Thirty-Second report of Session 2019-21

Cabinet Office and HM Treasury

Specialist Skills in the Civil Service

Introduction from the Committee

Government has for many years recognised the need to recruit and develop people with specialist skills in order to deliver better public services. From 2013 onwards, it has used fourteen 'cross-Government functions' to build specialist skills in the Civil Service. Functions give expert advice, set and assure standards, develop capability and deliver required services. Functions often have a central unit or organisation, for example to set standards and coordinate training across Government, but much of the work of functions is carried out by staff working in departments, for example in finance teams or as commercial practitioners. The Cabinet Office oversees all but five of the Government functions. It holds joint responsibility with HM Treasury for the Project Delivery function and HM Treasury is solely responsible for the Finance and Internal Audit functions. In the past few years new oversight and governance arrangements have been introduced for the functions. The current focus on Civil Service reform provides further context for Government to consider how best to develop specialist skills in the Civil Service.

Based on a report by the National Audit Office, the Committee took evidence on 2 November 2020 from Cabinet Office and HM Treasury. The Committee published its report on 11 December 2020. This is the Government's response to the Committee's report.

Relevant reports

- NAO report: *Specialist skills in the Civil Service*, Session 2019-21 (HC 575)
- PAC report: *Specialist skills in the Civil Service*, Session 2019-21 (HC 686)

Government responses to the Committee

1: PAC conclusion: *Skills shortages in the civil service are responsible for delays, inefficiencies and increased costs in government projects.*

1a: PAC recommendation: *The Cabinet Office should work with functions and departments to identify skills gaps and should prioritise resolving these as part of the Civil Service Modernisation and Reform process.*

1.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2021

1.2 The Cabinet Office is committed to working with functions and departments to identify and address skills gaps and, as set out by the Chancellor of the Duchy of Lancaster during his Ditchley lecture on 27 June 2020, this will form a key part of Civil Service modernisation and reform. The government established the Government Skills and Curriculum Unit in September 2020 to ensure entry routes to the Civil Service are rigorous; induction is mandatory and high quality; and that technical skills, knowledge and 'tradecraft' are defined, assured, and accessible.

1.3 In addition, by May 2021, the Cabinet Office will enhance strategic workforce planning across the Civil Service, with action already underway to improve the annual workforce projections exercise. This will improve our understanding of key skills and capability gaps, including those that drive the use of consultants and contingent labour, and departments' plans for addressing them. Outputs from this work will also inform Civil Service modernisation and reform, specifically:

- Places for Growth, which will provide opportunities to recruit staff with new skills and capabilities outside London and the South East; and
- The aforementioned Government Skills and Curriculum Unit.

1.4 Improvements to functional workforce planning are underway. The Digital function has successfully led a central workforce data collection exercise and provided strategic support across departments, and the Commercial Blueprint captures a breadth of workforce data including types of roles, grades, accreditation level, location, and pipeline of roles forecast 2-3 years ahead. In the Project Delivery function, although strategic workforce planning has been department-led, cross-departmental demand planning continues to align with recruitment campaigns.

1b: PAC recommendation: ***The current cost of using consultants to fill these gaps should be considered as part of this work. The Cabinet Office should outline in its Treasury Minute response how it plans to reduce reliance on external consultants and mitigate these costs in future.***

1.5 The government agrees with the Committee's recommendation.

Target implementation date: September 2021

1.6 The Cabinet Office recognises that results can be suboptimal when consulting firms are engaged without a clear idea of the desired outcome. The government is ensuring that spending proposals build in the requirement that consultants pass on their skills and learning to civil servants at the end of the engagement to avoid repeated use on similar challenges. Crown Commercial Service (CCS) will continue to provide framework agreements which give access to management consultancy firms and provide assurance over value for money. CCS' new framework for management consultancy, MCF3, is due to go live in September 2021 and will include open book accounting provisions.

1.7 The establishment of the Government Consulting Hub will create a highly capable, respected cadre of civil servants providing a centre of expertise for government on commissioning and working with consultants, including a small cadre of consulting experts deployed as a direct alternative to, or in conjunction with, external firms. This will be achieved by leveraging government's existing senior capacity, harnessing and sharing knowledge and techniques, growing a network to help other parts of the system work similarly, and supporting wider reform of the consultancy ecosystem as part of Civil Service modernisation and reform. A new strategic triage process is in development, with likely piloting over the first quarter of 2021, to test how early support to programmes can reduce the spend on external consultants, and increase the value achieved from consultancy spend which is necessary. Evidence from the pilot and other work will inform a longer-term business case for likely implementation in 2021-22. Additionally, the success of the *Outsourcing Playbook* will be leveraged with the development of a Consultancy Playbook, either as a stand-alone or as an additional part of the Outsourcing Playbook.

2: PAC conclusion: ***The civil service struggles to attract and retain specialist staff.***

2: PAC recommendation: ***The Cabinet Office, HM Treasury and functions should outline in the Treasury Minute response how, and by when, they will review pay exception case processes across the functions to address current pay disparities and avoid creating an internal market for specialists.***

2.1 The government agrees with the Committee's recommendation.

Target implementation date: Summer 2021

2.2 The Cabinet Office confirms that all matters related to pay for grades below the Senior Civil Service (SCS) are delegated to departments. Functions have introduced measures to address pay disparities by, for example, establishing robust pay exception case processes.

2.3 The Cabinet Office reviews SCS pay across functions and professions through the Senior Salaries Review Body (SSRB) evidence each year. HM Treasury promotes the use of Pivotal Role Allowances as an effective tool for retaining members of the SCS in highly specialised roles including those delivering the riskiest major projects across government, providing extra flexibility to departments and functions when it comes to pay.

2.4 The Cabinet Office reviews the use of SCS pay exceptions on an annual basis (the next review is due in Summer 2021) to ensure the policy is being used appropriately. Most functions already play an active role in advising the Head of Function on pay exception cases for SCS roles. HM Treasury continues to promote the use of the SCS pay exceptions process in appropriate circumstances, where internal candidates move to roles with greater scale or responsibility than their previous role. This requires agreement from the Permanent Secretary and relevant Head of Profession. The Finance function does this by using data from recruitment campaigns and wider market benchmarking.

2.5 New SCS pay rules have been designed to address internal disparities, such as no pay increases for moves within the SCS on level transfer. The Cabinet Office is planning to implement a new capability-based pay system for SCS to reward the development of capability as individuals gain experience and skills whilst remaining in role. Initial pilots will be run from September 2021 to test the capability measurement mechanism. The Cabinet Office is also considering how this could be developed further for delegated grades below SCS. The Finance function has also made use of bulk Pivotal Role Allowance payments for SCS roles to incentivise the retention of key individuals in critical roles.

2.6 In relation to delegated grades, the Cabinet Office collates and shares the use of allowances across departments in order to encourage pay coherence. Departments are encouraged to work together to collectively address pay system challenges for professions and functions. In addition, the Cabinet Office encourages departments, professions and functions to submit cases for pay flexibility where they are able to set out a clear justification and business need, including the identified efficiency savings to fund such proposals. This includes the option to submit cases to introduce Capability Based Pay arrangements. The Civil Service Pay Remit Guidance outlines the pay flexibility business case and criteria process.

2.7 In relation to specialist pay frameworks, the Digital, Data and Technology Framework (DDAT) was first agreed in 2016 to allow departments to use specialist pay arrangements to attract individuals to hard to recruit roles, by using efficiencies gained from reducing the number of contractors within the given department.

3: PAC conclusion: ***There is still a long way to go to ensure the civil service retains and promotes those from different backgrounds.***

3: PAC recommendation*: The Cabinet Office should write to us within three months setting out detailed and broken-down information on the retention and progression of staff from different backgrounds and its plans for further reform in this area.*

3.1 The government agrees with the Committee's recommendation.

Target implementation date: March 2021

3.2 The Civil Service is a geographically diverse employer with 4 out of 5 civil servants being based outside of London, and distributed throughout the country, but the Government intends to go further.

3.3 The Cabinet Office will continue to publish statistics from the Annual Civil Service Employment Survey (ACSES) on Gov.uk each year, providing detailed information on the composition of the Civil Service workforce, including data on diversity and entrants and leavers. In addition, the Cabinet Office will continue to publish results from the Civil Service People Survey by demographic groups.

3.4 On plans for further reform, the Cabinet Office is developing a new Civil Service Inclusion strategy to replace the 2017-2020 Civil Service Diversity and Inclusion strategy. The strategy is likely to focus on the themes of talent, fairness and inclusion and to set out a vision for a modern Civil Service where everyone can thrive no matter what their background or working style and where workplaces are safe, open and inclusive. It will reflect an evidence-led approach while also offering a broader view of diversity, including regional and cognitive diversity. Functions are also looking at how they directly support departments, with the Finance function planning to launch its Diversity, Inclusion and Wellbeing strategy at the end of February 2021 to promote a culture of inclusion and a message that finance is open to all. The strategy and support to departments will be underpinned by data, including rates of representation across a range of protected characteristics at all grades.

3.5 Government Business Services (GBS) will launch the Government Recruitment Information Database (GRID) which will act as a single dataset for all Civil Service Jobs recruitment data. The objective is to centralise data in line with central data standards and to promote 'data-driven decision making' to improve recruitment diversity, accessible via a paid GRS service. This is achieved by bridging analysis and digital functional expertise, whereby analysis modelling is used to identify required action and digital systems instantly share this insight with civil servants, enabling them to proactively course-correct poor recruitment performance. The dataset will also be leveraged to inform workforce planning, for instance providing recommendations on which advertising to be used for best diversity based upon historical performance. The project roadmap is due to achieve business as usual delivery by April 2022.

4: PAC conclusion: ***Departmental data is not good enough to support functions' development of comprehensive workforce plans.***

4: PAC recommendation***: The Cabinet Office should set out how it will work with departments to make sure workforce data is collected at the right level, to better address skills gaps and shortages.***

4.1 The government agrees with the Committee's recommendation.

Target implementation date: May 2021

4.2 As set out in the response to recommendation 1, the Cabinet Office is already taking steps to improve the annual workforce projections exercise which will provide further information on key skills gaps and confirm how departments intend to address them.

4.3 Government functions (Finance, HR and Commercial) are working together to ensure that data standards are aligned and consistent for end-to-end processes that span multiple functions - the alignment of finance and workforce data will support more accurate and responsive business planning, and support more evidence-based decision making through enhanced insight.

4,4 Civil Service Human Resources is currently working with Government Business Services to improve the consistency and transparency of workforce data through process convergence, design and common data definitions starting with joiners, movers and leavers in line with the Shared Services Strategy for Government.

4.5 The Cabinet Office is also working to collect more effective functional data through the ACSES. Regular engagement is taking place between the Cabinet Office and departments to improve the quality of their ACSES returns for 2021.

5: PAC conclusion: ***Seven years on from their introduction, functions still have not developed clear plans to help maximise their impact and lack strategic direction.***

5: PAC recommendation***: The Cabinet Office and functions should work together urgently to complete capability blueprints. The Cabinet Office should write to us by April 2021 at the latest to confirm that these have been finalised.***

5.1 The government disagrees with the Committee's recommendation.

5.2 The Cabinet Office confirms that Heads of Function are committed to formulating, implementing and publishing their own capability blueprints (strategic plans), and recognises that functions will need additional time beyond April 2021 to finalise these. This is driven in part by contextual pressures (for example, the functions focussing their efforts on the COVID-19 response) and, in other respects, the availability of functional workforce data.

5.3 At present, the Commercial function is the most advanced, with a commercial blueprint in place and updated on an annual basis. Equivalent capability plans and strategies are evident elsewhere across the functions and professions, with - for example - Communications, Counter fraud and Security reporting the regular use of these. The Finance function is developing a performance framework to measure progress against the strategic deliverables it set out in its 2019 strategy and will begin reporting in April 2021. The Finance function will also use the performance framework to measure the overall impact of the function and use workforce data collected from departments to develop its capability blueprint in 2021-22. HR has developed substantial elements of its blueprint work, including the HR functional standards and associated assessment framework (in pilot) and the HR career framework, and intends to publish its blueprint during 2021.

5.4 The Cabinet Office will continue to support this process by sharing best practice across government, including through the appropriate governance routes.

6: PAC conclusion: ***Only a few of the fourteen functions have been able to demonstrate the benefits of their activities.***

6: PAC recommendation***: The Cabinet Office, HM Treasury and functions should agree a consistent methodology for measuring costs, benefits and impacts across all functions by July 2021 and report to the Committee on functions' performance.***

6.1 The government agrees with the Committee's recommendation.

Target implementation date: April 2021

6.2 In 2020, the measuring the impact of government functions (to deliver better outcomes and public services) project, commissioned by the Civil Service Chief Operating Officer from the Chief Executive Officer of the Government Internal Audit Agency, concluded that measuring four factors provides an assessment of whether the government functions are improving their contribution to the delivery of public service outcomes.

These four factors are:

- **Functional relationships** - how senior officials in departments assess the strength of their relationships with the government functions;
- **Financial and non-financial benefits** - whether the government functions are delivering financial and non-financial benefits to departments and improving their return on investment (RoI);
- **Process efficiency** - whether internal functional processes are becoming more efficient - i.e. productivity and process times; and
- **Functional capability -** Do the Government functions have the required capability - i.e. professional expertise and whether functional standards are being applied.

6.3 These are being used to develop a performance framework for use at the start of the 2021-22 financial year, which starts with a set of common questions that would apply to all of the functions. Functions are currently deciding on their most appropriate metrics which would answer these questions, some of which will vary from function to function, given their differing subject matter. The Finance function has designed its performance framework and will begin reporting in April 2021. HM Treasury is collaborating closely with the Government Internal Audit Agency and the Cabinet Office to help ensure a consistent and robust approach to measuring functional impact.

6.4 Functions are also playing a key role in advising and supporting departments as part of the government's reformed planning and performance framework. Following on from the publication of provisional priority outcomes and metrics alongside Spending Review 2020, functions are supporting the development of departments' Outcome Delivery Plans. This includes determining how functional activity supports the delivery of an organisation's priority outcomes and wider objectives, helping identify and manage delivery risks and assessing deliverability.

6.5 Beyond this work, the Green Book provides a common methodology across government on the design and appraisal of proposals that achieve government policy objectives and deliver social value. It provides guidance on measuring costs and benefits, alongside guidance on monitoring and evaluating before, during and after implementation. The Green Book Review 2020 made numerous changes to make the guidance easier to apply in practice and placed greater emphasis on both the importance of establishing clear objectives and high-quality evaluation. In addition, to ensure that this world-leading framework has real-world impact, HM Treasury is embarking on a widespread agenda of culture-change to ensure the guidance of the Green Book is followed not just in economic appraisal but in supporting policy development and delivery across government.