

# Review of Government Offices

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March 2006



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Office of the  
Deputy Prime Minister  
Creating sustainable communities





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ISBN-10: 1-84532-159-6

ISBN-13: 978-1-84532-159-8

Printed by The Stationery Office 03/06 330856

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# EXECUTIVE SUMMARY

## A STREAMLINED, STRATEGIC GOVERNMENT OFFICE NETWORK

### Devolved decision-making

**I.1** Government Offices (GOs) were established in 1994 in each English region to bring together previously separate government programmes. They originally comprised staff from four government departments and remain part of central government while operating daily at regional, sub-regional, local, and neighbourhood levels. Six other central government departments have now joined the GOs, enabling them to work across policies from ten departments.

**I.2** Since GOs were established they have operated within an evolving regional landscape. Since 1997 the Government has devolved decision-making in a number of regions and local areas. Regional Development Agencies (RDAs) were created in 1999 to act as strategic leaders of economic development within each region, with freedom and flexibilities to strengthen their role in promoting regional economic growth. Local flexibility has increased by merging grants to local areas through new Local Area Agreements (LAAs),<sup>1</sup> and the introduction of Local Public Service Agreements (LPSAs), providing extra flexibility for local areas to respond to specific challenges. It is important that GOs are able to support and facilitate this devolution of decision-making, drawing on their local expertise to feed back to and challenge both regional partners and central government departments.

**I.3** At the same time, the role of the GOs has also changed. Their role in negotiating LAAs on behalf of central government is the most visible manifestation of this. LAAs have brought together departmental policies and programmes in a coherent framework, increasing local flexibility while helping deliver a better balance between central government in the regions and in Whitehall.

**I.4** Departmental expectations of GOs are also changing. For example, the Department for Education and Skills (DfES) is implementing a change programme, requiring new functions and skills of GOs. The Department of Trade and Industry (DTI) has developed a new, more focused role for GOs. The Department of Health (DoH) is currently reviewing how it can strengthen its regional presence. A challenging efficiency programme is being implemented, remodelling the way corporate services are provided in the network. Again, GOs have an important role in managing and challenging departmental expectations, ensuring a single, coordinated approach that avoids duplication and promotes simplicity.

**I.5** The GOs have already begun to respond to these changes. However, expectations of national, regional, and local stakeholders about GO performance in response to the changing requirements are high. There are good examples of innovative working and transformational activity already in the GOs, and several have begun making changes to build on these strengths. But the frequent changes in recent years and the legacy of a concentration of administrative grant management responsibilities that GOs took on from central government departments have made it difficult for them to develop a clear focus on strategic priorities.

<sup>1</sup> Local Area Agreements are single agreements between central and local government. They are intended to focus central/local government interaction on outcomes and enhanced performance information, bring together additional funding streams, and merge them where appropriate.

## A Government Office for the future

**1.6** This review seeks to outline a clearer role for the GOs going forward and makes recommendations on the capacity and accountability they need to fulfil this role. The review finds that a transformational change is needed for the GOs to streamline their role in support of this devolved decision-making framework. The work GOs are now doing on negotiating and monitoring delivery of cross-cutting LAAs with local authorities and their partners and the work they have been doing on local government improvement show the potential of this role. It provides a direction of travel for wider GO business, providing a clear opportunity for GOs to operate at a more strategic level. This review seizes the opportunity to transform the GO role, skill mix and size at the same time, to maximise the impact of this new approach.

**1.7** Departments also have a key role in ensuring their approach to local and regional delivery not only supports devolution and decentralisation, but also promotes simplicity, efficiency and reduced regulatory burdens on local and regional partners. Reducing the number of ringfenced, place-specific grants to local partners tied to particular policy objectives would both increase local flexibility in responding to local challenges, and strengthen the GO focus on its new, more strategic role. Departments should look at the grants they currently administer for local areas in the 2007 Comprehensive Spending Review in the expectation that they will be streamlined or devolved.

**1.8** GOs have the potential to play a strong role in supporting local and regional delivery and promoting flexibility within the devolved decision-making framework. Within this framework RDAs, Regional Assemblies and local authorities all play important roles in both setting out regional strategies and delivering against them. The added value that GOs bring to this comes from being able to combine the following features:

- strong local and regional intelligence about institutions, people, challenges and history to help challenge departments to understand exactly how to make national policies work in a local area;
- extensive relations with regional and local partners to maximise the effectiveness of policies and investment, and exploit synergies;
- oversight of the implementation of policies and scope to challenge others to work together and remove any obstacles to implementation; and
- advising Ministers directly and speaking for central government departments in the region, giving them a clearly distinct role among local organisations.

**1.9** Building on these strengths, and responding to the devolved decision-making changes, this review proposes a new set of strategic objectives for the GOs:

- transforming the way central government focuses on places, by working with local and regional partners to understand priorities and stretch performance. This is already being driven by LAAs and departments' focus on particular places to improve services and growth. In some places, GO engagement will need to be intense. In others it should be minimal and geared to promoting and sharing good practice. And we want GOs to work with local authorities as they secure a double devolution, subsidiarity in decision making and devolution beyond the town hall;
- helping departments translate policies into operational delivery, by providing focused policy and performance feedback and challenge to departments about regional delivery challenges and solutions in delivering Public Service

Agreements (PSAs). GOs should provide consistently high quality feedback on implementation – not just on PSAs and other priorities but also on the capacity of sub-national institutions to deliver – while departments should involve GOs closely in their thinking around implementation. The aim should be for GOs to have a key role in challenging departments and ensuring that policies are both joined up and capable of being delivered efficiently and effectively; and

- supporting and challenging regional strategies to improve their quality and consistency. Given GOs' potential to add value both as a feed into central government and as regionally-rooted experts, they play an important role in testing and challenging regional strategies produced by other bodies, the evidence base on which strategies sit and, importantly, that departmental approaches take account of these regional and local strategies.

**I.10** These objectives provide significant opportunities for efficiency, rationalisation and cutting out costly duplication. As GOs move towards this new role, some functions they currently undertake should cease, most notably in a move away from nugatory grant administration work. This review concludes that GOs should plan on the basis of a much reduced staff for administering future European programmes. Final decisions on resource consequences will be taken in the light of the current consultation on the National Strategic Reference Framework document. As LAAs take root, the need for monitoring and administration of separate grant programmes will also be reduced greatly.

**I.11** The new role requires significant changes both to the way departments relate to the GOs and to the way the GOs structure themselves. A key principle of devolving decision-making is that sub-national delivery is improved through increased flexibility and stronger accountability. Applying this to the GOs, this review proposes that accountability to departments should be strengthened with a clear responsibility for departments to prioritise outcomes and support devolution and a right to receive from GOs robust, strategic performance management information. This will improve GO impact in their new strategic role through a small number of key agreed outcomes within a realistic but stretching performance and monitoring framework. The GOs themselves need to be significantly more focused on working with places supporting those strategic and delivery bodies to whom decision-making has been devolved while providing honest, high-quality feedback to departments. This should sit alongside increased analytical capacity to support those responsible for developing regional strategies, and a smaller but critical mass of specialist knowledge and expertise on policy and operations in each GO.

## Managing the transition

**I.12** To meet the challenge of moving to this new role, this review finds that the GO network must make a transformational change that:

- secures the appropriate staff skill mix by rebalancing skills away from administrative expertise toward policy and operational expertise; and
- seizes the opportunity to streamline activity by reducing overall staff by at least 33 per cent.

**I.13** GOs will need new freedoms and flexibilities to deliver these substantial changes, including greater certainty over administration budgets and funding for early severance schemes where they are needed.

**I.14** This review sets out a framework for action. Delivery of the framework set out in this review will mean a transformational change and further significant improvement in GO effectiveness and efficiency. This in turn will provide an enhanced opportunity for the significant decentralisation and devolution of government activity.

# 2

## CURRENT GOVERNMENT OFFICE ROLE AND ORGANISATIONAL STRUCTURE

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### DEVOLVED DECISION-MAKING

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**2.1** GOs were established in their current form in 1994. They are part of central government, but are located in each region and now perform functions on behalf of ten departments. They are a part of national government that operates daily at regional, sub-regional, local and neighbourhood levels.

**2.2** Since GOs were established they have operated within an evolving regional landscape. Since 1997 the Government has devolved decision-making in a number of areas to regions and local areas. Key changes include:

- establishing the RDAs in 1999 to act as strategic leaders of economic development within each region, and Regional Assemblies to lead the development of regional spatial frameworks;
- introducing a regional PSA in 2000 to deliver sustainable improvements in the economic performance of all English regions, and reduce the persistent gap in growth rates between the regions;
- increasing the freedom and flexibilities for RDAs by introducing the single funding pot in 2002 and by increasing their funding and functions in the 2002 and 2004 Spending Reviews;
- increasing local flexibility in 2004 through new Local Area Agreements (LAAs), and the introduction of Local Public Service Agreements (LPSAs) to provide extra flexibility for local areas to respond to specific challenges and circumstances; and
- strengthening local and regional accountability frameworks alongside increases in freedoms and flexibilities through the introduction of the Comprehensive Performance Assessment for local authorities and the recent agreement to introduce an Independent Performance Assessment for RDAs.

**2.3** The *Devolving Decision Making* Review<sup>1</sup> set out a common framework underpinning these reforms. This highlighted the importance of increasing local and regional flexibilities to improve policy development and delivery on public services and economic growth. The review also recognised that increases in flexibility need to be accompanied by stronger accountability frameworks. For local government it recommended timely publication of performance data and increased performance management capacity within front line, local government, and other intermediate-tier organisations. For RDAs, the review recommended a more robust, professional performance-monitoring framework led by the National Audit Office.

**2.4** GOs have an important role to play in this devolved decision-making framework, both within regions in building a more strategic level of engagement between central government and local and regional partners, and nationally in advising departments and Ministers about the operation of the devolved decision-making framework and the scope for devolving further functions. However, GOs have tended to evolve in a largely uncoordinated fashion. This review therefore seeks to articulate a strategic role for GOs, securing their place as a key driver in local and regional delivery and performance.

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<sup>1</sup> *Devolving Decision Making 1 – Delivering better public services: refining targets and performance management* and *Devolving Decision Making 2 – Meeting the regional economic challenge: increasing regional and local flexibility*

**2.5** The Government has granted London a unique governance framework, recognising the specific challenges the capital faces. The Greater London Authority (GLA), with a single executive Mayor chosen directly by the people of London, and an Assembly that provides the necessary checks and balances to further strengthen accountability, has considerable powers to enable London's continued growth and improve its public services. The Government will grant further strategic and delivery responsibilities to the GLA, in responding to the ODPM consultation on the GLA<sup>2</sup> in the spring. As set out in the consultation, the Government is clear that there is an important strategic role for the Government Office for London (GOL) to play on behalf of national Government in the capital, in developing its specific plan to implement the conclusions of the Review of Government Offices, GOL will need to take account of the outcome of the Review of GLA Powers and the views of its partners, including the Mayor and Assembly. As with the other GOs, the Government's expectation is that GOL will become smaller and more strategic.

## EVIDENCE BASE FOR THE REVIEW

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**2.6** This review builds on a wide range of existing sources of evidence about GO performance and capacity, as well as commissioning research and carrying out targeted interviews of local, regional and departmental stakeholders. The findings in this report are based on the most robust evidence available, and reflect the wide variety of views and comments received during the review process. Particular evidence this review draws on include:

- stakeholder interviews: the review commissioned independent experts to interview a targeted number of regional and local stakeholders on the current GO role, performance and effectiveness as well as future direction;
- departmental interviews: as a core part of the evidence gathering for the review, the review team held a series of interviews with a range of representatives from each department with a direct interest in the GOs;
- stakeholder surveys: these provided recent evidence of stakeholder perceptions in several regions. A comprehensive stakeholder survey of national, regional and local stakeholders was carried out in the late autumn of 2005 and has provided comparative data across GOs and with other bodies;
- peer reviews: these were carried out in four GOs;
- capacity study: a capacity study was carried out into the range and depth of skills in the GO network, skills needed over the next few years and strategies to put in place to address any skills gaps. The study was completed in October 2004 and showed that team leaders in GOs had concerns about GO skill mix; and
- existing studies and audits: a study of neighbourhood renewal, administration of the European Regional Development Fund, and audit reviews (including of corporate governance arrangements in the network) have also been taken into account.

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<sup>2</sup> *The Greater London Authority; The Government's proposals for additional powers and responsibilities for the Mayor and Assembly. A Consultation Paper.* ODPM, November 2005.

## Key findings on previous GO activities

**2.7** Following the establishment of new regional bodies – notably RDAs and a number of new area-based programme initiatives, a number of GO functions were transferred to other agencies and GOs acquired responsibility for a number of new funding regimes. In response to these changes, the Prime Minister commissioned a report by the Performance and Innovation Unit (PIU) in 2000 on the role of central government at regional and local level. The Government accepted the recommendations of that report<sup>3</sup> which led to a range of further changes including the establishment of a GO corporate centre, more departments represented in the GOs and additional activities decentralised to them, and to the phasing out, merger, or alignment of a number of separate area-based initiatives.

**2.8** This review provides a valuable opportunity to re-evaluate the role of GOs in the light of actions completed and the changing institutional environment, drawing on the evidence above. This chapter outlines the current GO role and structure, and then offers an assessment of their effectiveness in these areas. In particular, it identifies three key issues for the GOs:

- further rapid evolution. Since the PIU report, the regional landscape has changed considerably as the Government has further devolved significant decision-making power to the regions. The advent of LAAs, and Government's ongoing focus on places of strategic significance suggest that further change is now needed. These changes have not been based on a single strategic vision of how the GOs are best placed to add value at the local, regional, or national level;
- focus on administration. The traditional GO structure reflects a concentration on administrative grant management that GOs have taken on from departments. This history is reflected in the GOs' grade mix and skills. The influence from the past needs to be altered if the GO role in developing an effective strategic engagement with local partners is to be maximised; and
- variation in performance. Departmental feedback indicates substantial variability across the network in the quality of GO performance. Some interviewees were concerned that GOs lacked the capacity to take on their new responsibilities. Performance in response to the changing requirements needs to continue to be transformed rapidly in order to meet the high and growing expectations of national, regional, and local stakeholders.

**2.9** These three areas are set out in more detail below.

## Further rapid evolution: current GO role

**2.10** Since they were established in 1994 the GO role has continued to evolve, with new responsibilities added and some functions transferred to other organisations. Changes to the regional institutional architecture since they were created have fuelled changes in the GO role, including the establishment in 1999 of RDAs as strategic leaders of economic development in each region, and the setting up of Regional Assemblies. Although some functions transferred to these new bodies, GOs have had significantly increased grant-management responsibilities, as they have accumulated or inherited a large number of specific, area-based funds to administer within their regions. Some of these have been wrapped into the new LAAs, and others are beginning to wind down.

<sup>3</sup> *Reaching Out*; Performance and Innovation Unit, 2000.

**2.11** Table 2.1 below sets out the main changes to GO functions since 1994, showing the additions of departmental responsibilities in each year.

**Table 2.1: Changes to GO functions since 1994**

Year	Transfers of funding and policy to GOs	Transfers of funding and policy from GOs
1994/95	GOs created – bringing together regional offices of the then Department of Environment, Department of Transport, Department of Trade and Industry and Department for Education and Employment. GOs responsible for housing and transport investment programmes, European structural funds, regional selective assistance, contracting with Training and Enterprise Councils, and Business Links.	
1999		RDAs take over Single Regeneration Budget; Learning and Skills Council take over Training and Enterprise Councils.
2000	<ul style="list-style-type: none"> <li>• <i>Reaching Out</i> Report – Making GOs the key representatives of government in the regions.</li> <li>• Involving GOs more directly in policy making.</li> <li>• Establishing the Regional Co-ordination Unit as a unified Head Office for the GOs.</li> <li>• Better co-ordination of area-based initiatives.</li> </ul>	
2001	GO single pot administrative budget; GOs take on support for Connexions Service and Neighbourhood Renewal programmes; Department for Environment, Food and Rural Affairs joins GO Network; Home Office builds co-located crime and drugs teams.	
2002	Home Office integrates with GO Network; Department for Culture, Media and Sport integrates with GO network; Sure Start/Children's Fund teams co-locate.	
2003	Additional responsibility for street crime and community cohesion, regional resilience and decent homes. Public Health teams co-located with network.	
2004	LAA pilots introduced; Department for Education and Skills decision to integrate all GO-based activity (to take effect from 1 April 2006).	RDAs/Small Business Service take over RSA/Enterprise grants.

**2.12** At the start of this review there were 3,114 staff in post (and 564 co-located staff), all citizens of the various government departments. The changes over the last 18 months, around LAAs in particular, have brought a new dimension to GO work that need to be fully reflected in GO structures and skills. This review represents an opportunity for a strategic shift focused on resource priorities, to ensure departments and GOs have a clearer understanding of the outcomes each can expect from the other. The relationship between departments and GOs should concentrate more clearly on priority outcomes, moving away from a focus on administrative inputs. Consequently, the implementation of this review should ensure that GO staff are flexibly allocated on the basis of priorities, not notionally assigned to a particular department or silo.

### Focus on administration: current GO organisational structure

**2.13** The GO network consists of nine regional offices, each of which is structured differently to reflect the different approaches of Regional Directors and the main challenges and priorities in each region. There are also a number of common features running throughout the network. Several GOs have recently begun restructuring their offices to respond to changing demands, and the emerging conclusions of this review. The model of

current GOs described in this chapter attempts to capture these changes where possible and describe common structural threads across the network.

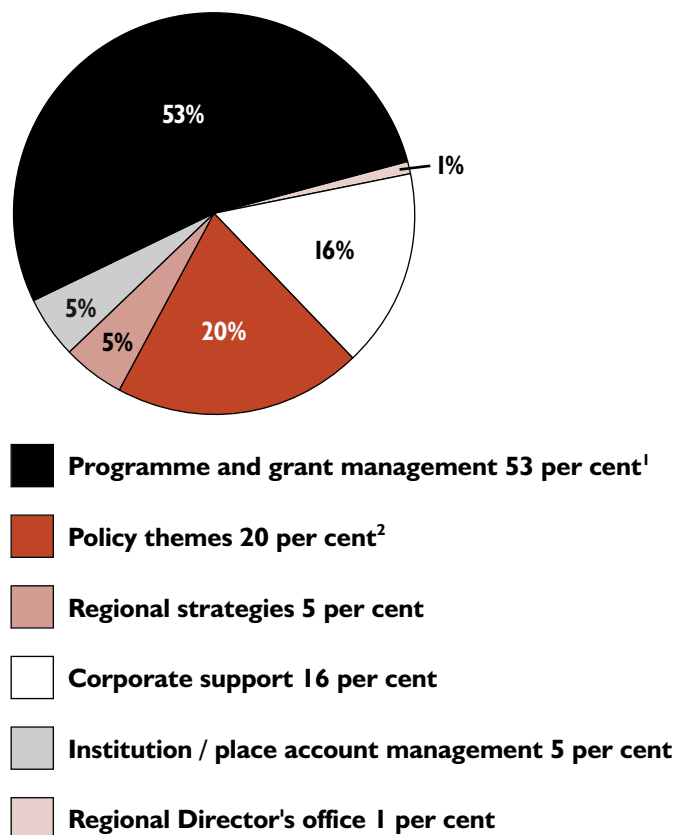
**2.14** Most GOs are structured around directorates, based on policy themes or lead policy areas. These directorates are headed by six to eight directors responsible primarily for specific policy areas who report directly to the Regional Director. For example, the East England, Yorkshire and Humber, North East, and North West GOs use this approach and have directors leading on Europe, competitiveness, communities, or environment issues.

**2.15** Some GOs have also built a focus on place into their structures alongside lead policy responsibilities, as for example in the South East GO. Both the East and West Midlands GOs have restructured their offices around a primary focus on place, with over half of their directors leading principally on a specific geographical area in their region.

**2.16** A number of key features emerge looking at the current GO structures:

- there remains much operational grant management, ranging from Structural Funds to neighbourhood renewal funding. The staff in each office managing these funds tend to be relatively junior;
- policy roles are broken into departmental boundaries within the GO. This resource at Senior Executive Officer (SEO) and above accounts for around 20 per cent of staff in GOs, with lead policy advisors reporting direct to their Whitehall department on education, crime, and communities etc. The teams work together where possible across these boundaries but are organised into largely departmental units;
- the GOs' focus on operational delivery, predominantly junior staff mix and their departmental structure means that opportunities are missed for senior external engagement across boundaries within the current model;
- most GOs are structured predominantly around themes not places. While GOs do need functional expertise to carry policy (and advisory) credibility as well as the capacity to focus on places of strategic or high delivery importance, several are structured more around functional teams than places. GOs do have a local government practice capacity that supports the policy leads in engaging with local government; and
- most offices have a director of regional strategy, whose responsibilities differ significantly, but who is primarily responsible for engagement with regional institutions and regional strategies.

**2.17** As noted above, the different structures in each region and the changes recently undertaken in regions such as the East Midlands mean that the above features apply to different degrees in different GOs. In general, however, the current GO model is based mainly around policy themes and grant delivery units that reflect departmental boundaries, rather than places within the region. This structure is represented in Figure 2.1 below.

**Figure 2.1: Current balance of activity in GOs July 2005**

<sup>1</sup> For example: European programmes, Neighbourhood renewal, Crime and drugs programmes, Connexions and young people's programmes

<sup>2</sup> For example: environment, communities, competitiveness, infrastructure

### Current GO skill mix: focus on administration

**2.18** The current GO skill mix reflects their previous focus on grant and programme administration rather than strategic engagement with local partners. This will need to change for the GOs to deliver their new role.

**2.19** Currently, the grade profile of GO staff is relatively junior. Almost half of GO staff are Executive Officer (EO) grade or below, and only around 14 per cent of staff are grade seven or above. Table 2.2 provides a breakdown of GO staff by grade, at the beginning of this review.

**Table 2.2: Proportion of staff at different grades October 2004 (per cent)**

Government Office	SCS	Grade 6/7	SEO/HEO	EO	Below EO
East	2	11	41	25	21
East Midlands	1	10	45	26	20
London	4	15	41	21	19
North East	1	10	36	23	30
North West	3	10	38	26	24
South East	3	14	40	29	15
South West	2	12	35	28	23
West Midlands	1	10	32	24	33
Yorkshire and Humber	2	11	36	28	22
Average	2	12	38	25	23

*NB: rows do not all sum to 100 due to roundings*

**2.20** A comparison of the staff composition of the GO network with RDAs provides an indication of the degree of internal change that might be necessary if they are to adopt a more strategic role. RDAs have a mix of delivery responsibilities, for example their new role managing Business Links and leading the development of each region's Regional Economic Strategy (RES). In broad terms 65 to 75 per cent of RDA staff are specialists and/or senior managers compared to around 50 per cent in the GO Network.

**2.21** Analysis underpinning this review came to the conclusions that:

- the GO network needs to adjust its grade mix to improve its skill base. This will not simply be addressed by internal promotion, but requires genuinely changing the skill mix in GOs. The reduction in the GOs' grant administration role means that, over time, fewer junior staff will be required. There will, however, need to be more staff at team leader level and above to reflect the role outlined for GOs in this report;
- GOs need to be able to field people of sufficient seniority to command respect as representatives, interpreters of policy and advisors;
- GO managers need to understand Whitehall and Whitehall networks, through greater staff interchange with government departments; and
- GOs need better subject knowledge and understanding of policies and their rationale to be credible and effective in the challenge and support functions of performance management.

**2.22** This review endorses the conclusions of the analysis in terms of the skill set required to deliver maximum value in the new GO role. The next chapters set out a transition programme for making the GOs fully equipped for their new role.

## Variation in performance

**2.23** As shown above, the evidence base for this review draws on a wide range of sources, including stakeholder and departmental interviews, stakeholder and capacity surveys, and existing studies and audits. Feedback from both the stakeholder and the departmental interviews indicate substantial variability across the network in the quality of their performance. This is confirmed by the recent stakeholder surveys.

**2.24** Expectations of national, regional, and local stakeholders about GO performance in response to the changing requirements are high. The frequent changes in recent years and the legacy of a concentration of administrative grant management responsibilities that GOs took on from central government departments in previous years have made it difficult for GOs to develop a clear focus on strategic priorities. However, there are good examples of innovative working and transformational activity already in the GOs and the aim of the review is to build upon this and spread best practice across the network.

**2.24** This review presents a significant opportunity to provide a clear framework within which the GOs can continue their transformation into effective and efficient organisations, with a stronger role in the devolved decision-making framework and a higher impact on delivery.

# 3

## MEETING THE CHALLENGE OF DEVOLVED DECISION-MAKING

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**3.1** This chapter sets out new strategic objectives for the GOs, stronger accountability to departments around a small number of longer term agreed outcomes, and increased flexibility for the GOs, and proposes changes to the GO structure to enable them to deliver their new objectives.

**3.2** The new objectives will enable GOs to take on a more strategic and transformational role. These three key objectives reflect a significant increase in the GOs' focus on supporting and challenging local and regional partners on delivery, with a reduced role in programme delivery within strict departmental boundaries. The stronger accountability to departments around longer term agreed outcomes takes forward a key theme of the *Devolving Decision Making Review*,<sup>1</sup> which proposed increasing regional and local flexibilities balanced by strong accountabilities to improve delivery. The new GO structure reflects an increased focus on working with places, with a more flexible and joined up internal structure linking this with the smaller critical mass of policy teams.

**3.3** Two departments in particular have already announced measures for the GOs that move significantly in this direction. The DfES is strengthening its relationship with GOs. The new relationship with GOs is delivering a DfES-wide remit in GOs with a focus on children's and youth services, a new Director of Children and Learners (DCL) post established in each GO leading a new and strengthened DfES Group. Its priorities are:

- DCLs as strategic leaders in regions, driving change and the local delivery of policies, through building strong relationships and managing local partnerships;
- connecting the departments to other policy delivery activities in the region, through joining up programmes within the GO and with local partners;
- regional input to national policy and developing policy including improving the department's intelligence regarding development of policies, through increased analytical capacity in the GOs and stronger feedback loops; and
- performance improvement through working with others, including playing a full part in regional economic development whilst ensuring effective programme delivery.

**3.4** The DTI recently agreed a new high level framework to guide GOs' work. This reflects the changing role of the GO network for DTI, and requires a more strategic, higher skilled staff base, but with a smaller number of posts given DTI's response to the Efficiency Review. The framework's priorities are:

- getting the best out of the RDAs: challenging RDA activity against its targets, monitoring performance, supporting continuous improvement and relationship management;
- a powerful voice for DTI: ensuring the economic development agenda is reflected across policies and programmes in the region, and providing a visible DTI presence; and

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<sup>1</sup> *Devolving Decision Making 1 - Delivering better public services: refining targets and performance management* and *Devolving Decision Making 2 - Meeting the regional economic challenge: Increasing regional and local flexibility*

- delivering for DTI: delivering European Union (EU) programmes to support delivery of all DTI priorities, analysis and research for the regional economic growth PSA.

## New Government Office Strategic Objectives

**3.5** To deliver their new objectives, role and functions, especially around the management and implementation of LAAs, as well as developing a more strategic relationship with specific places, GO activity needs to be significantly more focused around localities rather than departmental boundaries. This new focus should be backed up by:

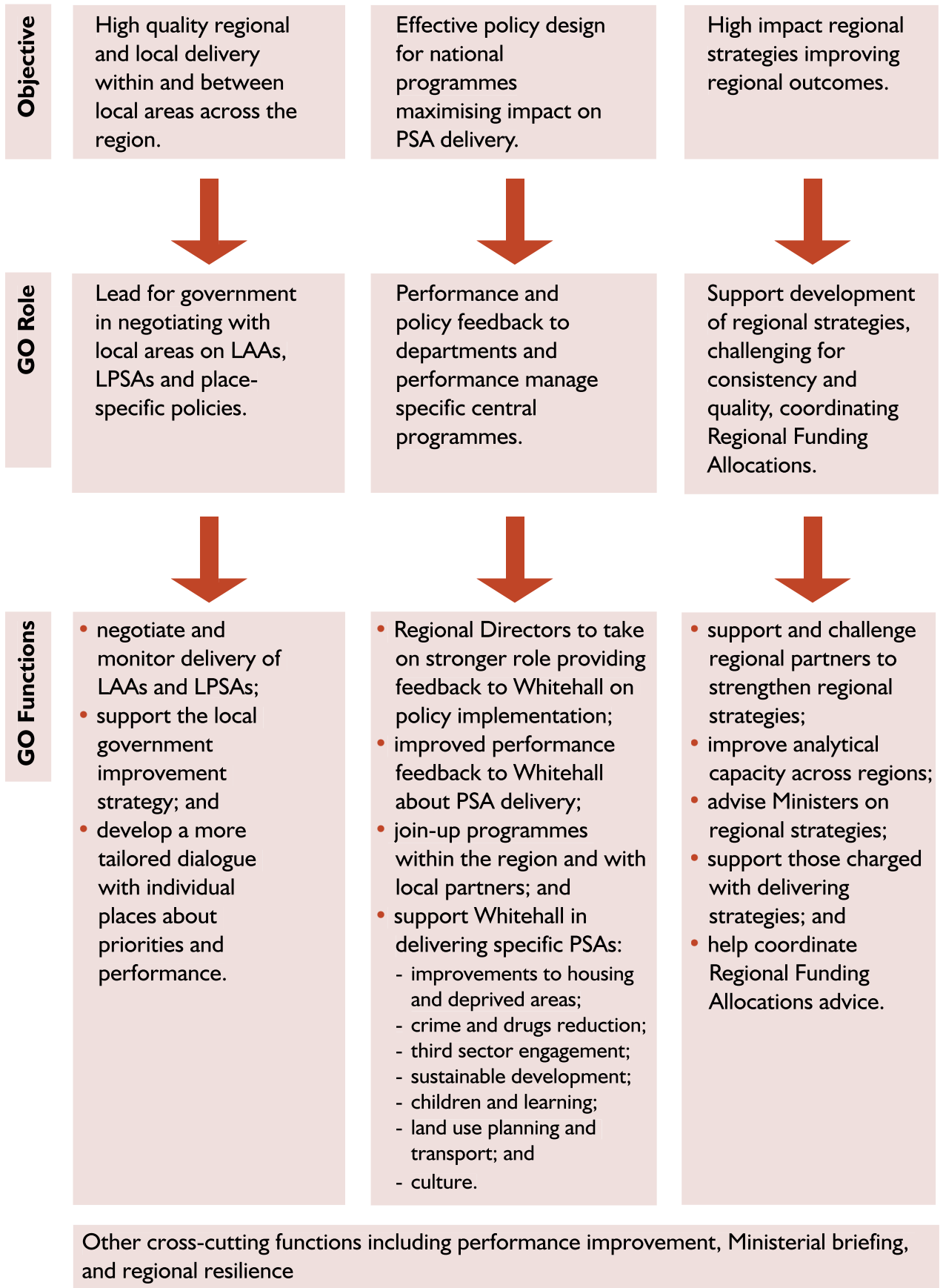
- a strong outward focus to local, regional, and national stakeholders organised around place-based and regional performance teams;
- increased analytical capacity within the GO network to oversee the development of regional strategies; and
- a smaller but critical mass of specialist knowledge and expertise on policy and operations in each GO.

**3.6** The GO role will need to change to respond to this new environment, building on the unique features that define their added value to government departments and local partners. GOs have the potential to play a strong role in supporting local and regional delivery and promoting flexibility within the devolved decision-making framework. Within this framework RDAs, Regional Assemblies and local authorities all play important roles in both setting out regional strategies and delivering against them. The added value that GOs bring to this comes from being able to combine the following features:

- strong local and regional intelligence about institutions, people, challenges and history to help to challenge departments understand exactly how to make national policies work in a local area;
- extensive relations with regional and local partners to maximise the effectiveness of policies and investment, and exploit synergies;
- oversight of the implementation of policies and scope to challenge others to work together and remove any obstacles to implementation; and
- advising Ministers directly and speaking for central government departments in the region, giving them a clearly distinct role among local organisations.

**3.7** Figure 3.1 sets out a new, focused set of objectives, roles and functions for the GO network, building on these features. Overall, the new GO role will be significantly more focused on locality issues, delivered by a more outward facing network. This is a significant shift away from GO activity to date that has been based on specific departmental programmes and grant administration. Even for the delivery of PSAs the GO role should change to performance and policy feedback to central government rather than simply administering nationally designed schemes. To use the place focus to best effect GOs will need to develop further and maintain a strong outward connection, whether this is with local places, Whitehall departments, or regional partners.

**Figure 3.I: New GO objectives, roles and functions**



## **GO objective 1: High quality regional and local delivery within and between local areas across the region**

**3.8** GOs will, working with local and regional partners, help set strategic objectives and monitor performance against these. The GO role is to work with local and regional partners to determine priorities and stretch performance. Their role in delivery is at this strategic level, not in administering specific programmes themselves.<sup>2</sup>

**3.9** This role draws on specific GO strengths. First, GOs can represent departments in a joined-up way, and support regional and local partners in developing cross-cutting solutions to separate issues. They can provide a single point of contact within a region on a departmental policy or programme. Local and regional partners are often most successful in delivering specific outcomes if they develop joined-up approaches to challenges. They can be held back in doing this by individual departments developing their own national programmes and policies that are managed separately in each local area.

**3.10** GOs will have closer contact with, and knowledge of, specific local places and partners than central departments, as well as better knowledge of issues, performance, and challenges. This enables them to work with regional and local partners on delivery and performance more effectively than any individual central department. Relations with departments will evolve over time, and should focus more on outcomes and strategic policy engagement as the new structure, and regional and local frameworks become embedded and lead to improvements in local outcomes.

**3.11** This role builds on work GOs are already doing including negotiating and monitoring delivery of cross-cutting LAAs with local authorities and their partners, and the work they have been doing on local government improvement. The new responsibilities for negotiating LAAs with local authorities put GOs at the heart of the government's relationship with local authorities. This role will increase significantly in the future as the LAA content expands, and the previously separate negotiation of LPSAs is integrated within LAAs. The LAA negotiation also provides a direction of travel for wider GO business as it provides a clear opportunity for GOs to operate at a more strategic level.

**3.12** As GOs develop their role managing the relationship between government and local authorities, they should vary the intensity of engagement and support with the performance and needs of specific places. This approach should build on GOs' central role in helping to deliver the Local Government Strategy's objective of a more tailored dialogue with individual places about priorities and performance. At present, departments often intervene directly with the local authorities most at risk of not delivering in their policy area.

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<sup>2</sup> The GO role is that set out in the *Devolution Decision Making Review*, which proposed increasing regional and local flexibilities within a strengthened performance management framework. The specific GO role in working with local partners was set out in the paper *Securing Better Outcomes: developing a new performance framework*.

**Partnership Directors**

The Government Office for the North West (GONW) is building closer working relationships with local authorities across the region. All 47 councils in the North West have a nominated Partnership Director in GONW. The Partnership Director's role, representing all the departmental interests serviced by the GO, is to build a 1:1 relationship with the council's Chief Executive. As a result of this initiative, GONW Directors now have a better understanding of the interaction and connectedness of Government policies in a local authority. It is intended that the Partnership Directors will lead the LAA negotiations and share the Local Strategic Partner's review sessions, as appropriate.

**3.13** Indeed, there is scope for increasing this role even further, with the potential for all specific grants to be either mainstreamed into Revenue Support Grant or managed through a single broad LAA that has been negotiated with local authorities. LAAs have the potential to allow greater consistency and a more collective approach within government, better-coordinated delivery by government agencies, better mechanisms for collective engagement with local authorities, and greater flexibility for local authorities in delivery. An understanding of the place, its history, issues, and aspirations are essential for GOs to be effective partners in negotiation.

**GO Objective 2: Effective policy design for national programmes maximising impact on PSA delivery**

**3.14** The second objective where GOs are well placed to add value is in improving national policies designed to impact on specific localities. GOs' role as part of central government means that they can provide confidential and objective policy feedback and advice to departments that reflect the delivery challenges and local approaches particular to each region and locality, and in this role act as a valuable 'reality-check' on national policy design. In this regard the GO network also has a central role in advising departments on opportunities and risks in taking forward the devolved decision-making agenda. GOs should not develop national policy themselves – that remains the clear remit for central departments. They are, however, well placed to feed back views and performance information from within their regions to improve policy design in the centre.

**3.15** In particular, there are a range of PSA targets in addition to LAAs that GOs will have a key role in helping to deliver through working with other local and national agencies. Part of this role will include providing performance feedback to central departments on PSA delivery, including regional implementation issues; and contributing to development of national policy by providing evidence or expertise from a regional perspective.

**3.16** There is an important role for Regional Directors to play, particularly where they lead on a policy area, in providing feedback to Whitehall on implementation, and supporting central departments' PSA delivery in appropriate areas.

**3.17** GOs have been working with central departments to ensure greater consistency in the way progress against PSA targets is collected and reported. There is scope for GOs to build on this development to further contribute to PSA delivery by providing timely performance feedback on PSA delivery to Whitehall.

**3.18** Departments will wish to hold performance review meetings with GOs. In order to ensure a high degree of external challenge, there should be an annual meeting between one or more Regional Directors with Departmental Management Boards to review progress

against the PSAs being delivered by the network. In some cases, Ministers may wish to review progress against PSAs with one or more Regional Directors.

**3.19** At the local and regional levels, GOs would complement their role in PSA delivery and communication with central departments by assisting local partners to coordinate PSA delivery programmes within the region.

### **GO Objective 3: High impact regional strategies improving regional outcomes**

**3.20** The third objective is in supporting and challenging those bodies such as RDAs and Regional Assemblies that are charged with developing regional strategies. GOs have a key analytical role in offering insight on how regional strategies fit with each other, helping to improve quality as well as ensure consistency with national and regional funding and policy conditions where appropriate, and providing advice to Ministers as part of central government.

**3.21** The number of regional strategies has grown significantly over recent years. Some regions have over 30 separate strategies, ranging from waste to trees. However, the two most important are the RES and the Regional Spatial Strategy (RSS), which set out the economic and spatial development strategy for the region. RESs are developed by the RDAs, but belong to the region as a whole and are delivered by a wide range of local and regional partners, while RSSs are prepared by the Regional Assemblies.

**3.22** Since the GOs are not directly responsible for producing the RSS or the RES, but are able to match central government authority with regionally-rooted experience, they are well placed to act as 'critical friends' within a region. The lead regional and local institutions are responsible for developing the strategies, with GOs working alongside them to both support and challenge them. This will help regional bodies ensure consistency of the strategies with the evidence base, other regional strategies, Government policy and reasonable projections of available funding.

**3.23** It will be for the GOs to provide advice to Ministers on the consistency of the regional strategy when it is sent to Ministers for approval. This would clarify a role that GOs already often perform. Exercising this role in a credible way sets a significant challenge for the GOs, since it will require GOs to develop their analytical capacity substantially and to ensure support and a challenging function that is transparent and avoids duplication.

**3.24** GOs will have an important role in working closely with Regional Assemblies and local partners on RSSs, to agree plans that meet local concerns as well as delivering the overall objectives set in the Barker Review.

**3.25** GOs are also well placed to lead coordination of strategic regional feedback to government. As an example, in 2005 the Government announced a new system of Regional Funding Allocations across the inter-related areas of transport, housing and economic development. GOs were asked to facilitate the RDAs and Regional Assemblies in advising the Government on priorities within indicative funding allocations. In particular, GOs along with RDAs were expected to ensure that advice was evidence-based, represented a wide range of views within the region, was financially realistic and deliverable, and was consistent with national policies and regional and local strategies.

**3.26** The GO role in supporting the development of strategies and coordinating regional views can on occasion go wider than ensuring consistency. If other bodies fail to produce a strategy or to agree, GOs have in some cases a responsibility, as the representative of central government, to intervene to ensure the relevant strategy or document is produced.

**3.27** In addition to the three core roles above, GOs also carry out a number of specific but distinct activities on behalf of central departments, especially regional resilience and Ministerial briefing.

## KEY FEATURES OF THE NEW GO MODEL

### Stronger accountability to central departments around a priority set of agreed outcomes

**3.28** A key element of the GO model is strengthening the relationship between GOs and central departments, based around key agreed outcomes. Departments have often engaged with GOs more around processes than outcomes, and primarily work with teams that are structured around department-specific policy themes. Until recently they received no common performance information, either making their own specific requests or receiving little data at all.

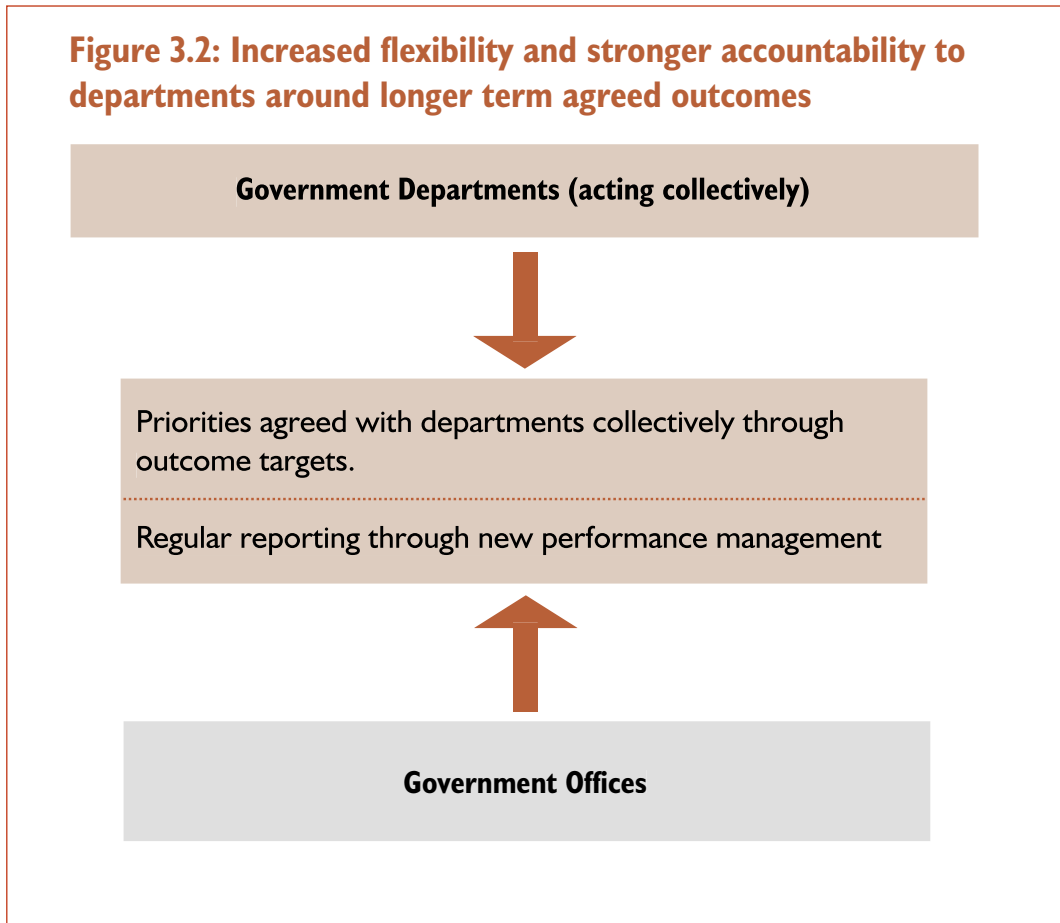
**3.29** This review proposes to apply the key themes of devolved decision-making to the GOs to increase their impact on outcomes and to strengthen their accountability to central departments. These themes of increasing regional flexibilities within a strong accountability framework are central to transforming GOs into the streamlined, strategic bodies outlined earlier in this chapter. Applied to GOs, this approach will have two key features. First, departments will collectively agree a small number of outcomes with the GO network, covering the range of their responsibilities where the GO has a key role in overseeing or supporting delivery, building on the model of the LAAs, which involve a negotiation between GOs and local partners on outcomes in return for a block-funding grant. Second, GOs will provide significantly improved performance information on the delivery of outcomes to departments as part of a strengthened accountability framework.

**3.30** The first part of this approach is for central departments to collectively agree a small number of outcomes with GOs. The aim is to clarify the priorities that departments intend GOs to focus on delivering.

**3.31** The new arrangement will also build on the new LAA approach. New place-based measures, such as the LAAs, are already transforming GO activity from departmental grant management to negotiations of outcomes with local partners. A clear focusing of departments' relations with GOs on outcomes, which are contracted from each region, would build on this new approach and is important to making LAAs a success.

**3.32** The second part is making full use of a new performance management framework recently introduced across the GOs. In addition to the key collective outcomes agreed as part of the new agreements outlined above, individual departments will need better performance information from GOs based around existing PSA outcomes. In the past, there were bespoke performance management regimes for individual objectives/programmes. This made managing GO performance difficult, since it was difficult to compare GO delivery of programmes and to identify GOs' added value in bringing programmes together. Looking forward, departments should look to agree the outcomes expected, without imposing micro management of organisation or process on the GOs. To do this effectively, GOs need more robust performance information across a wide range of PSA measures. The GO network has been developing a new performance management system in discussion with departments, reports from which were available across the range of programmes for the first time in July 2005. Discussions are under way with departments about the use of reports from the new system. In addition to performance review meetings, the data may be used in any dialogue with Departmental Management Boards.

**3.33** Figure 3.2 outlines the accountability framework between GOs and departments.



### New GO structure

**3.34** To deliver their new objectives, operating within this new contracting and performance management framework, GOs also need a new structure. The new objectives will be significantly more strategic and focused, and the accountability framework set out above will enable GOs to develop a much more flexible approach to delivering their objectives, with a much more strategic outcome-based relationship with departments. To genuinely transform their capacity to deliver on these objectives and operate flexibly, the GOs will need to transform their internal structure with a significantly greater outcome focus and a more flexible structure with closer links between their core business areas.

**3.35** The section below highlights the key changes to GOs structure needed to deliver their objectives and make the most value from the new contracting and performance framework. The model set out in Figure 3.3 indicates the change in GO focus needed for the new role. It provides a clear indication of the scale and direction of change expected of GOs as part of the implementation of this review. Regional Directors will clearly apply this model differently in different regions to respond to the challenges and needs of their region.

## **GO objective 1: High quality regional and local delivery within and between local areas across the region**

**3.36** In this role GOs will lead for government in negotiating with local areas on LAAs, LPSAs, and place-specific policies. Figure 3.1 set out the GO functions under this objective. Specific features of the new GO model will involve:

- a significant refocusing on place-based working structured around specific local areas, reflecting the transformation in GO activity from administration of national grants to a more strategic relationship with local areas around overall performance;
- a roughly equivalent organisational emphasis placed on cross-cutting place-based activities such as LAAs, and thematic policy interventions or departmental programmes;
- a less direct association between staff deployment and departmental business lines; and
- more emphasis on generalist skills such as relationship management, performance management, and negotiation. The performance management team will be a flexible resource, diagnosing problems in places or in the implementation of particular policies, drawing on consultancy and other support as necessary.

## **GO objective 2: Effective policy design for national programmes maximising impact on PSA delivery**

**3.37** In this role GOs will provide performance and policy feedback to departments and performance manage specific central programmes. Figure 3.1 set out the GO functions under this objective. Specific features of the new GO model will involve:

- smaller policy and operations teams;
- a critical mass of policy specialists, the focus of which is appropriately balanced across the different policy themes; and
- strategic engagement with central government, with each GO taking the lead for a specific policy through the Regional Director working with the relevant department's senior management on policy implementation and strategic policy advice.

## **GO objective 3: High impact regional strategies improving regional outcomes**

**3.38** In this role GOs will support the development of regional strategies, challenging local and regional partners for consistency and quality, and coordinating Regional Funding Allocations. Figure 3.1 set out the GO functions under this objective. Specific features of the new GO model will involve:

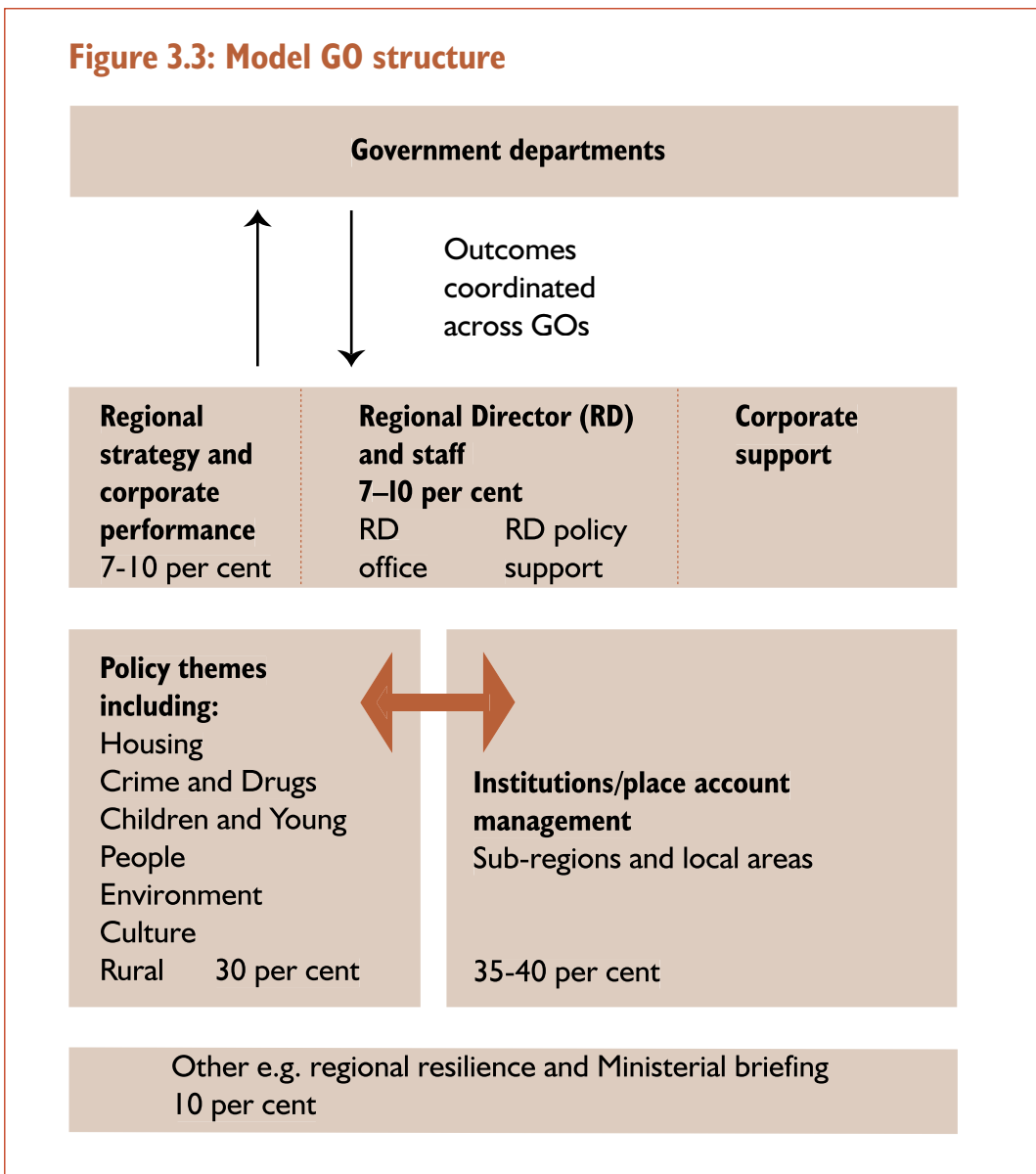
- a more strategic performance dimension to implement their new roles. This will involve more senior and expert staff with analytical skills to impact on regional strategy and policy development, and to oversee broad PSA performance issues across the region; and

- a stronger analytical capacity to provide an overview of regional performance, and to challenge where appropriate. This may require significant investment in performance monitoring frameworks and knowledge about the region.

**3.39** The new GO structure will also include a smaller corporate services function, including finance and communications, and support for the Regional Director in their lead policy role with departments. Less frontline corporate functions such as human resources (HR) and information technology (IT) support will be managed mainly from the Regional Coordination Unit (RCU) at the Office of the Deputy Prime Minister (ODPM) to maximise efficiency across the network. Other common network functions will be most effectively and efficiently co-located, outsourced, or otherwise serviced.

**3.40** The new structure reflects the change towards more flexible and joined-up working within the GO needed to deliver their strategic role working with local and regional partners on performance. It suggests a transformation in business support activities in particular, helping support a substantial increase in flexible and joined-up working across the GO.

**3.41** Figure 3.3 outlines a model of how the new GO will look, designed to meet the key features identified above.



**3.42** This model outlines the changes needed to transform the GO structure to respond to their new objectives and role. It is a flexible model setting the scale of the transformation needed, and will be applied differently in different regions.

**3.43** Each region faces a very different set of challenges and policy priorities, as well as institutional relationships, so Regional Directors may wish to adapt the model to their specific needs, within the overall framework.

**3.44** The key feature of this model is a major increase in the focus on place-based teams, moving from only five per cent of the total workforce on average at present to around 40 per cent in terms of dedicated staff in the new model including business support. Several Regional Directors have already made significant changes in this direction in response to the challenges of negotiating LAAs.

**3.45** The function of each of these areas is as follows:

- Regional strategy and corporate performance: small analytical team drawing together and interpreting regional data and corporate performance information, managing performance systems, and coordinating input to and oversight of RESs and RSSs;
- Regional Director: usual Chief Executive office functions plus a small team supporting the Regional Director's policy lead across the network;
- Corporate support: small team providing services not centralised or outsourced;
- Policy themes: policy leads and small teams providing support to departmental policies and thematic input to cross-GO work; and
- Institutions/place account management: LAA/Performance Improvement leads providing place-based input to cross-GO work.

**3.46** Overall, the new model set out in this chapter for the GOs represents a significant opportunity to transform the effectiveness and efficiency of GOs for their new role. Building on their clear strengths and focusing on new focused set of strategic objectives, it highlights a new relationship with departments that will give GOs much stronger flexibilities and accountabilities, taking forward the devolved decision-making approach. The model also outlines substantial changes to GOs' structure needed to deliver these challenging objectives and to make full value of the new contracting and performance management framework.



# 4

## MANAGING THE TRANSITION

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**4.1** The previous chapters set out a clear future role for the GOs, and showed why the current organisational structure, balance of responsibilities and staff mix need to change to deliver this new role. They identified how the GOs need to change and what a future model GO would look like. This chapter outlines a transformation programme for managing this fundamental structural change.

### Key elements needed to deliver the transformation

**4.2** The following changes are needed to deliver the transformation in GO objectives, structure and performance set out in the previous chapters:

- a substantial reduction in the number of grants and programmes managed by the GOs, enabling them to transform their objectives, capacity and skill mix;
- significantly more streamlined and efficient offices, focused much more strongly on the new strategic objectives. At least 33 per cent reduction in GO workforce by the end of 2008;
- a strengthening of the GO skill mix and expertise, including regional analytical capacity, to perform their new role;
- stronger accountability to departments around longer term agreed outcomes;
- significant changes to the GO structure, reflecting their new objectives and embedding the flexibilities and joined-up approach to policies in their team organisation; and
- clear project management arrangements for delivering the change programme.

**4.3** Alongside these key elements, a number of other changes are also proposed by this review to improve GO performance and departmental impact through their engagement with local and regional partners. These are around the role of Regional Directors as lead policy links to departments, improved staff interchange with GOs, greater clarity over funding for the GOs, the potential for integrating co-located activity in the GOs, and a smaller and more focused role for the RCU.

### Reduction in grant administration

**4.4** This efficiency programme and structural change will be consolidated by the end of 2008-09. The new GO role and model assumes a significant reduction in grant administration responsibilities for the GO network. Overall, this reflects the government drive to reduce bureaucracy, as well as a more strategic engagement between central government and local areas. GOs are already beginning to reduce their programme and grant management roles, which involve a significant number of junior staff in each office. The new GO model assumes that most current programmes will be wound down by 2008. This will partly result from the merging of current grants such as neighbourhood renewal funding into the wider LAAs. It will also result from the wind down or transfer to other agencies of specific schemes including European programmes (more below).

**4.5** For other schemes, such as the New Deal for Communities and crime and drugs programmes, the review implementation will need to closely involve departments in challenging how, by 2008, the management of these projects can be made significantly more strategic and less bureaucratic in the regions, including through further mergers with the LAAs. In particular, departments will be expected to identify in the 2007 Comprehensive Spending Review options for reducing the bureaucracy in managing their local grants and merging with wider LAAs or other block local grants.

**4.6** European Structural funds are the main grants GOs currently manage. This role is set to reduce significantly from 2008, when Structural Fund programmes financed under the current EU Financial Perspective (2000-2006) complete. The Government is currently consulting on the strategy for and architecture of new Structural Fund programmes to operate from 2007, following the European agreement on a new Financial Perspective (2007 – 2013) in December. The Government proposes stronger alignment between Structural Funds and domestic funding streams. The Government proposes ERDF funding be aligned with the RDAs' Single Programme Budget. It believes that ESF support for employment and skills should be strategically aligned to domestic employment and skills funding, which is currently deployed primarily through Jobcentre+ and Learning and Skills Councils.

**4.7** To ensure greater alignment, the Government will develop in due course detailed delivery arrangements for Structural Funds receipts. Under the proposals that the Government is currently consulting on, there would be a greater role for the domestic delivery agency or agencies in the management of programmes. The detail and balance between the role of GOs and delivery agencies under this model is still under consideration. The Government will take final decisions on the arrangements for Structural Funds delivery, including the role of GOs and resource implications for the GOs and other bodies affected by these decisions, following the completion of the consultation exercise. In the light of this review's proposed future focus for the GOs on oversight and engagement with local and regional partners rather than programme administration, the new GO model assumes a much reduced staff for administering future European programmes. A core GO staff will, however, also be needed to manage the wind-down of the current schemes.

### **Significantly more streamlined and efficient offices**

**4.8** The new GO model provides significant opportunities for efficiency, rationalisation and cutting out costly duplication. A much more efficient GO with a stronger strategic role will be able to have substantially more impact on local and regional delivery than the current offices. It will move the GOs from being mainly administrative, programme-focused organisations to strategic and transformational offices that add real value in supporting the delivery of key local and regional outcomes.

**4.9** Delivering the new GO model will involve substantial changes to the GO workforce, with more senior, experienced staff to increase their strategic oversight and a stronger analytical presence, alongside significant reductions in the number of junior staff.

**4.10** Improved progression routes and more flexible team structures will help individuals already within the offices adapt to the new strategic focus. A comprehensive programme to help the development of existing staff with potential will be needed. The new offices will provide a much higher-impact working environment that helps give staff skills that will be more valued in central government departments and will encourage significantly more interchange.

**4.11** Some GOs have already made changes in the direction set out in this review, especially restructuring around teams leading on specific local areas instead of policy themes. However, all GOs will need to significantly transform the skills and capacity of their offices to fully meet the requirements of their new role, in particular to achieve a focus on high quality credible interactions with local, regional, and national partners in place-based performance.

**4.12** Figure 3.3 in the previous chapter indicates the scale of change in GO structure implied by this review. Around 35 to 40 per cent of staff in GOs will be working in teams focused on specific places or institutions. This change provides significant opportunities for efficiencies as described above.

**4.13** To deliver the new objectives within the structure described in the previous chapter, GOs will need an average complement of over 200. This would imply a network of around 2,000. This would be at least 33 per cent smaller than the current GOs, at around 3,000 staff in 2004-05. The review recognises that Regional Directors will want to adapt the main features of the model flexibly within their region to respond to specific challenges and priorities. But overall this review finds scope for reducing net GO headcount considerably. This would be at least 33 per cent smaller than the baseline figure for the review in 2004.

**4.14** This does not mean that the policy functions of each of the sponsor departments will need to reduce by this amount. Significant savings are already being made in corporate services and, as is made clear elsewhere in the report, substantial savings are also expected from a wind down of grant administration. Current policy functions are expected to be transformed and to become more joined up within each GO, and taking much greater account of place-based working and appropriate prioritisation.

**4.15** Every means will be taken to ensure a smooth transition for these staff from their current posts, working through a number of different mechanism in order:

- natural turnover of staff from GOs to return to departments, take up work elsewhere or retire will account for a significant part of the overall staff reductions;
- transfers to other departments or agencies will be agreed where possible for staff in the GOs;
- for those not moving through the routes above, voluntary early retirement or severance schemes will be made available; and
- where none of the above apply, compulsory severance schemes may be needed, with support provided to anyone affected.

**4.16** These are challenging targets and the review expects them to be met. However, the reductions should not prevent new work coming into GOs that is consistent with the findings and conclusions of the review. Nor do they take any account of the administration of Structural Funds in the new Financial Perspective. It is to be expected that some new work coming in will be capable of being done by people already in the network. Other work might require people with particular skills to be brought in to GOs, temporarily or permanently.

## Strengthening of the GO skill mix and expertise, including regional analytical capacity

**4.17** This transformation will involve a significant up-skilling of the GO network, recruiting more senior, experienced staff and analytical specialists, while substantially reducing the current concentration on operational administrators. The reduction in the GOs' grant administration role is aligned with transformation and means that fewer junior staff will be required.

**4.18** GOs collectively need to strengthen their analytical capacity for this new role, by recruiting more economists and other specialist staff, and making full use of existing analytical resources in the region.

**4.19** Within the region, GOs should explore with regional and local partners ways to use the Regional Observatories (ROs) more effectively in particular. ROs are solely funded by RDAs in some regions, jointly with Regional Assemblies in others, with the GOs contributing funding in a few cases.

### **Developing Analytical Capacity in the North East**

**GO North East has begun to develop a greater capacity to provide economic and other analytical input to regional intelligence, policy and delivery. As well as bringing expertise on economics within the GO itself, and supporting and developing the Regional Observatory, GO North East and the Regional Development Agency have jointly created a North East Academic Panel of external policy experts to discuss and help develop policies for regional regeneration. GO North East also lead a quarterly Economic Prospects Group, bringing together public sector organisations, the Bank of England's regional agent, and the regional representatives of the CBI, Chamber of Commerce and other business groups to consider recent regional economic intelligence, and assess short- and medium-term economic prospects for the region feeding their assessment back to Whitehall.**

**4.20** The Allsopp Review proposal for a significant regional Office for National Statistics (ONS) presence provides an important opportunity to develop regional analytical capacity. The 2005 Pre-Budget Report announced that the RDAs have agreed to work in partnership with the ONS to deliver a full regional statistical presence by March 2007. GOs, along with other regional and local agencies, will need to draw on this regional statistical presence, wherever it is based.

## Stronger accountability to departments around longer term agreed outcomes

**4.21** Details for the stronger accountability framework for departments, and the new GO structure were set out in Chapter 3. These changes are a core part of the GO transformation and are an important application of the principles of devolved decision-making to the GOs.

## Clear project management arrangements for delivering the change programme

**4.22** The review sets out a challenging and highly transformational change programme for the GOs. Implementation will require not only the leadership of Regional Directors and the RCU but also a strong and supportive project management framework.

**4.23** Transformation on this scale is a significant challenge for both GOs and departments. It will need to be led by the Network Management Board and overseen by a high level ODPM and Treasury steering group.

**4.24** Key implementation steps are:

- Regional Directors develop a plan for delivering changes in their GO, including clear delivery milestones, by June 2006;
- an independent project manager appointed to assist in this process and bring together plans and confirm consistency with the overall project by June 2006;
- development of a robust risk management plan by June 2006; and
- a report to the steering group on progress in June 2006, then quarterly updates of progress against milestones.

**4.25** Annex A sets out implementation issues in more detail.

## Other proposals

**Policy lead 4.26** Regional Directors should progressively take lead responsibility for policy liaison with departments in the network. GO staff should be considered part of departmental projects wherever there is a regional or local policy dimension or where delivery will be through regional or local agencies. GOs should have a pivotal role in ensuring the synthesis of research and intelligence at the regional level and in reflecting this intelligence and evidence back to national government. GOs should look to provide advice on policy implementation in tandem with the performance reports that they will provide to departments.

**Regional interchange 4.27** As GO sponsor departments develop their implementation plans to give effect to Professional Skills for Government, they should include proposals to use GOs to provide opportunities for staff to acquire and develop operational delivery skills, particularly those in the Senior Civil Service (SCS) or aspiring to it in the near future. They should also consider how best to tie in GOs as part of their graduate recruitment schemes. RCU and departments should develop a regional interchange programme, to encourage and facilitate flows of staff between Whitehall and GOs, and other regional and local organisations and agencies; including as part of the career development of recently-recruited graduates and specialists.

**GO funding 4.28** GO flexibility can be held back at present by uncertainty about their funding levels each year. Departments often do not commit to a level of funding until after the start of the financial year, complicating effective financial planning. In light of the greater funding certainty departments have through the 2004 Spending Review, which provides them with funding certainty over a three year period, and the benefits of clarity on funding for effective management, particularly of a transformation programme, departments should ensure that they commit funding to GOs in time for Regional Directors to know what their budget is before the start of the financial year. In addition, given the benefits in terms of planning a major change programme of cascading fixed and firm budgets to GO Regional Director, departments should look next year to provide clarity over GO funding allocations to the end of the 2004 Spending Review period.

**Co-located staff 4.29** Departments should also consider the case for the co-location with GOs of their agencies and other central government currently operating at a regional level. This would bring further gains in joining up central government activity and could be expected to lead to efficiency gains through reduced accommodation and back office costs.

**4.30** One of the main benefits of transferring departmental activities to GOs – better coordination of delivery across a range of areas – also applies to the further integration of co-located staff in GOs. Several departments have already made the transition from co-location to integration. The Home Office and the Department for Culture, Media and Sport were initially co-located but moved to full integration, and the DfES recently decided to integrate its staff in the GOs after a period of part co-location/part-integration.

**4.31** RCU should work with the DoH to support and build on the workstream it has initiated to strengthen its regional presence to support delivery of improved health and social care outcomes. This represents a significant opportunity to consider how best to further integrate in GOs the work of co-located staff, and use joint Director of Public Health posts to promote more effective and efficient working across SHAs and GOs. The review may wish to consider that public health and social care are particularly linked to actions in other policy areas, such as crime and transport, and closer working would enable better co-ordination of policy and allow greater movement of staff between public health and other policy areas. It would also provide greater clarity of accountability to external stakeholders.

**4.32** Similarly, the Phillis Review recommended a greater emphasis on regional communications and found the Government News Network (GNN) to be an underused resource hampered by a pay-as-you-use funding model. The RCU has been examining how the existing GO/GNN day-to-day relationship can be improved.

**4.33** Regional Coordination Unit: The changes outlined in this report necessitate corresponding changes to the central RCU function. The RCU is the corporate centre for the GO network, with responsibilities for setting corporate strategy and priorities, allocating resources, performance management, HR and IT and efficiency. It was created six years after the present GOs came into existence, following the PIU report in 2000. In 2004, it had 70 posts, all based in London. Given the transfer of policy leads to Regional Directors outlined above, and the wider efficiency programme in the 2004 Spending Review, the RCU should have a significantly diminished policy and strategy role and become smaller and more focused on its key functions of performance management and finance, with changes in staffing and size commensurate to the changes in the overall network. There is also scope for some of the RCU functions to be located outside London.

# A

## IMPLEMENTATION PLAN

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**A.1** This annex outlines the key implementation issues for the review, including an implementation plan covering overall project management, stakeholder engagement and key milestones for delivery.

### Project management

**A.2** The review sets out a challenging and highly transformational change programme for the GOs. Implementation will require not only the leadership of Regional Directors and the RCU but also a strong and supportive project management framework.

### Key implementation steps:

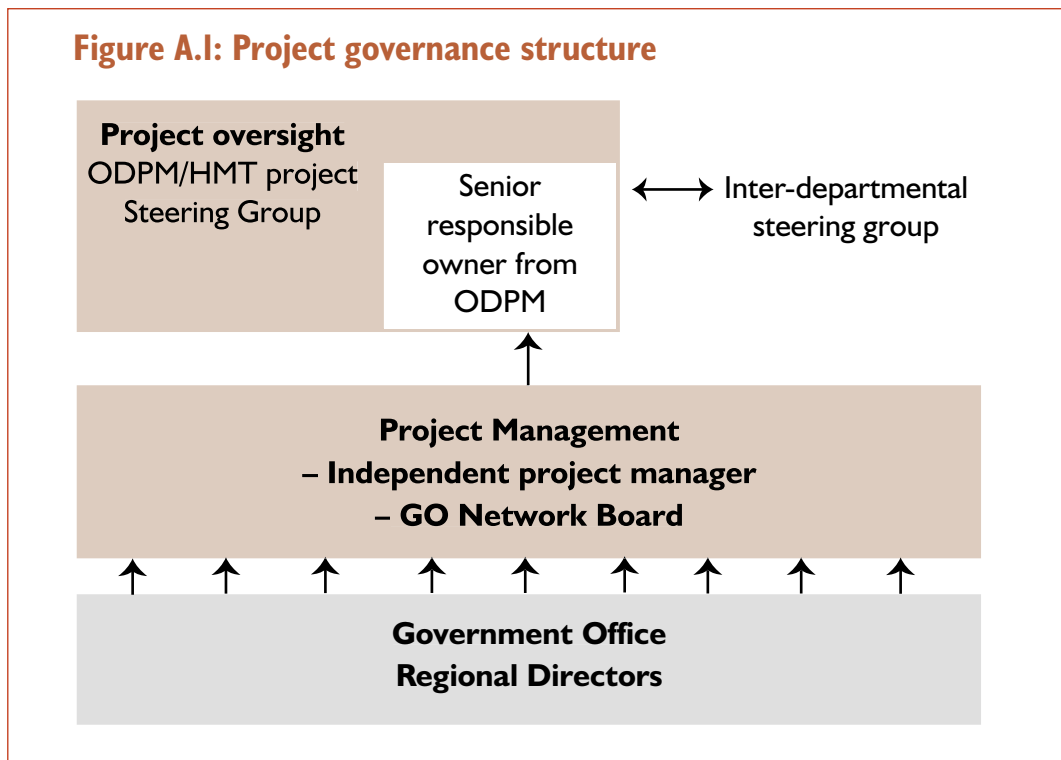
- Regional Directors develop a plan for delivering changes in their GO by June 2006, informed by initial view of departmental requirements and priorities for the new GO;
- an independent project manager is appointed to assist in this process and bring together plans and confirm consistency with the overall project by June 2006;
- develop an over-arching implementation strategy by June 2006;
- outline business case and plan also including department needs and priorities for the new GO and continuity proposals for legacy services;
- develop a programme and project approach including a robust risk management plan by June 2006; and
- report to steering group on progress in June 2006, then quarterly updates of progress against milestones.

**A.3** The review steering group and board will remain in place to oversee development and delivery of the implementation plan.

**A.4** Local implementation plans have been put in place in each GO for the corporate change agenda and savings identified for the current financial year and subsequent years. Similar plans will need to be put in place by June for the wider change programme implied by this review, with changes delivered in the financial year 2006-07 and further significant changes in each of the two following years.

**A.5** The effective engagement of departments in the implementation of the review will be key to its success. Departments will be engaged through a strengthened inter-departmental steering group for the network. The group should be reformed to include local authority, regional and Regional Director representation. In addition, an external consultant should be appointed as project manager to support progress in implementation.

**A.6** Figure A.1 sets out the project governance structure for delivering the GO review.



**Regional A.7** Transformation on this scale is a significant challenge for both GOs and departments. **Directors** Regional Directors will be in the lead for delivering the transformational change in their GOs. The model GO outlined in the previous chapter sets out the overall shape for the new GOs, while the detail on implementation will differ according to regional issues. Regional Directors will have the lead for implementing this new model and ensuring individually in their GO, and collectively, that the network can meet its new role.

**A.8** However, Regional Directors cannot achieve major transformational change in isolation and departments will have an important enabling role.

**Key role for A.9** Key roles for departments in this transformation are:  
**departments**

- endorsing the new objectives, roles and functions of the GOs. The transformation programme depends on joint commitment of all funding departments;
- helping meet up-front costs with delivering efficiency savings. The staff reductions needed to meet staff reductions of more than 20 per cent cannot be achieved through natural wastage alone. Departments will need to meet the costs of any compulsory or voluntary early retirement or severance schemes in 2006-07 and 2007-08 resulting from the transformation programme, reflecting the existing balance of staff in the network;
- reviewing existing grants managed by the GOs and considering scope for merging them to block grants such as LAAs or transferring to other delivery bodies such as the RDAs. In the 2007 Comprehensive Spending Review departments will be expected to consider the potential for reducing the number of specific grants managed by GOs even further; and

- freedoms and flexibilities for delivering this transformation. GOs will need HR flexibilities and certainty of funding to deliver this step change, and may require some form of challenge funding.

**A.10** In addition, given the importance of a clear understanding between departments and GOs on both delivery priorities within specific regions and performance against targets, it is proposed that in addition to the role the inter-departmental steering group has played in agreeing this report, it also has an opportunity to agree an overall implementation plan. For the review to be successfully implemented, it is critical that all sponsor departments are able to fully engage in the implementation process, that appropriate mechanisms are set up that ensure that departments are able to provide input into and sign off the implementation of the review as it proceeds, and that departments are represented on existing (or new) senior governance bodies.

**A.11** Clear, well thought-through channels for actively engaging sponsor departments will need to be set up in order to ensure that:

- there is buy-in to the report's direction and recommendations and to the implementation process from sponsor departments;
- the review's vision can be realised – the influence and commitment of sponsor departments will be central to achieving a more strategic way of working within the GOs;
- the opportunities for achieving improvements in both value-for-money and ways of working offered by the review are realised and maximised;
- sponsor departments are able to feed their views and concerns into the detailed implementation plan and implementation process as it develops;
- prior consultation with sponsor departments is embedded as part of the decision-making and implementation process; and
- sponsor departments are part of the on-going senior management arrangements for the network.

**Stakeholder engagement A.12** As the focus of the review is on improving GOs' relationships with specific places, it will be important to ensure that local and regional partners can be closely engaged in the implementation programme. This will be the responsibility primarily for GO Regional Directors in each region. It will be for the RCU to communicate progress on the change programme to Whitehall stakeholders. The network will be expected to develop a stakeholder management plan to explain the main changes proposed in the review and to manage any transition issues during the change programme.

**A.13** Implementation of the review will also need to manage any risks to delivery of existing priorities and programmes, and new initiatives such as LAAs. These will be led by each GO Regional Director and assessed regularly by the GO Network Board.



# B

## TERMS OF REFERENCE

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**Aim: B.1** To ensure that the GO network<sup>1</sup> is a strategic, efficient and streamlined organisation with responsibilities and flexibilities appropriate to a clearly understood role.

**In the light of developments such as:**

**B.2**

- Regional governance;
- Local Area Agreements;
- sponsor departments own regionalisation policies; and
- the principles of devolution and decentralisation and the Government's drive to improve the efficient and effective delivery of public services.

**B.3** To consider the future overall size and shape of the GO network, and to make recommendations, in particular responding to the following issues:

- roles, responsibilities: the network's role (including in the PSA delivery chain) and principles for the location of government business in GOs;
- policy: in line with their roles and responsibilities, identifying appropriate opportunities for GOs to contribute to policy development;
- outcomes: the outcomes which could be expected from the network's role and responsibilities;
- efficiency: covering the management and co-ordination of the GO network (including staffing, funding, structures and the location of the RCU) and whether changes in the way departments support the network would improve efficiency; and
- accountability and performance framework: including whether the current freedoms and flexibilities (in local management, policy and delivery) within the network enable it to carry out its roles and responsibilities efficiently and effectively including in support of sponsor departments and government as a whole.

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<sup>1</sup> The Government Office network is the nine Government Offices and the Regional Co-Ordination Unit.



ISBN 1-84532-159-6



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