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Building capability in the Senior Civil Service to meet today's challenges

Key facts

3,616

senior civil servants
in post in April 2012

2,753

senior civil servants who
are deputy directors

£303m

total basic salaries paid
to the senior civil service
in 2011-12

17.4 per cent real-terms reduction in base salary for senior civil servants since 2009

4 out of 15 permanent secretaries at the main delivery departments who have significant operational delivery and commercial experience

**£60,600 –
£78,200** the median deputy director salaries at the lowest- and highest-paying Whitehall departments – a range of 29 per cent

20 per cent the percentage of senior civil servants thinking of leaving within 12 months

2.8 per cent the percentage of senior civil servants who resigned in 2011-12

16.9 per cent the turnover rate of senior civil servants in 2011-12

Summary

1 The Senior Civil Service (SCS) is the group of around 3,600 senior leaders, including 32 permanent secretaries, charged with leading, developing and motivating the 400,000-strong civil service to deliver reformed public services. They must do so at a time of intense budgetary pressure, when departments have gone through significant staff reductions and reorganisations, and have seen low levels of staff engagement.

2 We reported in 2011 that there were significant skills gaps in the SCS.¹ In June 2012, *The Civil Service Reform Plan* recognised that there was a need to change “the culture and skill set” to broaden the experience of senior leaders, especially in operational delivery. The Reform Plan also made clear that the civil service needs senior leaders who are “equipped, motivated and high performing, to drive and oversee ... reform”, creating a “more flexible, open and pacier culture”.

3 In January 2013, we welcomed the ambition of the Reform Plan and emphasised that progress with reform was urgent, as it underpinned the government's chances of delivering further efficiency savings. However, we reported that some aspects of the reform programme had slipped. The lessons from past reforms – that transformation requires sustained leadership and engagement of civil servants – underlines the importance of an effective SCS at this time.²

4 This report assesses how well placed the SCS is to lead transformation. In Part One we review the current profile of senior civil servants and the capability challenges. Part Two considers to what extent there is a strategic approach in place to create and sustain an effective SCS. Part Three looks at how far the elements are in place to implement that strategy successfully. Our methodology is in Appendix One.

Key findings

On the current profile of the Senior Civil Service

5 The Minister for the Cabinet Office and the Head of the Civil Service have described the civil service of the future as “skilled, unified, open and accountable”. To achieve this, the SCS as leaders must exemplify these characteristics. Part of the answer involves changing the mix of people in the SCS, part is about changing the systems and support to bring out the best in those skilled and talented people, but by far the greatest challenge involves changing the long-standing culture of the SCS to create a leadership group that can lead change and think across traditional departmental boundaries. While there has been some progress, there is a long way to go.

6 The government accepts that there are significant skills gaps, particularly in commercial skills, project and programme management, digital delivery and change leadership. However, there are still no reliable data on the skills, professional qualifications or experience of the whole SCS. Data on the jobs senior civil servants do suggest that 29 per cent work in policy development, 14 per cent in operational delivery and 4 per cent in project and programme management. Data on the experience and skills of the 'Top 200' group of directors general and permanent secretaries are better. These data showed that in December 2012, 4 out of 15 permanent secretaries at the main delivery departments had significant operational delivery and commercial experience. The government has committed to increase that proportion, with a stronger focus on these skills throughout recruitment and development, and to move away from a dominant culture of generalism (paragraphs 1.4, 1.11 to 1.15, and 1.22).

7 The SCS is not yet a unified leadership group. To date, there has been no attempt to manage the whole 3,600-strong SCS as one: the Executive Talent Team in the Cabinet Office has oversight only of the 'Top 200'. Below that, directors, and particularly the 2,700 deputy directors, see themselves first and foremost as members of a department, and many have no expectation of moving away from it. There is also no definitive list of senior civil servants. Around 850 individuals, including the whole Diplomatic Service, are not included in the Cabinet Office's database, though they are for certain purposes considered to be part of the SCS (paragraphs 2.5 to 2.8).

8 The government has explicitly committed to open up the service, with more internal transfers and more free flow of skills to and from the private sector, but there are several barriers to progressing this. Although the annual SCS pay offer is set centrally, pay for similar SCS roles varies between departments, for a range of historic reasons, which can prevent the free flow of skills. Many civil servants below SCS level are entitled to pay increments, while the base salary for the SCS has reduced by around 17 per cent in real terms over four years, making promotion to the SCS less attractive for experienced, talented people. Although a large number of senior civil servants have left through early departure, the rate of resignations remains low. As for external inflows, the proportion of new recruits from the private sector fell in 2009-10 as departments cut spending, and has yet to recover. Evidence from departments and the recruitment sector suggests that restrictions on pay and conditions, coupled with concerns about unclear objectives and lack of autonomy, may be restricting the pool of people willing to join the SCS in mid-career from the private sector (paragraphs 1.5, 1.16 to 1.17, 3.5 to 3.6, and 3.24 to 3.28).

9 The government has taken steps to manage the performance of senior civil servants more effectively, but it has yet to achieve real, objective accountability for delivery. The government introduced new performance management arrangements for the SCS in 2011, and has linked pay increases and bonuses more clearly to performance. Permanent secretaries now have published objectives. But, as the government's lead non-executive Lord Browne told the Committee of Public Accounts, there is much further to go before all senior civil servants have a clear, measurable set of objectives against which they can be held effectively accountable. Accountability has also been weakened by turnover in key posts. The government is introducing new requirements, and financial incentives, to keep senior staff in post to see through key projects and programmes. The introduction of senior-level 'service managers', who will be explicitly accountable for all aspects of delivering a public service, is also a promising move (paragraphs 1.14, 3.8 to 3.10, and 3.21 to 3.22).

On the strategy for building and sustaining an effective Senior Civil Service

10 While in the past there was limited maintenance of the civil service's leadership pipeline, a new corporate approach is now in development. For a number of years, internal and external reviews highlighted the need to improve civil service leadership capability. Efforts to address it have included departmental Capability Reviews and the work of the National School of Government – both now ended. However, without an overall corporate approach, improvements were piecemeal, inconsistent, and often not sustained. There has been management of Top 200 succession as required, and a shared approach to recruiting 'Fast Stream' graduates who are then dispersed to departments. In between these two levels, the leadership cadre has been managed in patches only. Certain professions, such as human resources, actively seek to develop and deploy specialists in senior roles across government; larger departments run their own talent development programmes. Starting in 2011, Civil Service HR has been developing its strategy on corporate talent management, and is currently part way through launching a set of new corporate programmes, collectively the Civil Service High Potential Stream, which has the potential to strengthen and join up the pipeline to supply leadership roles (paragraphs 1.20 and 3.12 to 3.15).

11 Until now there have been no clear business drivers for a corporate approach. The autonomy of departments to 'hire and fire' and move their senior staff, the lack of consistent or reliable data, and dispersed workforce planning responsibilities have all militated against cross-civil service coordination. Moreover, historically there has been low turnover in the SCS, and departments have largely been able to fill their recruitment needs. Without a clear strategic operating model and good data on how their skills stacked up against it, departmental boards have not had a clear view of the right size and make-up for their leadership teams. They have also not had adequate visibility of the risks associated with capability gaps, until they crystallised, in the form of project failure or other adverse outcomes (paragraphs 1.14, and 2.2 to 2.4).

12 The case for a corporate approach is now inescapable, but full buy-in from departments will take time. Under intense pressure on cost and headcount, departments are now beginning to clarify their target operating models and their understanding of the skills needed to deliver civil service reform. The benefits of a stronger corporate approach are also becoming clear through the work of the Major Projects Authority and the Government Digital Service. The introduction of Civil Service Human Resources (incorporating Civil Service Learning, Resourcing and Employee Policy) was an innovative move in 2011, but there is much work still to do to achieve fully functioning corporate systems supported by good data. Civil Service HR and the Civil Service Board also have further to go in persuading departments and senior civil servants themselves to buy in fully to the shared approach (paragraphs 1.20, 2.4 and 2.6).

13 The Capabilities Plan for the civil service provides welcome clarity and a commitment to take a strategic approach to capability for the first time.³ It also addresses our recommendations from 2011 on length of postings, learning and development, and the role of managers, for example. The Plan draws together a broad set of actions, not just for human resources (HR) functions or the Cabinet Office at the centre of government, but for permanent secretaries and heads of key professions. It explicitly links these actions to the key capability gaps that have been identified in government (paragraph 6). Importantly, it also links improving capability with other aspects of a stronger corporate approach, such as the centralisation of procurement activity. Many of the proposed changes are designed to target capability in the SCS first (paragraphs 1.22 and 2.9 to 2.10).

On progress and challenges with implementing the strategic approach

14 Some of the tools, processes and structures needed to efficiently deliver a corporate approach to managing the SCS are now in place, but there remains much to do, and some risks to manage. There is now a shared set of civil service competencies, linked to a common framework for assessing senior civil servants' performance, a centralised training offer and common promotion standards. Establishing consistency and trust in the application of these across departments will take time and determination. However, there is some good feedback from managers and staff on the new standards (paragraphs 3.8 to 3.10).

15 A new end-to-end corporate talent management system is being launched to support SCS staff between the Fast Stream graduate entry level and permanent secretary grades, though it is too early to report on its efficacy. The Major Projects Leadership Academy and Commissioning Academy are also setting out to develop the key skills required in civil service leaders. However, the information systems to capture data on skills and talent across the whole SCS are in their infancy: information on skills and talent that is shared and trusted by departments is crucial to getting their buy-in (paragraphs 2.5 to 2.6 and 3.11 to 3.15).

16 The 24 professional networks in the civil service lack influence across departmental silos and their role and accountability need to be redefined.

Currently, the professions vary dramatically in their resources, leverage, membership engagement and information. It is also unclear whether they are the right set of 24 groupings to meet the needs of the modern service. The shift of focus to professions will be a significant one for the SCS, whose culture has been dominated by those with policy experience rather than technical delivery or functional skills. It will also be a challenge to traditional hierarchical decision-making within departments, and it is not clear how that will be resolved. If they are to perform the role set out in the Plan, driving recruitment, deployment and talent management, the professions will need to mature rapidly, and have a clear model of influence (paragraphs 2.8 to 2.10).

17 Against a background of very tight cost control, the government has introduced increased pay flexibility, but this may not be enough to recruit, motivate and retain the right people; anomalies in SCS pay are also a cause for concern.

Morale and motivation are at risk from disparities in pay between internal and external recruits, SCS and lower grades, and between people promoted before and after the pay freeze. Both the Civil Service Commission and the Review Body on Senior Salaries have warned of the need to address these anomalies. The government increased flexibility for departments over pay increases and non-consolidated bonuses in 2013, and introduced a Pivotal Role Allowance, designed to make key posts more attractive. The resignation rate is currently low, but it remains to be seen whether these changes, and a gradual shortening of the pay range, will be enough to retain talented people as the economy improves (paragraphs 1.16 to 1.19 and 3.23 to 3.28).

Conclusion on value for money

18 There are clear capability gaps in the Senior Civil Service, which the government acknowledges. However, the centre of government lacks both useful data on existing skills and talent, and the power to make corporate decisions about deploying people effectively, so it cannot get best value from the leadership talent it has. There is also further to go in effectively measuring what level of performance is actually being delivered. At the same time, the government has yet to establish a clear and attractive offer for current senior civil servants and potential recruits. Therefore, while there are pockets of good practice in departments and professions, the picture does not represent optimum value for money.

19 The government's *Capabilities Plan* describes a new corporate approach to 'buy, borrow and build' capability. The proposed approach is coherent, innovative and ambitious in its vision of a civil service driven by strong technical professions. There has also been progress with the shared corporate arrangements and the tools, such as training and competencies, to support a strategic approach. However, the real challenge is shifting the long-established culture to create a unified, corporate leadership group that can work across departmental silos and make the most of the full range of its skills, and it is not clear how this shift will be achieved. It will also require good quality, transparent data and influential professions, neither of which is yet in place. Progress needs to be rapid, and must involve all senior civil servants, not just those on corporate talent programmes. Otherwise, there is a risk that economic recovery could see an exodus of the most talented and marketable senior people, just at the time that effective corporate leadership is needed to deliver the challenges of the remainder of the Parliament.

Recommendations

20 The Head of the Civil Service and permanent secretaries should:

- a** Clearly define the corporate leadership group, including:
 - which senior civil servants are part of that group;
 - who 'owns' this group, i.e. whether, like the new Fast Stream entrants, some or all of them are to be employed directly by the corporate centre; and
 - what this means for resolving conflicts between the corporate centre and departments, regarding the deployment or reward of individuals.
- b** Leading by example, encourage senior civil servants to be active members of a specialist profession and to keep their profession-specific skills and networks up to date.
- c** Ensure that SCS performance criteria are clear and measurable and aligned with departmental and cross-government objectives.

21 Permanent secretaries, working with the heads of professions and drawing on advice from government non-executives, should:

- d** Set out some clear principles on which the new, stronger role of professions should operate, including:
 - whether there will be new, formal reporting lines to departmental heads of profession;
 - how to give sufficient weight to the opinion of the relevant heads of profession in decisions about SCS recruitment, deployment, performance management and succession; and
 - whether accountability and decision-making arrangements around the new specialist SCS roles, such as 'service managers' and 'digital leaders', will enable them to have a level of influence on strategic decision-making commensurate with their expertise.

22 The Cabinet Office should:

- e** Review, by September 2013, the effects of the changes to SCS pay flexibility and the new Pivotal Role Allowance, and consider what further corporate action may be needed to manage the capability risks from unevenness in pay across the cadre.

23 Civil Service HR, working with the heads of professions, should:

- f** Review whether the current set of 24 civil service professions reflects the specialist networks actually needed in the modern civil service and ensure that there is scope to realign or introduce additional networks when the new Professions Council is up and running.
- g** Review the demographic, performance, skills and other data currently collected on the SCS and the plans for new collections, such as by professions, to identify what data are needed and address duplication and data quality issues. The aim should be to have data collected once and shared, or transparently available where possible.
- h** Review the results of selection of senior civil servants for the new corporate talent programmes, to ensure that they represent sufficient breadth of professional backgrounds and diversity.
- i** Monitor the extent to which departments are releasing senior civil servants to access the new learning curriculum; working with departments, ensuring that learning time is adequately factored into workforce planning to avoid creating additional pressures.