



CIVIL SERVICE



HM TREASURY

Capability Reviews

# Capability Action Plan

# Foreword

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## **Baroness Sarah Hogg, Lead Non-Executive Board Member**

This Capability Review shows that the Treasury has made real progress in implementing the changes set out in the Strategic Review in 2010. It has done so at a time when the requirement to reduce headcount and implement a pay freeze has put great pressures on a small department required to address exceptional economic and financial challenges. Conscious of these challenges, the Treasury has taken a highly – and commendably – self-critical approach to this review, and I am particularly grateful to Dame Deirdre Hutton, the Non-Executive Board Member who has worked closely with the review team to support a rigorous assessment of capability.

The Treasury leadership has secured buy-in to an ambitious change programme and maintained a high level of pride and commitment amongst its people. It has done so despite significant downsizing to reduce costs and a rise in turnover that reflects the demand for its people from organisations that are not so pay-constrained. Amongst stakeholders interviewed as part of the Capability Review, Treasury officials are recognised for their analytical capability and a questioning but constructive approach: these characteristics evidently also make them attractive recruits.

The report notes the Treasury's increased flexibility. This is an important response to the need identified in the Review of the Treasury's management response to the financial crisis, which was for the Treasury to move its expert resources easily and rapidly in response to emerging challenges. The Treasury has also undertaken substantial physical restructuring; its building has been transformed to take in Whitehall colleagues, delivering an income stream by making more effective use of the space.

The Capability Review identifies very strong leadership on strategy and disciplined focus on outcomes. Under the heading of "set direction" – which encapsulates the performance of the management team as a whole in communicating with staff – it has also identified areas for significant improvement. The management team has focused on this area, and committed to achieving progress in consistent communication this year. As a counterbalance, it should be noted that the Permanent Secretary's visibility and accessibility are both recognised and highly valued by staff.

The demands on this management team have been exceptionally heavy. The Treasury needs to attract and retain people of high calibre. It has a particular need to do so in financial services. Those responsible for the civil service as a whole should take note of their responsibilities to help provide the Treasury with sufficient resources, and the flexibility to recruit and retain the expertise it needs.



**April 2012**

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## **Sir Nicholas Macpherson, HM Treasury Permanent Secretary**

Since the last Capability Review in 2009, global economic and financial conditions have remained very challenging. Domestically, public borrowing reached a record level in 2010. The Treasury has continued to operate on a wide front, delivering in-year spending reductions of £6 billion within weeks of the General Election, and a Spending Review, which implemented the biggest spending reductions in a generation, with stakeholders across Government commending the open and constructive way in which the Treasury approached the process. The Treasury has successfully set up the Office for Budget Responsibility. Through its agency, the Debt Management Office, it has delivered unprecedented sales of public debt. It is engaged in a restructuring of the regulation of financial services to make them safer and learn the lessons of the recent financial crisis. The turbulence in the Eurozone and more muted outlook for global growth have also seen the Treasury's international engagements increase.

The Spending Review settlement will see the Treasury budget fall by a third. This in turn requires the Department to reduce its headcount to around 1000 by 1 April 2014. In 2010, the Department carried out a Strategic Review of the Treasury; the first fundamental examination of the Department's role in two decades, enabling the Treasury to discharge its core responsibilities as the UK's finance and economics ministry, with reduced resources.

The Strategic Review set out a clear blueprint for a smaller Treasury that: is focused on its core purpose, with a clearly defined work programme and effective relationships with its key partners; manages its resources in a more flexible way, recognising peaks and troughs of work in different areas; and is more efficient and effective, with streamlined organisational processes, better support for all of its staff and improved use of its buildings.

The Capability Review gives the Department an opportunity to take stock of the progress made in implementing these changes and of its ability to maintain focus on the Government's economic and fiscal priorities, in the light of challenges that have emerged in 2011.

I am pleased that this Capability Review has vindicated the model set out in the Strategic Review and highlighted the unremitting energy and passion with which Treasury officials go about their jobs, despite the challenging context. The Department has been right to focus on its core functions and has become better at moving resources to priority areas. The 2012-13 business planning round has shown that the Department has a clear understanding of its priorities, refined through central challenge, and demonstrates a real shift in how seriously planning is taken by the Department. The Treasury must stick to its course and deliver the changes set out in the Strategic Review. At the same time, the report identifies areas where the Department needs to make more progress by:

- Articulating the Department's direction more clearly and consistently, both within the Department and with its external stakeholders;
- Developing its people and demonstrating the Department has a stake in their future career paths;
- Capitalising on the good start made on business planning, by continuing to confront difficult resourcing trade-offs, and strengthening the links to the Department's risk mitigation strategies and stakeholder management approach; and

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- Continuing to set high standards for rigorous analysis, with evidence and customer insight underpinning the policy-making process.

By rising to these internal challenges, The Treasury will be well placed to address the external pressures it continues to face. I am proud to work for this Department and to work alongside such a talented group of staff.

*Nick Rapin*

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# Challenges for the Department

**HM Treasury faces a challenging agenda to reduce the structural deficit in a fair and responsible way; to create the conditions for sustained economic growth; and to reform the regulatory framework for the financial sector to avoid future crises.**

**At the same time, the Department must deliver a reduction in its budget of 33 per cent, with a 25 per cent reduction in headcount. To deliver this while continuing to discharge its core economics and finance responsibilities has required a significant programme of change, not only to the Department's organisational structure and processes but more fundamentally to its culture and the way its people work.**

## The Department

HM Treasury is a small Department operating at the heart of Whitehall. With an overall budget of £200m per annum over the Spending Review period, it currently employs just over 1,100 Full Time Equivalents (FTE) over two sites, Horse Guards Road in Whitehall and Rosebery Court in Norwich.

HM Treasury provides high quality advice and guidance to Treasury ministers to deliver a clearly defined programme of work, consistent with the Government's economic and fiscal strategy. In partnership with the wider Treasury Group and other bodies, the Department also communicates and implements policy, prepares legislation, exercises its powers of financial control within Government, funds the Government's debt, manages its cash and reserves efficiently and effectively, and procures the supply of coinage. Towards the end of 2010-11, in order to improve delivery, the Treasury changed the structure of the Department from large Directorates to smaller Director-led Groups.

## Key challenges

HM Treasury has continued to perform well despite facing unprecedented challenges. The financial crisis has placed extraordinary demands on the Treasury and the Department has played a pivotal role in both stabilising the domestic financial system and steering a more coordinated international response to the crisis. In such a fast-moving environment, the Department will need to remain flexible and continue to plan for further challenges that may lie ahead.

The Treasury is responsible for the Government's economic and fiscal agenda and is central to delivering a return to sustainable growth. The priorities for delivering the agenda are<sup>1</sup>:

**Reduce the structural deficit:** Lead responsibility for delivery of the Government's aim to reduce the structural current deficit, in a fair and responsible way. The majority of this reduction will be achieved through savings in public spending announced in the Spending Review 2010. The Treasury will support and challenge departments to ensure this spending reduction is achieved. The tax system has also been reformed to increase the sustainability of tax revenues, helping to put the public finances on a sounder footing.

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<sup>1</sup>HM Treasury Business Plan 2011- 2015 [http://www.hm-treasury.gov.uk/about\\_business\\_plan.htm](http://www.hm-treasury.gov.uk/about_business_plan.htm)

# Challenges for the Department

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**Secure sustainable economic growth:** Create the conditions that deliver an economy that is growing sustainably, is more resilient, and is more balanced between public and private sectors and between regions. The Treasury will continue to engage actively in the EU and globally to promote strong, sustainable and balanced growth in the world economy, and to mitigate the risks from financial market vulnerabilities.

**Reform of financial regulation:** In the UK, the Treasury will reform regulation of the financial sector to ensure it is sustainable and responsible, and able to support the wider economic recovery while remaining competitive. Central to this is active engagement within the EU, to ensure that the European legal framework meets UK objectives. When the time is right, the Department will withdraw the temporary support provided to sustain the sector.

These priorities need to be delivered against the backdrop of a fast-moving and challenging external environment, which has generally led to a higher workload for the Department, for longer than envisaged even two years ago.

The Treasury budget is falling by one third over the Spending Review period (2010-15) and its headcount by a quarter. Living within this settlement will require the Treasury to deliver more with less, which in turn will require it to adopt new ways of working. The Department is in a strong position – it has made genuine progress on implementing change. The Board must maintain focus on embedding the outcomes of its Strategic Review while responding to the additional challenges identified in this Capability Review, the Review of the Treasury's management response to the financial crisis and the Department's annual staff survey; in particular on succession planning, developing and retaining appropriate levels of expertise and managing relatively high staff turnover.

This Capability Review identifies five priority areas for further development on which the Department's action plan is based:

1. **Board visibility and collective ownership:** Raise visibility of the Board; increase understanding of its vision for the Department and demonstrate collective ownership.
2. **Retain and recognise the contribution of our staff:** improve management culture and behaviours in the Department and actively address the challenge of high turnover.
3. **Strategic engagement with stakeholders:** clarify and communicate our approach to engagement with our most important stakeholders.
4. **Strengthen customer and stakeholder insight to inform policy-making and analysis:** improve the extent to which analysis is informed by insights from the delivery system.
5. **Embedding effective delivery:** realise the benefits of new business planning, risk management and performance management approaches.




# Assessment of Capability

The external environment and policy context continue to be challenging. It is unlikely that this will ease off in the immediate future. Stakeholders and staff recognised this and commented positively on the way the Department is managing in this context.




Overall, HM Treasury continues to perform well, despite facing unprecedented challenges. The Department is good at setting strategy, defining priorities and moving resources to the right place at the right time. Staff are highly engaged and this is reflected in HM Treasury's positive staff survey results.

However, the senior leadership team could increase its visibility and improve the way it communicates the direction for the Department. The Department also needs to get better at supporting and guiding the development of its people.





## Leadership

L1	Set Direction		Amber/Red
L2	Ignite passion, pace and drive		Amber/Green
L3	Develop people		Amber/Red

## Strategy

S1	Set strategy and focus on outcomes		Green
S2	Base choices on evidence and customer insight		Amber/Green
S3	Collaborate and build common purpose		Amber/Green

## Delivery

D1	Innovate and improve delivery		Amber/Green
D2	Plan, resource and prioritise		Amber/Green
D3	Develop, clear roles, responsibilities and delivery models		Amber/Green
D4	Manage performance and value for money		Amber/Green



# Capability Action Plan: Findings

## Leadership

The Executive Management Board (EMB) has a shared vision of Departmental priorities and the direction of change, and staff are proud to work here.

- This element of the Capability model considers the internal leadership of the Department and the ability of the senior leadership team to clearly communicate their vision to the rest of the Treasury.
- The aims of the Strategic Review have been clearly set out and there is common agreement across EMB on the core policy priorities for the Department. The Department works well with its ministers to identify delivery challenges and plan ahead with them.
- Senior staff, and those who were in the Department during the Strategic Review process, recognise and buy in to the aims of the Department's change programme.
- Staff are very proud to work for HM Treasury and many have a strong personal attachment to the Department. The challenge and national importance of the work they do inspires people to work at the Treasury.
- Since the last Capability Review, the Department has taken steps to introduce schemes that help to identify and nurture future senior managers. For example, the Catalyst Programme and piloting of a new talent management approach, training programmes for new starters and the Senior Civil Service Assessment Centre. The Board accept that these approaches should have been implemented sooner.
- Staff place considerable value on the Permanent Secretary's integrity and visible leadership, identifying the high levels of communication with and access to the Permanent Secretary, facilitated by his popular blog, staff surgery and all-staff addresses.
- External stakeholders also welcomed the levels of integrity and openness in their interactions with the Treasury at the highest levels.

But more action is needed to ensure that the Department's vision is communicated in a consistent way, which connects with the passion and energy of Treasury staff. The Department needs to stimulate and develop a culture of developing its people through excellence in management.

- The Treasury has improved its planning. This is a good start, but it needs to maintain this approach and ensure collective accountability at Board level. The Board should improve communication of decisions so that they are acted upon effectively and understood by staff.
- The Board needs to get better at linking the corporate change agenda to policy priorities in a clear and inspiring way, so that staff understand and are invested in the change programme.
- External partners felt they would benefit from having a better understanding of the strategic direction of the Department. Senior management should take more time to explain the Department's priorities to key stakeholders.
- There are inconsistencies amongst some senior and middle-managers in what and how they communicate and connect with staff. The Department must build on the steps already taken to improve the timeliness and quality of management feedback to staff.

# Capability Action Plan: Findings

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- Relatively high turnover rates and staff uncertainty over what is required to progress in the organisation demand a more strategic approach to developing staff and managing careers. The Department should address skills gaps where they are identified and set out career pathways more clearly.
- As the Treasury introduces systems and programmes, it needs to promote the necessary cultures and behaviours in the Department to make them effective. The Department needs to demonstrate and recognise the value of good management and people development at all levels in the organisation, and address poor management where capability is lacking.

# Capability Action Plan: Findings

## Strategy

The Treasury is good at delivering its core purpose and adding value to the work of its stakeholders.

- The Department's internal business plan has been developed collectively and constructively. It sets a clear strategy, enabling the Treasury to focus on its priorities.
- The Department is very good at delivering large set-piece events, such as the Spending Review 2010, the Autumn Statement and the Budget.
- The Treasury has shown it can rapidly move resources to priority areas, for example to its International and EU Group in response to events in the Eurozone.
- The Department has improved its approach to risk management by regularly assessing risks and challenging the evidence base for its risk assumptions. It has undertaken extensive contingency planning.
- The Treasury has a strong reputation for analytical capability and the Department's recruitment processes set a high bar for new joiners to be competent in analysis.
- The Treasury reviews its approach in light of experience and adjusts its future practice as a result. For example, reviewing its performance in dealing with the financial crisis and the Eurozone crisis in real-time.
- The Department recognises that in its finance ministry role it has to challenge and hold stakeholders within Government to account. Other government departments also recognise this. The Treasury has made tangible progress in improving its approach to working openly and constructively with partners across Whitehall, responding to feedback in previous Capability Reviews.
- There was consistent feedback that the Treasury has improved markedly in its approach to working with stakeholders since the last Review. Both within and outside Government, the Treasury is regarded as more open, more willing to involve others earlier in shaping solutions and more honest about the constraints within which it works.
- The Treasury's stakeholders noted strength of leadership at the top, especially in their interactions with the Permanent Secretary, and commended the Department on its response to the financial crisis.

However, the Department needs to deepen the strength of its relationships with priority partners and move the quality of its analysis from good to great.

- The Treasury's challenging agenda means it must guard against devoting too little resource to medium or long-term strategic analysis. It needs to make more consistent use of insights from the delivery system and trusted stakeholders to strengthen the policy-making process, closing the gap between policy development and implementation.
- Stakeholders with whom the Treasury works in partnership to deliver joint agendas (growth, financial stability, public sector efficiency and reform) identified specific areas where the Department could get even better. In particular they say the Treasury needs to: share plans and strategy proactively; make more of opportunities to share knowledge and develop greater mutual understanding with partners; and ensure more systematic sharing of knowledge and intelligence internally with staff at junior grades who deal with stakeholders, to enable them accurately to reflect and reinforce the largely very positive relationships held at senior levels.

# Capability Action Plan: Findings

## Delivery



**The Treasury has put in place the essential building blocks to support achievement of its priorities and to help staff to do their jobs.**

- The Treasury has introduced a business planning approach, which is genuinely transforming the way the Department works collectively to allocate resources to priorities, to stop work in some areas and to build contingencies for dealing with crises. This is helping to link its operational work to the outcomes the Department aims to achieve.
- There are clear metrics to help the Department monitor progress. Quarterly performance reporting is supporting the Board by providing granular and timely information to track performance across the Department's priorities and identify where improvement is needed.
- The move to the Group structure has been welcomed by staff, as it has brought together the people they need to work with to do their jobs.
- Directors feel that Groups represent a more manageable unit of organisation and that they have sufficient levers and flexibility to manage workloads and move resources as necessary, supported by the business planning approach. This has helped the Department to respond quickly to pressure areas.
- There is broad agreement between stakeholders and staff that the Treasury has got better at clarifying roles and responsibilities between departments when delivering major events such as the Spending Review and the Budget. Partners with whom the Department has processes in place to codify the respective roles and responsibilities, such as HM Revenue and Customs, are clear about the boundaries between them and the Treasury. This helps them to be clear about their accountability.
- The Treasury's operational partners value the support and constructive challenge the Department provides. They respect the quality and skills of Treasury staff.
- The Treasury has a culture that encourages challenge and innovation. Productivity is high; despite the Department's headcount falling below target during the early years of the Spending Review period, the Department has continued to deliver against its priorities.
- There is strong evidence from staff that the Department's investment in new IT is helping them work more flexibly.
- The Treasury building is being used more effectively, following the successful co-location of the Cabinet Office, with minimal disruption to staff and delivery of Departmental objectives.




**The Treasury needs to go further by seeing through the outcomes of its business planning and driving culture change.**

- The 2012-13 business planning cycle had not been finalised at the time staff were consulted for the Capability Review, their feedback suggests that there is strong demand for more information on the outcomes, in particular demonstrating and communicating what the Department will stop doing in order to move resource to emerging priorities.
- The Review of the Treasury's management response to the financial crisis highlights the importance of improving project management disciplines and ensuring there is sufficient senior management and leadership capacity in a crisis.
- The Board should ensure continued focus on delivery of the changes set out in the Strategic Review and the cultural transformation required to make them stick.

# Capability Action Plan: Next Steps

Area for development	Action	Milestone
<b>Leadership</b>		
<b>Board visibility and collective ownership</b> L1 – Set Direction 		
1. Raise visibility of the Board and increase understanding of EMB's vision and strategy for the Department.	<ul style="list-style-type: none"> <li>a. Deliver more regular, united and consistent communications, helping to connect the Treasury's policy priorities to all staff.</li> <li>b. Increase Directors' engagement and role (as part of the extended leadership team) in delivery of EMB's vision and strategy for the Treasury internally and externally.</li> <li>c. Ensure greater engagement, through the SCS team, with the wider Department.</li> </ul>	<ul style="list-style-type: none"> <li>a. EMB to develop a strategic communications plan by end April 2012.</li> <li>b. Implement the plan over 2012-13.</li> <li>c. Evaluate progress on a six monthly basis.</li> </ul>
2. Ensure EMB hold each other to account, follow through on decisions and demonstrate collective ownership.	Establish Strategy and Capability Board (SCB), as an integral delivery arm of EMB, to focus on monitoring and driving delivery of EMB decisions through the Department, in line with the annual work programme.	<ul style="list-style-type: none"> <li>a. Establish SCB by April 2012.</li> <li>b. Quarterly report to Board and EMB.</li> </ul>
<b>Retain and recognise the contribution of our staff</b> L3 – Develop people 		
3. Ensure a consistently high standard of management and leadership behaviours across the Treasury.	<ul style="list-style-type: none"> <li>a. Reinforce and communicate the management behaviours expected throughout the Treasury.</li> <li>b. Implement a standardised management feedback tool and use evidence to inform appraisal discussions.</li> <li>c. Strengthen the extent to which management and leadership capability is considered in all SCS Pay committee, talent management and promotion discussions, including exploration of minimum expected standards.</li> <li>d. Implement programme of coaching/action learning to support strong management and leadership across Directors.</li> </ul>	<ul style="list-style-type: none"> <li>a. By May 2012</li> <li>b. By September 2012</li> <li>c. From spring 2012</li> <li>d. By autumn 2012.</li> </ul>
4. Ensure greater transparency about career pathways and progression.	<ul style="list-style-type: none"> <li>a. Implement People Strategy actions to support career progression, including improved appraisal system, mentoring, the Catalyst programme and a second successful SCS Assessment Centre.</li> <li>b. Accelerate Foundation Skills programme roll-out to staff across grades.</li> </ul>	<ul style="list-style-type: none"> <li>a. By summer 2012.</li> <li>b. Complete by April 2013.</li> </ul>
5. Improve talent management and succession planning across the Department.	<ul style="list-style-type: none"> <li>a. Roll out talent management tool.</li> <li>b. Identify a subset of posts (10-15 per cent) that warrant active succession planning in terms of risk to the Department.</li> </ul>	<ul style="list-style-type: none"> <li>a. From May 2012</li> <li>b. By July 2012.</li> </ul>

# Capability Action Plan: Next Steps

<p>6. Actively manage high turnover rates to support the Treasury's long-term workforce capability.</p>	<p>a. Commission the SCS potential talent group (Catalyst) to develop recommendations on improving non-pay reward, including how management is incentivised and rewarded.</p> <p>b. The Board to build its understanding of the composition and implications of the Department's higher turnover, develop a view of the appropriate levels and a strategy to actively manage it, including monitoring use of pay flexibilities.</p>	<p>a. Catalyst group to report to EMB by end July 2012.</p> <p>b. Agree and communicate in Annual Report 2011-12.</p>
<p><b>Strategy</b></p>		
<p><b>Strengthen customer and stakeholder insight to inform policy-making and analysis:</b> S2 – Base choices on evidence and customer insight </p>		
<p>7. Adopt a systematic approach to building insight to inform the Treasury's approach to analysis.</p>	<p>a. Develop a more systematic approach to frontline visits, secondments and work shadowing to ensure stakeholder insight is used in policy development.</p> <p>b. HMT Board to discuss options for using externals (including NEDs) to inform and challenge policy making process.</p>	<p>a. By autumn 2012.</p> <p>b. June 2012.</p>
<p><b>Strategic engagement with key stakeholders:</b> S3 – Collaborate and build common purpose </p>		
<p>8. Improve the identification and management of priority stakeholder relationships.</p>	<p>Directors-General and Directors to identify priority stakeholders, align resources to these relationships and implement regular feedback loops from senior relationship holders to colleagues at junior levels.</p>	<p>EMB plan agreed by end May 2012.</p>
<p>9. Increase the understanding of the importance of stakeholder engagement and improve the quality of working level interactions.</p>	<p>a. Roll out the Stakeholder Toolkit (a set of tools to support stakeholder engagement), and communicate successes from pilots.</p> <p>b. Ensure quality of relationships with external stakeholders is reflected in annual appraisals.</p>	<p>a. Roll-out to begin June 2012.</p> <p>b. Incorporate into guidance for Appraisal year 2012-2013.</p>
<p><b>Delivery</b></p>		
<p><b>Embedding effective delivery:</b> D1 – Innovate and improve delivery </p>		
<p>10. Monitor and maintain progress on delivery of strategic priorities.</p>	<p>a. Use Strategy and Capability Board (see Action 2) to drive delivery of the Work Programme and ensure a continued focus on cultural change.</p> <p>b. SCB to ensure the Department's work plans reflect agreed actions flowing from the Review of Treasury's management response to the financial crisis.</p>	<p>From April 2012; quarterly performance reporting to the Board.</p>

# Capability Action Plan: Next Steps

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## Approach to capability management

Many of the actions above are linked to the Treasury's Strategic Review and wider programme of corporate strategy. The actions from this review will be integrated into the Department's Work Programme, which will be driven by the Strategy and Capability Board. Progress will be monitored in quarterly performance reports to the Board. This will have the dual benefit of measuring the progress against Capability Review actions and measuring the ongoing implementation of the Strategic Review.

# Annex A: The model of capability





# Annex A: The model of capability

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## L1: Set direction

- Do you have and communicate a clear, compelling and coherent vision for the future of the organisation?
- Does the Board work effectively in a corporate culture of teamwork, including working across internal boundaries and making effective use of non-executive directors?
- Does the Board take tough decisions, see them through and show commitment to continuous improvement of delivery outcomes?
- Does the Board lead and manage change effectively, addressing and overcoming resistance when it occurs?

## L2: Ignite passion, pace and drive

- Do you create and sustain a unifying culture and set of values and behaviours which promote energy, enthusiasm and pride in the organisation and its vision?
- Are the leadership visible, outward looking role models communicating effectively and inspiring the respect, trust, loyalty and confidence of staff and stakeholders?
- Do you display integrity, confidence and self-awareness in your engagement with staff and stakeholders, actively encouraging, listening to and acting on feedback?
- Do you display passion about achieving ambitious results for customers, focussing on impact and outcomes, celebrating achievement and challenging the organisation to improve?

## L3: Develop people

- Do you have people with the right skills and leadership across the organisation to deliver your vision and strategy? Do you demonstrate commitment to diversity and equality?
- Do you manage individuals' performance transparently and consistently, rewarding good performance and tackling poor performance? Are individuals' performance objectives aligned with those of the organisation?
- Do you identify and nurture leadership and management talent in individuals and teams to get the best from everyone? How do you plan effectively for succession in key posts?
- Do you plan to fill key capability gaps in the organisation and in the delivery system?

# Annex A: The model of capability

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## S1: Set strategy and focus on outcomes

- Do you have a clear, coherent and achievable strategy with a single, overarching set of challenging outcomes, aims, objectives and success measures?
- Is your strategy clear what success looks like and focused on improving the overall quality of life for customers and benefiting the nation?
- Do you keep the strategy up to date, seizing opportunities when circumstances change?
- How do you work with your political leadership to develop strategy and ensure appropriate trade offs between priority outcomes?

## S2: Base choices on evidence and customer insight

- Are your policies and programmes customer focused and developed with customer involvement and insight from the earliest stages? Do you understand and respond to your customers' needs and opinions?
- Do you ensure that your vision and strategy are informed by sound use of timely evidence and analysis?
- Do you identify future trends, plan for them and choose among the range of options available?
- Do you evaluate and measure outcomes and ensure that lessons learned are fed back through the strategy process?

## S3: Collaborate and build common purpose

- Do you work with others in government and beyond to develop strategy and policy collectively to address cross-cutting issues?
- Do you involve partners and stakeholders from the earliest stages of policy development and learn from their experience?
- Do you ensure your Department's strategies and policies are consistent with those of other Departments?
- Do you develop and generate common ownership of the strategy with your political leadership, the board, the organisation, delivery partners and customers?

# Annex A: The model of capability

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## D1: Innovate and improve delivery

- Do you have the structures, people capacity and enabling systems required to support appropriate innovation and manage it effectively?
- Do leaders empower and incentivise the organisation and its partners to innovate and learn from each other, and the front line, to improve delivery?
- Is innovation explicitly linked to core business, underpinned by a coherent innovation strategy and an effective approach towards risk management?
- Do you evaluate the success and added value of innovation, using the results to make resource prioritisation decisions and inform future innovation?

## D2: Plan, resource and prioritise

- Do your business planning processes effectively prioritise and sequence deliverables to focus on delivery of your strategic outcomes, and do you make tough decisions on trade offs between priority outcomes when appropriate?
- Are your delivery plans robust, consistent and aligned with the strategy? Taken together will they effectively deliver all of your strategic outcomes?
- Do you maintain effective control of the organisation's resources? Do your delivery plans include key drivers of cost, with financial implications clearly considered and suitable levels of financial flexibility within the organisation?
- Are your delivery plans and programmes effectively managed and regularly reviewed?





## D3: Develop clear roles, responsibilities and delivery models

- Do you have clear and well understood delivery models which will deliver your strategic outcomes across boundaries?
- Do you identify and agree roles, responsibilities and accountabilities for delivery within those models including among arm's length bodies? Are these well understood and supported by appropriate rewards, incentives and governance arrangements?
- Do you engage, align and enthuse partners in other Departments and across the delivery model to work together to deliver? Is there shared commitment among them to remove obstacles to effective joint working?
- Do you ensure the effectiveness and efficiency of your delivery agents?

## D4: Manage performance and value for money

- Are you delivering on the priorities set out in your strategy and business plans?
- Does the need to ensure efficiency and value for money underpin everything that you do?
- Do you drive performance and strive for excellence across the organisation and delivery system in pursuit of your strategic outcomes?
- Do you have high-quality, timely and well-understood performance information, supported by analytical capability, which allows you to track and manage performance and risk across the delivery system?
- Do you take action when you are not meeting (or are not on track to meet) all of your key delivery objectives?

## Annex B: Assessment Criteria

 <b>Green</b>	<ul style="list-style-type: none"> <li>• Outstanding capability for future delivery in line with the model of capability.</li> <li>• Clear approach to monitoring and sustaining future capability with supporting evidence and metrics.</li> <li>• Evidence of learning and benchmarking against peers and other comparators which confirms progress towards world class.</li> </ul>
 <b>Amber/ Green</b>	<ul style="list-style-type: none"> <li>• Has identified capability gaps, is already making improvements in capability for current and future delivery and is well placed to do so.</li> <li>• Is expected to improve further in the short term through practical actions that are planned or already underway and has clear metrics to support progress.</li> </ul>
 <b>Amber/ Red</b>	<ul style="list-style-type: none"> <li>• Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so.</li> <li>• More action is required to close current capability gaps and deliver improvement over the medium term.</li> </ul>
 <b>Red</b>	<ul style="list-style-type: none"> <li>• Significant weaknesses in capability for current and future delivery that require urgent action.</li> <li>• Not well placed to address weaknesses in the short or medium term and needs additional action and support to secure effective delivery.</li> </ul>

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