tribunals Service is digitising the court system, allowing court papers to be filed online. Departments are also seeking to harness these technologies to make their operations more effective. For instance, HM Revenue & Customs is combining information from multiple sources to assess tax returns. And public servants have higher expectations: the Crown Commercial Service is planning to launch the Crown Market Place to provide an ‘Amazon-style’ experience to support civil servants buying common goods and services.

5) The decision to leave the European Union

1.15 The decision to leave the European Union (EU) in the referendum of 23 June 2016 has put further immediate pressure on the capability of the civil service. Its full impact will only be understood as negotiations proceed. The Cabinet Secretary has referred to exiting the EU as “the biggest, most complex challenge facing the civil service in our peacetime history”.⁹ We discuss this further in Part Four.

⁶ John Manzoni, speech at Prospect Civil Service Pay, Reward and Performance Management Seminar, November 2016.

⁷ HC Committee of Public Accounts, *Managing government spending and performance*, Twenty-seventh Report of Session 2016-17, HC 710, November 2016.

⁸ The list of projects in the National Infrastructure and Construction Pipeline can be found at: www.gov.uk/government/publications/national-infrastructure-and-construction-pipeline-2016

⁹ Jeremy Heywood/Civil Service News email, The Government’s objectives for Brexit – a message from the Head of the Civil Service, 18 January 2017.

Responding to these challenges requires new skills

1.16 Departments are responding to these five challenges with programmes to transform how they operate. It is doubtful that the civil service could have continued to respond only through efficiency savings and by moving its limited capability between projects and departments. Most delivery-oriented departments are instead considering more significant transformation of their operating models: changing the way they work; adopting digital technologies to automate processes; and opening processes up to digital interaction with the citizen. In total, government has identified 29 current transformation projects (**Figure 2** overleaf).¹⁰

1.17 Departments are also adopting new ways of working with the private sector, and others, to increase the effectiveness of their spend. We have reported on the challenges and some of the early failures in adopting these, including:

- adopting more of a commissioning and whole-systems approach, which involves more collaborative working between organisations;¹¹
- using more complex contracting methods such as payment by results,¹² contracts for difference,¹³ and management insertion contracts;¹⁴
- trying to improve the success rate of digital projects, while reducing dependence on external IT providers, by adopting agile methods and more in-house delivery;¹⁵ and
- using more corporate finance-style policy levers, such as guarantees,¹⁶ government companies¹⁷ and social finance.¹⁸

1.18 Transformation and new ways of working require different skills from those the civil service has needed in the past. Government transformation is intended to enable the civil service to do more with considerably fewer people, with more emphasis on digital, analytical, commercial, and project management skills. Furthermore, achieving that transformation itself requires civil service leaders who understand the skills required and can commission people and projects in a way that integrates them with the traditional strengths of the civil service. These leadership skills are in short supply.

10 Cabinet Office, *Government Transformation Strategy 2017 to 2020*, February 2017.

11 National Audit Office and Audit Commission, *A review of collaborative procurement across the public sector*, May 2010.

12 Comptroller and Auditor General, *Outcome-based payment schemes: government's use of payment by results*, Session 2015-16, HC 86, National Audit Office, June 2015.

13 Comptroller and Auditor General, *Carbon capture and storage: the second competition for government support*, Session 2016-17, HC 950, National Audit Office, January 2017.

14 Comptroller and Auditor General, *Delivering the defence estate*, Session 2016-17, HC 782, National Audit Office, November 2016.

15 Comptroller and Auditor General, *E-borders and successor programmes*, Session 2015-16, HC 608, National Audit Office, December 2015.

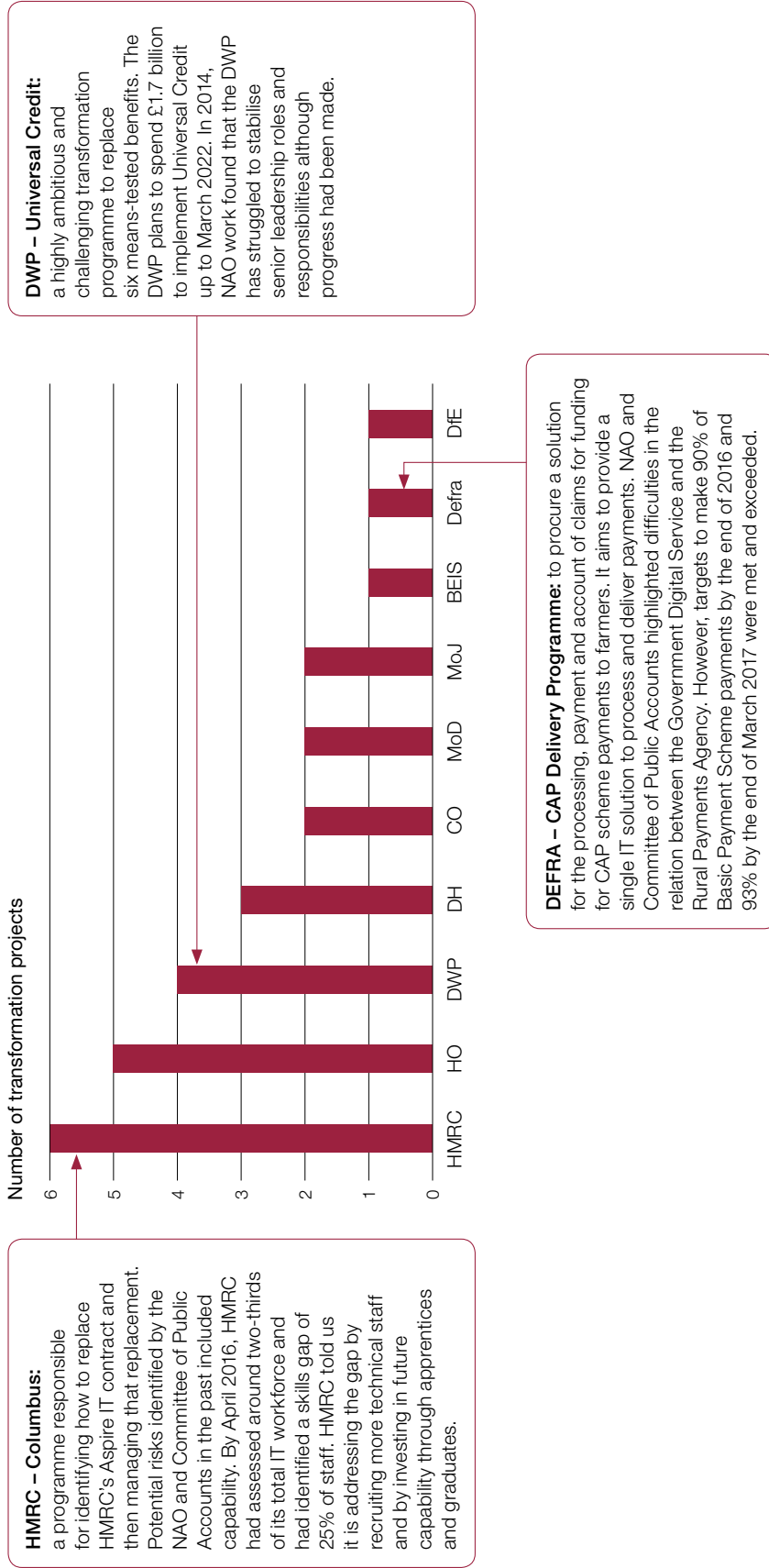
16 Comptroller and Auditor General, *UK Guarantees scheme for infrastructure*, Session 2014-15, HC 909, National Audit Office, January 2015.

17 Comptroller and Auditor General, *Briefing: companies in government*, National Audit Office, December 2015.

18 See footnote 12.

Figure 2
Transformation in government

Most departments are undertaking major transformation programmes



Notes

- 1 In total, government has identified 29 current transformation projects. The graph above only represents projects taking place within core government departments.
 - 2 HMRC = HM Revenue & Customs, HO = Home Office, DWP = Department for Work & Pensions, DH = Department of Health, CO = Cabinet Office, MoD = Ministry of Defence, MoJ = Ministry of Justice, BEIS = Department for Business, Energy & Industrial Strategy, Defra = Department for Environment, Food & Rural Affairs, DfE = Department for Education.
- Source: Government Transformation Strategy 2017 to 2020, Appendix: list of major transformation programmes on Government Major Projects Portfolio (GMPP), as of November 2016; Comptroller and Auditor General, *Universal Credit: progress update*, Session 2014-15, HC 786, National Audit Office, November 2014; Comptroller and Auditor General, *Universal Credit: early progress*, Session 2013-14, HC 621, National Audit Office, September 2013; Comptroller and Auditor General, *Progress on the Common Agricultural Policy Delivery Programme*, Session 2016-17, HC 727, National Audit Office, October 2016; Comptroller and Auditor General, *Replacing the Aspire contract*, Memorandum, National Audit Office, June 2016

Weaknesses in capability undermine government's ability to achieve its objectives

1.19 We believe that capability issues are at the root of many of the problems we report on in our work (**Figure 3** on pages 18 and 19). People with the experience and skills to deliver complex projects, particularly within a government context, are in short supply. Two years ago we found that the InterCity West Coast franchise competition collapse in 2012 was in part due to “shortcomings in the Department for Transport’s commercial and programme management capacity and capability”, as well as flaws in oversight and governance at senior levels.¹⁹ The Department has addressed the issues that contributed to the cancellation of the franchise competition and has made progress in rebuilding its reputation within the rail industry. Our work on the Common Agricultural Policy Delivery Programme highlighted that the project had been overseen by four senior responsible owners in 12 months in 2014-15. It also noted counterproductive behaviour at senior levels of the programme that affected delivery.²⁰

1.20 According to the Infrastructure and Project Authority (IPA)’s analysis of its assurance reviews of major projects, capability of the team is a frequently high concern, accounting for 14% of recommendations made in 2015-16, behind governance at 16% and programme and project management at 18%. The recommendations particularly focused on capacity planning, skills management, and leadership capability.²¹

1.21 Likewise, our work on managing business operations highlights the need for more leaders with experience of managing and transforming large operations. We continue to see basic problems with the way operations are managed, such as: poor service and lack of continuity when work is passed between organisations; backlogs occurring when organisations have not thought through how work flows through the system; and, failing to ensure there is sufficient capability and capacity to meet demand.

1.22 For example, our work on efficiency in the criminal justice system highlighted that “HM Courts & Tribunals Service (HMCTS) and Crown Prosecution Service (CPS) did not have any additional resource to accommodate the increase in cases” after the abolition of committal hearings increased pressure on the Crown Courts, adding to the existing backlog. This contributed to a 34% increase in backlogs in the Crown Court between March 2013 and September 2015. We found one of the causes of the inefficiency in the criminal justice system was the absence of thinking about the system as a whole and the impact of a decision about magistrate court procedure would have on the Crown Courts.²² The number of cases outstanding at Crown Court has fallen in the past year: in September 2016, the number of outstanding trial cases was at its lowest level since May 2013.

¹⁹ Comptroller and Auditor General, *Reform of the rail franchising programme*, Session 2015-16, HC 604, National Audit Office, November 2015.

²⁰ Comptroller and Auditor General, *Early review of the Common Agricultural Policy Delivery Programme*, Session 2015-16, HC 606, National Audit Office, December 2015.

²¹ Infrastructure and Projects Authority, *Annual Report on Major Projects 2015-16*, July 2016.

²² Comptroller and Auditor General, *Efficiency in the criminal justice system*, Session 2015-16, HC 852, National Audit Office, March 2016.

Figure 3
Examples of how capability shortfalls can lead to problems with projects

Gaps in capability

Common Agricultural Policy Delivery Programme (the Programme)

The Common Agricultural Policy (CAP) is the European Union framework of farm subsidies and rural development programmes. The CAP Delivery Programme aimed to provide a single IT solution to process and deliver payments of the reformed CAP in England.



What happened: In March 2015, in response to serious failings of the system, the online application system was withdrawn and replaced by 'paper-assisted digital' applications for the 2015 scheme.

Capability issues: Changes made to the programme by the Cabinet Office as conditions for providing funding included: use of agile as the Department for Environment, Food & Rural Affairs (Defra) and Rural Payments Agency (RPA) had no experience of this approach; the Department was expected to provide systems integration skills, but it did not have the necessary skills or know how to obtain them; and the programme was expected to use a cloud based solution, but had no experience of doing so.

Cost: The Department for Environment, Food & Rural Affairs (Defra) identified an impairment charge of £5 million in March 2015 (an asset is revalued downwards).

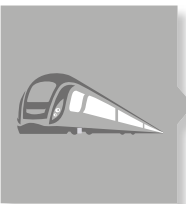
The move to paper-based applications incurred direct costs of between £3 million and £4 million for the Programme, with additional operational resource and infrastructure costs of around £7.5 million being absorbed by delivery bodies.

HMRC provided 150 government apprentices to input manual claims. The current forecast of these costs, which Defra will have to cover, is £2.1 million.

Other benefits foregone: Many farmers are being paid later than in previous years. The focus on resolving immediate issues has diverted attention from the long-term goals of, for example, improving the service to farmers and minimising future EC penalties.

Intercity West Cost franchise competition

The franchise for the InterCity West Cost line was last let in 1997 to Virgin Rail Group. In January 2011, the Department started reletting the contract.



What happened: In October 2012, the Department for Transport (DfT) cancelled its provisional decision to award the InterCity West Cost franchise to First Group, and, with it, the franchise competition. It also paused three other franchise competitions.

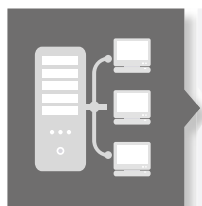
Capability issues: In April 2011 a Major Projects Authority review highlighted problems with inadequate resources, and a lack of project and programme management expertise and governance issues.

Cost: Department for Transport's (DfT's) failure to properly manage the competition directly cost taxpayers at least £50 million, the majority of which will be spent on compensating bidders. There is also a significant opportunity cost resulting from delays in investment to the franchise.

Other benefits foregone: The new franchise was expected to reduce the environmental impact of the industry, and to provide a safer environment for passengers and railway staff.

Aspire

Aspire was HMRC's long-running contract for IT provision, and included the IT systems enabling HMRC to collect tax revenue. It was government's largest IT contract, costing around £10 billion over the 13 years to 2017.



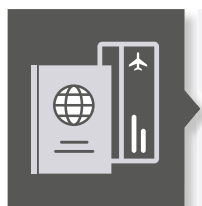
What happened: HM Revenue & Customs (HMRC) let the Aspire contract to Capgemini in 2004, with the contract providing most of HMRC's IT systems. Between April 2006 and March 2014, Aspire accounted for about 84% of HMRC's total technology spend. HMRC is now replacing Aspire so it can take greater control over how its IT is developed and provided.

Capability issues: In 2014, we found that HMRC had significant gaps in its commercial and technical capability relating to the Aspire contract. It was overly reliant on the technical capability of its suppliers between 2004 and 2012, which limited its ability to manage the contract commercially. HMRC has recognised this. Consequently, it developed a strategy to bring services in-house and improve its technical skills. It has also assessed the skills levels of staff in relevant roles and made key senior appointments, filling 18 of 20 senior IT posts permanently.

Cost: The Aspire contract delivered stable IT systems and service continuity for HMRC. However, the contract was expensive, in part because of the capability issues. HMRC benchmarked the price of Aspire services and projects on several occasions, which indicated it often paid above-market rates (for example, in 2009 a high-level benchmarking review of the contract suggested there was scope to reduce the contract cost by between £113 million and £225 million a year). HMRC expects that its replacement programme for Aspire will deliver recurring savings of around £200 million a year (around 25%).

e-borders and successor programmes

The e-borders programme aimed to enhance the use of traveller information by collecting passenger information about individuals entering and leaving the UK. This will allow border officials to make better-informed decision about whether to allow entry and will allow authorities to know whether persons of interest are in the country.



What happened: In November 2007, the Home Office entered a contract with Raytheon, a US-based technology and defence company, to implement its e-borders programme. The Home Office terminated this in July 2010 citing a failure to deliver milestones. This was followed by a protracted legal dispute which was settled out of court in March 2015.

Capability issues: There has been little continuity of key staff and the programme has had to rely on contractors. In May 2015, over 25% of all those working on the portfolio, and 40% of those working on the core programme, were filled by non-civil servants. In contrast to the issues seen here, the Home Office's programme to update the Emergency Service Network demonstrated a positive delivery-focused culture that helped it retain staff and manage issues. This programme benefited from stability in staffing at both senior and junior levels and staff on the programme had a strong record of delivering other projects.

Cost: The decision to terminate the contract with Raytheon cost the Home Office £150 million in an out of court settlement plus £35 million in legal costs. This was in addition to expenditure by the Home Office between 2006 and 2011 of £342 million of which £156 million had to be written off at the time of termination.

Other benefits foregone: The e-borders programme was expected to allow the collection of long-term and short-term migration data and population statistics, which could have been used to assist the provision and planning of public services.

1.23 When the civil service does deliver projects well, it is often because it has prioritised a project and taken time to put in place the right capability. For example, the Olympics and Crossrail projects were both delivered through specifically-created organisations, helping maintain focus on getting the right capability from industry.

1.24 In other cases, government prioritises getting the right people in place because it needs to fix earlier failure. While the civil service has skilled people able to deliver major projects, many projects draw on the same pool of skills. The Department for Work & Pensions has made progress in implementing large programmes despite early failings, and has worked to introduce and adapt programmes flexibly, to deal with uncertainty.²³ Following failures in franchising, the Department for Transport set up a team to focus on franchise letting and management. The team has begun applying lessons learned from past competitions.²⁴ The Cabinet Office has started to improve its programme of shared services – the shared service centres, the Crown Commercial Service, and Civil Service Pensions – after recruiting people with operational experience from outside government.^{25,26,27}

1.25 Placing the best people on priority projects can have an impact on the projects they leave behind. There is a limited pool of people qualified to be senior responsible owners and project directors across government, and moving them is likely to leave a gap elsewhere. Each senior responsible owner will bring their own vision to a project. In the Common Agricultural Policy Delivery Programme we saw that repeated changes are likely to disrupt a project, increasing uncertainty and confusion for project teams.²⁸ We reported in January 2014 that senior staff overseeing Department for Transport programmes changed often, reflecting the number of programmes the Department was sponsoring and a scarcity of staff with the right skills and experience.²⁹ In 2016, we reported that improvements in delivery could be undermined because of the high turnover of senior responsible owners delivering the major project portfolio.³⁰ The Infrastructure and Projects Authority now monitors the turnover of senior responsible owners across government. Its data show that turnover in senior responsible owners and project directors has fallen since 2014-15 (**Figure 4**).

23 Comptroller and Auditor General, *Welfare reform – lessons learned*, Session 2015-16, HC 77, National Audit Office, May 2015.

24 Comptroller and Auditor General, *Reform of the rail franchising programme*, Session 2015-16, HC 604, National Audit Office, November 2015.

25 Comptroller and Auditor General, *Shared service centres*, Session 2016-17, HC 16, National Audit Office, May 2016.

26 Comptroller and Auditor General, *Crown Commercial Service*, Session 2016-17, HC 786, National Audit Office, January 2017.

27 Comptroller and Auditor General, *Investigation into members' experience of civil service pension administration*, Session 2015-16, HC 800, National Audit Office, February 2016.

28 Comptroller and Auditor General, *Progress in the Thameslink programme*, Session 2013-14, HC 227, National Audit Office, June 2013 and Comptroller and Auditor General, *Early review of the Common Agricultural Policy Delivery Programme*, Session 2015-16, HC 606, National Audit Office, December 2015.

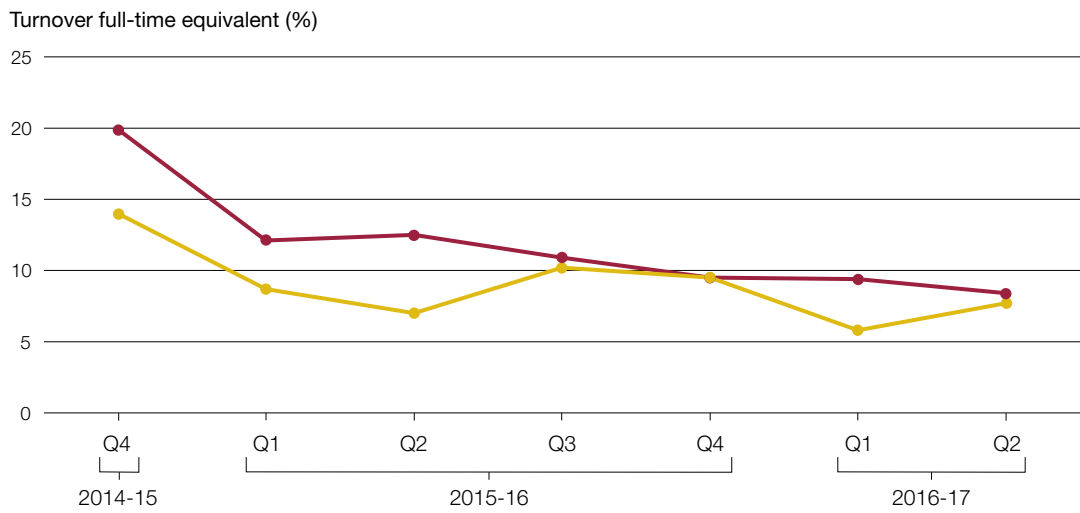
29 Comptroller and Auditor General, *Crossrail*, Session 2013-14, HC 966, National Audit Office, January 2014.

30 Comptroller and Auditor General, *Delivering major projects in government: a briefing for the Committee of Public Accounts*, January 2016.

Figure 4

Turnover in senior responsible owners and project directors

Turnover has fallen since March 2015



● PD changes (%)	20	12	13	11	10	9	8
● SRO changes (%)	14	9	7	10	10	6	8

Notes

- 1 PD = project director. This is the individual responsible for setting-up, managing and delivering the programme.
- 2 SRO = senior responsible owner. This is the individual accountable for ensuring that a change programme or project meets its objectives and delivers the outcomes and benefits stated in the business case.
- 3 These data show the proportion of staff in project director and senior responsible owner posts that changed in each quarter.

Source: Infrastructure and Projects Authority

Too little attention is paid to capability in initiating projects and managing operations

1.26 In principle, business cases for a project should include an assessment of the capability required and how this will be met. HM Treasury guidance suggests including the assessment in ‘the management case’, one of five sections that make up the overall business case.³¹

1.27 However, we have not found that this section of business cases has improved the level of capability of projects. In our report *Over-optimism in government projects*, we concluded that an incomplete understanding of the challenges departments are taking on, and a failure to put skilled and experienced people in place to manage them, is one of the five factors that contribute to over-optimism.³² In a recent example, the Crown Commercial Service underestimated the challenge of setting up centralised buying, even though similar projects had failed in the past.³³

1.28 Similarly, our work on managing business operations highlights government’s lack of understanding of the skills required to provide its services. In almost 59% of the operational processes we have reviewed, there was no evidence that government knew whether or not staff had the necessary skills to complete the process (**Figure 5**). Understanding capability to do the job is crucial for informing decisions that have operational consequences, particularly where services are provided by more than one organisation.³⁴

1.29 In May 2016, the Committee of Public Accounts concluded that there were too many examples of accounting officers allowing projects to go ahead unchallenged and being reluctant to raise concerns whether policies are feasible.³⁵ In response to the Committee’s recommendations, government accepted the need for more transparent assurance, and confirmed that “...accounting officers should routinely scrutinise significant policy proposals, or plan to start or vary major projects and then assess whether they measure up to the standards of regularity, propriety, value for money and feasibility”.³⁶ In addition, the Government announced a new requirement that such an assessment should always be prepared for projects within the Government’s Major Projects Portfolio (GMPP), starting at the Outline Business Case approval stage. HM Treasury expects this process to be in place by April 2017 and to include regulatory, propriety, value for money and feasibility assessments. For it to be meaningful, we believe the feasibility assessment will need to cover the capability required and how it will be sourced.

31 HM Treasury, *Public sector business cases – using the five case model*, 2013.

32 National Audit Office, *Over-optimism in government projects*, December 2013.

33 Comptroller and Auditor General, *Crown Commercial Service*, Session 2016-17, HC 786, National Audit Office, January 2017.

34 National Audit Office, *Managing business operations – what government needs to get right*, September 2015.

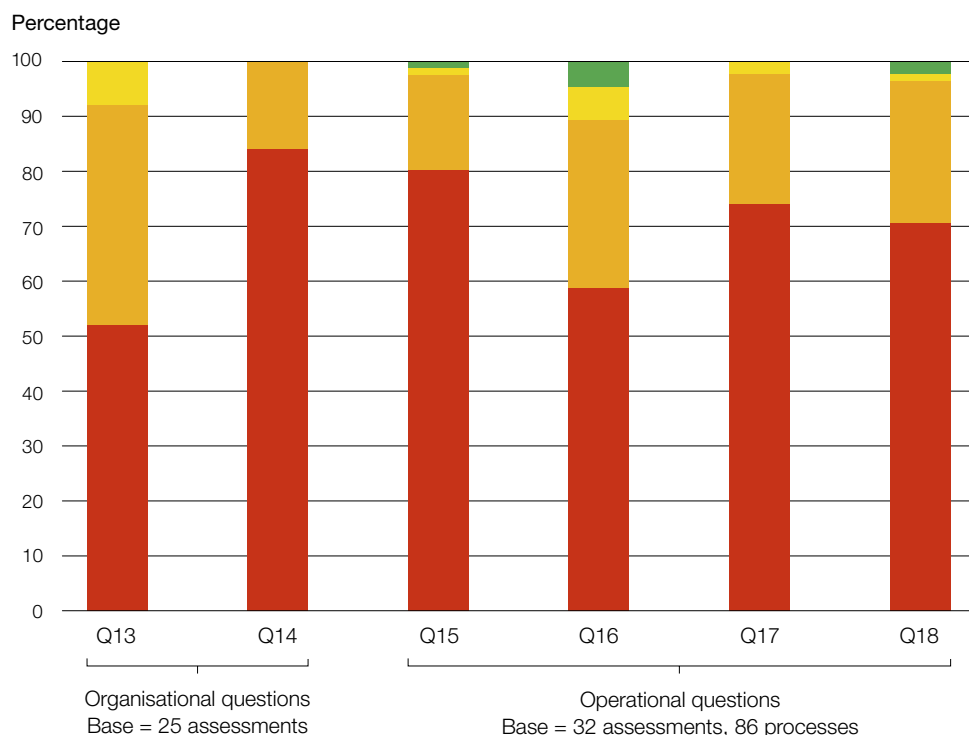
35 HC Committee of Public Accounts, *Accountability to Parliament for taxpayers’ money*, Thirty-ninth Report of Session 2015-16, HC 732, May 2016.

36 HM Treasury, *Treasury Minutes Government responses to the Committee of Public Accounts on the Thirty-ninth Report of Session 2015-16; the Fourteenth to the Twenty-first reports from session 2016-17; and progress on Government Cash Management*, Cm 9389, December 2016.

Figure 5

Our work shows few organisations can demonstrate that they know whether they have the necessary skills

More than half of the organisations assessed by the National Audit Office cannot show evidence that their operational staff have the skills required to complete the processes they work on



	Organisational questions Base = 25 assessments			Operational questions Base = 32 assessments, 86 processes		
■ Full maturity	0	0	1	5	0	1
■ Partial maturity and improving	8	0	1	6	2	1
■ Partial maturity	40	16	17	31	24	26
■ No evidence	52	84	80	59	74	71

Notes

- 1 The coloured bars show the percentage of ratings assigned by the NAO within each category for all the assessments conducted (25 for the organisational questions; 32 for the operational questions).
- 2 The questions are listed below.

Organisational questions:

- Q13 How do you know that leaders are creating the right environment for effective process management and continuous improvement?
- Q14 How do you know that leaders value good operations and process management?

Operational questions:

- Q15 How do you know that staff have the right environment for effective process management and continuous improvement?
- Q16 How do you know that operational staff have the necessary skills to complete the process?
- Q17 How do you know that operational staff are encouraged to improve the process?
- Q18 How do you know that there is a process owner with defined roles and responsibilities?

Part Two

Government's specialist capability needs

2.1 This part considers the state of workforce planning within departments and within the cross-governmental functions. It examines whether government has the information it needs to allow it to tackle capability gaps and sets out the known gaps in specialist areas.

Government has recognised that it needs greater specialist capability in digital, commercial, and project delivery

2.2 In the context of the challenges set out in Part One, government has set out several strategies to meet its capability needs over the past five years:

- **Civil Service Reform Plan (2012)**

In 2012, government responded to austerity and calls for civil service reform with the *Civil Service Reform Plan*. The plan set out government's future capability-building initiatives. It identified significant skills gaps in digital, commercial, and project delivery.³⁷ The *Civil Service Reform Plan: one year on* report in 2013 highlighted the importance of corporate functional leadership.³⁸

- **Civil Service Capabilities Plan (2013)**

In recent years, efforts to improve capability were taken forward as separate strands of work. In 2013, government published the Capabilities Plan to bring together strands of work to bolster capability, including by building organisational capability across specialist functions.³⁹

- **Civil Service Workforce Plan (2016)**

Government updated its approach through the 2016 civil service vision, and the 2016 Civil Service Workforce Plan.⁴⁰ The workforce plan set priorities to improve the civil service's commercial capability and expertise in digital transformation.⁴¹ Its priorities ranged from building career paths for the main civil service professions to developing flexible pay structures for specialist digital and commercial staff.

³⁷ HM Government, *The Civil Service Reform Plan*, June 2012.

³⁸ HM Government, *Civil Service Reform Plan: one year on*, July 2013.

³⁹ HM Government, *Meeting the challenge of change: a capabilities plan for the civil service*, April 2013.

⁴⁰ Available at: www.gov.uk/government/publications/a-brilliant-civil-service-vision-statement/civil-service-vision-2015-to-2020

⁴¹ Cabinet Office and Civil Service, *Civil Service Workforce Plan 2016–2020*, July 2016.

But government has not traditionally done detailed workforce planning

2.3 However, these high-level statements have not been supported by developed analysis with departments. Historically, departments have tended to focus on meeting short-term capability needs rather than planning for their long-term needs. We have reported several times since 2011 on departments' lack of workforce planning (**Figure 6** overleaf). Most recently, in January 2016, we reported that none of the seven departments we examined in 2015 had a strategic workforce plan that covered their entire organisation. Done well, strategic workforce plans enable departments to make sure they have the right skills in place, based on what they currently have and how they believe their needs will change.

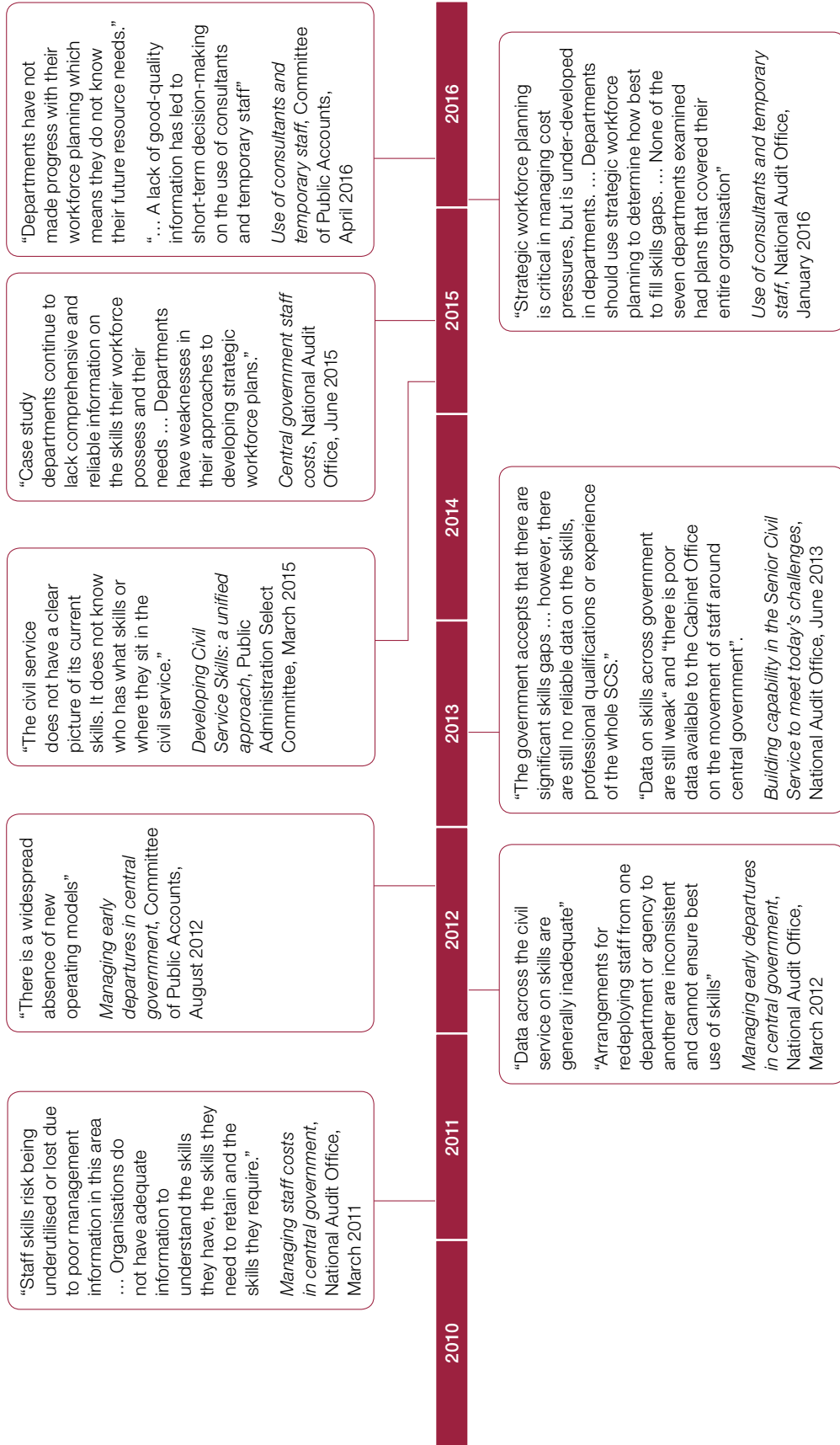
2.4 The main reason for this lack of workforce planning has been that departments have lacked the underlying systems needed to properly measure the capability gap and do workforce planning effectively. Government as a whole lacks the means to:

- **Understand the future activities that government will undertake**
Government has traditionally not been good at business planning. This means it does not have a clear picture of the activities it will be doing in future. Our July 2016 report found that single departmental plans require departments to bring together all of their business activities into one plan for the first time. However, this process is still in its infancy and is starting from a low base.⁴²
- **Understand the skills needed to do its activities**
Government does not have established processes for identifying the number of people and skills required for its planned activities. Without models and reliable benchmarks, government cannot properly plan for or provide meaningful and comparable data on skill requirements for each activity and organisation.
- **Understand the skills that its current people have**
Government does not have systematic ways of assessing the current skills of its workforce. Following a recommendation in the 2012 Civil Service Reform Plan, Civil Service Learning tried three times to gather data from departments on their current capability and future skills needs, but found it difficult to get robust and comparable data on skills.
- **Identify where required skills are available in the private sector or elsewhere**
Government does not have civil service-wide processes for identifying where it can recruit the skills it needs from the private sector or elsewhere, particularly for scarce specialist skills, although this is starting to occur through the functions.
- **Ensure people are deployed in a way that best uses their skills**
Government does not have the means to implement, for example, a planning approach that matches skilled people to business need. Currently it does not have an approach to schedule where specialists' time will be spent. This creates a barrier for deploying skills across departments.

⁴² Comptroller and Auditor General, *Government's management of its performance: progress with single departmental plans*, Session 2016-17, HC 872, National Audit Office, July 2016.

Figure 6

National Audit Office findings on departments' lack of workforce planning, 2011 to 2016



Source: National Audit Office summary of previous National Audit Office reports

Government has also not traditionally had detailed analysis of where its specialists are

2.5 Government knows the profession of 96% of civil servants, up from 79% in 2010.⁴³ However, it has only recently started to map where its specialists are.

2.6 In 2016, the Cabinet Office asked each function to produce a ‘functional plan’ that included how it expected to increase capability for its specialist area. By the time of our review, only six functions had prepared a functional plan, although all but one of the others had existing business plans. Our review of the functional plans (or other planning documents) found that no plans contained detailed data on the function’s current workforce and future needs, or information on where these could be found.

2.7 The Cabinet Office has asked all functions to prepare or revise their plans by April 2017. These will be published once they are complete. The Cabinet Office expects functions to have consistent and clear plans that contain comparable information (**Figure 7**).

2.8 Some functions have started to collect detailed data on their specialist staff. One of the most advanced is the commercial function. This function asked departments to set out their expectations of their future commercial workload and staffing needs in organisational ‘commercial blueprints’. The exercise is intended to improve on previous exercises to collect commercial staffing information across government, such as commercial capability reviews. This function is also attempting to evaluate its senior leaders through its newly-created Assessment and Development Centre. We discuss this further in Part Three.

Figure 7

Cabinet Office principles for functional plans

Functional plans are expected to meet the following requirements:

- be clear about what the function will do, and set out priority objectives;
- set out the work areas needed to meet the objectives, including budget, headcount, timetable and performance metrics;
- explain how the function will develop its own capability;
- outline the work the function is doing with each department;
- be developed in parallel with departments’ single departmental plans, using single departmental plan guidance; and
- provide the basis for measuring the performance of the function.

Source: National Audit Office analysis of Cabinet Office documents

Departments' workforce planning is now improving

2.9 Following the recommendations in the Committee of Public Accounts' 2016 report on consultants and temporary staff, departments committed to producing strategic workforce plans by the end of December 2016. The Cabinet Office is supporting departments in the production of the workforce plans and has set out expectations of the content of departmental strategic workforce plans (**Figure 8**).

2.10 Given that departments' data tend to focus on short-term headcount, some of these requirements are ambitious. For example, a gap analysis between current and future positions requires more data and sophistication in analysis than we have seen to date. The Cabinet Office is due to update the Committee on progress, including naming those departments that are lagging behind.⁴⁴

2.11 At the start of the workforce planning process, the Cabinet Office asked all 17 departments for workforce data including forecasts of how many staff they would need in each profession over the next five years. The Cabinet Office knew departments would not be confident in that data but believed this process would be necessary to help develop a common understanding of the limitations of the data. Five departments could not provide the information at all. Of the 12 that did provide the information, six had 'low confidence' in its reliability and only one was highly confident.

Figure 8

Cabinet Office expectations of the content of departmental strategic workforce plans

The Cabinet Office has set comprehensive expectations for workforce planning

Workforce plans must:

- cover five years;
- align with departmental strategic objectives and plans (including the single departmental plan);
- describe the baseline position and future end-state, including a gap analysis and how the department will transition to the desired end-state;
- contain or refer to a 'skills gap resourcing plan', including capability and capacity by function/profession;
- contain or refer to a resourcing strategy;
- provide pay bill information; and
- contain workforce data on: full-time equivalent staff, grade mix, professions and functions, locations, diversity, starters and leavers, use of temporary staff and consultants.

Source: Cabinet Office documents

44 HM Treasury, *Government responses on the Thirty-fourth to the Thirty-sixth reports; the Thirty-eighth; and the Fortieth to the Forty-second reports from the Committee of Public Accounts*, Session 2015-16, Cm 9323, July 2016.

2.12 The Cabinet Office also asked each department to score itself from 0 (underdeveloped) to 4 (embedded) for seven areas related to its ability to conduct strategic workforce planning. The average score across departments was 2.1 ('developing') for their current capability in workforce planning. Departments intended to improve to reach 3.5 ('managed/embedded') in two years' time. Departments generally rated their capability as only 'developing' for the themes related to workforce information (**Figure 9** overleaf). The Cabinet Office intends to ask all departments to undertake this self-assessment again in spring 2017.

2.13 The Cabinet Office received the draft workforce plans in December 2016 and reviewed them in January 2017. The Cabinet Office told us that the draft plans were a significant improvement, but did not fully meet the criteria it had set out. Our analysis of the 10 draft workforce plans supports this assessment. Those that we have seen show considerable improvement on previous attempts, but remain focused on staff in post and can only give a high-level view of how staffing requirements are likely to change. They continue to show that government has limited information on staff skills and its future requirements. Furthermore, the plans are not aligned to single departmental and functional plans which limits the opportunity to take a cross-government view of capability.

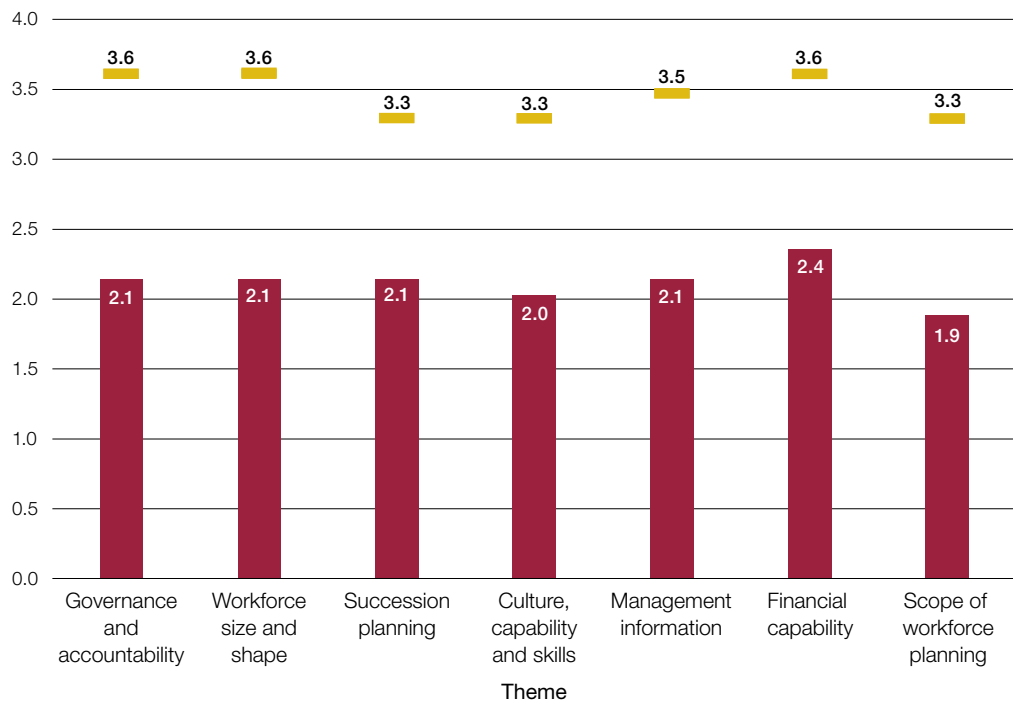
2.14 The Cabinet Office is continuing to support departments and functions with the development of their plans. The steps they are taking include:

- Starting to develop a programme of work that will identify opportunities to improve strategic workforce planning capability and processes across the civil service. This involves the Cabinet Office gathering insights from human resources directors and other senior leaders on their understanding of their workforce now and in the future, challenges in workforce planning, and opportunities to improve. The Cabinet Office plans to put in place three pilots to help develop an operating model for workforce planning and share good practice.
- Departments and functions are starting to identify whether specialist skills are available from the private sector. For example, the Department for International Trade is testing the market to understand if it has the experts that government requires. The Cabinet Office has been supporting departments and functions with this.
- Civil Service Learning commissioned a demand-forecasting activity across the civil service in December 2016. Human resources directors and their learning and development teams were asked to estimate where they intended to invest in their workforce based on their skills needs. This was to help inform if or where there are any gaps in the Civil Service Learning offer.

Figure 9

Departments' self-assessments of their workforce planning capability, 2016

Average score across departments assessment



- Current assessment
- Intention for two years' time

Theme

- Governance and accountability
- Workforce size and shape
- Succession planning
- Culture, capability and skills
- Management information
- Financial capability
- Scope of workforce planning

Criteria from Cabinet Office's survey of departments

- An inclusive governance involving all stakeholders and clear lines of accountability.
- Systematic process for mapping current and future workforce needs.
- Current and future capability defined, with an established process for identifying critical roles.
- Developed understanding of current and future capability and skills.
- Consistent and creditable workforce data.
- Close integration between workforce, financial and business planning, with financial assumptions based on robust workforce predictions.
- Workforce strategy covers skills gaps and functions, and is mapped against key business objectives and linked to local workforce plans.

Notes

- 1 Twelve departments responded to the Cabinet Office, and the other five departments did not.
- 2 This assessment was done before some departments' workforce plans were produced and some of their priorities may have changed.

Source: National Audit Office analysis of Cabinet Office data

There are known capability gaps in specialist areas

2.15 In the absence of a complete set of workforce plans and forecasts from either departments or functions, and given the limitations of the data, we surveyed all departments to gather more information. We asked them about their current staffing levels and future needs for commercial, digital, and project delivery staff. We carried out this survey while departments were compiling their workforce plans but before they had the opportunity to quality assure those plans. For each of the three areas, we asked departments to estimate the number of staff they currently have in defined specialist roles, and the staff they will need in five years. We also asked departments about the skills needed for project delivery and commercial capability staff.

2.16 Our survey showed that departments have some 14,100 staff in digital, commercial and project delivery roles and that while departments expect to need more digital experts, they plan to keep overall numbers of project delivery and commercial staff broadly stable. However, they also plan significant change within each of the functions. For example, in some areas, more senior staff will be recruited, while the number of junior staff will be reduced; some of these functions will also invest in training for existing staff (**Figures 10 to 12**).⁴⁵

2.17 Other sources of data show different numbers for staff working in these functions and for the size of the capability gap, but all the evidence indicates the same overall pattern of capability gaps at senior levels and an overall gap for digital skills. The findings from our survey are consistent with the (incomplete) workforce projections collated by government in 2016. These projections indicate that as of 2016-17, there are at least 14,480 civil servants in the commercial, digital, data & technology, and project delivery functions.⁴⁶ The limitations of these projections are set out in paragraphs 2.11 to 2.12.

2.18 However, the Cabinet Office and heads of functions told us that our survey of departments underestimated both the number of staff and the size of the capability gap. Together they estimated the total number of civil servants in these functions as between 22,600 and 40,700. Their estimates included some arm's-length bodies not included in our survey. By contrast, the Office for National Statistics Civil Service Employment Survey shows 26,337 FTE civil servants in the digital, commercial, and project delivery professions (Appendix Three).

⁴⁵ Our survey of the 17 ministerial departments provided an estimate of a selection of job roles of the current commercial, project delivery or digital staff within their organisations (excluding their executive agencies), and an estimate of the number of staff needed in these areas in five years.

⁴⁶ These projections cover only 12 departments, and exclude figures from executive agencies and non-departmental public bodies (such as Defence Equipment & Support in the defence area, among others). Of the 17 departments, only 12 provided workforce projections, since five departments could not provide this information. Of the 12 that did provide the information, six had 'low confidence' in its reliability and only one was highly confident.

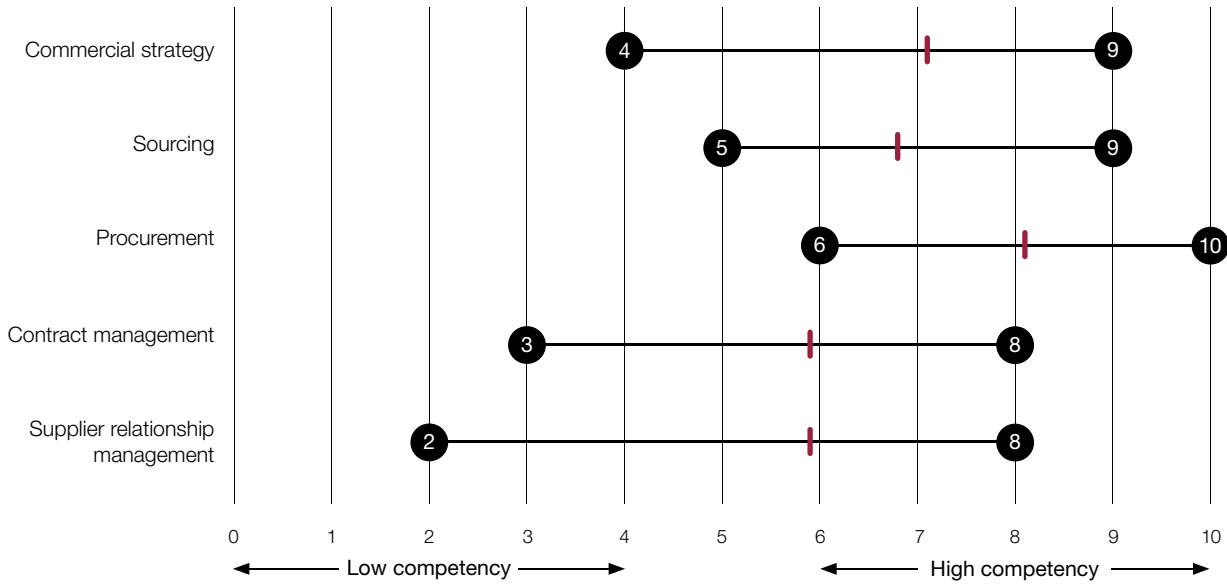
2.19 We have set out the known capability gaps in the specialist areas in the figures over the next few pages:

- **Commercial (Figure 10** on pages 34 and 35)
Government has prioritised developing commercial skills since a series of contracting scandals in 2013. In 2014, we reported that it had systematically underinvested in managing contracts and the problems were deep rooted and cultural. Government is attempting to transform the procurement profession into a commercial function. It requires a different skill set to that traditionally developed by procurement teams and government believes it will require more senior staff.
- **Project delivery (Figure 11** on pages 36 and 37)
In recent years the project and programme management profession has focused on ways of improving the leadership of infrastructure and capital projects. Both the IPA and departments have started projects to develop capability.
- **Digital (Figure 12** on pages 38 and 39)
Government has set out its aim to have world-leading digital services with the capability to match. It is also seeking to reduce its reliance on outsourcing IT providers. Departments face a twin challenge of adopting new digital technologies and ways of working while building in-house IT capability that until recently were mostly outsourced.



Figure 10
Commercial capability

Departmental commercial directors told us their departments were relatively strong in procurement, but weaker in contract management and supplier relationship management

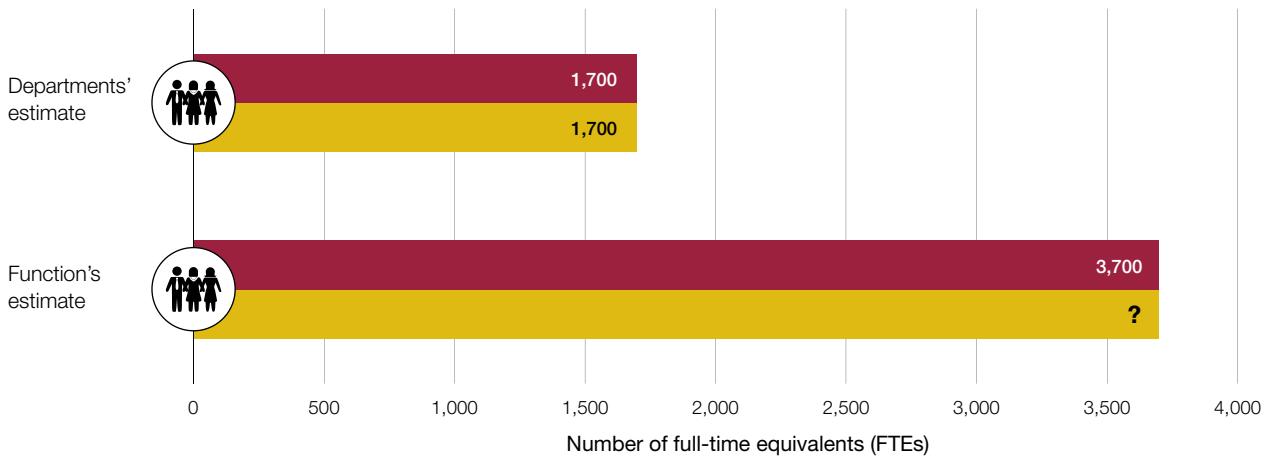


— Average

Note

1 Two departments did not respond to our commercial survey: HM Treasury and the Home Office.

Departments told us that they do not believe they need more commercial staff over the next five years. The commercial function estimates that its current number of staff is higher than departments' estimates, but supports that no more commercial staff are needed over the next five years



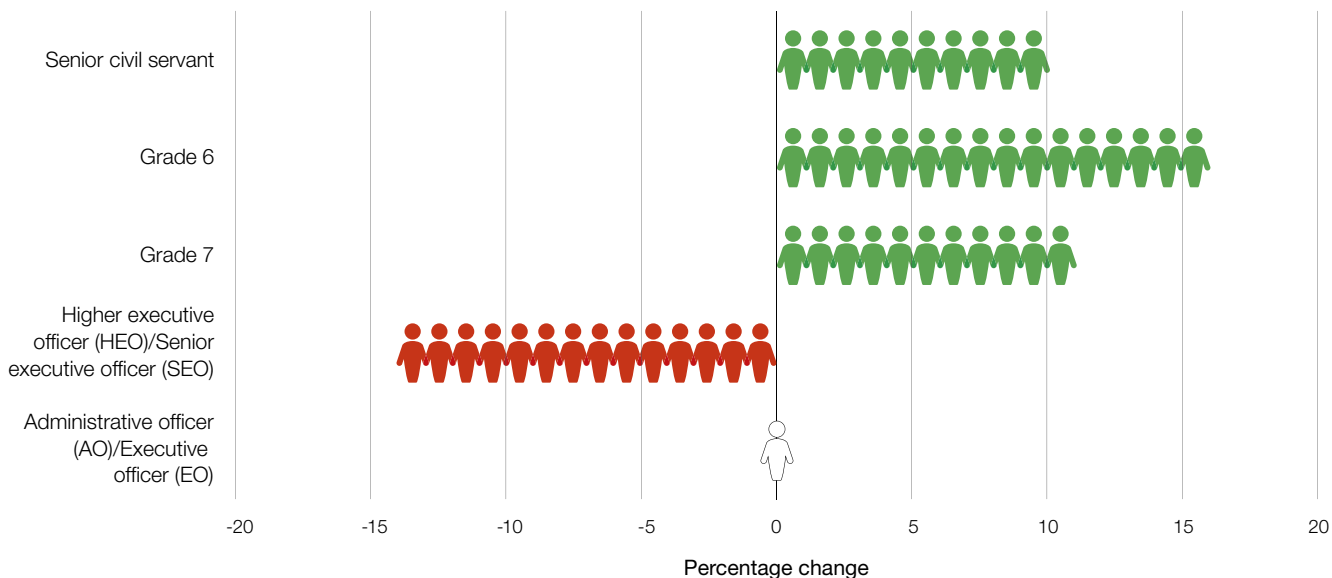
■ Currently ■ Needed in five years' time

Note

1 The commercial functions data puts the number at 3,700 FTE for the whole profession in 2015-16. This is in the function across both Ministerial Departments and their executive agencies (excluding non-departmental public bodies and non-ministerial departments). Our survey excluded executive agencies, which may account for some of the difference.

However, departments intend to recruit and promote more senior staff and reduce the number of junior staff

Percentage change in grades in the commercial workforce, 2016 to 2021



	AO/EO	HEO/SEO	Grade 7	Grade 6	Senior civil servant
Percentage change in that grade between 2016 and 2021 (%)	0	-14	11	16	10
Departments' 2016 estimate	6	706	439	290	285
Departments' 2021 forecast	6	606	489	338	315

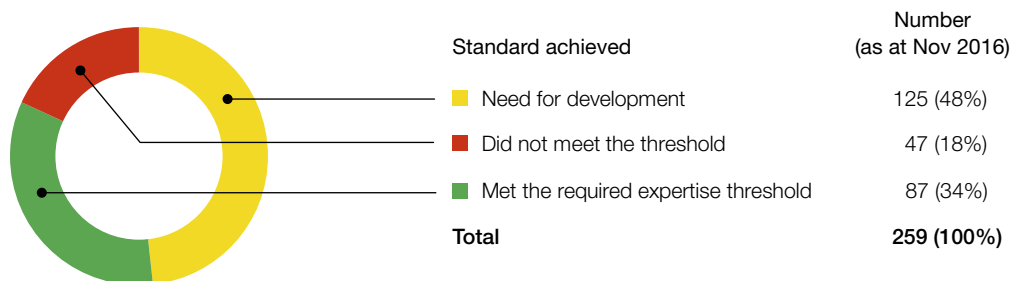
The estimated increase in annual staff costs between 2016 and 2021, based on these departmental estimates, would be around **£7 million using civil servants** or **£16 million using contractors**

Note

1 Analysis by grade and total numbers do not tally due to rounding.

The Commercial function is making progress in understanding the skills of its current workforce

The commercial function is the only one to start a systematic assessment of the skills of its workforce



Notes

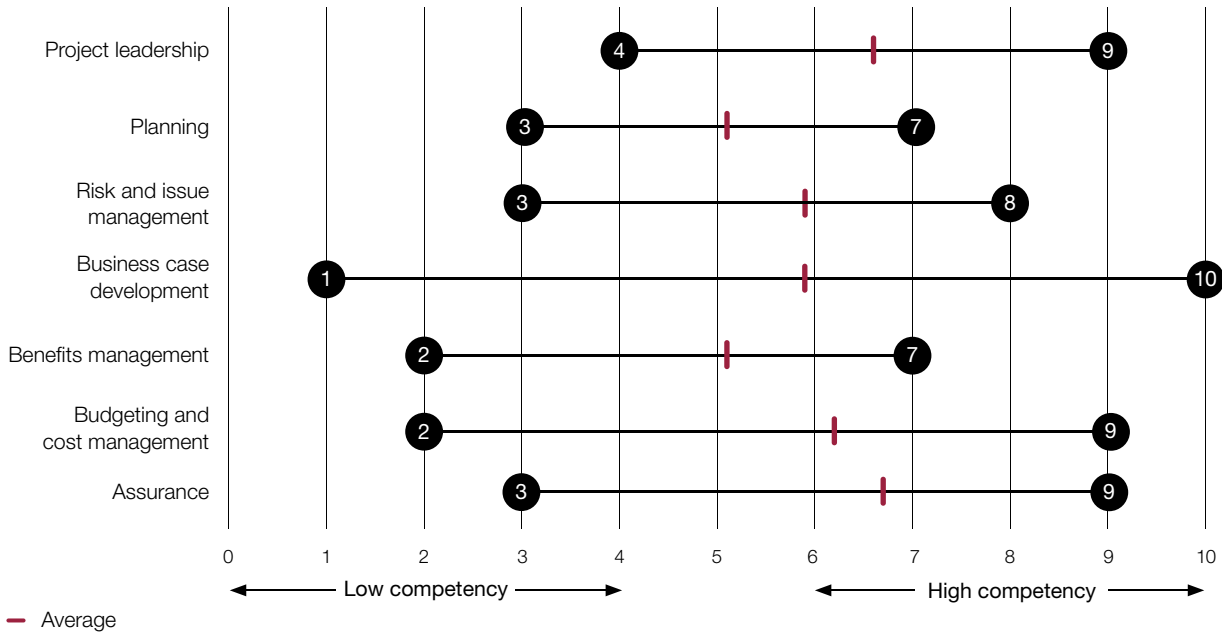
- 1 The 18% that did not meet the threshold includes those where the department or the individual choose not to put the individual forward to the assessment centres.
- 2 To join the Government Commercial Organisation, applicants including those already in commercial roles in departments must undergo a day long assessment centre.

Sources: National Audit Office survey of all department and commercial function



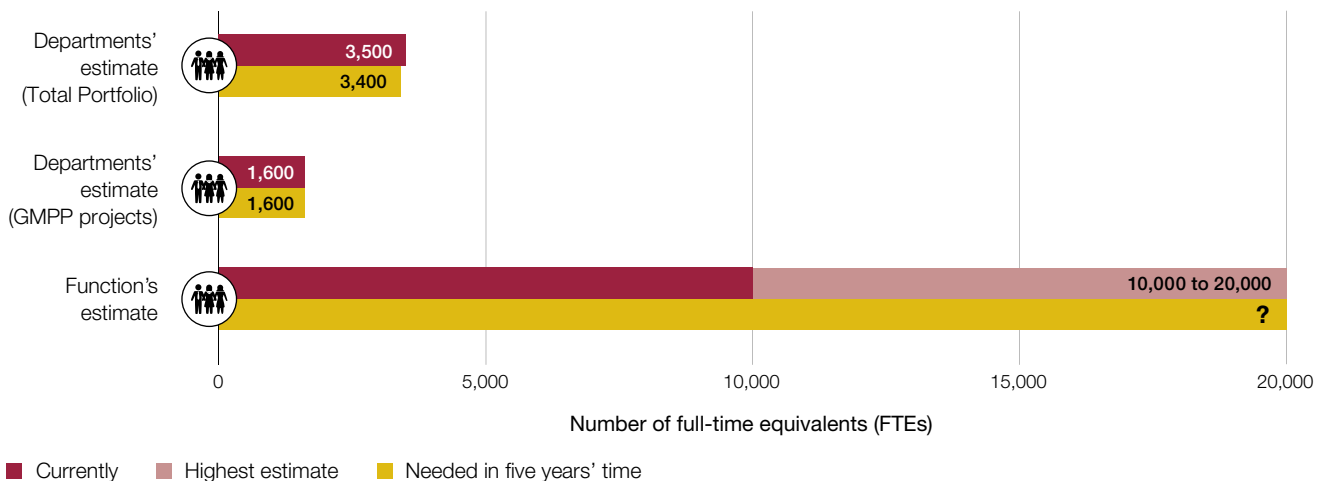
Figure 11
Programme management capability

Project delivery respondents felt their departments were stronger in assurance and project leadership, but weaker in planning and benefits management



Note
1 One department did not respond to our programme management survey: HM Treasury.

Departments told us that they do not believe they have gaps for project delivery staff over the next five years. But departments are likely to have underestimated the capability gap

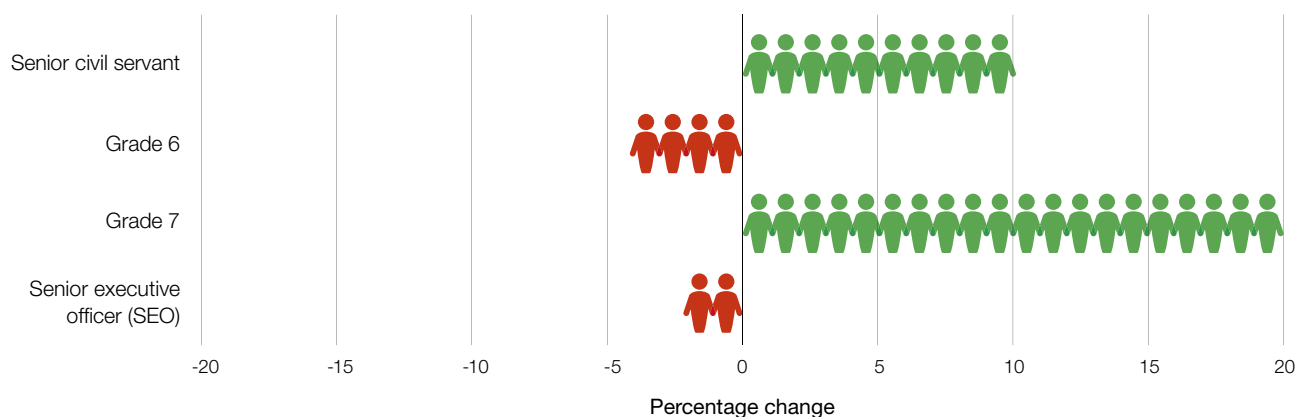


Senior officials with responsibility for digital and project delivery skills told us that the extent of the capacity gaps that departments reported to us underestimates the scale of the capability problem. The Infrastructure and Projects Authority's view is that departments find it difficult to predict future project delivery staff levels and skills because of uncertainties about the size of their future project portfolio.

Note
1 The 'capability gap' is the difference between specialist staff currently employed by government in a given specialism, and the specialist staff departments think they will need in five years.

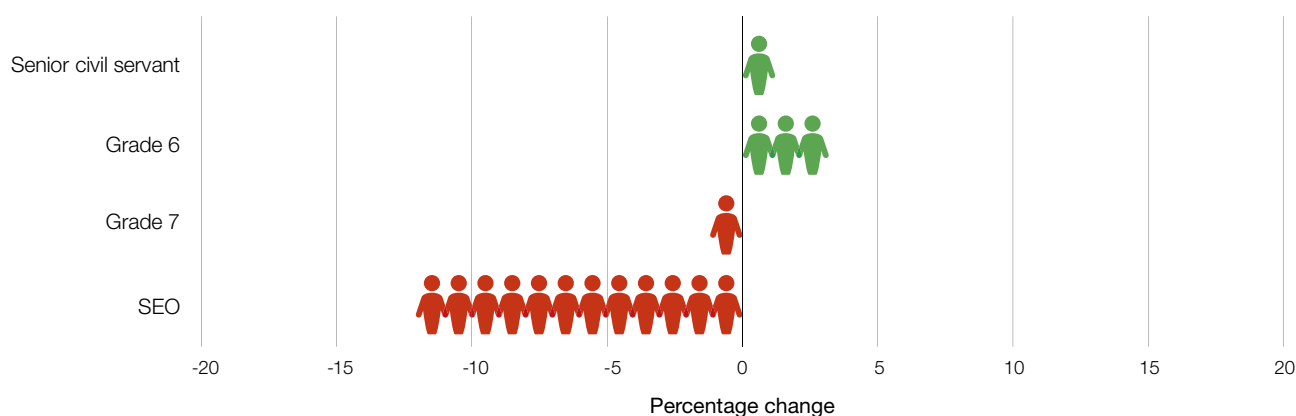
For both GMPP and total projects departments intend to recruit and promote more senior staff and reduce the number of junior staff

GMPP projects



	SEO	Grade 7	Grade 6	Senior civil servant
Percentage change in that grade between 2016 and 2021 (%)	-2	20	-4	10
Departments' 2016 estimate	538	252	500	304
Departments' 2021 forecast	527	303	482	333

Total projects



	SEO	Grade 7	Grade 6	Senior civil servant
Percentage change in that grade between 2016 and 2021 (%)	-12	-1	3	1
Departments' 2016 estimate	998	551	967	1,013
Departments' 2021 forecast	879	544	992	1,026

The estimated increase in annual staff costs between 2016 and 2021, based on these departmental estimates, would be **£5 million using civil servants** or **£6 million using contractors**

Notes

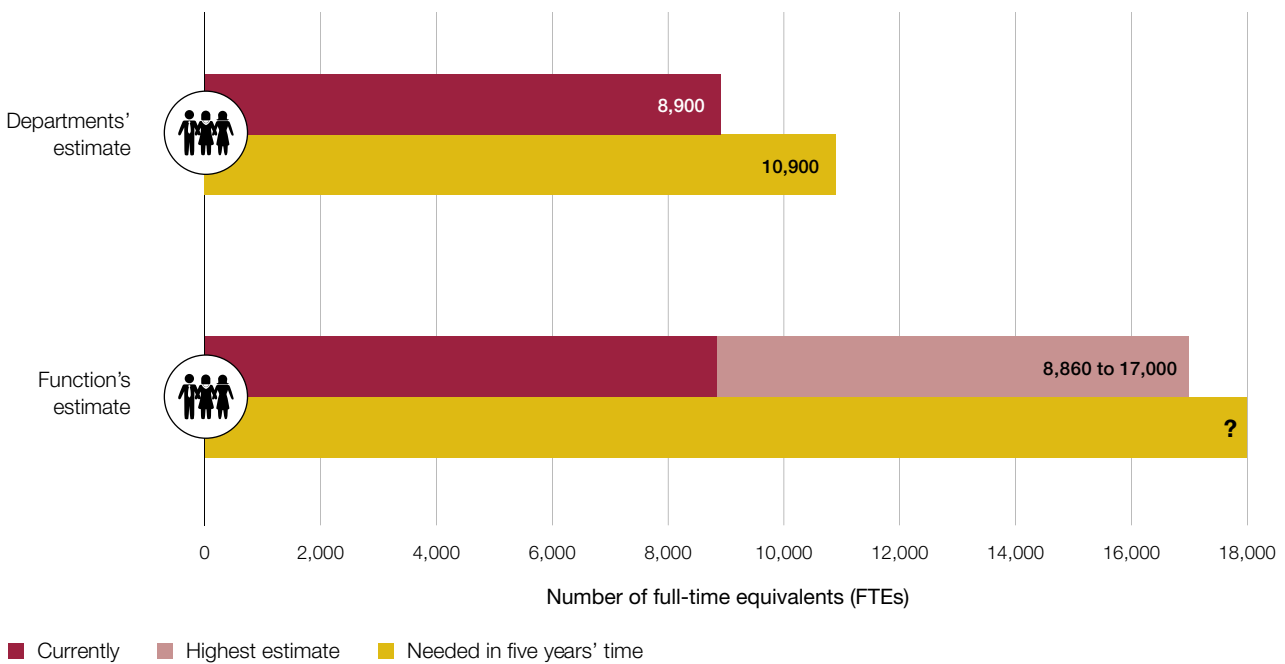
- 1 The percentage represents the percentage change in the grade between the two years.
- 2 Analysis by grade and total numbers do not tally due to rounding.



Figure 12
Digital capability

Of the three specialisms we examined, government faces a large capacity gap for people with digital skills. But departments are likely to have underestimated the capability gap

Our survey of departmental digital, data and technology leaders found that departments reported a total headcount gap of some 2,000 staff. This is the difference between the number of current staff and the number needed in five years to carry out government’s digital and technology-enabled change projects.

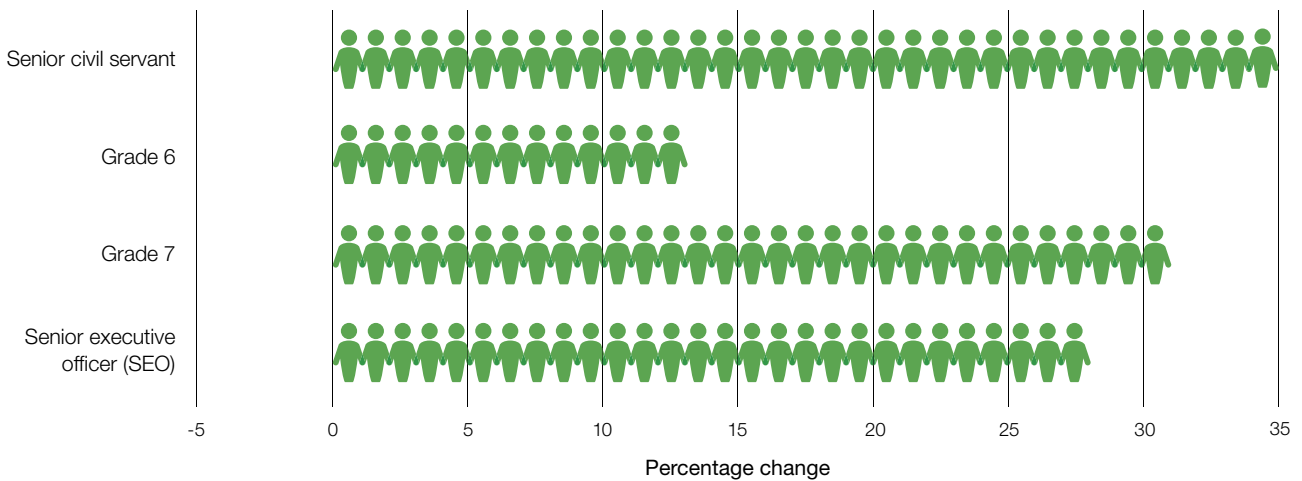


Notes

- 1 One department did not respond to our digital survey: HM Treasury.
- 2 The 'capability gap' is the difference between specialist staff currently employed by government in a given specialism, and the specialist staff departments think they will need in five years.
- 3 Some of the staff estimates for digital date back from 2015; others were updated by departments in 2016.
- 4 The function's estimates indicate that the current number of digital staff or individuals with Digital, Data and Technology-specific capabilities working in central government is between 8,860 and 17,000.

The Government Digital Service (GDS) told us that digital capability needs in five years are impossible to predict because they depend on ministerial priorities, and that only short-term (one year) forecasts of capability needs are likely to be accurate. Senior officials with responsibility for digital skills told us that the extent of the capacity gaps that departments reported to us underestimates the scale of the capability problem.

GDS aims to train at least 3,000 people a year in digital skills. For instance, departments may need to reprioritise projects and fill skills gaps in coming years because of internal change programmes and external challenges such as exiting the European Union.



	SEO	Grade 7	Grade 6	Senior civil servant
Percentage change in that grade between 2016 and 2020 (%)	28	31	13	35
Departments' 2016 estimate	3,215	1,761	3,539	352
Departments' 2020 forecast	4,106	2,300	3,999	473

The estimated increase in annual staff costs between 2016 and 2020, based on these departmental estimates, is **£145 million using civil servants** or **£244 million using contractors**

Notes

- 1 The percentage represents the percentage change in the grade between the two years.
- 2 Analysis by grade and total numbers do not tally due to rounding.

Sources: National Audit Office survey of all department

Part Three

Government's plans to address specialist capability gaps

3.1 Following the *Civil Service Reform Plan*, government introduced the functions as a way of professionalising the civil service and developing the specialist capability it needs in areas such as commercial and project delivery.⁴⁷ This part of the report considers the progress that functions have made and the scope for recruiting specialist staff from the private sector.

Most functions are not yet mature or embedded

3.2 The 11 functions are intended to enable the civil service to develop specialist capability in-house by providing central leadership, professional standards, career paths and talent pipelines for civil servants to develop their specialist skills and careers (Appendix Three). Government said it believes that “the most effective method of developing key skills is through cross-departmental functions”;⁴⁸ while the Chief Executive of the Civil Service described functions as “part of the glue that binds government together – providing expertise where it is needed, when it is needed”.⁴⁹

3.3 The functions are at very different stages in their development, in part reflecting their different histories. For example, some had existed as corporate activities in departments for some time, such as human resources and finance; others were already centralised expert services such as the Government Legal Department and UK Government Investments.

3.4 To evaluate the progress that each function has made, we identified six expectations of a corporate function that would enable it to be effective in developing and deploying specialist capability. **Figure 13** on pages 42 and 43 shows a visual representation of the functions' progress. Each pillar represents one of our expectations and comprises 11 stones, with each stone representing one functional activity. Functions were stronger in the areas of setting out their strategy and vision, but weaker in including data and how they will measure success of the function.

⁴⁷ HM Government, *The Civil Service Reform Plan*, June 2012.

⁴⁸ HM Treasury, *Government responses on the Thirty-fourth to the Thirty-sixth; the Thirty-eighth; and the Fortieth to the Forty-second reports from the Committee of Public Accounts*, Session 2015-16, Cm 9323, July 2016.

⁴⁹ John Manzoni, ‘*Strengthening the “glue” of government*’, Civil Service, 7 June 2016. Available at: <https://civilservice.blog.gov.uk/2016/06/07/strengthening-the-glue-of-government>

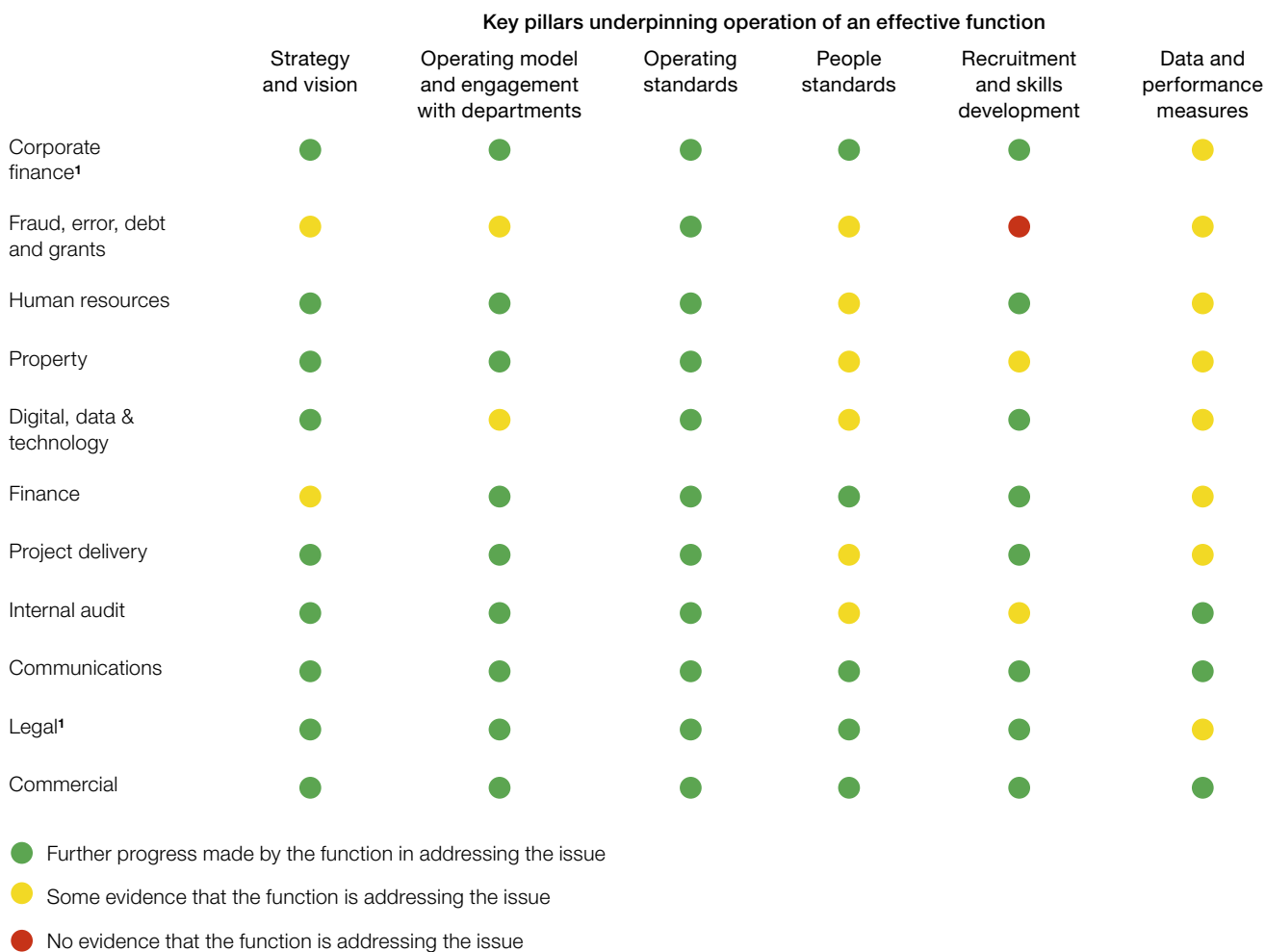
3.5 We found that the functions have started to build the infrastructure and systems that will enable them to have an impact on capability, such as better definitions for operational and people standards. However, some functions are ahead of others in this respect and none are properly embedded across the civil service as leading in workforce planning in their area of specialism. The more centralised functions such as the Government Legal Department and UK Government Investments have, at this stage, tended to establish standards for their own organisation. The larger functions have taken a more cross-departmental approach.

3.6 Functions are starting to put in place a range of initiatives to develop capability, recruitment, and skills. Some have a broad set of activities under way within this pillar, while others are more limited (**Figure 14** on pages 44 to 45). The commercial, digital, data & technology, and project delivery functions have several activities under way to improve their capability, focusing on better recruitment and development (**Figure 15** on pages 46 and 47). But while these initiatives have the potential to have an impact on the long-term capability of the civil service, this could take many years. Fast streams and apprenticeships, for instance, will not improve leadership capability for many years. Academies can raise awareness of the right issues, but their graduates will take many years of applying that learning on-the-job before they become experienced experts.

3.7 The functions' long-term success depends on achieving the buy-in of both departments and specialists. Previous attempts at civil service reform have floundered in part because they failed to get traction with either departments or civil servants. This 'matrix-management' approach is not common within the civil service. The functions involve new ways of working. They cut across traditional lines of accountability and require considerable collaboration across departments and between departments and the Cabinet Office. Functions rely on civil servants identifying themselves as specialists and to associate their career options with both the cross-government functions and the functions' career paths. For instance, senior commercial specialists are being asked to undertake an assessment as a requirement for joining the Government Commercial Organisation – part of the Cabinet Office. This organisation will employ all senior commercial specialists on enhanced pay and conditions, although the individuals will continue to work within their existing home department.

3.8 Departments still need to work out the implications of functional leadership on how they integrate specialists into their teams, and how they ask staff to operate on both a departmental and cross-government basis. Previous reports have pointed out the cultural challenge for specialists of combining successfully with departmental teams dominated by generalist, policy-oriented civil servants. One of the starkest examples of how this can go wrong is the Rural Payments Agency and Government Digital Service's failure to work effectively together on Common Agricultural Policy delivery. Departments have yet to set out how they will adopt functional leadership and its implications for their working practices.

Figure 13
Key pillars of an effective function



Note
 1 The corporate finance and legal functions operate differently from other functions: their functional staff are clustered within UK Government Investments and the Government Legal Department respectively.

Source: National Audit Office analysis of functions' documents

Pillar**National Audit Office assessment of the functions****Strategy and vision**

All function plans include a vision, but they are not published so communication of the vision and strategy is limited. While the plans do define functions' objectives, there are wide variations in details on how success will be measured.

Functional operating model and engagement with departments

Departments are not obliged to engage with functions, and the Cabinet Office has no minimum expectations about departments' use of the functions. However, the success of functions depends on departments taking up the functional 'offer'. Very few functions' plans set out how the function will engage with departments and arm's-length bodies.

Specialists in departments told us that the lack of a coherent approach has at times frustrated them. This can happen when functions take different approaches to similar issues such as pay flexibility. They also faced cultural challenges when working with departmental teams led by generalist, policy-orientated civil servants.

**Operating standards
People standards/
professional standards**

Most functions have identified operating standards, but few standards are detailed enough to specify the skills required. People or professional standards, such as those within a competency framework, are fundamental to understanding capability requirements. Nine functions have set out expected competencies of their specialists. However, as with operating standards, few functions have any means to assess whether staff meet the people standards.

**Recruitment and skills
development**

Functions provide a profession-based focus for securing specialist capability. Pay and recruitment have been high-profile issues for functions, and some have sought flexibility to pay specialists more than other civil servants. Some functions have central recruitment of senior specialists, but these are at an early stage so it is too soon to see the impact.

Functions recognise the need for a sustainable approach to building capability. Some are emphasising career pathways to develop the deep expertise and experience needed. They are setting up specialist fast streams, and five have apprenticeships schemes to develop people from entry-level grades. Seven are developing skills through training academies such as the Major Projects Leadership Academy.

Functions recognise that they could be stronger still in developing specialist capability. In a self-assessment exercise in October 2016, nine of the 11 functions scored themselves on talent management and reported they were making good progress but had further to go to meet their aspirations.

Data and performance measures

The functional plans were weak on information about their workforce and how they would measure success. Some functions are measuring specialist skills; for example, all senior commercial specialists now have their skills levels assessed. The Chief Executive of the Civil Service conducts quarterly performance reviews of each function. However, we understand that these are still at an early stage.

Figure 14
Maturity of functions: recruitment, training and development and pay

Functions have developed skills-related initiatives to varying degrees










	 Recruitment initiatives	 Training and development	 Pay
Commercial 	GCO recruits via its Fast Stream and Apprentices , who are then taken on by departments	Government Commercial College went live on Civil Service Learning website in April 2016	Offers higher base pay and performance-related pay
Communications 	Fast Stream (4 yr) programme launched in October 2016. Assistant Information Officer/ Information Officer entry-level recruitment process	Communications Academy (since 2014) (2 days). Aspire Programme offers internal training courses. Inspire Programme for future senior leaders launched in January 2015. Cross-government Early Talent (2 yr) training programme supports promotion to grade 7	No current initiatives
Corporate finance 	No current initiatives	A programme of core and advanced training is being procured, developing skills in public finance, corporate finance, and corporate governance	Able to offer higher pay rates as pay not constrained by civil service pay bands for those joining UKGI from outside the civil service
Digital, data & technology 	Fast Stream launched in 2014 provides entry routes. Plans to create a national structure with 40 defined roles aligned to skills of digital professionals (October 2016)	GDS Digital Academy launched in September 2016, building on Department for Work & Pensions' Academy	Pay flexibility reforms depend on approval from HM Treasury. They are suggested based on the development of a common taxonomy for digital roles (and their associated capability levels). GDS expects the work on classifying digital roles to be completed by March 2017
Fraud, error, debt and grants 	No current initiatives	Plans in place to agree a training and skills approach, for example the Grants Centre of Excellence	No current initiatives
Finance 	Finance Fast Stream and Fast Track Apprentice schemes launched in 2015. Career Pathways tool launched in 2016 (through the Government Finance Academy)	Government Finance Academy launched in 2016. Oversees the Civil Service Learning finance curriculum for non-finance professionals	Exploring options to develop the pay offer for targeted roles

Figure 14 continued

Maturity of functions: recruitment, training and development and pay

Functions have developed skills-related initiatives to varying degrees

	 Recruitment initiatives	 Training and development	 Pay
Human resources 	Structured Fast Stream to recruit HR professionals at graduate level, Civil Service-wide recruitment campaigns and talent programmes	HR career pathways launched in March 2017 and memorandum of understanding with CIPD (professional body) to develop capability and related interventions	No current initiatives
Internal audit 	Structured 'fast stream' training scheme to recruit and develop new auditors. Launched a formal trainee programme and an apprenticeship scheme in 2015-16	No current initiatives	No current initiatives
Legal 	Career Pathways Toolkit launched in November 2015 to match skills against different roles. Legal Trainee Scheme	Good Manager Programme launched in 2015-16 to support new and inexperienced managers	No current initiatives. In early stages of data collection exercise to review reward structures
Project delivery 	Project Delivery Fast Stream launched in 2015 and apprenticeship scheme launched in 2016. Coordinate external recruitment across government for key project management vacancies	Major Projects Leadership Academy launched in 2012, Project Leadership Programme , Orchestrating Major Projects	In early stages of data collection to inform future work on reward structures
Property 	Cross-government property apprenticeship scheme launched in 2016. Plans to establish Fast Stream	A full curriculum of around 120 learning and development opportunities spanning eight professional disciplines, linked with a number of professional bodies	No current initiatives

Source: National Audit Office analysis of functions' documents

Figure 15

Functional activity to increase capability

Function**Commercial****Actions under way to increase capability**

Building commercial capability is one of the government commercial function's highest priorities.

The function has set out detailed standards for commercial specialists, including business acumen, procurement and supplier management. It used these to assess the capability of over 600 staff over the last year (see Figure 10 on pages 34 and 35), to help target their development work. The function has set up the online Government Commercial College and will set up a Commercial Academy to improve the quality of training.

For the most senior commercial specialists (Senior Civil Service/Grade 6 and shortly Grade 7) the government has set up the Government Commercial Organisation (GCO). The GCO will directly employ these senior grades, with the senior staff working within their departmental structures. To improve recruitment and retention, the GCO has put in place a 'market relevant' reward package and a central recruitment hub. There is now a commercial fast-track apprenticeship scheme (lasting two years), and a commercial scheme within the civil service fast stream (lasting four years).

The function has also introduced talent management and data gathering for succession planning across departments. It will be extending the training and accreditation and, if required, recruiting services to arm's-length bodies. Simultaneously, work has started to scope out the training and accreditation of contract managers, beginning with those who manage the largest and most complex contracts.

Digital, data & technology

The Government Digital Service leads the digital, data & technology function.

In 2013, the digital, data & technology function established a senior civil service recruitment hub to provide departments with specialist knowledge, market insight and expertise to recruit senior leadership roles. The hub has helped to recruit 120 permanent digital, data & technology senior leaders. In addition, since 2014 some 250 people have participated in the digital and technology fast stream and fast-track apprenticeship schemes.

The function is developing a common description for digital, data & technology job roles, capability levels and grading. This is to support the introduction of structured career paths. The function also intends to build a capability assessment framework for departments to assess the capability of staff. The function has developed a pay framework to provide a consistent approach to pay and allowances for staff in these roles. It is intended to make the reward package more competitive and to reduce the differences in pay across departments.

The digital academy, created by the Department for Work & Pensions, will transfer to the function in April 2017. The academy's role is to increase capability, by training practitioners and staff outside of the profession.

Figure 15 *continued*

Functional activity to increase capability

Function

Project delivery

**Actions under way to increase capability**

The Infrastructure and Projects Authority (IPA) is the government's centre of expertise for project delivery and operates as the centre of the function across government.

IPA has developed a cross-government career pathway for project delivery covering 19 roles. This framework will be used as the basis for skills assessments at individual, team, project, department and cross-government level.

To build a long-term talent pipeline for the profession, the IPA has recruited apprentices and graduates who will specialise in project delivery. The first intake of the new project delivery fast stream and fast-track apprenticeship (43 graduates and 81 apprentices) have joined. To support the development of the pipeline, the IPA is developing a consistent set of job roles, competencies and learning opportunities to shape project delivery careers. Alongside internal recruitment, the function also coordinates some external recruitment across government.

The Major Projects Leadership Academy provides ongoing training, with some 450 leaders enrolled. There has also been the launch of the new development programme for directors-general and chief executive officers to help build understanding of how to create the right operating environment for project success. There is a core learning curriculum to help build project delivery capability in all civil servants. A new online community facilitates networking and sharing of knowledge.

Source: National Audit Office analysis of documentation from the functions

Government cannot assume that it can readily fill short-term capability gaps by recruiting from the private sector

3.9 To meet its requirements for specialist capability to deliver highly technical projects, the civil service will need to recruit skills from outside the public sector. Some of the skills required are rare and highly sought after.

3.10 Our previous work has found that departments make extensive use of consultants and temporary staff as a flexible part of their workforce, for example when they provide specialist skills or have to deal with peaks in workload. In 2015, we examined government's use of consultants. We found that consultants and temporary staff can be an important source of specialist skills and capabilities that are uneconomic for departments to maintain in their permanent staff.⁵⁰

3.11 There is a risk that the civil service will assume it can simply acquire from the private sector the skills it needs for challenging projects. Project business cases need to address the risk that the skills will not be obtainable even from the private sector. Previously, government set out plans to increase movement of people between the civil service and the private sector.⁵¹ However, government did not carry out these plans.⁵² The most recent *Civil Service Workforce Plan* has set out to develop partnerships with other sectors to help develop skills, and government is currently working on a talent attraction strategy.⁵³

3.12 Recent evidence from the Civil Service Commission indicates that in 2015-16, the government faced difficulties in recruiting senior people to fill specialist posts. Senior recruitment competitions run by the Civil Service Commission in 2015-16 resulted in 34 out of 158 posts (22%) remaining unfilled. Many of these were for posts requiring specialist commercial or digital skills.⁵⁴ In 2015-16, there was an increase in recruitment requiring these skills, however during the course of the year only 12 out of 25 appointments were made. Departments assume that these skills will be available in the private sector. However, across the year, only 26% of the successful candidates came from the private sector: 41% of successful candidates were already civil servants and 33% came from the wider public sector. The Commission also found that pay is a barrier to recruitment to the civil service. The Cabinet Office is doing work to improve the number of people who apply for a senior civil servant role. For example it is developing a recruitment communications plan and the commercial function has introduced new pay scales for accredited specialists, which the Cabinet Office expects will increase the quality and number of applicants to roles.

3.13 Our review of departmental workforce plans, covered in Part Two, suggests that departments do not have detailed resourcing strategies to fill such capability gaps.

50 Comptroller and Auditor General, *Use of consultants and temporary staff*, Session 2015-16, HC 603, National Audit Office, January 2016.

51 Cabinet Office, *Meeting the challenge of change: a capabilities plan for the civil service*, April 2013.

52 Civil Service, *Civil Service Reform Plan: one year on*, July 2013.

53 Cabinet Office and Civil Service, *Civil Service Workforce Plan 2016–2020*, July 2016.

54 Civil Service Commission, *Annual Report and Accounts 2015-16*, July 2016.

Part Four

Exiting the European Union (EU)

4.1 The UK's planned exit from the European Union has significant implications for civil service capability. This part looks at the impact of exiting the EU, on the capability of the civil service and the work it is doing to plan for this.

Exiting the European Union will create new capability needs across government

4.2 On 2 February 2017, the government released its white paper setting out the 12 priorities underpinning its approach to the Exit process. There are four elements that are likely to put pressure on the capability of the civil service over the next few years:

- **Extrication from the EU**

Government needs to negotiate with EU bodies over the form of the new relationship and transition arrangements. Many departments and their policy teams are likely to be involved in supporting the negotiation process.

- **Assumption of EU competencies by UK institutions**

Many departments will need to assume responsibility for activities that are currently managed by EU bodies or will need to make significant changes to their existing organisations. For example, it is likely that the Home Office will have to devise and enforce a new immigration system and HM Revenue & Customs may have to devise new customs arrangements.

- **Negotiating new trade arrangements with the rest of the world**

Through its trade policy group, DIT must deliver against six priorities. They include: establishing the UK as an independent member of the World Trade Organisation; establishing the UK's trade remedies and disputes framework; developing the UK's Export Control Framework and Operations; maintaining and strengthening relationships with other countries, including preparation of new Free Trade Agreements; supporting poverty reduction in developing countries including an aim to ensure continued preferential arrangements; and supporting the government's work on negotiating a new relationship with the EU.

- **Replacement of EU-funded programmes with ‘new’ UK-funded programmes**

£4.6 billion of the EU budget was paid through the UK government and a further £1.4 billion was won by UK public and private organisations through competitions in 2014-15. This included 40% (£2.1 billion) of the total departmental expenditure of the Department for Environment, Food & Rural Affairs and 13% (£0.6 billion) of the total departmental expenditure of the Department for Communities and Local Government.⁵⁵ Both departments will need to plan for the end of these payments, transition arrangements and for any replacement schemes.

The immediate impact on the civil service has been the need to staff up two new departments

4.3 In July 2016, as an immediate response to the referendum, the government set up two new departments: the Department for Exiting the European Union (DExEU) and the Department for International Trade (DIT).

4.4 The 2016 Autumn Statement allocated £412 million of additional funding to support trade policy capability and exiting the EU over the course of the current Parliament. This includes £26 million a year by 2019-20 for DIT and Foreign & Commonwealth Office (FCO). DExEU will receive up to £51 million of additional resource in 2016-17 and up to £94 million a year from 2017-18 until the exit from the EU is complete.

Department for Exiting the European Union (DExEU)

4.5 DExEU is responsible for overseeing negotiations to leave the EU and establishing the future UK-EU relationship. It drew people initially from the Cabinet Office’s Europe Unit, the Europe Directorate of the FCO, and the UK’s Permanent Representation to the EU and from across government. DExEU has since run external recruitment campaigns, recruiting for more junior roles in business support and entry-level policy roles. It expects to have a staff complement of about 400 by the end of the 2016-17 financial year and had filled over 300 of these by February 2017. In addition there are 120 officials based in Brussels who are funded by the FCO. The Department informed us that it will reassess its requirement for more specialist skills as the framework for Exit negotiations becomes clearer.

4.6 Unlike DIT, DExEU is establishing itself in the knowledge that its current remit will end with the conclusion of the Exit negotiations with the EU. As such, DExEU informed us that it is providing new staff with fixed-term appointments or using staff ‘on loan’ from other departments. DExEU is currently working on recruitment and retention strategies to ensure expertise and institutional knowledge is maintained within DExEU for the duration of the negotiation process, and in government more widely after the conclusion of negotiations.

⁵⁵ National Audit Office, *Briefing on EU-UK finances*, December 2016. Available at: www.nao.org.uk/report/briefing-on-eu-uk-finances/

Department for International Trade (DIT)

4.7 DIT is responsible for promoting British trade across the world and providing significant new trade negotiating capability for the UK. It absorbed both the functions and staff from UK Trade & Investment, the relevant trade functions of the former Department for Business, Innovation & Skills, and UK Export Finance. Including an international network of around 1,250 people, DIT had around 2,800 staff by January 2017.

4.8 After it was established, DIT grew its policy function and established a Ministerial Strategy function, drawing on staff from across government. The Department recruited externally for a number of senior roles, including Chief Economist and Director of Communications. It is currently running an external recruitment campaign for a second Permanent Secretary to act as the Government Chief Negotiation Adviser, and to fill 120 junior and middle level roles. DIT and FCO have established a Trade Faculty, attached to the existing FCO diplomatic academy and expects to train people from across the civil service in trade policy and negotiation.

Government has also started to identify and plan for the capability needs of exiting the EU across the other departments

4.9 While DExEU and DIT have lead responsibilities for exiting the EU and trade respectively, negotiation in both these areas will involve most government departments, so that they can draw on the sector, industry and policy specific knowledge of teams across the civil service. DExEU has established a programme management office to oversee and coordinate input from the different departments. DIT will also work with specialist policy teams in other government departments during trade negotiations, particularly from the Department for Environment, Food & Rural Affairs, the Department for Business, Energy & Industrial Strategy, and HM Treasury. Most departments have already, or are likely to need to, set up new teams to coordinate their departments inputs to both DExEU and DIT.

4.10 In summer 2016, the Cabinet Office conducted a cross-government EU exit capability review and found that 12 of the 17 then main departments identified a 'considerable' or 'significant' impact to their capability in policy, operational and specialist skill areas. DExEU, the Cabinet Office and HM Treasury are currently conducting an updated review with the overall aim of assessing government's readiness for Exit. The stocktake meetings will examine each department's plans for all negotiations scenarios, identify their most critical challenges and derive a list of departmental priorities and commensurate staffing requirements.

4.11 As of February 2017, the civil service has created over a thousand new roles in the new departments and elsewhere to prepare for exiting the EU and negotiating new trade agreements. Two-thirds of the roles have been filled, mostly by transferring staff from elsewhere in government. There has not been a commensurate increase in the overall size of the civil service.

4.12 The Cabinet Office expects that there will be continued demand for specialist skills in six areas relating to exiting the EU across all of government:

- trade negotiation;
- commercial and industry sector experts;
- legal specialists;
- project and programme managers; and
- analysts (including economists, statisticians, data scientists and operational researchers).

4.13 The Cabinet Office informed us that more departments are now recruiting externally for these skills, and there is a challenge to ensure that departments do not compete against each other in the market. It recognises that many of these specialist skills are in short supply in the UK and that it may need to utilise the recently announced pay flexibilities to attract the required level of expertise.⁵⁶

⁵⁶ In January 2017, the Civil Service Commission announced special arrangements and pay flexibilities to enable the civil service to recruit people with the skills it needs for the UK exiting the EU.

Appendix One

Our audit approach

1 We examined government's progress in understanding the skills it needs and developing plans to address any capability gaps. We reviewed:

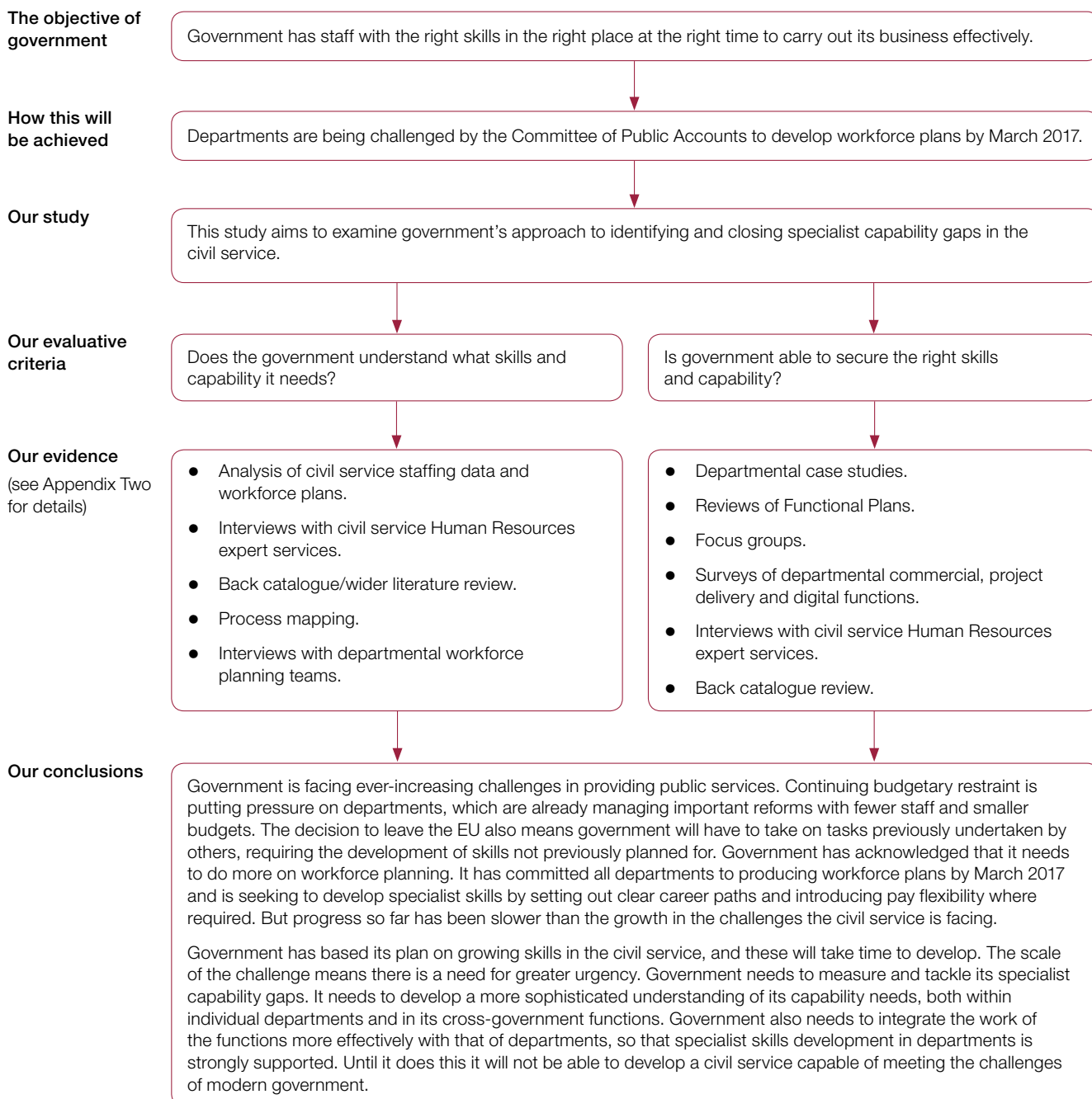
- whether government understands what skills and capability it needs; and
- whether government is able to secure the right skills and capability.

2 We applied an analytical framework with evaluative criteria to examine government's approach to identifying and closing specialist capability gaps in the civil service.

3 Our audit approach is summarised in **Figure 16** overleaf. Our evidence base is described in Appendix Two.

Figure 16

Our audit approach



Appendix Two

Our evidence base

- 1 We reached our conclusions using evidence collected between May and November 2016.
- 2 We examined the following **data**:
 - quarterly Office for National Statistics data on the Public Sector Employment Survey to establish trends in civil service numbers, grades and age over time;
 - the monthly average cost of payroll and non payroll staff from workforce management information data; and
 - the results of the civil service people survey to understand how people felt about change.
- 3 We carried out **departmental surveys** of commercial, project delivery and digital heads of profession or directors in 17 ministerial departments:
 - Our commercial survey asked departments to assess their capability in the areas of commercial strategy and understanding; sourcing; procurement; contract management; supplier management; commercial contract ownership; incorporation of commercial advice in strategy; commercial director oversight; managing contracts differently; governance; and IT systems. The survey also asked for estimates of the number of staff in post and the number that will be needed in five years. Fifteen departments responded to the survey, two did not.
 - Our project delivery survey asked departments to assess themselves on leadership; planning; risk management; business case development; benefits management; budgeting and assurance. The survey also asked for estimates of the number of staff in post and the number needed in five years. Sixteen departments responded to the survey, one did not.
 - Our digital survey updated our 2015 survey on the digital skills gap.

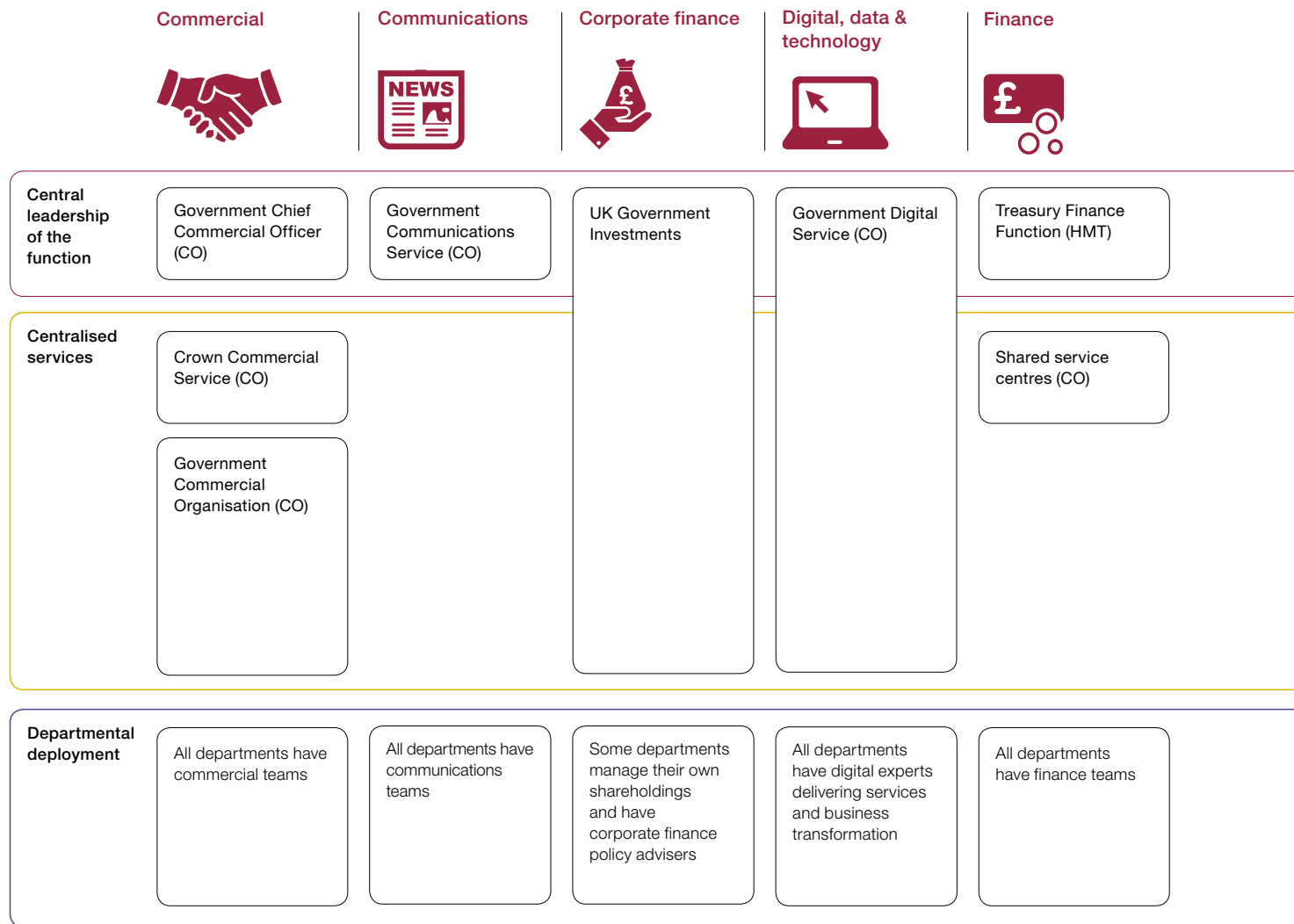
- 4 We analysed the **functional plans** and associated documents for the 11 functions: commercial; project delivery; communications; digital, data & technology; human resources; finance; fraud, error, debt and grants; property; internal audit; legal; and corporate finance. We examined the existing plans for evidence of maturity, and whether they: embedded professional standards into the function; described recruitment and retention initiatives; set out the functions' vision and operating model; and contained the data necessary to run the function.
- 5 We analysed the draft **departmental workforce plans**.
- 6 We examined our **previous reports** on capability gaps across central government.
- 7 We **interviewed** senior staff across the civil service, including:
 - central human resources function and strategic workforce planning teams across central government departments; and
 - workforce planning teams in: HM Revenue & Customs; Department for Work & Pensions; Home Office; Ministry of Defence; Ministry of Justice; and Department for Transport.
- 8 We drew on our reports of past projects to produce **case studies** illustrating the impact of capability gaps on delivery and on cost.
- 9 We reviewed **official and expert literature**, including:
 - the Civil Service Reform Plan;
 - the Civil Service Capability Plan; and
 - the Civil Service Workforce Plan.
- 10 We carried out two focus groups with stakeholders to understand the challenges the civil service faces in attracting, developing and retaining staff, particularly those with specialist skills. The focus groups were centred on:
 - senior human resources staff in departments; and
 - specialist staff and users of civil service functions or specialist support.

Appendix Three

The functions

- 1 **Figure 17** on pages 58 and 59. **Figure 18** on page 60.

Figure 17
The organisational make-up of the functions



Notes

- 1 Some of the bodies have responsibility for both central leadership of the function and centralised services, and overlap the two categories.
- 2 CO = Cabinet Office; HMT = HM Treasury.

Source: National Audit Office

Fraud, error, debt and grants



Human resources



Internal audit



Legal



Project delivery



Property



The Fraud and Error and Grants Team (CO)

Civil Service Human Resources (CO)

Government Internal Audit Agency (HMT)

Government Legal Department

Infrastructure and Projects Authority (CO)

Government Property Unit (CO)

Debt Market Integrator (CO)

Shared service centres (CO)

Civil Service Learning (CO)
 Civil Service Pensions (CO)
 Civil Service Employee Policy (CO)
 Civil Service Resourcing (CO)

Government Property Agency (CO)

Some departments have fraud teams
 All departments have a Grants Champion

All departments have human resources functions

Some departments have their own internal audit functions

Some departments have legal teams

All departments have project delivery teams

All departments currently have an estates function (which some share). Most will transfer to the Government Property Agency

Figure 18
Overview of government's functions

Function	Purpose
Commercial	Enables government departments (and the wider public sector) to deliver their aims at best value for the taxpayer.
Communications	Provides consistent and coordinated communication to help deliver the government's programmes.
Corporate finance	Government's centre of excellence in corporate finance and corporate governance.
Digital, data and technology	Use cross-government digital platforms to support effective and efficient delivery of services.
Finance	Controls spending and reports performance accurately and transparently; uses financial information to make informed decisions.
Fraud, error, debt and grants	Supports and enables government's continuous improvement across fraud and error, debt and grants.
Human Resources	Provides common human resources policies and services to support the whole of the civil service.
Internal audit	Provides in-house internal audit services across the civil service.
Legal	Provides legal advice across the civil service.
Project delivery	Oversees and guides delivery of all project delivery (including the Government Major Projects Portfolio).
Property	Centrally manages government's property estate.

Source: National Audit Office



















Appendix Four

The professions


- 1 **Figure 19** overleaf sets out the number of staff in each profession.

Figure 19

Professions of civil servants by percentage per one hundred staff in 2016

Profession	Full-time equivalent	Percentage (👤 staff per hundred FTE) as at 31 March 2016	(%)
Operational delivery	213,455		55
Tax	26,785		7
Policy	16,573		4
Science and engineering	11,486		3
Finance	11,105		3
Digital, data and technology	10,884		3
Project delivery	10,509		3
Human resources	8,221		2
Legal	7,317		2
Security	5,781		1
Commercial	4,944		1
Property	3,643		1
Communications	3,254		1
Medicine	2,356		1
Planning	2,105		1
Knowledge and information management	2,021		1
Intelligence analysis	1,818		<0.5
Statistics	1,583		<0.5
Psychology	1,219		<0.5
Economics	942		<0.5
Internal audit	934		<0.5
Inspector of education and training	657		<0.5
Operational research	578		<0.5
Social research	540		<0.5
Veterinarian	407		<0.5
Planning inspectors	328		<0.5
Corporate finance	160		<0.5
Other	21,523		6
Non-response	15,497		4
Total	386,624		

People in the priority professions of digital, data & technology, project delivery and commercial make up 7% of the total workforce.



Notes

- 'Other' category is not broken down any further.
- 27 professions are listed in the figure above, but the Gov.uk website states that there are currently 25 recognised professions.

Source: National Audit Office analysis of Office for National Statistics *Annual Civil Service Employment Survey*

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