



CIVILSERVICE

Capability Reviews

Department of Energy and Climate Change Capability Action Plan

Foreword



Moira Wallace, Permanent Secretary, Department of Energy and Climate Change

DECC has come a long way since its creation in October 2008. We have established the Department and its systems and worked with stakeholders to create a clear evidence based strategy, to meet our demanding objectives.

The last Capability Review in 2009 set us off on the challenge of transforming from a purely policy organisation to one with the ability to manage a large and complex delivery programme. We have made good progress since the 2009 review and started the transformation. The Department has committed staff, an increasingly broad range of skills, and some of our delivery models are mature and performing well. Other programmes are moving off the drawing board and into implementation. But we recognise that we still have more to do as our programme is so challenging. That is why we decided to engage an independent, external team to carry out our Capability Review.

We are grateful to David Pepper and his team for the rigour and external perspective that their review has brought and we accept and recognise the analysis and priorities in the external review team's report. The plan at the end of this document sets out the key elements of the DECC Development Programme which we will use to drive our next phase of improvement.

The programme will focus us on accelerating the growth of DECC's skills, systems and culture to match the challenge of our necessarily large portfolio of long-term change programmes. Our vision is to be a fully fledged delivery organisation with strength in depth, successfully managing long-term programmes of national importance and delivering value to the public.

DECC's senior management, Ministers and staff are committed to this next phase of our development which will enable us to capitalise on the good start DECC has made since its formation. We look forward to working closely with our many partners and stakeholders in this task.

A handwritten signature in black ink that reads "Moira Wallace". The signature is written in a cursive style with a long horizontal flourish underneath the name.

7 June 2012

Foreword



Claire Thomas, Non-Executive Director

As a non-executive Departmental Board member, I was impressed that DECC had made the most of the opportunity of undertaking a comprehensive assessment of its capability by involving an external team, I think this openness to objective feedback will serve the department well in the long term as it becomes more established over time.

I also had the opportunity to sit with the external team as they collated their observations. We were all impressed by the energy and commitment of DECC's staff, and also by their transparency and recognition of the need for improvement. In response, the external team has been robust in their assessment of the DECC's current capability and thorough in recommending the improvements that are needed: they have not held anything back from their conclusions.

The review recognises the good progress that DECC has made since the last review in 2009 and clearly identifies the actions required now. I know that the Department are committed to making the necessary changes and am confident that they will do so. I, and my fellow non-executives, will continue to challenge and support them in achieving this goal.

A handwritten signature in black ink, consisting of a large, stylized initial 'C' followed by a series of loops and a long, sweeping tail.

7 June 2012

Contents

- 1. Foreword 2
- 2. Challenges for the Department 5
- 3. Assessment of Capability 7
- 4. Action Plan 9
- Annex A: The model of capability 15
- Annex B: Assessment criteria 20

1. Challenges for the Department

The Department of Energy and Climate Change faces some of the biggest challenges in Government. Our goals are long-term and complex, and affect everyone throughout the UK. Many of our programmes are innovative and aim to deliver things that have never been done before, and our portfolio is the second *biggest* in government, when we are the second *smallest* Department in Whitehall. We need to continue our development towards becoming a world-class delivery department, prioritising our resources, developing our specialist skills, and working with our partners to achieve our goals.

The Department

The Department of Energy and Climate Change (DECC), was created in October 2008, to bring together energy policy (previously with the Department for Business, Enterprise and Regulatory Reform) with climate change mitigation policy (previously with the Department for Environment, Food and Rural Affairs), in response to the increasing importance of climate change on the political agenda.

DECC is the second smallest government department in the United Kingdom, comprising approximately 1,370 staff in London and 95 staff in Aberdeen with an annual budget (2011/12) of some £3 billion and £2 billion raised from customers' bills. It is led by the Secretary of State for Energy and Climate Change, the Rt Hon Edward Davey MP.

DECC's mission is to *'power the country, protect the planet.'* Its key priorities are to¹:

- Save energy with the Green Deal and support vulnerable consumers;
- Deliver secure energy on the way to a low carbon energy future;
- Drive ambitious action on climate change at home and abroad; and
- Manage our energy legacy responsibly and cost-effectively.

DECC has a significant delivery portfolio to underpin this mission including:

- Green Deal
- New nuclear
- Carbon capture and storage
- Renewable energy
- International climate change
- Fuel poverty

¹ DECC Business Plan 2011-15 www.decc.gov.uk/assets/decc/about%20us/decc-business-plan-2011-2015.pdf
Seven NDPBs comprise four Executive NDPBs: Civil Nuclear Police Authority, Coal Authority, Nuclear Decommissioning Authority, and Committee on Climate Change and three Advisory NDPBs: Committee on Radioactive Waste Management, Fuel Poverty Advisory Group, and Nuclear Liabilities Financing Assurance Board.

1. Challenges for the Department

- Smart meters
- Electricity market reform
- Carbon budgets
- Nuclear decommissioning and security

The full portfolio is the second biggest delivery portfolio in Whitehall; DECC is the second smallest Department.

DECC works closely with other government departments, local, and regional partners, the voluntary and private sectors and internationally, to deliver these priorities. It has responsibility for seven non-departmental public bodies (NDPBs) and oversight of the Nuclear Liabilities Fund, a public corporation. It also retains in-house some important operational functions in respect of the regulation of the UK oil and gas industries.

Key challenges

Against that background, DECC has a portfolio of very large programmes and projects, many of high risk and with little precedent. To meet this challenge, DECC needs to focus its efforts on development in the following areas.

- **Leadership and governance.** The departmental systems, processes and culture need to be capable of keeping the whole organisation aligned and ensuring that limited resources are directed towards the highest priorities.
- **People and skills.** Delivery of the DECC portfolio requires a substantial cadre of skilled and experienced staff. Recruiting, developing and retaining this skill-base will be both essential and difficult.
- **Delivery culture.** Systems and processes have to be designed and honed to maximise delivery capacity and to design implementation plans and manage risks effectively.

2. Assessment of Capability

DECC's 2009 Baseline Capability Review was conducted in very different circumstances from this Review. The department was then very new and was focussed upon policy-making. Its environment has changed dramatically in the last 2 years. It now aspires to a major delivery role, operating with a sense of real urgency. That change makes it difficult to compare the two assessments. Because of the magnitude of the challenges it faces, DECC decided to invite external reviewers to participate in this Review and to formulate the final assessment, in order to ensure real rigour and to bring a wider perspective than it could achieve internally.

DECC has made good progress since the 2009 Review. It recognised the implications of the fundamental transition from policy to delivery that it had to make. It has addressed these challenges with vigour and focus, and laid a firm foundation for what is required. At the same time it has taken some bold policy decisions and won recognition not only in the UK but also internationally for its innovative policies. It has the benefit of real passion and commitment among its staff.

However, the immaturity of the organisation is still visible. This is not surprising, given its youth, but it leaves a good deal to be done before it has the capability it needs. With its large and high-risk project portfolio, it will need a much larger and more mature delivery cadre than it now has and tougher governance and delivery management processes.

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 |  | Amber/ Green |
| S2 | Base choices on evidence and customer insight |  | Amber/ Green |
| S3 | Collaborate and build common purpose |  | Amber/ Green |

2. Assessment of Capability

Delivery

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

3. Action Plan

Leadership

DECC has developed a clear vision and strategy covering a large part of its responsibilities, and has communicated them effectively both within the Department and externally. Staff at all levels are deeply committed to its work. It has made substantial progress in a transformation from a purely policy organisation to one managing a large and complex delivery programme.

- DECC has highly committed staff at all levels.
- DECC senior staff have been effective in building on this commitment to create a real sense of passion throughout the department.
- The new non-executive members of the Departmental Board are a strong asset in guiding DECC's development and strategy.
- The department has made substantial progress in establishing an organisation with supporting regimes and processes for managing delivery rather than just making policy. This has enabled DECC to make some major policy and strategy decisions with clarity and force.
- Progress has been made in recruitment and training to meet critical skills gaps; the DECC School is well-recognised and appreciated.
- The integration of the former DEFRA and BERR components has been largely successful.
- Some progress has been made on diversity issues.

However, DECC is still at a relatively early stage of maturity. Substantial further development of its leadership, governance and management structures and processes are now required in order to complete the transformation. Significant gaps in the set of skills available to it need to be filled urgently and a more systematic approach to succession planning is needed.

- The Departmental Board has not yet become cohesive or effective, and needs to develop a clear understanding of its role and to put in place the processes and behaviours to enable it to perform.
- The decision to replace the previous executive management board by a looser structure of subcommittees meeting less frequently has not proved workable. When combined with the weakness in the Departmental Board this has resulted in a governance deficit which is hindering both performance and development.
- The department does not have the capacity to deliver its portfolio. This is damaging delivery, and introduces the risk of loss of morale and commitment.
- DECC needs to be more innovative and forward looking in recruitment and ensuring maximum use of specialist skills across the Department so as to minimise the impact of central restrictions and develop capability.
- More work is needed to develop succession planning mechanisms for senior and specialist staff, and to tailor and focus development programmes.
- Leaders at all levels need to be proactive in coaching staff to work across organisational boundaries.

3. Action Plan

Strategy

DECC has made some major and difficult policy decisions, and its *Carbon Plan* and related thinking is highly regarded. It has a strong central strategy development capability. There are examples of DECC making good use of evidence in its policy making, and it has developed effective relationships with key external stakeholders.

- The creation of a central Strategy Unit has proved invaluable in developing overarching strategies and objectives.
- The *Carbon Plan* is recognised as a major advance for the UK, and is admired internationally. Other initiatives are also being emulated by other countries.
- DECC has made significant progress in use of multidisciplinary evidence and in building an in-house modelling capability.
- DECC has a well-deserved reputation for working effectively across Whitehall boundaries, particularly in international climate change.
- DECC has evident commitment to formal consultation and has introduced more informal consultation procedures.

There are significant gaps in the set of departmental strategies. The processes for using evidence and managing knowledge rigorously and systematically are not yet in place, and more needs to be done to ensure adequate understanding and assimilation of external views.

- The *Carbon Plan* does not cover all DECC's work, and does not provide a basis for deciding trade-offs.
- DECC does not yet have a coherent end-to-end process for collecting and using evidence, quality assurance and policy evaluation.
- More attention is needed on early engagement with external stakeholders on the development of new policies in order to test their realism.
- More conscious effort is required to stimulate external challenge and alternative points of view.
- DECC staff have inadequate understanding of policy impacts on the ground and what works in practice: more visits and outplacements would help to remedy this.
- DECC should ensure appropriate flexibility is built into its policies to cope with changing circumstances.
- There is no strategy to guide the organisational development of the department, its capabilities and culture; this is a barrier to ensuring coherence and completeness in organisational development, and to communication with staff.
- Knowledge management is recognised as being poor: existing knowledge is not made widely accessible, and knowledge is lost with staff turnover, use of contractors and poor succession planning.

3. Action Plan

Delivery

DECC is making progress in improving its delivery capability. It has introduced some key project and programme management processes, and Business Cases and Delivery Plans are now in place for all major projects. Skills gaps in project and programme management, commercial and engineering skills are recognised and DECC has begun to tackle them through training, recruitment and secondments.

- The Delivery Unit is regarded as a helpful centre of PPM expertise. Standard processes, roles, structures and documentation have been put in place for project and programme management.
- The establishment of the Approvals Committee has introduced a challenge function and ensured greater attention to strategic definition, business cases and high level delivery planning.
- DECC has taken some steps to address known gaps in delivery capability through training. Staff value these learning and development opportunities.
- There are some examples of DECC combining selective and targeted recruitment with secondments from external organisations to build up its delivery cadre.
- Groups within DECC are starting to establish portfolio offices and to collate information and map dependencies across Group portfolios.
- DECC has developed some innovative policy instruments and a process for allocating limited innovation funding to key technologies.

Whilst the direction of travel is positive, DECC has a challenging delivery agenda and therefore needs to benchmark its capability against the levels found in other Departments with significant delivery portfolios.

- DECC does not actively manage at the portfolio level. Project approvals are considered in isolation and there are no established mechanisms for resolving whether DECC's delivery capability matches its ambition; for establishing the relative priority of projects; or for considering cumulative risks across the portfolio.
- DECC does not at present have the capacity to deliver all of its current programme. This perception is shared by over half of the surveyed stakeholders.
- There are multiple interdependencies between DECC's major projects and active management of these interdependencies has been highlighted as weak in many assurance reports. There are no clear processes establishing the parameters within which SROs and Project Directors can operate and identifying the situations where threats to delivery need to be escalated, such as the emergence of critical interdependencies or information from leading indicators.
- Recruitment of delivery skills has been slow and DECC does not have a basis on which to prioritise resource allocations, or to understand the impact of scarce resources on delivery timetables and policy outcomes.
- DECC has still to establish a means of regular and consistent benchmarking of its approach against other comparable Departments and private sector organisations, including the separation of policy and delivery and how other organisations focus on different industry sectors.

3. Action Plan

- DECC must recognise that innovative policies require an especially rigorous approach to implementation management and risk mitigation.

Departmental Action Plan

| Area for development | Milestone | Date |
|--|--|---|
| Overarching objective | | |
| Acting on the Capability Review findings | 1.Create a Capability Development Programme that clarifies and implements how DECC needs to develop. The aim of the programme will be to accelerate the development of DECC’s structure, capabilities, processes and culture and ensure that they match the priorities in DECC’s delivery portfolio. | Create and start to implement programme from May 2012 |
| Leadership | | |
| Governance | 2.Define and communicate the role of the Departmental Board and put a Board Development plan in place. | From April 2012 |
| Succession and recruitment | 3.Recreate an Executive Committee for operational management of the department, revise departmental governance to reflect this, and communicate the new arrangements | From May 2012 |
| People development | 4. Use systematic and focused succession planning, skills development and recruitment to ensure DECC has critical skills it needs both now and in the future. | From May 2012 |
| People development | 5.Create a tailored leadership development programme linked to the priorities of this action plan. | Contract in place by December 2012 |
| People development | 6.Invest in high quality and coordinated professional development and support programmes for Senior Responsible Owners and programme managers. | From summer 2012 |
| People development | 7. Continue to maintain DECC’s high levels of staff engagement, by setting out a clear vision, maintaining strong two way communication networks, ensuring that staff have the skills and resources to do their job, and offering strong recognition and career development systems. | Ongoing |

3. Action Plan

| Strategy | | |
|--|---|--|
| Business strategy and communication | 8. Develop the Department's strategy documents so that they cover the whole of DECC business, and develop the narrative for both internal and external use. | Commencing April 2012 |
| External communications | 9. Continue to develop external communications and stakeholder management to be more coordinated, and to prioritise early and open-minded engagement | June 2012 |
| Evidence | 10. Develop process for the systematic gathering and use of evidence and for Knowledge Management. | December 2012 |
| Delivery | | |
| Portfolio Management | 11. Create stronger mechanisms to ensure that DECC's delivery capability and ambition are matched, taking account of cumulative risk and interdependencies, and to prioritise scarce resources. | First complete portfolio review to begin April 2012 Develop full portfolio management system December 2012 |
| Benchmarking of roles and resources | 12. Benchmark delivery capability against other departments and against the portfolio of programmes DECC is undertaking and likely to undertake in the future. | Summer 2012 |
| Organisational Development Strategy | 13. Create and implement a strategy to develop the organisation so that our people capability matches our portfolio priorities. | Ongoing |
| Define and embed best practice operating model | 14. Work closely with the Major Projects Authority to specify and embed the project and programme operating model consistently across DECC. This will cover best practice in delivery planning, assurance and approval; the management of finance, risk, performance and inter-dependencies, and use of evidence; the role of the SRO; escalation parameters; and access to specialist skills required (e.g. financial, legal, commercial, technical, customer insight and communications). | By Autumn 2012 |

3. Action Plan

Approach to capability management

The Department accepts these priorities. We are a better Department because we responded to the last Capability Review recommendations and responding to this one will help us improve further. The whole top team is committed to making progress on these development areas and we will invest the resource to deliver these actions and engage the whole Department in the vision of the future.

We will seek and make good use of support from those partners inside and outside of Government who can help us to improve our capability to deliver the Government's priorities.

Annex A. The model of capability



Annex A. The model of capability



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



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 & 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



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

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

Capability Reviews Team
Cabinet Office
1 Horse Guards Road
London
SW1A 2HQ

Telephone: 020 7270 5000

E-mail: capabilityreviews@cabinet-office.gsi.gov.uk
Web address: www.civilservice.gov.uk/capabilityreviews

Publication date: June 2012
© Crown copyright June 2012

All rights reserved by the Cabinet Office, United Kingdom. No part of this publication may be copied or reproduced or stored or transmitted in any form without the prior written consent of the Cabinet Office.
For permission please contact capabilityreviews@cabinet-office.gsi.gov.uk

Prepared for the Cabinet Office by the Department of Energy and Climate Change