

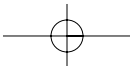
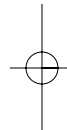
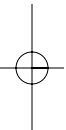
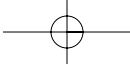


CIVILSERVICE

Capability Reviews

Capability Review of the Department for Work and Pensions





Foreword

The purpose of departmental Capability Reviews is to use honest and robust assessments of future capabilities to identify the specific measures that are needed if central government departments are to play their part in enabling the UK to meet the considerable challenges of the future.

Over the course of the last generation there has been a transformation in the UK economy and wider society. In the era of globalisation, international trends in, for example, migration, production techniques and energy consumption have a profound effect on an outwardly facing nation like the UK. Global competition places a premium on productivity and flexibility. Harnessing new technology, developing new, high-value skills and embracing change have all enabled the UK economy to respond to these challenges, but only because companies, communities and individuals have had to learn to adapt to rapid change. As the pace of change quickens, skills and flexibility will become even more important.

Just as these trends have required a major change in the behaviour of all parts of UK society – corporate, community and individual – the challenges of the future require a response from government too. If the State, through public services, is to enable the UK to thrive over the decades to come, public services and those who deliver them must also become more flexible and adaptable, more individual, more expert, and more professional.

And the environment in which public services are delivered is also changing fast. Migration, an ageing population and changing lifestyles are amongst the factors that have made the UK population – the users of public services – more diverse than ever before. The nature of public services means that often the normal, market-based ways in which suppliers learn what customers think of services are only partly available. But technological and lifestyle changes mean that the public's expectations are rising, as those who use services rightly demand something tailored to their needs and delivered in the way most convenient for them.

Equipping public services for these challenges requires a transformation of the nature of government. The Capability Reviews mark an important part of this process for the centre, with an examination of what the needs going forward are for each Government department.

Underpinning each review is how each department can play the role of enabler. In the modern era of technological change and consumer choice, it is not for government to control or prescribe what people want and receive.

Instead, a clear vision of what the centre should do is fundamental. High-level targets are an important tool, but the centre cannot and should not seek to micro-manage everything. Instead, the centre needs strong strategic capability to set and review priorities, as well as robust systems for managing performance and tackling areas of weakness. Getting the right skills in place, particularly operational skills, is of critical importance. Equally crucial is ensuring that policy is designed in a way

that uses the experience of what works for customers and providers. These are the themes of the Capability Reviews.

Each Capability Review has been carried out by the Prime Minister's Delivery Unit with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments. The teams' wealth of experience provides external challenge and insight as well as contributing to sharing best practice across Whitehall.

I would like to thank and acknowledge the support of the review team for the Department of Work and Pensions (DWP), without whom this report would not have been possible. The members of the team were:

- Paul Coen, previously Chief Executive of Essex County Council and, since May 2006, Chief Executive of the Local Government Association
- Dave Hartnett, Director General, Her Majesty's Revenue and Customs
- Nicholas Holgate, Director General, Department for Culture Media and Sport
- Geoff Russell, Partner KPMG and Director of Financial Change, HM Treasury
- Helen Stevenson, previously Group Marketing Director, Lloyds TSB

This report is just the beginning. The real challenge for DWP comes in implementing what has been identified as needing to be done. Key actions which address areas for improvement have been agreed between the Cabinet Secretary and the Permanent Secretary of the Department. The Prime Minister's Delivery Unit will regularly review progress and provide support to help ensure DWP is on track to deliver.

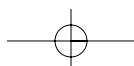
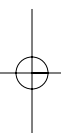
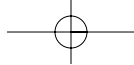


Sir Gus O'Donnell KCB
Cabinet Secretary and Head of the Home Civil Service

July 2006

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The Department's response

The Department has responded to the findings of the review and identified three key strands of action. The Cabinet Secretary will use these to hold the Permanent Secretary to account on progress.

The Permanent Secretary's response

I welcome this report, and its recommendations, unreservedly.

As the report says, the Department for Work and Pensions has much to be proud of. The Department has a record of very substantial achievement, committed and enthusiastic staff, and the vast majority of its daily dealings with millions of our fellow citizens deliver the right outcome in the right way at the right time.

But this report is not fundamentally about what we are doing today. It is about whether we have the capability to improve it in a world where the demands on us will be ever greater and the ambitions for us ever higher. The report finds that in three key areas – leadership, managing for improvement and learning to learn – we can and must do better if we are to rise to the challenge. We have already begun a process of working with our top 300 leaders across the Department to develop a comprehensive and detailed action plan in response to the findings of the review which we aim to have in place by the early autumn. But some of the findings demand a more immediate response and I set out below 10 specific actions that we are taking straightaway.

Building an effective leadership team

The strong and clear structure of our agencies and supporting corporate functions has served us well as a department up to now and delivered a great deal. But it also brings with it the risk of poorly joined-up services for some of our customers, particularly those who are simultaneously the customers of more than one of our agencies, and of inefficiency. Our current business strategy review is addressing these issues. But, in parallel, it is clear that we need increased collaboration across our top management structure and that this must be led from the top by the Executive Team.

Managing for improvement

The review team is right to point to the passion and commitment to delivery that characterise our front-line staff. It is our single greatest strength. But the review rightly identifies that too many of our staff, whilst proud of what they do, are not proud of the Department or of the way they are led. None of that is easy to tackle at a time when we are making major reductions in staff numbers, but the report points clearly to what more we can and need to do. We must ensure that our people have the right skills, are better motivated, understand better what is expected of them, have the right tools to do the job and feel that their views are sought and count.

We must also ensure that our managers at all levels, who carry the day-to-day weight of our business, are clear and committed to the goals of the Department and communicate them passionately and inspiringly to our people whilst actively working with and listening to them.

Learning how to learn

We cannot meet the challenges of the future without knowing what we need to excel at as an organisation and without having a determination to be truly excellent in these areas. Nor can we afford to re-invent the wheel. We must become an exemplar of a learning organisation, constantly looking for and applying lessons from experience – both from our successes and our failures – and learning from our staff. We must develop a culture across the Department that promotes, recognises and rewards learning and continuous improvement at all levels. And we need to build ever stronger partnerships and be more open to ideas and experience from our partners, stakeholders and customers.

Immediate actions

Our action plan will address all of these issues. But we have already decided to take 10 key actions. Specifically, we intend to:

- promote a much stronger collective leadership at the very top of the Department by assessing the performance and reward of the Department's Executive Team, beginning during the course of the current year, on the basis of their contribution to the achievement of the Department's overall objectives as well as their achievement of their individual objectives. We will progressively extend this to the whole of our Senior Civil Service, starting from April 2008;
- by the end of 2006 provide more effective external reference and challenge by appointing non-executive chairs to the boards of all four of our businesses. We will also ask all of our non-executive directors to work together in helping the Executive Team to display and inspire corporate behaviour;
- as part of our business strategy review, which will be completed by the autumn, introduce explicit customer standards and lean processing techniques in order to achieve a step-change increase in our efficiency and an ability to deal with all of our customers' needs irrespective of where and how they make contact with us;
- undertake a review from first principles, to be completed by the end of the current financial year, of the current performance and development system for our staff, with a view to introducing revised arrangements that will both support the delivery of our business outcomes and reinforce and sustain the commitment of our people;
- undertake a pilot programme, commencing later this year, to give front-line staff substantially greater discretion in dealing with their customers, whilst ensuring greater compliance with standard business processes;
- implement a new shared service organisation, as planned, from 1 September this year, to provide significantly improved accounting, payment, debt management

- and employee services, and benchmark its performance against the best in class in both the private and public sectors by the end of 2007/08;
- negotiate performance enhancement agreements, covering the 2007 Spending Review period, with our 10 key providers across our supply chain, on whose services we currently spend some £2bn per year – representing one-quarter of our total departmental expenditure limit – with an ambition of achieving substantial year-on-year improvement in terms of either reduced cost or increased value;
 - put in place by the end of this financial year a specific capability, spanning the Department as a whole and reporting directly to the Executive Team, dedicated to better understanding our customers and their needs so that we can respond to them seamlessly across the Department;
 - take immediate steps to become a more effective learning organisation beginning with the immediate creation of a forum in which the senior operational leaders in each of our businesses and corporate functions will regularly identify developments and initiatives which can be transferred from one part of the Department to others; and
 - appoint within the next three months a Director of Change Management, working with senior managers across the Department and reporting directly to the Executive Team, to provide strategic direction to the implementation of this programme of action and of the parallel business strategy review.

Conclusion

I am privileged to be the Permanent Secretary of the Department for Work and Pensions. It is a department of committed and able people with a great deal to be proud of. The Capability Review will help us make it an even better one. That is what our ministers, the taxpayer and our millions of customers expect and deserve.



Leigh Lewis
Permanent Secretary
Department for Work and Pensions

July 2006

1. The Department

The Department for Work and Pensions aims to:

- **promote opportunity and independence for all;**
- **help individuals achieve their potential through employment; and**
- **work to end poverty in all its forms.**

The Department for Work and Pensions (DWP) was created in 2001 from the former Department of Social Security and part of the Department for Education and Employment.

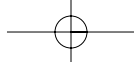
Jobcentre Plus, consisting of the former Employment Service and those parts of the Benefits Agency that provided services to working-age clients, was established in April 2002 as an executive agency of the Department. It aims to provide work for those who can and support for those who cannot, through an integrated set of employment and benefit services administered from modern and customer-friendly offices, supported by online and telephone services. The Pension Service was set up at the same time to provide an integrated, modern service to customers from a number of centralised locations. Set up in 2004, the Disability and Carers Service is responsible for paying a range of benefits to people with disabilities or caring responsibilities. The Child Support Agency, which administers child support, was established in 1993. It is currently undergoing a major redesign led by Sir David Henshaw.

DWP employs around 25 per cent of the Civil Service. It is a delivery department with a relatively small headquarters providing policy and strategic support to ministers, and running shared services.

The Department mostly delivers through its executive agencies and delivery partners. Of its 113,000 full-time equivalent staff, 71,000 work for Jobcentre Plus, 14,000 for The Pension Service, 11,000 in the Child Support Agency and 6,000 in the Disability and Carers Service. The remaining 11,000 staff work in the Rent Service, the corporate centre and a number of central functions such as debt recovery. The Department is also responsible for a number of smaller agencies and non-departmental public bodies (NDPBs).

Every working day the Department places nearly 5,000 people in work, receives 13,000 job vacancies from employers, makes up to 10 million benefit and pension payments, deals with over a million personal contacts and enables an average of 1 million job searches through its Jobpoints and internet site.

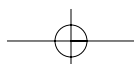
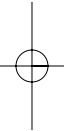
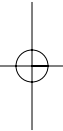
Its annual running costs are £8bn and it administers pensions, benefit payments and welfare to work and other programmes of around £115bn – around 20 per cent of total government expenditure.



The Department's top-level governance consists of a small departmental board with three non-executive directors and an Executive Team, comprising the heads of the agencies, corporate services and client groups (who lead on policy). Both are chaired by the Permanent Secretary and supported by a number of committees.

The Department works closely with a wide range of stakeholders and provides services directly, and through partners, to a wide proportion of the UK's population, including employers, pensioners, jobseekers and people with disabilities. It shares a number of its Public Service Agreement targets with HM Treasury (child poverty and employment) and the Department for Education and Skills (child development and childcare).

Since 2001 the Department has made good progress on many fronts, such as rolling out the Jobcentre Plus network; modernising benefit payment; administering the new pension credit; maintaining high and stable levels of employment, including helping harder to reach groups into work; and modernising its IT and systems delivery through new and improved contracts. It was set challenging efficiency targets and is on target to achieve these, including a 30,000 reduction in headcount.



2. Current delivery challenges

The Department has 10 Public Service Agreement (PSA) targets set in the 2004 Spending Review. Three are joint targets with other departments

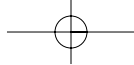
1. Reducing child poverty (with HM Treasury).
2. Improving early years child development (with the Department for Education and Skills – DfES).
3. Raising childcare provision (with DfES).
4. Increasing employment, particularly for disadvantaged groups.
5. Improving workplace health and safety.
6. Paying Pension Credit, particularly to the poorest households.
7. Improving awareness of pension provision.
8. Improving rights and employment opportunities for people with disabilities.
9. Improving Housing Benefit administration.
10. Reducing fraud and error.

As a result of time lags in the availability of data, it is too early to assess progress against the majority of the Department's 2004 Spending Review PSA targets. The Department has 10 PSA targets but some of these have more than one indicator to measure progress. There are 24 such indicators in total, of which the Department has met or is on course to meet 6 and is currently behind trajectory on 4. Progress against the remaining 14 cannot yet be assessed.

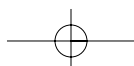
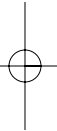
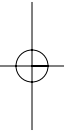
The Department has an efficiency target to realise total annual efficiency gains of at least £960m by 2007/08, of which at least half will be cashable. The Department must also achieve a reduction of 30,000 posts, with a further 10,000 staff redeployed to front-line roles and 4,000 posts relocated outside London and the South East. The Department's performance in these very challenging areas is on target. This is a considerable achievement.

Successes for DWP to date include:

- the roll-out of Jobcentre Plus, bringing together work and benefits, with a strong focus on helping people into work;
- an unprecedented increase in the number of lone parents in work;
- a strong Pension Service, putting the customer at the heart of its process re-engineering in order to achieve better customer experience, better jobs for staff and lower costs;
- a new Disability and Carers Service, beginning to transform its services and valued by its stakeholders and customers;
- stronger partnerships with outsourced providers, including a comprehensive outsourcing of its estate and stronger information systems (IS)/IT leadership across the Department;
- building a new Department, with integrated common corporate services and policies, including the development of integrated human resources (HR) policies;



-
- publication of the recent Green Paper on welfare reform and White Paper on pensions, showing that the Department is able to grapple with significant, tough and long-lasting policy challenges; and
 - delivery of the 2004 Spending Review efficiency challenge. The Department is on track to achieve headcount savings of 30,000.



3. Challenges for future delivery

Since its creation in 2001, the Department has achieved some substantial successes in policy and delivery and has improved its delivery capacity by using IT more effectively. This has been achieved through a strong organisational structure of policy groups and executive agencies, responsible for delivering to specific customer groups.

The Department has an ongoing ‘day job’ of helping people to work, paying benefits and pensions to millions of people every day and administering child support. Over and above this, the Department faces further significant and cross-cutting challenges:

- **reducing child poverty and resolving the long-standing problems with child support and the Child Support Agency;**
- **reforming Incapacity Benefit and pensions; and**
- **rolling out the Pathways service for people with disabilities.**

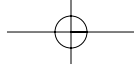
At the same time DWP is making ongoing real efficiency savings and headcount reductions. The continuing volume of change, together with the challenge of sustaining and improving delivery performance, will continue to make substantial demands on the Department and its people.

The Department faces a number of long-term outcome challenges, including ending child poverty, reaching the 80 per cent employment aspiration and ensuring security and independence in retirement.

DWP will be developing new responses to deliver on its strategic challenges, based on an understanding of current and projected performance, and this will be a major test of its strategic capacity.

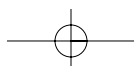
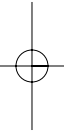
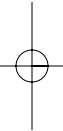
In addition, the Department will take forward a considerable delivery programme:

- A major challenge will be to support more people into employment – particularly from vulnerable groups.
- The Government’s target to halve child poverty between 1999 and 2010 is the Secretary of State’s top priority. This will require more parents to be supported into employment, as well as changes to child support, and joint working with other departments and agencies.
- Rolling out the Pathways intervention regime for people on incapacity benefits.
- Preparing for the equalisation of state pension age in 2010, when women will be expected to work beyond 60, as one aspect of the Extending Working Lives agenda.
- Taking forward pension reforms and leading the Government’s efforts to secure equality for disabled people.



There are also particular organisational challenges for the Department in terms of its leadership and people management:

- The Department will be making 5 per cent real terms efficiency reductions each year from 2008/09 to 2010/11.
- The Department will need to reduce its overall headcount.
- Reforming Incapacity Benefit, as set out in the Welfare Reform Green Paper, is likely to require significant IT change.
- The redesign of child support.



4. Assessment of capability for future delivery

- The Department’s capability for future delivery was assessed as ‘strong’ or ‘well placed’ in 4 of the 10 elements in the model of capability. These were: ‘ignite passion, pace and drive’, ‘base choices on evidence’, ‘build common purpose’ and ‘develop clear roles, responsibilities and business model(s)’
- Four elements were assessed as a ‘development area’. These were: ‘set direction’, ‘take responsibility for leading delivery and change’, ‘focus on outcomes’ and ‘manage performance’.
- Two elements were assessed as an ‘urgent development area’. These were: ‘build capability’ and ‘plan, resource and prioritise’.
- There were no areas of ‘serious concerns’.

Leadership

L1	Set direction		Development area
L2	Ignite passion, pace and drive		Well placed
L3	Take responsibility for leading delivery and change		Development area
L4	Build capability		Urgent development area

Strategy

S1	Focus on outcomes		Development area
S2	Base choices on evidence		Strong
S3	Build common purpose		Well placed

Delivery

D1	Plan, resource and prioritise		Urgent development area
D2	Develop clear roles, responsibilities and business model(s)		Well placed
D3	Manage performance		Development area

The model of capability is shown at Annex A.
The assessment categories are shown at Annex B.

5. Capability Review findings

Leadership

The DWP leadership team is overseeing a complex and ambitious programme of change, as well as its large-scale daily delivery responsibilities. There are good examples of individual leadership underpinning the Department and its agencies' current delivery agenda. But DWP must now deliver better outcomes with fewer resources, and embed a real customer focus throughout the Department's systems and processes. This is a major challenge for the whole Department and the leadership team itself, which will require external assistance if it is to address the issues satisfactorily.

The Department is already well placed with some of the leadership capabilities needed to deliver its change programme

- At all levels within DWP and its agencies, staff demonstrate a real passion for delivering excellent customer service. Staff in front-line offices demonstrate impressive commitment, supported by good management practice.
- The Department has made some excellent external appointments recently, and also promotes people with a sound operational knowledge of the business. The Executive Team with its current membership is relatively new. Many members of the team, however, have extensive experience within DWP and its agencies, which inspires confidence that they understand the concerns of the front line.
- Members of the Executive Team, as individuals, inspire confidence both from external stakeholders and from staff. They demonstrate strong commitment to their people and to getting the job done. Chief executives demonstrate a strong sense of responsibility for success within their agencies. Visits to the front line by the Permanent Secretary, chief executives and other leaders are welcomed as a sign of real engagement and involvement. The new Permanent Secretary is implementing new systems of governance and performance management to tighten up and improve management and decision making by the Executive Team, which have been welcomed.
- The Department has strong business continuity arrangements and sustains service delivery in challenging situations.

The Department needs to develop other leadership capabilities

- The strong individual leadership does not consistently lead to strong collective role modelling – Executive Team members were described as a group of chief executives and the team as a holding company, with low visibility. Unless the centre, agencies and stakeholders work as well together as they should, quality, accuracy, customer service and value for money will suffer.
- The current Executive Team has not yet set a compelling vision for the future of DWP, in the way that it did when the Department was first created. Whilst the Permanent Secretary has signalled his strong desire for a more corporate approach, key delivery and policy decisions are still mainly being taken in

individual business areas, rather than reviewed, owned and communicated collectively by the Team.

- There is as yet little evidence of Executive Team members taking joint responsibility for success or failure in other areas, or routinely providing strong support and robust challenge to their peers. And there are few incentives for them to do so.
- Business strategy development is delegated to particular areas, and needs to be visibly owned and communicated by the Executive Team.
- Both stakeholders and staff felt that the Department does not consistently learn from its successes and failures, or work effectively enough across agencies on departmental issues or challenges.
- Whilst the HR function has developed a range of strategies, supported headcount reductions and produced integrated terms and conditions, it is still seen by some managers primarily as a gatekeeper rather than an enabler. Whilst accepting that there are certain constraints that are imposed by central government, in a business dependent on its people, the focus for DWP must be to make the most of its people's commitment to the business and their customers.
- The Department has developed a performance management system based around relative assessment. Whilst this approach conforms to widely accepted best practice, the system is a source of considerable discontent amongst staff.
- Some middle managers in the centre of the Department appeared disengaged from the Department's direction and change agenda, and slow to accept personal responsibility.

Strategy

The Department has particular strengths in its analysis and evidence base and has delivered strong policy solutions to difficult problems. It needs now to focus on consistently aligning high-level outcomes to delivery plans and building stronger relationships with some partners.

The Department has particular strengths in its analysis and evidence base and has delivered strong policy solutions to difficult problems

- The Department has a strong evidence and analysis base, which it uses in strategy and policy formation. It routinely pilots and evaluates new approaches and actively looks for good practice overseas.
- The Department has a good understanding of the effectiveness of different interventions and processes. Its understanding of effective ways of helping lone parents to find work is reflected in the record numbers helped back to work by Jobcentre Plus.
- In the agencies there is an excellent understanding of customer satisfaction, through initiatives such as mystery shopping. More broadly, the Department as a whole is beginning to develop a better understanding of its customers

through its ongoing business strategy work. It also involves stakeholders in strategy development.

- The recent strategic work on pensions and welfare reform has taken a long-term approach and developed clear strategies to resolve complex issues in the years ahead.
- The introduction of the new Job Outcome Target, using HM Revenue and Customs data, is a good example of broader outcome measurements and more cross-cutting working.
- The Executive Team has recently held a productive strategic away day with ministers, building on previous events.

There needs to be a strong focus on outcomes

- The Department has a set of long-term outcomes, but has not yet fully aligned these with its delivery plans. The focus for delivery tends to be primarily on targets and outputs associated with individual delivery agencies, rather than on cross-cutting and more strategic outcomes.
- DWP needs to build stronger capability in presenting strategy and policy development to its ministers, so that it is responsive to ministerial requirements and also offers ministers the right level of challenge.
- The recent focus on efficiency has resulted in a tendency for the Department to become inward looking. To deliver on its strategic challenges in areas such as child poverty, it will need to look beyond its boundaries, to other parts of government and the public and private sectors and develop strong strategic partnerships more consistently.

Delivery

The Department has a strong track record in delivery and some excellent practice in programme management and day-to-day, high-volume transactional customer service at the front line. The Department now needs to focus on further improving how it manages its people and resources, in order to be well placed to respond to the challenges of future delivery.

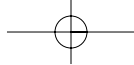
The Department has a strong track record in delivery and some excellent practice in programme management and day-to-day, high-volume transactional customer service at the front line

- There are some excellent examples of successful programme management, such as the roll-out of the Jobcentre Plus network, and the programmes to modernise payments and deliver Pension Credit.
- The Department also has sound financial controls and is undertaking a finance transformation programme. Transformation programmes are also underway in HR and IT. DWP is well placed to meet its efficiency targets.

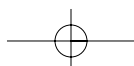
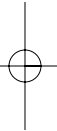
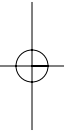
- The Permanent Secretary has put in place individual performance management and accountability procedures for Executive Team members.
- There are some good examples of effective performance management; for example, local offices often use innovative ways of measuring and improving customer service performance.
- The Department was set up with a clearly articulated business model, set out in the departmental framework and widely understood throughout DWP and its agencies. This has been a robust basis for delivery and has provided a clear focus for enabling change.
- Within agencies, roles and responsibilities are clearly delineated, through initiatives such as the Standard Operating Model in Jobcentre Plus. In corporate services, agency chief information officers are jointly accountable to the agency chief executive and DWP's Chief Information Officer, a structure that is innovative, effective and encourages greater collaboration. Similarly, agency finance and HR directors have an accountability to their corporate director general.
- There is widespread understanding within the Department that the current structures risk providing disincentives to collaboration and limiting the scope for efficiencies. The Executive Team is considering how the business model should evolve. It is currently well placed to make these decisions, provided that they are based on, and informed by, work on the strategic direction and priorities for the organisation.

However, the challenges of efficiency savings and implementing radical reforms are getting tougher year on year, and the Department needs to focus on managing its people and resources even better to be well placed to respond to these challenges of future delivery

- As a whole, the Department is yet to articulate, and therefore build, the core organisational capabilities it will need to deliver its strategy. These are likely to include building value from systematic use of customer data, and delivering a cost-effective, multi-channel service proposition. These would then systematically drive its systems, processes and skills development.
- Whilst agencies have their own priorities, and the Spending Review sets overall resource allocations, there is no shared list of departmental priorities that drives resource allocation, including trade-offs between different areas. Plans are agency specific, rather than coordinated around the Department's strategic objectives. There are some examples of redeploying resources across agencies, but this is seen as the exception, rather than common practice.
- Whilst significant amounts of performance information are collected, and used effectively to manage performance within agencies, it is unclear how this is used to manage performance at departmental level.
- Whilst it operates a 'balanced scorecard', the Department has not identified a small number of critical pieces of information that are required to drive the business corporately.



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- Accountabilities for performance are set out within the departmental framework, and are clear at agency level. At corporate level, governance is complex, as are decision-making processes.
 - Within the agencies, middle managers often demonstrate a sense of frustration and a perception that their scope to manage and innovate is limited unnecessarily by the corporate centre. It is often unclear to them where common practice is required, and where innovation is encouraged.
 - The Department does not consistently have the feedback loops and management information in place to enable it to get the right balance between autonomy and accountability.
 - The Department does not yet have sufficiently robust management information about unit costs, or a well-sourced understanding of value for money upon which to base decisions. However, there are initiatives underway – including training in finance awareness – to address this.



6. Key areas for action

The Department has a strong track record of delivering ambitious goals over recent years – but the challenges of its strategy and required efficiency savings mean that there is still much to do. The review identified three key areas for action which are critical to assure ministers that the Civil Service leadership team is leading the improvement of the Department to ensure that it can deliver against the future delivery challenges.

Area for action 1 – build an effective leadership team

- The Department has a set of tough outcomes to achieve and efficiency savings to realise. Achieving both of these requires a real step change for DWP and its leadership team in terms of increased collaboration and more ‘joined-up’ decision making. Whilst there is clear evidence that the Executive Team is beginning to tackle these issues, its members need to be strongly committed to this approach and demonstrate it clearly to the rest of the Department through their behaviours and relationships with each other. The Department will need to draw on external support, such as a team coach, to achieve this.
- This means moving beyond the improvements made recently in terms of governance structures. The Department should look to entrench best practice across all areas. The leadership team should focus on listening to staff, sharing experience and celebrating the successes achieved by the Department. The leadership team should work to enhance further their visibility, in particular being seen to own decisions and make them stick in the areas for which they are responsible.
- This also means taking ownership of the key issues that affect the Department as a collective team, rather than delegating these to small groups in specific business areas. This means that all Executive Team members need to own the corporate agenda and direction for DWP, not just for their own areas of responsibility. This collectivity should be embedded in performance management and role descriptions.
- A key area where the Executive Team should demonstrate this ownership is the development of a clear and compelling vision for the Department which can align and engage its people. This will then form the context for a new strategy and set of outcomes for the Department and the development of a department-wide customer proposition. Below the Executive Team, teamwork needs to be the responsibility of the whole Senior Civil Service leadership team, not an optional extra. Encouragingly, the Capability Review self-assessment, workshops and focus groups brought leaders together from across the Department and released a sense of energy and common purpose. This should be celebrated and built upon.

Area for action 2 – managing for improvement

- The Department continues to be responsible for a huge day-to-day delivery task, alongside significant change and efficiency agendas. Maintaining and building on the strengths of the front line will be critical in keeping day-to-day delivery going, as will managing performance for improvement.

- Front-line staff in DWP are passionate about their commitment to their customers and are a huge asset to the organisation. Making the most of this will be vital in an environment that will continue to challenge staff morale. Too many staff at present do not feel that they are listened to and their concerns acted upon. The Executive Team needs to visibly demonstrate its commitment to its people in supporting them to deliver. Better, and more visible, feedback loops between delivery and policy would help.
- The HR function has worked in partnership with DWP agencies to integrate people issues within their delivery and change programmes and has put in place a DWP-wide framework for delivering the staffing reductions the Department is required to make. This Capability Review identified the need for further strategic HR engagement at departmental level. This needs to include developing core skills internally, as well as sourcing them externally, and a focus on middle managers. For managers at the front line this means supporting them in delivery. Middle managers at the corporate centre need to develop a stronger sense of genuine engagement and ownership.
- The Department has good information on outputs and outcomes, which it uses to meet its delivery targets. However, better understanding of unit costs alongside this would enable more delegation with clear lines of accountability.

Area for action 3 – learn how to learn

- The Department needs to clearly understand what it really needs to be good at as an organisation and then pursue excellence in these areas.
- Ongoing efficiency challenges, and tough, cross-cutting strategic challenges, require continuous improvement. Continuous improvement can only be brought about by an ongoing commitment to learning, listening and growing. This means celebrating and learning from what is good, and admitting and addressing weaknesses and failures at an early stage. The Department should give urgent attention to bringing about the cultural and behavioural changes required to instill a culture that encourages openness and learning.
- There are excellent examples of successful delivery and transformation in many parts of DWP, but too often there is also resistance to learning from these. This can lead to frustration and inefficiencies. One example of an area where the Department could benefit from sharing learning would be to learn from best practice in the most successful contact centres.
- Effective learning means putting structures and practices in place within the Department – starting with the Executive Team – to encourage and incentivise sharing. It also means looking beyond the Department's boundaries to build better links with external stakeholders and other Whitehall departments who are serving the same customers and are an essential part of the solution to the Department's strategic and delivery challenges. Some key leaders have recently moved across to the Child Support Agency to help with its improvement plan. Such cross fertilisation should be routine, including Fast Streamers and Senior Civil Servants across DWP.

Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The reviews provide an assessment of capability for departments, identify key areas for improvement and set out key actions to address these areas.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 49 questions.

Each Capability Review has been carried out by the PMDU with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments.

The PMDU will regularly review progress and provide support to help ensure that the department is on track to deliver.

Leadership

Key questions that test current capability

L1 Set direction

- How do you set a clear direction and articulate the vision to provide a compelling and coherent view of the future?
- How do you take difficult decisions, and do you follow them through?
- How do you generate common ownership of the vision amongst the board, the department and delivery owners?
- How do you maintain focus when faced with crises/system shocks? How do you balance this with the need to keep the vision up to date when circumstances change?

L2 Ignite passion, pace and drive

- Are you seen as role models in the department, inspiring the respect, trust, loyalty and confidence of superiors, peers and staff? Do you talk, listen and act on feedback and thereby demonstrate an understanding of the business?
- Do you display passion about meeting delivery outcomes?
- How do you engage personally with customers and staff in the department and across the system?
- How do you maintain energy and enthusiasm? How do you inspire staff to be proud to work for the organisation?

L3 Take responsibility for leading delivery and change

- Do you drive delivery by: taking responsibility, welcoming challenging feedback on performance and learning lessons from successes and failures?
- How do you role-model an effective corporate culture of teamwork within the system? Do you and the senior leadership team act as an effective guiding coalition and initiate work across boundaries to achieve delivery outcomes?
- Do you accept the pressing need for change? Do you demonstrate your personal commitment to that change?
- How do you manage change effectively? How do you champion and drive through that change, addressing and overcoming resistance when it occurs?
- Are you open, honest, courageous and unflinching in delivering tough messages to your ministers and the department?

L4 Build capability

- How do you nurture talent and encourage innovation in order to build capacity?
- Do you have a leadership development/promotion process that is fair and transparent?
- How do you manage the performance of everyone by rewarding good performance and tackling poor performance?
- Do you get enthusiastically involved in identifying talent and building capability in individuals and teams?
- Do your culture, behaviour and staff profile reflect the diversity of the customers you serve?

Strategy

Key questions that test current capability

S1 Focus on outcomes

- Do you have one overarching set of clear and challenging outcomes, aims and objectives which will improve the overall quality of life for customers and benefit the nation?
- How do you work with ministers to develop strategy?
- How do you negotiate trade-offs between 'priority' policies?
- How do you work with other departments and partners external to government when developing strategy?

S2 Base choices on evidence

- How do you understand what your customers and stakeholders want?
- How do you identify future trends and plan for them? How well do you identify and manage the associated risks?
- How do you innovate by developing creative solutions to challenging problems? How do you ensure appropriate ambition?
- How do you choose between the range of options available?
- Once a strategic challenge has been identified, what process do you follow to address it, and who is involved?
- How do you ensure that your decisions are informed by sound evidence and analysis?
- How do you design systems which deliver your strategic objectives? How do you consider whole systems and understand the cost base?

S3 Build common purpose

- How do you align and enthuse the different players in the delivery chain to deliver?
- How do you remove obstacles to effective joint working? How do you share learning in order to ensure the strategy is delivered?

Delivery

Key questions that test current capability

D1 Plan, resource and prioritise

- Do you have the right skills, resources, structures and plans necessary to deliver the strategy as part of a clear model of delivery?
- Do you prioritise (and de-prioritise) and sequence deliverables, taking account of a proper risk management strategy, focused on change management priorities?
- Are your delivery plans aligned with the strategy? Are they robust and regularly reviewed?
- Are your delivery plans consistent with each other? Do they form a coherent whole which will deliver your strategy?
- How do you maintain a focus on efficiency and value for money?

D2 Develop clear roles, responsibilities and business model(s)

- Is the purpose of the departmental centre and headquarters functions clear?
- How do you ensure you have clear roles and responsibilities, rewards and incentives, which are understood across the delivery chain? Do they reflect the business model(s), and are they supported by appropriate governance arrangements?
- How well do you understand your business model(s)?
- How do you know whether you have the right balance between centralised and decentralised services?
- How do you identify and agree accountabilities and responsibilities for delivering desired outcomes across the delivery chain? How do you make sure that they are clear and well understood by all parties?
- How do you negotiate and contract with delivery agents, stakeholders and partners? How are these agreements documented and shared?

D3 Manage performance

- Do you have high-quality performance information supported by research and analytical capability? Does it allow you to track performance across the delivery chain?
- Do you actively respond to performance issues and follow them up?
- How effective is high-level programme and risk management across the delivery chain?
- How do you ensure and maintain effective control of the department's resources and the quality of its outputs?
- How do you know that your delivery chain understands customer needs and the drivers for satisfaction and responds to them?
- How do you ensure that your delivery chain captures and realises benefits?
- How do you feed this information back into the development of your strategy?

Annex B: Assessment categories



Strong – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



Well placed – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.



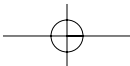
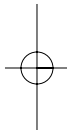
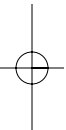
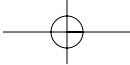
Development area – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.

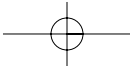
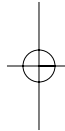
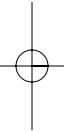
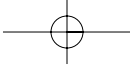


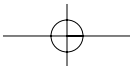
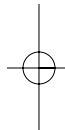
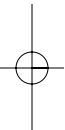
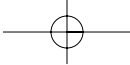
Urgent development area – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.

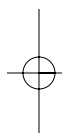
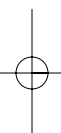


Serious concerns – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)









Capability Reviews
Prime Minister's Delivery Unit
Cabinet Office
Horse Guards Road
London SW1A 2HQ

Telephone: 020 7270 6049

E-mail: capabilityreviews@cabinet-office.x.gsi.gov.uk

Web address: www.civilservice.gov.uk/capabilityreviews

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