

ROLE OF THE CABINET OFFICE – LEADERSHIP THROUGH EFFECTIVE COLLABORATION

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PREFACE

1. This review was commissioned following the Cabinet Office (CO) Capability Review (Autumn 2006) and subsequent work by the CO on its roles and responsibilities published in 'Making Government Work Better' (December 2006). The terms of reference for the review and the team that carried it out are set out below.

Review of the Role of the Cabinet Office - Terms of Reference and Team

With a primary focus on the objective of strengthening the Civil Service, to address:

1. What are the principles that should guide what the Cabinet Office (incl. No 10) should do?
2. What tasks should the Cabinet Office carry out (or stop doing) in light of the principles?
3. What are the styles and ways of working that should guide how it should carry out these tasks?
4. What should a Cabinet Office compact with OGDs to describe mutual responsibilities look like?

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2. The review was based on evidence gathered from a range of sources. Over a quarter of the 'Top 200' civil servants were interviewed, including all Permanent Secretaries. Evidence was also gathered from interviews and workshops with high potential development scheme (HPDS) action learning sets; experts on organisational design from the private sector; all members of the CO Board and a cross-section of CO staff. Interviews have been coupled with evidence drawn from management literature and previous studies of the CO. The team also considered lessons from the private sector, from some other Governments, and from within UK Government Departments.

3. The report defines a practical leadership model and set of activities for the CO to 'make Government work better'. It also makes clearer the role of line Departments and how this fits with the CO. The model is based on the answers to four questions:

- What is the CO's fundamental *raison d'être*?
- What activities should the CO carry out?
- How should the CO interact with line Departments in carrying out these activities?
- What does this mean for the CO and civil service governance and leadership?

EXECUTIVE SUMMARY

- Following the Capability Review, the CO set out its purpose as 'Making Government work better' - how the CO should achieve this is not straightforward because the Government machine is vast and varied.
- Key characteristics of the UK Government matter when considering the role of the CO - its leadership model should take account of these, alongside its sources of authority and objectives.
- The source of CO authority comes from two 'boards': Cabinet, the board that runs Government; and the Permanent Secretaries Management Group (PSMG)/ Civil Service Steering Board (CSSB), the boards that run the civil service.
- The CO has two main objectives:
 - i. support Cabinet, led by the Prime Minister, in deciding Government strategy, priorities, and in joining up and managing performance;
 - ii. support PSMG/CSSB, led by the Head of the Home Civil Service, in building the capability of the civil service to deliver the Government programme.
- There are two main types of activity that the CO should carry out to meet these objectives: **core** – fundamental to the functioning of the Government machine and **supporting** - adds value to the Government machine.
- These activities can be considered under three broad categories of strategy, delivery and capability - the added value should come from a CO offer based on:
 - a. an overarching view on Government priorities;
 - b. a holistic and single view in its involvement with line Departments;
 - c. having information and knowledge to make judgements;
 - d. possessing necessary expertise where advice is being sought and given;
 - e. varying involvement by Government priority and line Department capability;
 - f. tailoring content of involvement and having a 'feel' for line Departments' business;
 - g. systematic feedback on CO performance to drive continuous improvement.
- The way in which the CO carries out its activities is the most important aspect of the leadership model:
 - i. checking – keeping an eye on what is going on;
 - ii. joint-working – to develop and ensure co-ownership;
 - iii. consulting – bringing together the relevant people to resolve the issue;
 - iv. testing – ensuring problems are tackled by the right people with the right urgency;
 - v. selling – setting out lessons learned and the benefits and influencing decisions;
 - vi. telling – setting out what is negotiable and what is not.
- The CO cannot carry out its role without line Departments being clearer about their role and how it fits with the CO.

LEADERSHIP THROUGH EFFECTIVE COLLABORATION – THE RECOMMENDED MODEL

COMPLEXITY OF UK GOVERNMENT

4. *Following the Capability Review, the CO set out its purpose as 'Making Government work better'. Setting out how the CO should lead is not straightforward because the UK Government machine is vast and varied with around 509,000 civil servants covering diverse businesses using different delivery models.¹ Large multi-business and conglomerate companies share some similarities with the UK Government but there is no straightforward read-across from the private sector.*

5. *Therefore, key characteristics of the UK Government matter when considering the role of the CO because they make it more complicated than that of corporate centres in the private sector:*

- *complex 'centre'* - made up of CO & No 10 and HM Treasury: how the CO fits with the rest of the centre and with line Departments;
- *variation in business performance* - line Departments vary in political importance and capability: how to deal with poorly performing line Departments;
- *dual leadership* - leadership of the Government machine comes on two tracks: how to align the political and the official tracks on all necessary issues;
- *modern politics* – a desire to be seen to be in charge drives centralising tendencies: how to reconcile this with the vast and varied business of Government;
- *constitutional realities* - Permanent Secretaries have stronger lines of policy and management accountability to their Ministers than to the Cabinet Secretary and Head of the Civil Service;
- *devolution of government* – structures and powers associated with devolution add further complexity to the Government machine and the role of the 'centre';
- *collective leadership* – a strong tradition of, and belief in, collective leadership at political and official levels which runs counter to some of the above at times.

¹ There were 509050 Civil Servants (FTE basis) as at the end of March 2007.
<http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=13615>

CO SOURCES OF AUTHORITY AND OBJECTIVES

6. Different political leadership styles will influence the significance of these characteristics. And the significance of each characteristic will change over time. *The CO leadership model should take account of these characteristics and its sources of authority and objectives to make Government work better. The source of CO authority comes from two 'boards' in making Government work better.*

- *Cabinet* – the board that runs Government;
- *The Permanent Secretaries Management Group (PSMG)/ Civil Service Steering Board* – the boards that run the civil service.²

7. These two sources of authority mean that *the CO has two main objectives:*

- support Cabinet* - led by the Prime Minister, in deciding Government strategy and priorities, and in joining up and managing performance;
- support PSMG/ CSSB* - led by the Head of the Civil Service, in building the capability of the civil service to deliver the Government programme.

THE CORE AND SUPPORTING ACTIVITIES MODEL

8. In short, the CO is about supporting these two objectives: the collective political and official leadership of the Government machine. *There are two main types of activity that the CO should carry out to meet these objectives:*

- *core – fundamental to the functioning of the Government machine - “Only do at the centre those things that only the centre can do” (Perm Sec quote);*
- *supporting - adds value to the Government machine - “Departments want a common view from the centre – where do they fit, what are they expected to deliver – clarifying priorities, capabilities and cross-cutting themes” (Perm Sec quote).*

² The two key governing bodies for the Civil Service are the Permanent Secretaries Management Group (PSMG) and the Civil Service Steering Board (CSSB). The two groups work together to ensure the Civil Service as a whole has a clear direction and is a coherent, effective organisation. PSMG meets once every quarter to consider issues of strategic importance to the Civil Service, although issues may be taken for information, comment or decision in correspondence. CSSB meets monthly and focuses on specific areas delegated to it by PSMG.

9. *These activities can be considered under three broad categories of strategy, delivery and capability.* Table 1 sets out the core activities typically carried out by corporate centres of private sector companies under these three categories.

Table 1: Six core activities that a corporate centre typically carries out

	Activities	Description	Rationale
Strategy	1) Strategic planning & policy 2) Planning & resource allocation	Creating & integrating strategy based on assessment of future need & priority. Planning, prioritisation & resource allocation across the organisation.	Major trends impact & interact across whole organisation. Prioritise, plan & invest coherently for whole organisation.
Delivery	3) Risk & reputation management 4) Performance management	Building & maintaining reputation through stakeholder management. Managing corporate level risks. Tracking performance against targets & ensure corrective action if necessary.	External regulation framed at organisational level - integrated view provides adequate visibility. Leadership is ultimately responsible for performance.
Capability	5) People development & management 6) Organisation design & delivery	Developing plans to attract, develop & retain talent. Ensuring organisation structure & capabilities are fit for purpose & evolve appropriately. Setting & capturing scale benefits across the organisation.	Talent is a scarce resource to be deployed strategically. Centre provides integrated strategic review of organisations effectiveness. Centre is best placed to encourage sharing.

LEADERSHIP THROUGH EFFECTIVE COLLABORATION – PRACTICAL APPLICATION

IMPROVING THE CO OFFER

10. Given the potential sphere for activity there is a paradox that the CO must overcome: how should the CO with a relatively small resource, improve the performance of line Departments? The answer – a CO that adds value - rests in prioritisation and *an improved CO offer*. The CO offer should be based on:

- i. *overarching view* – help line Departments look beyond their boundaries;
- ii. *holistic and single CO view* – join-up CO units and the way they interact with line Departments on any given issue;
- iii. *good enough information and knowledge* – understand line Department issues well enough to know how CO will add value;
- iv. *required expertise* – has recognised expertise or at least knows where to go for it;
- v. *prioritisation and capability judgements* – extent of CO engagement with line Departments determined by the Government priority and capability of the line Department;
- vi. *tailoring engagement* – having a ‘feel’ for the line Department business and tailoring its engagement to the issue at hand;
- vii. *feedback* – getting systematic feedback from line Departments on its performance in order to drive continuous improvement.

11. *In all circumstances the CO should aim to add value by giving an overarching view on Government priorities.* This should be the minimum level of involvement between the CO and all line Departments. Such constructive challenge should be based on appropriate evidence that gives a new insight, for example, through innovative data analysis or best practice from across Government. The opportunity for involvement is on the basis that line Departments that spend all their time on a priority can potentially be a weakness if they get so engrossed as to lose sight of the bigger picture.

12. *There should be a holistic approach by the CO in its involvement with line Departments on a particular issue.* Too often the CO involvement is fractured, with

different CO units pursuing their own agendas. This limits the impact of the CO and becomes time consuming for line Departments.

13. *Similarly, the CO also requires information and knowledge that is good enough to make judgements about line Departments.* For example, to be able to work out when the CO could add value, such as when managers in line Departments are underperforming, failing to make trade-offs between competing objectives, or do not have the required specialist skills. The CO should also share best practice from across Government with Departments that will benefit from it. This best practice may relate to both the handling of Government priorities and building of line Department capability. The opportunity for involvement is on the basis that the CO is in the best position to have an overview of best practice and it is most efficient for them to share it. Cabinet Office achieves this sharing of best practice when it operates at its best. The challenge remains for the CO to be able to spot opportunities early in a systematic way and help effectively resolve them.

14. *The CO must have the necessary expertise* in order for line Departments to accept that the CO has the right to get involved and that an intervention can add value. The Capability Review and interview evidence for this paper show that, except in a few cases, the CO is not recognised as having that level of expertise consistently across its breadth of responsibilities.

15. *The extent of CO involvement with line Departments should vary according to Government priority and line Department capability.* Figure 1 sets out how the extent of CO involvement should differ relative to Government priority and line Department capability. Involvement should be most extensive with Departments delivering the few high priorities but with low capability to achieve them. Conversely, the involvement should be the least extensive in line Departments delivering relatively lower priorities but with higher capability. The variable involvement from low to high should be mirrored by the amount of CO resource focussed on each line Department. The approach should also be flexible and responsive to changing circumstances.

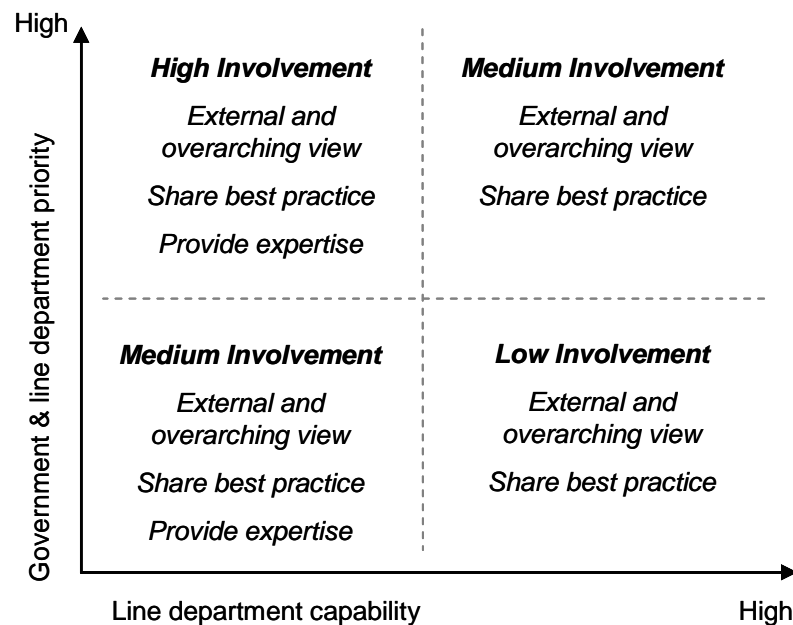


Figure 1: Involvement of CO with line Departments

16. *The content of CO involvement should become more tailored.* For example, in some circumstances the CO should provide expert resource to line Departments with low capability, especially those working on high priorities. The expert resource should meet the capability needs of the line Department and will be provided by the CO itself or, for example, through agreement of a loan from a line Department. The opportunity for involvement comes about when there are weaknesses in senior management or a demand for skills that do not exist in the line Department. The Capability Reviews provide the means for tailoring CO involvement with line Departments and the follow up to the reviews could be adapted to focus CO involvement where it is most needed.

17. Finally, *the CO needs systematic feedback from line departments on its performance in order to drive continuous improvement.* This feedback should be based on the six parts of the offer set out above in order to judge how well the offer is being delivered. It should also be used as part of CO performance management processes to inform staff appraisals and appointments.

18. A combination of relevant information and knowledge, top notch expertise, and systematic feedback would give the CO *the 'feel' for line Departments' business and the right of 'earned intervention'.* This would help the CO develop the instincts to understand what success looks like and be able to judge whether the business is on

track or in need of change. The CO would need to know when and how to influence and not to interfere when things are largely going well.

CO LEADERSHIP STYLES

19. *The way in which the CO carries out its activities is arguably the most important aspect of the leadership model.* There are six leadership styles to choose from:

- i. *checking* – keeping an eye on what is going on;
- ii. *joint-working* – to develop and ensure co-ownership;
- iii. *consulting* – bringing together the relevant people to resolve the issue;
- iv. *testing* – ensuring problems are being tackled by the right people with the right urgency;
- v. *selling* – setting out lessons learned and the benefits, and influencing decisions;
- vi. *telling* – setting out what is negotiable and what is not.

20. At the start of an engagement with line Departments the *CO should use styles (i) to (iii) and move through the rest as necessary.* However, this may be relatively limited when issues are urgent or highly sensitive but may be more extensive when new ideas are being developed. The CO role will be focussed on managing the process rather than generating the ideas. It will require strong facilitation, project and stakeholder management skills. For ongoing engagements with line Departments, selling and testing should be the most common day-to-day leadership style used by the CO in carrying out its activities. It will require strong stakeholder management, analytical and negotiating skills.

21. The CO should only use a telling leadership style under two circumstances. First, when the process of co-creating and consulting leads to a conclusion that telling is the right approach. For example, PSMG might decide following consultation that all line Departments should carry out a particular corporate function in exactly the same way and that CO should ensure this happens. Second, the Prime Minister or Cabinet may take a decision that the CO should follow through with line Departments. For example, when the PM/ Cabinet agrees a list of Government priorities, the CO will need to communicate these to line Departments as non-negotiable. Even when the CO is using

a ‘telling’ style, strong stakeholder management and negotiating skills are still necessary.

22. All of the above adds up to a radical management change agenda for the CO. The good news is that there are parts of the CO which are close to exhibiting this leadership model. The CO approach to communications, propriety and ethics, PMDU, COBRA and EDS at times are widely recognised as having the three key ingredients – feel, expertise and information – and getting the leadership styles right. The challenge is to develop these skills throughout the CO.

CORE AND SUPPORTING ACTIVITIES APPLIED

23. *There is a clear set of core and supporting activities that the CO should carry out* – these are shown in Table 2. The core activities are clear cut. For example, it would be difficult for a single line Department to advise the Prime Minister directly on the prioritisation of the Government’s strategy or to resolve policy conflicts through an ‘honest broker’. The supporting activities will vary over time as these will be more closely linked to change and business planning cycles. For example, supporting the development of people strategies in line Departments will be less recurrent than challenging line Departments on succession plans for their top talent.

Table 2: Activities that the Cabinet Office should carry out

Core and Supporting Activity	
Strategy	<p>Core With PM/Cabinet prioritise overall Government strategy and set out the top priorities. Identify and update strategic challenges facing the UK. Coordinate the development of new key Government priorities in or across line Departments. Resolve conflicts between Departments. Support HMT to match resource allocation with Government priorities.</p> <p>Supporting With line Departments help develop their strategies for top Government priorities.</p>
Delivery	<p>Core With HMT identify and prioritise risks to delivery of overall Government strategy. Manage Government response to top priority issues and high profile communications issues. Monitor progress of line Departments especially for top priorities and assure PM/Cabinet.</p> <p>Supporting With HMT help line Departments identify risks to delivery of their strategies. With Civil Service governance identify and manage Civil Service risk. With line Departments develop effective communications strategies. Provide progress feedback to HMT to help ensure value for money of line Department strategies. With HMT identify when progress falls short and help line Departments develop corrective action. Lead the Civil Service in the setting and monitoring of central standards.</p>

Capability	<p>Core</p> <p>Constitutional duties – propriety, honours and appointments that the PM must advise or decide on. Manage machinery of Government changes. Monitor, support and challenge succession plans for top talent and key posts. Set and manage pay levels for cross-Departmental groups (e.g. fast-stream). With HMT set frameworks to guide reward principles to guide pay and grading and to deal with poor performance. Set and manage frameworks for entitlements – annual leave, maternity/paternity/adoptive leave, sickness absence and pay, and retirement ages. Manage the Senior Civil Service system – e.g. labour market rules, SCS surveys. Manage agreement process, set and monitor standards in corporate functions. Manage process for unlocking scale benefits for back office across Government.</p> <p>Supporting</p> <p>Develop and monitor implementation of the Civil Service people strategy. Help line Departments develop their own people strategies. With line Departments help set frameworks for staff performance management below SCS. With HMT help line Departments manage redundancies. With line Departments help carry out organisation design changes. With line Departments help deliver customer focussed services. Help build capability especially in line Departments delivering top priorities.</p>
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24. For some activities it may make sense for the CO to carry them out itself. The CO lead on talent management through the Civil Service Capability Group is an example of a relatively new core activity where there are clear benefits to it being carried out centrally. For others it may be sensible to work with line Departments to work up and set common standards for how activities should be carried out by line Departments.

25. The Corporate Functions Leaders Board (CFLB) illustrates how this can come about through experts in line Departments taking the lead on driving change. The trend formally to recognise these functional leaders of pan-government corporate services, such as Finance, Law and Communications, should continue, given their critical role in supporting the Civil Service as a whole. The CFLB's role, currently focussed on supporting development of professionalism in the corporate functions, should be widened to include Identifying, evaluating, assessing and approving proposals for common processes in the corporate services. The basic criteria for these proposals should be that these are opportunities to do things in a common way in order to deliver significant returns in customer service and efficiency. The CFLB will need clear authority derived from PSMG and should be supported by a secretariat with a good grounding in analysis and best-practice thinking. A new approach should also be developed to pump-prime pan-government common service initiatives which have compelling financial, risk or efficiency business cases.

26. In the area of capability there is a lack of clarity about the activities over which line Departments should have complete control versus those where they should lose it for the benefits of standardisation across line Departments. For some activities there are clear benefits and buy-in to a common approach, for example the development of a common mechanism for digital preservation of documents. The Employee Relations Steering Group (a sub-group of PSMG) has also set out activities in the HR area where there is a case for removing differences between line Departments – these are included in the core capability activities in Table 3. *Getting the process right for evaluating each of the cases for ‘total compliance’, securing buy-in, giving the go-ahead to the right ones and managing the follow through to realise the benefits is vital.* The PSMG has got the start of this process working and the challenge rests in making it work through to the end.

Table 3: Activities that line Departments should carry out to support CO

	Activity
Strategy	<ul style="list-style-type: none"> Contribute to priorities discussions and accept decision. Offer expert staff to work on strategic challenges facing the UK and accept decisions. Develop and share strategies for delivering top Government priorities. Develop policy and help CO for new or existing top Government priorities. Take positive and pro-active role in resolution of conflicts and accept CO-brokered decisions. Contribute to spending review processes and lead allocation within Departments.
Delivery	<ul style="list-style-type: none"> Help identify risks to delivery of overall Government strategy. Develop and manage mitigating risk actions. Offer expert staff to work on mitigation of Civil Service risk actions. Develop and manage communication strategies. Develop internal performance management frameworks and share core metrics. Develop corrective action when progress against top priorities falls short. Ensure Heads of Profession have sufficient time to do the role beyond line Department work.
Capability	<ul style="list-style-type: none"> Offer expert staff to help develop Civil Service people strategy. Develop own people strategies. Manage succession plans for top talent. Establish frameworks for staff performance management. Ensure PSG embedded, top talent have time to engage in Civil Service wide opportunities. Ensure pay and pensions policy conforms with central frameworks. Manage redundancies. Conform to central SCS system. Develop systems for staff below SCS and not in fast-stream. Provide information to for all-Civil Service surveys and engage in the analysis. Engage the centre to support on organisation design changes. Develop customer focused services and engage CO for help if necessary. Help CO best practice sharing. Accept decision taken on shared services and implement strategies. Ensure Function Leads have sufficient time to carry out their role. Conform to central fast-stream system.

LINE DEPARTMENTS' RESPONSIBILITIES

27. *The CO cannot carry out its role without line Departments being clearer about their role and how it fits with the CO – “the CO is a collective resource for the Civil Service - it should be populated by partnership, there should be dialogue about resource, and the best people should be sent there” (Perm Sec quote).* It is not a one way street and line Departments have three key obligations to the Cabinet Office:

- i. to be a shareholder in the CO mission to make Government work better;
- ii. to recognise that a more effective CO could help achieve that;
- iii. to regain a sense of co-ownership of the CO.

28. Table 3 sets out the activities line Departments should carry out to support the CO role. These emphasise the need for collaboration in sharing expert resource, for example, to go on loan to the CO and lead a high priority project or to free time to be part of cross-Government project teams of experts. The activities also stress the need for cooperation in sharing information in an open and timely way so that the CO can carry out their activities without difficulty. The activities also highlight where line Departments should be left alone to get on without the involvement of CO. With clarity about the extent of CO involvement with line Departments, the activities in Table 4 should set clear expectations for how line Department roles fit with the CO; how follow-through issues should be addressed; and occasions where line Departments need to work together without necessarily needing significant involvement of the CO.

29. There are a number of ways of clarifying the roles and behaviours that Departments, including CO, should use under different circumstances. One of these is to *develop a compact between line Departments and CO*. Scepticism will need to be overcome if a compact is to prove useful. Previous efforts in CO and across Government to establish agreements have all either been broadly unsuccessful in achieving their aims or have not been utilised. The key is for the compact to have teeth and to be used to recruit and appraise senior CO staff and for feedback from line Departments.

IMPLICATIONS FOR THE CIVIL SERVICE LEADERSHIP AND THE CO

30. The recommended model and practice has implications for the collective civil service leadership and the CO:

- **The accountability of Permanent Secretaries to the Head of the Civil Service for corporate management priorities needs to be strengthened and Civil Service corporate governance needs to function more effectively to drive management reform. In particular:**
 - PSMG should agree up to three civil service-wide corporate management priorities for inclusion in Permanent Secretaries' annual objectives every year.
 - PSMG, CSSB and its sub-groups should be run to the best civil service corporate governance standards. PSMG should relaunch the governance package with greater clarity on relationships between the various bodies, their terms of reference, prioritised work programmes, and how their performance will be assessed.
 - The Corporate Functions Leaders Board and the Heads of Analytical Services should be sub-groups of PSMG and chaired by a CSSB member (preferably from a central Department). A small fund, held by CSSB, should be created to assist these groups in taking forward their work.
 - Best practice for carrying out civil service management project work should be rolled out.

- **The CO needs to work out a detailed action plan for “improving its offer” and adopting the right leadership styles. In particular:**
 - There should be more managed moves from line Departments into senior positions in the CO and stakeholders should be fully involved in the selection.
 - The CO/ line Department Compact should be used for recruitment and appraisal of senior CO staff. It should include metrics which can be used in assessing feedback on CO performance from line Departments.

31. To realise the full benefits of the model there are other actions in other areas that should be addressed in due course:

- **Join up the centre of government and build co-ownership through the centre's engagement with the collective Civil Service leadership**

- **Link collective Civil Service leadership to the Cabinet Office more effectively to provide support to the Head of the Civil Service**
- **The Cabinet Office’s objectives should be clarified and communicated to the organisation**
- **Major commands in the Cabinet Office must be led and staffed by the “cream of the crop” of the civil service, who must also have significant understanding of line Department work**
- **Key officials in No 10 need help from CO to do their job but this should be balanced by CO units being seen as supporting the collective political and official leadership**