



# WIRING IT UP

WHITEHALL'S MANAGEMENT OF CROSS-CUTTING POLICIES AND SERVICES



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## FOREWORD



### *BY THE PRIME MINISTER*

Many of the biggest challenges facing Government do not fit easily into traditional Whitehall structures. Tackling drug addiction, modernising the criminal justice system, encouraging sustainable development, or turning around run-down areas all require a wide range of departments and agencies to work together. And we need better coordination and more teamwork right across government if, for example, we are to meet the skills and educational challenges of the new century or achieve our aim of eliminating child poverty within twenty years.

That was why I asked the PIU to look at how Government could better deal with cross-cutting issues, and what could be done to remove some of the barriers that sometimes stand in the way of “joining up”.

Their report provides the first thorough analysis of what is working, and what isn't. It identifies where existing structures are failing and need to be modernised and reformed. But it also found plenty of examples of effective team-working in action which can provide models for the future.

The report sets out a comprehensive package of measures to improve and modernise the way we handle cross-cutting issues. It looks at the role of leadership; improving the way policy is formulated and implemented; the need for new skills; budgetary arrangements, and the role of external audit and scrutiny. In particular, it highlights the importance of putting in place the right structure of accountability and incentives for cross-cutting working.

These measures form a blue-print for action. Some are already being put into effect.

In the long run, however, the real importance of the measures set out here is that they will help to improve services on the ground – making Government better at solving problems and meeting needs.

A handwritten signature of Tony Blair in black ink, with a horizontal line underneath.

Tony Blair



## 1. EXECUTIVE SUMMARY

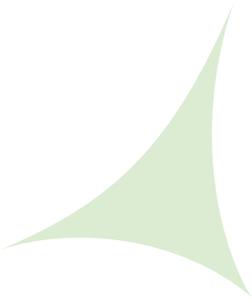
This report recommends action in six key areas to improve the formulation and management of cross-cutting policies and services:

- stronger leadership from Ministers and senior civil servants to create a culture which values cross-cutting policies and services, with systems of rewards and recognition that reinforce desired outcomes;
- improving policy formulation and implementation to take better account of cross-cutting problems and issues, by giving more emphasis to the interests and views of those outside central Government who use and deliver services;
- equipping civil servants with the skills and capacity needed to address cross-cutting problems and issues;
- using budgets flexibly to promote cross-cutting working, including using more cross-cutting budgets and pooling of resources;
- using audit and external scrutiny to reinforce cross-cutting working and encourage sensible risk-taking; and
- using the centre (No. 10, the Cabinet Office and the Treasury) to lead the drive to more effective cross-cutting approaches wherever they are needed. The centre has a critical role to play in creating a strategic framework in which cross-cutting working can thrive, supporting departments and promoting cross-cutting action whilst intervening directly only as a last resort.

The central message of the report is that simply removing barriers to cross-cutting working is not enough: more needs to be done if cross-cutting policy initiatives are to hold their own against purely departmental objectives. There is no simple or standard answer.

The solution in any particular case needs to be tailor made and based on a thorough analysis of the problems in that particular case. Solutions can include cross-cutting Public Service Agreements (PSAs) and changes to budgetary arrangements, but they need not. A number of alternative approaches are described in the report.

Creating the right environment in which these solutions can work is critical, and the signals which Ministers give civil servants about the priority they wish to be given to cross-cutting approaches is the key to it all.



## Current structures and ways of working inhibit cross-cutting activity

1.1. Current Whitehall structures and associated ways of working are highly effective in delivering many of the Government's key policies and priorities, but they can also inhibit the tackling of problems and issues which cross departmental boundaries (so-called "cross-cutting" issues). There are a number of reasons for this:

- there is a tendency to take a provider-centred perspective rather than that of the service user;
- there is little incentive or reward for organisations or individuals who contribute to corporate goals or those of another department or organisation;
- the skills and capacity to develop and deliver cross-cutting solutions are often absent;
- budgets and organisational structures are arranged around vertical, functional lines (education, health, defence etc) rather than horizontal, cross-cutting problems and issues (social exclusion, sustainable development etc.);
- systems of accountability (e.g. audit) and the way risk is handled can militate against innovative cross-cutting working; and
- the centre is not always effective at giving clear strategic direction, and mechanisms for resolving conflicts between departments can be weak, leaving local service providers to wrestle with the consequences.

## Cross-cutting working should add value

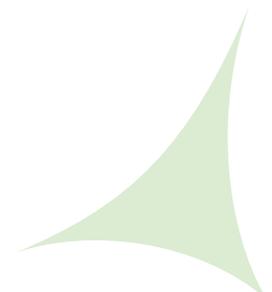
1.2. A cross-cutting approach is not appropriate in all circumstances and there is a range of different cross-cutting approaches. The costs and benefits of adopting any particular cross-cutting approach need to be carefully weighed against the costs and benefits of more traditional structures.

## The vision – removing unintended barriers and disincentives

1.3. This report puts forward a series of proposals that should help to remove unintended barriers and disincentives to cross-cutting working so that cross-cutting solutions can be adopted more easily where they add value.

1.4. The proposals should help to put in place a system where:

- cross-cutting problems and issues are taken fully into account when policies are framed and implemented;
- there is a clear progression from the Government's overall objectives through to target-setting and local delivery, with cross-cutting objectives given appropriate emphasis at all points;
- conflicting priorities are resolved at the outset and not pushed down the line;
- credit is given to Ministers and civil servants for contributing to corporate goals through cross-cutting activity and achievements; and
- there is a focus on outcomes, so giving maximum freedom to service deliverers to develop cross-cutting solutions locally, where appropriate.



## The proposals

### *(i) effective leadership for cross-cutting policies and services*

1.5. The requirements for this are:

- cross-cutting activity should be more visibly valued and rewarded;
- Ministers and senior civil servants should act as “champions” for cross-cutting policies and services and so help to create a culture conducive to cross-cutting working;
- leaders should be judged and rewarded on their performance in securing cross-cutting objectives as highly as for securing purely departmental objectives;
- career progression in the Civil Service should depend on developing experience in a range of policy areas including, so far as possible, experience across the wider public sector, the private sector and the voluntary sector as well as experience in frontline service delivery;
- departmental loyalties should be progressively replaced by corporate and cross-cutting ties to the Government’s overall aims and objectives; and
- there should be concerted action to identify and develop the leadership skills required to deliver cross-cutting goals.

### *(ii) improving cross-cutting policy making*

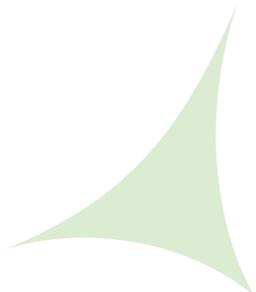
1.6. Policy formulation and development need to take better account of cross-cutting problems and issues by giving greater emphasis to the interests and views of those outside central Government who use and deliver its services. This means that:

- there should be more effective channels for Government to receive views from service users and those delivering programmes about areas where more cross-cutting working is needed;
- departments should consult more effectively about ways to improve cross-cutting policy making and to identify areas where existing initiatives are not working effectively; and
- better use should be made of the knowledge and experience of outside experts and practitioners who are not constrained by departmental boundaries. They should be brought more fully into the policy development process.

### *(iii) skills for cross-cutting policies and services*

1.7. Enhancing the capacity and skills of the Civil Service to promote and manage effective cross-cutting working requires a radical culture change:

- there should be more movement and interchange of staff within and outside the Civil Service to encourage the acquisition of necessary skills;
- recruitment and promotion procedures should be geared to bringing in and bringing on people who have, or can develop, the skills needed for cross-cutting working; *but*
- in the meantime, more civil servants should be given immediate practical experience of handling the conflicts of interest and complex reporting lines of genuine partnership working.



*(iv) more flexibility in the funding of cross-cutting policies*

1.8. Further changes to Treasury's budgetary rules should be considered to make it easier for departments to move money between years, organisations and budgets to promote cross-cutting working, and more use should be made of pooled or cross-cutting budgets where this makes sense.

*(v) audit and external scrutiny of cross-cutting policies and services*

1.9. Arrangements for external scrutiny of departments and agencies can have powerful effects on behaviour. Cross-cutting working is inherently more risky because it involves complex relationships and lines of responsibility. It is important, therefore, that:

- any barriers or disincentives to cross-cutting working due to audit and inspection systems should be minimised;
- changes in Parliamentary procedures which promote the scrutiny of policies that cross departmental boundaries should be encouraged, including for example the creation of more cross-cutting Select Committees in both Houses of Parliament; and
- auditors and inspectors should support and encourage sensible risk taking, so long as risks are properly assessed and managed, good value for money is achieved, and necessary controls are maintained.

*(vi) getting the role of the centre right*

1.10. The centre has a critical role to play in driving forward cross-cutting approaches.

This means:

- articulating corporate goals and cross-cutting objectives, and securing buy-in to them from departments and deliverers;
- making sure that effective performance management and information systems are in place to allow progress towards corporate goals and cross-cutting objectives to be monitored effectively;
- identifying where important cross-cutting links are not being made, or best practice is not being spread, and challenging those shortcomings;
- sorting out conflicts of priorities where these threaten delivery of corporate goals and cross-cutting objectives;
- setting budgets, so that the resources of the organisation as a whole are devoted to the right activities to deliver corporate goals and cross-cutting objectives; *but*
- intervening directly only as a last resort where value can be added.

## 2. INTRODUCTION

### Summary

**Cross-cutting policy formation and service delivery is at the heart of the Modernising Government agenda.**

**Cross-cutting issues are not currently handled effectively in Whitehall, though there are many examples of good practice.**

**This report sets out a vision and a strategy for improved cross-cutting policy making and service delivery for the 21st century.**

### **The Government's reform programme requires more cross-cutting working**

2.1 The Government has major programmes to modernise the country's economy, schools and hospitals. It has also introduced radical reforms to modernise the democratic framework, with new arrangements for Scotland, Wales, Northern Ireland and the English regions as well as for local government. The Modernising Government White Paper<sup>1</sup> sets out the agenda for taking the modernisation process further – reforming the very processes by which Government itself works.

2.2 This report addresses the concern that Whitehall works least well in dealing with issues that cut across departmental boundaries, such as tackling social exclusion, fostering small businesses or protecting the environment. All organisations find cross-cutting issues difficult to handle. The public sector is not unique in this. But, badly handled, cross-cutting issues

can undermine the effectiveness and value for money of Government policies. There are still too many uncoordinated departmental initiatives, incentives for effective cross-cutting working remain poor, and unnecessary obstacles continue to get in the way of such activity. To quote from the 1998 Social Exclusion Unit report, "Bringing Britain Together", "there is no simple explanation of why things have got this bad and why so many neighbourhoods are not working ... Above all, a joined up problem has never been addressed in a joined up way. Problems have fallen through the cracks between Whitehall departments or between central and local government".

2.3 There is, however, a wealth of experience and expertise in handling cross-cutting issues within departments and Government agencies. There have already been a number of innovative developments in cross-cutting policy – such as the work of the Social Exclusion Unit, the Sure Start initiative, Health Action Zones, the revamped

<sup>1</sup> CM4310. Available at <http://www.cabinet-office.gov.uk/moderngov/index.htm>



Single Regeneration Budget, and the new arrangements for the joint planning and management of the Criminal Justice System. Part of the purpose of this project was to recognise and pull together that experience so that key principles for effective cross-cutting Government can be established and deployed more widely.

## What this project does

2.4. Against this backdrop, the terms of reference for this study were:

*“To identify reforms to existing accountability arrangements and incentive structures which will encourage better cross-departmental policy-making and implementation, without weakening financial discipline or formal accountability to Parliament”.*

2.5. The final words of the remit are important. The public sector is rightly held to account for the way it spends taxpayers’ money to a degree which has no direct parallel in the private sector. That is a fact of life and an important part of the context for this report. The challenge is to ensure that any reforms to accountability arrangements or incentive structures facilitate and encourage cross-cutting working without weakening standards of accountability.

2.6. This report adopts a definition of accountability which covers both *financial accountability* – ensuring that monies voted by Parliament are spent for the purposes authorised, and in an efficient and effective way, as set out in Government accounting and other relevant accountability rules – and *policy accountability* – ensuring that the Government’s objectives for cross-cutting working are effectively set, implemented and monitored.

## What this project does not do

2.7. This study does not examine in any detail the local delivery of services or the general relationship between central and local government. This is not a reflection of the importance attached to these issues. They are being addressed elsewhere, notably in work flowing from the Modernising Government White Paper and in the Performance and Innovation Unit (PIU) report looking at the role of central Government at regional and local level.<sup>1</sup> This report is primarily about resolving tensions and weaknesses *within* Whitehall, because that is where many of the conflicting messages to service providers originate. Its remit relates primarily to England. Under devolution, separate accountability arrangements are being put in place for Scotland, Wales and Northern Ireland.

2.8. Nor does the report set out to provide a comprehensive guide to good policy making and implementation, although what makes good policy in general makes good cross-cutting policy. By their nature, cross-cutting policies tend to have more stakeholders; be harder to monitor and evaluate; and run greater risks of failure and communication breakdown. So, whilst this project is not about what makes good policy, it is important to be aware of the basic principles of good policy making.<sup>2</sup>

## How this study was carried out

2.9. The report was prepared by a multi-disciplinary team, drawn from the public and private sectors, and guided by three Ministerial sponsors and a Steering Group with Government and non-Government representation. The Steering Group included representatives from the National Audit

<sup>1</sup> ‘Reaching Out: The Role of Central Government at Regional and Local Level’ (to be published in early 2000).

<sup>2</sup> ‘Professional Policy Making for the Twenty-First Century’ produced by the Cabinet Office’s Strategic Policy Making Team sets out these principles and is available at [www.cabinet-office.gov.uk/moderngov](http://www.cabinet-office.gov.uk/moderngov)

Office (NAO), the Audit Commission, and the Local Government Association (LGA). Working groups were set up to look at performance measurement for cross-cutting policies and programmes; audit and inspection; and accountability to Parliament.

2.10. The team drew on a large amount of evidence from a wide variety of sources, including:

- *overseas* – members of the team visited Sweden and Hong Kong to look at those administrations' use of cross-cutting budgets; and researched systems of public management in New Zealand. These countries are widely recognised as innovators in developing cross-cutting policies and working arrangements;
- *central Government* – bilateral meetings were held with stakeholders within central Government, including departments, the No 10 Policy Unit and Principal Finance Officers across Whitehall;
- *local government* – seminars were held with officials in local government to identify elements of good practice;
- *trades unions* – a meeting was held with the Council of Civil Service Unions;
- *Parliament* – discussions were held with a wide range of those involved in day-to-day dealings with Whitehall and Parliament, including clerks to Select Committees; and
- *policy-makers and managers* – three focus groups were held with serving civil servants from across departments and agencies, to look at the issue of organisational culture and ways of working in the Civil Service; meetings were also held with a number of civil servants working in cross-cutting policy areas.

## The structure of this report

**Chapter three** defines the problem;

**Chapter four** reviews when cross-cutting policy making or service delivery should be undertaken and, if so, how;

**Chapter five** sets out a vision for future cross-cutting work in Whitehall;

**Chapter six** sets out proposals to improve leadership to deliver more cross-cutting policies and programmes;

**Chapter seven** sets out proposals for improving the formulation, development and implementation of cross-cutting policies;

**Chapter eight** sets out proposals for equipping civil servants with the skills and capacity needed to improve cross-cutting working;

**Chapter nine** sets out proposals for greater flexibility in budgetary arrangements, including more pooled funding and cross-cutting budgets;

**Chapter ten** sets out proposals for strengthening the role of cross-cutting audit and other external scrutiny;

**Chapter eleven** sets out the role of the centre in supporting cross-cutting working; and

**Chapter twelve** sets out an implementation strategy and summarises the report's recommendations.

**Annexes** summarise the role of the PIU; give details of the project team, Ministerial sponsors and Steering Group; set out in more detail findings from overseas visits, focus groups and a study of the arrangements for tackling drug abuse; and list the cross-cutting reviews to be undertaken as part of the year 2000 Spending Review.

## 3. WHAT IS THE PROBLEM?

### Summary

The current Whitehall departmental structure, based on a functional organisation of responsibilities, works well for the bulk of the Government's business.

But these structures and associated ways of working can also inhibit effective cross-cutting activity.

The reasons for this are multi-dimensional and have to be tackled together.

### Current Whitehall structures have their advantages...

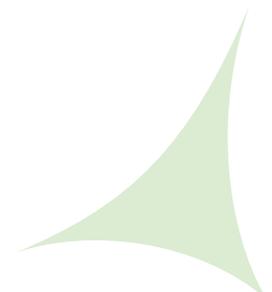
3.1. The current Whitehall departmental structure brings together and manages most areas of Government business – education, health, defence – in “vertical” management lines with Ministers at the top and service providers and their clients at the bottom. Such vertical management structures are highly effective in delivering many of the Government's key policies and priorities, and undoubtedly have advantages:

- they provide a single, clear line of accountability; and
- they are very effective at keeping tight control over scarce resources and at ensuring those resources are used efficiently and effectively.

### ...but they can also inhibit effective cross-departmental working

3.2. This structure also has disadvantages:

- the focus is on purely departmental objectives. Issues or problems which straddle departmental boundaries can be neglected;
- departments tend to defend their budgets, which are generally allocated on a departmental basis and not to policies or functions even where these straddle departmental boundaries; and
- mechanisms for reconciling conflicting priorities between departments can be weak, leaving service deliverers to wrestle with un-coordinated central initiatives and policy messages, without the flexibility to deal with these in a way that makes most sense at local level.



## There are a number of reasons why Whitehall is poor at cross-cutting policy

### *(i) policy makers can take too narrow a view of the issues*

- they can fail to look at things from the perspective of the user of services. Too often the focus is on what is easiest for the service provider to supply, or what makes an attractive-sounding policy announcement, not what makes sense to the customer;
- they fail to recognise that local authorities have a separate line of accountability to local voters who may or may not share central Government's view of priorities;
- in attempting to ensure delivery of key objectives by local service providers, departments may be over-prescriptive in specifying the means of delivery as well as the ends and this may conflict with objectives set by other departments;
- the existing mechanisms for sorting out inconsistencies and conflicts between different departments' objectives and priorities are not effective enough to avoid conflicting messages being passed down from different departments to service providers. Annex A7 discusses how this affects one important cross-cutting area – prevention of drug abuse;
- there are genuine obstacles to effective cross-cutting working on the ground. These can be legislative (e.g. restrictions on the activities different bodies can perform) or practical (e.g. the problems of dealing with multiple sources of public funding, where each insists on assessing different aspects of the same project in a different and uncoordinated way).

### *(ii) weak or perverse incentives for cross-cutting working*

- Ministers gain recognition for high-profile initiatives rather than lower key but significant contributions to corporate goals and cross-cutting objectives. Rightly or wrongly, civil servants tend to assume that their Ministers will want to give their personal or departmental objectives priority over any cross-cutting objective or initiative;
- the existing incentive structures both allow and encourage Ministers and civil servants to take much more of an interest in what they themselves contribute to a policy and how that is recognised, rather than to what the policy in practice achieves;
- there is little or no reward – either in financial terms or in terms of enhanced status or career prospects – for helping someone else to achieve their objectives. The conventional public sector pay and appraisal systems are generally not good at recognising or rewarding a contribution to a team effort, especially to a team effort which will deliver someone else's objectives;
- recognition tends to be given to individuals skilled in perceptive policy analysis, not to those who make it easier for others to achieve their objectives;
- cross-cutting work involves complex relationships and lines of accountability, which means they can be risky, or at least difficult to manage. If appraisal systems are incapable of identifying and rewarding a contribution to a successful cross-cutting project, the risks are one-way;
- cross-cutting working can mean significant costs falling on one budget while the benefits accrue to another. This discourages a corporate approach.



*(iii) a lack of capacity for cross-cutting work*

- the skills required for successful cross-cutting work are different from those required to defend and promote a departmental brief. The lack of incentives listed above has inhibited the Civil Service – both as individuals and as an organisation – from developing the necessary range of skills and capacity.

*(iv) the centre has failed to promote the benefits of effective cross-cutting working*

- the centre has not traditionally been proactive in promoting cross-cutting policy formation and service delivery.

## 4. WHEN AND HOW TO BE CROSS-CUTTING

### Summary

A cross-cutting approach will not be appropriate in all circumstances.

It is therefore necessary to have a decision-making framework which helps to identify: (a), when a cross-cutting approach could be worthwhile, and (b), the right kind of cross-cutting intervention.

### What is meant by a cross-cutting approach?

4.1. A cross-cutting approach refers to any policy or service where there is or should be joint working between Government departments and agencies. Box 4.1 summarises the range of circumstances in which a cross-cutting approach might be needed. Box 4.2 sets out the wide range of forms which cross-cutting interventions or joint working can take. The spectrum of possible cross-cutting interventions ranges from new or merged organisational structures and budgets, at one extreme, to the simple

sharing of information or appropriate mechanisms for consultation between departments at the other.

4.2. Examples of organisational changes the Government has made which are intended to improve cross-cutting working include:

- setting up the Department for the Environment, Transport and the Regions (DETR);
- transferring the Contributions Agency from the Department of Social Security (DSS) to Inland Revenue; and

#### *Box 4.1: A typology of the circumstances in which a cross-cutting approach between departments and agencies might be needed*

- strategic policy outcomes requiring a top-down approach led by the centre in order to deal effectively with trade-offs and/or issues affecting several departments and agencies;
- optimising the benefits of policy outcomes across a range of departments and agencies;
- achieving the best trade-off between conflicting policy outcomes;
- improving the delivery of complementary outputs and services; and
- improving the implementation of shared tasks and processes to deliver common or different outcomes.



*Box 4.2: The range of different forms of cross-cutting interventions and joint working*

- organisational change;
- merged structures and budgets;
- joint teams (virtual or real);
- shared budgets;
- joint customer interface arrangements;
- joint management arrangements;
- shared objectives and performance indicators;
- consultation to enhance synergies and manage trade-offs;
- sharing information to increase mutual awareness.

- removing banking supervision from the Bank of England and setting up a new Financial Services Authority to supervise all suppliers of financial services.

4.3. However, restructuring organisations has a cost, and is not on its own enough to generate synergy and integrated policy development or service delivery. The creation of the Department of Health and Social Security, for example, failed according to some observers effectively to integrate social services and social security. The boundary problems between health and social services are only now being tackled effectively although they have been dealt with by one department for over a decade.

4.4. Each type of cross-cutting intervention in Box 4.2 is potentially relevant to both policy formulation and the delivery of services, and different combinations of cross-cutting and traditional “vertical” approaches may be needed in each case. The options are:

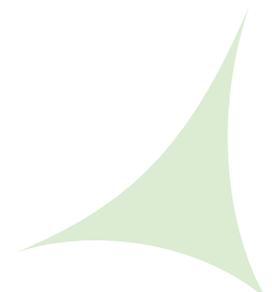
- cross-cutting approaches to the formulation of policy (eg consultation and joint management arrangements) but separate vertical arrangements for the delivery of services;

- cross-cutting approaches for the delivery of services (eg a joint customer interface) but separate vertical arrangements for the formulation of policy;
- joint formulation of policy and shared arrangements for service delivery.

**Cross-cutting approaches should be adopted only where they add value**

4.5. Cross-cutting approaches are no panacea. They have costs as well as benefits. So, in any particular case, it is necessary to weigh up the costs and benefits of a cross-cutting approach with the costs and benefits of more traditional vertical structures. A cross-cutting approach should only be implemented if it is likely to offer significantly greater net benefits than the alternatives, i.e. add value.

4.6. Box 4.3 summarises the main potential benefits and costs of cross-cutting interventions. It is important to emphasise that, though analytical rigour is needed, a mechanical application of a quantitative methodology is not being advocated. What is being proposed is a logical framework for



### *Box 4.3: The potential benefits and costs of cross-cutting interventions*

#### Benefits

- helping to convey 'big picture' strategic issues (e.g. social exclusion) which are not captured by departmental objectives;
- helping to realise synergies and maximise the effectiveness of policy and/or service delivery;
- exploiting economies of scale e.g. sharing of IT facilities, data and information, property etc;
- bringing together organisations or key staff whose co-operation could prove beneficial in other areas – for example, joint working by the police and housing providers on anti-drugs measures;
- improving customer/client focus and thus the quality and user friendliness of services;
- providing a framework for resolving potential conflicts and making trade-offs;
- improving service delivery for particular groups.

#### Costs

- less clear lines of accountability for policy and service delivery;
- greater difficulty in measuring effectiveness and impact, because of the need to develop and maintain more sophisticated performance measurement systems;
- direct and opportunity costs of management and staff time spent establishing and sustaining cross-cutting working arrangements;
- organisational and transitional costs of introducing cross-cutting approaches and structures.

thinking through how best to deliver outputs and outcomes to achieve the Government's aims and objectives.

4.7. Against this backdrop, box 4.4 sets out the key questions that need to be addressed in order to decide whether a cross-cutting approach is required and, if so, of what kind for any particular policy area or service.

### **Getting the role of the centre right**

4.8. In general, the interventions described should not normally require specific action by the centre. As explained in Chapter 11, there are important differences between the private and public sector but some useful lessons about the role of the centre can

nevertheless be learned from the private sector – notably that the centre can destroy value with the wrong sort of intervention, as well as adding value when it gets it right. The centre's main role should be to create a climate in which direct intervention by the centre is not needed for appropriate cross-cutting working to happen automatically. This involves:

- ensuring that there is a clear overall policy framework for departments to work within;
- ensuring that budgetary and other rules are flexible enough to permit cross-cutting working;
- tackling cultural barriers; and
- providing appropriate incentives to work across departmental boundaries, even when that means giving priority – and

*Box 4.4: A decision-making framework for cross-cutting working*

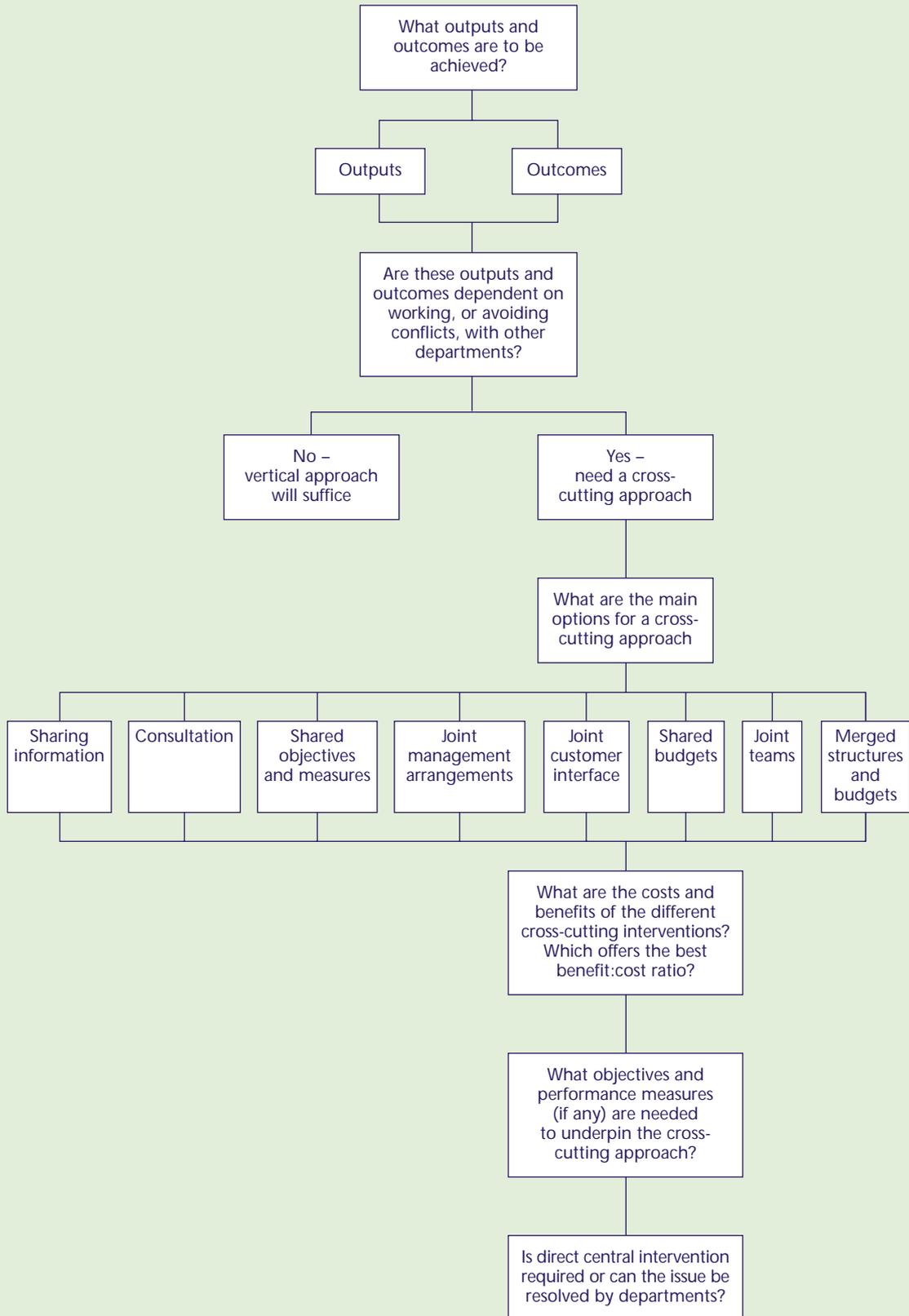
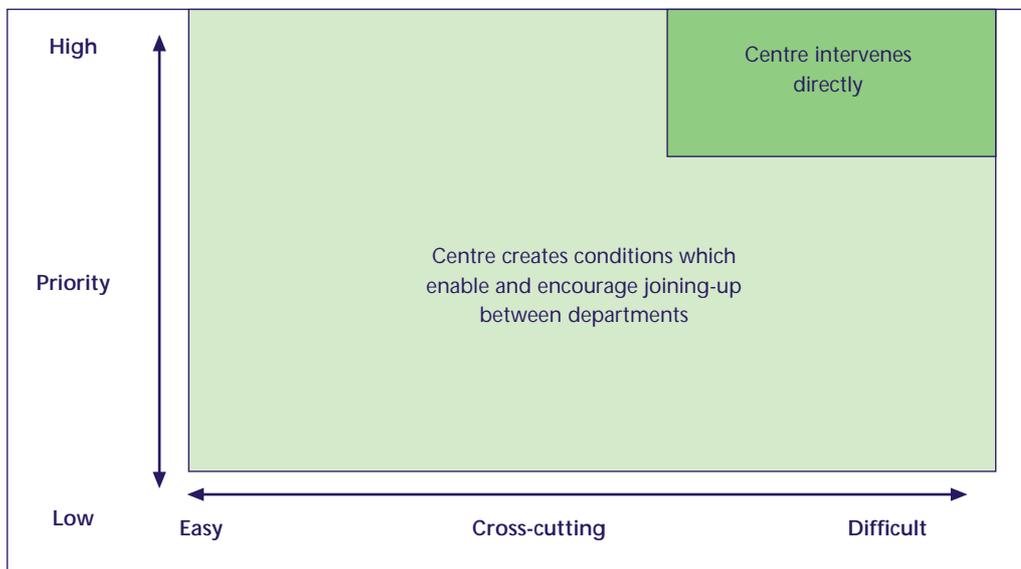




Figure 4.1: Where should the centre intervene to achieve cross-cutting working?



possibly funding – to something which is not a department’s core business.

4.9. There may, however, be some cross-cutting issues which are so pervasive and important, and raise such serious trade-offs between departmental objectives, that in order to ensure delivery of the Government’s priorities there needs to be co-ordination and direction from the centre. This is illustrated in figure 4.1 and discussed further in Chapter 11.

### What can we learn from overseas about when, and how, to join up?

4.10. A lot of best practice occurs overseas. Commentators refer in particular to Sweden, Hong Kong and New Zealand. Arrangements being put in place there are characterised by a policy co-ordinating structure that straddles departmental boundaries with cross-cutting policy objectives which are not owned by one department but which sit above them. These examples are considered in more detail in the boxes 4.5-4.7 and in Annexes A3-A5. The key findings are:

- Governments can make clear their priorities and aims by setting overarching objectives and budgets which cross departmental boundaries and cover large policy areas; *but*
- if the main levers of behaviour – budgetary and accountability systems, relations with Parliament and so on – remain departmental, cross-cutting objectives will remain notional, and the barriers between departments will remain intact;
- cross-cutting objectives need champions (i.e. strong leadership) at Ministerial and Permanent Secretary level if they are to have any lasting effect on behaviour;
- attempts to capture all Government and departmental activity in a comprehensive set of cross-cutting objectives can be counter-productive. It is more effective to express a few clear objectives that require genuine cross-cutting working between departments, and fully support their implementation. The majority of Government activity would necessarily remain departmental;

- it is important to distinguish between, on the one hand, broad over-arching themes used to pull together a range of policies and decisions to ensure that they add up to a coherent picture and, on the other hand, objectives used to bind together and provide a framework for the performance management of a cross-cutting programme. An example in the UK would be the distinction between checking the impact of policies on women and setting “reducing crime and the fear of crime” as a cross-cutting objective for the Criminal Justice System.

### *Box 4.5: Lessons from Sweden*

#### Cross-cutting approach

The Swedish system recognises the need for cross-cutting working in a number of ways:

- the Government sets objectives which cut across Ministerial and budget boundaries;
- the budget system, at least initially, allocates money according to policy areas, rather than to organisations;
- the system requires Ministries to co-ordinate and consult with each other; and
- there is a tradition of inclusive and collective decision-making: MPs sit on the executive boards of central Government agencies and coalition Government brings many different people into the decision-making process. This may sometimes help to prevent unnecessarily adversarial relations between bodies, though may also reduce accountability.

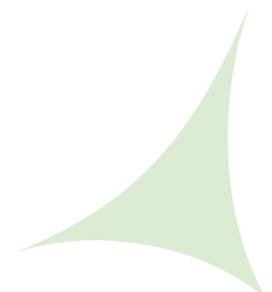
#### Assessment

However, there are also factors which militate against the greater co-ordination of public policy:

- the objectives of the Government are not matched one-to-one with the 27 areas of expenditure areas, and so the discussion of the budget does not focus on the relative priorities of the objectives themselves, but on the expenditure areas;
- the 27 expenditure areas are divided into individual appropriations given to individual Ministers, and further allocated to individual Government agencies. Monitoring and audit is mostly focused at the level of individual appropriations. This is because the 27 expenditure areas were designed largely as an instrument of fiscal discipline during the budget-setting process, rather than as a solution to fragmented Government;
- the Swedish central administration is relatively fragmented, with most decisions being taken at the level of 250 administrative agencies working to individual letters of instruction. There is little movement of staff between these agencies; and
- local authorities complain of increasing centralisation through the setting by Parliament of more and more specific standards of performance.

The Swedish system has not, therefore, eliminated inter-agency tensions and lack of co-ordination. Swedish experience highlights the need to reflect the commitment to a cross-cutting approach throughout Government.

Annex A3 gives more details.



### *Box 4.6: Hong Kong Special Administrative Region: initiatives to enhance cross-departmental working*

#### Recent reforms

Hong Kong introduced an improved management system intended to “manage for results” in 1997. This directs resources to priorities and manages delivery of policies and services across Government – known as the “Target Management Process” (TMP).

Key features include:

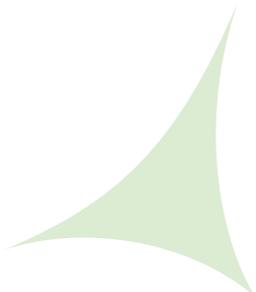
- 37 Policy Objectives covering all Government activity. Some are more cross-cutting than others but most cut across more than one department (e.g. care of the elderly, promoting Hong Kong as a tourist destination);
- the Policy Objectives are “owned” by 15 Policy Bureaux at the centre which commission departments to deliver the chosen outputs;
- a hierarchy from Policy Objectives (specifying outcomes), to Key Results Areas (elements of the delivery process) to initiatives (new steps to improve performance). This creates a pressure to align departmental activities to top down priorities, and sets a hierarchy of accountabilities;
- the Policy Bureaux control “new initiative” funding. Funding for baseline activity is in practice still controlled by the departments. The long-term aim is for the Policy Bureaux to have more control over baseline funding;
- the Policy Bureaux manage departmental contributions to Policy Objectives through a performance review system in which named officials are responsible for reporting against specific output measures. This may be viewed on-line across departments;
- to bring TMP to life, and build it into the fabric of current management practice, the Government is planning annual review meetings focusing on performance in delivering each Policy Objective. These reviews would be carried out by a “Star Chamber” or one of the Policy Groups, each of which is chaired by the Chief Secretary for Administration (the most senior official); and
- a rolling programme of top-down Fundamental Expenditure Reviews which examine the objectives, measures, strategies and resources for delivering Policy Objectives (current FERs cover to tourism, developing Hong Kong, and potential new youth development objectives).

A two-stage approach to implementation was adopted: 3 Policy Objectives in 1997 (as pilots); the remainder from 1998 (roll-out on-going).

#### Impact of reforms

The reforms are still in the process of being rolled out across departments, so the full impact is not yet known. However, the perceived strengths of the TMP model are that it has put in place:

- clearer ownership and sponsorship of cross-cutting objectives;



### *Box 4.6: continued*

- greater clarity of cross-cutting responsibilities and relationships – departmental contributions to cross-cutting Policy Objectives are made explicit with departments given “lead responsibility” for specific outputs through the Performance Review Systems;
- closer alignment between funding and priorities – Policy Bureaux control over “new” funding helps direct resources to cross-cutting Policy Objectives. Consideration is being given to extending Policy Bureaux control to cover baseline funding in the longer term; and
- greater visibility (and hence accountability for) cross-cutting working.

Annex A4 gives more details.

### *Box 4.7: the New Zealand model of public management*

#### Structure

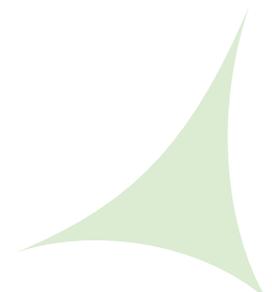
New Zealand Governments articulate their desired broad objectives through Strategic Results Areas (SRAs). Ministers and Chief Executives are required to identify the main contributions of their departments to SRAs through the articulation of Key Results Areas (KRAs) which are, in turn, included in performance agreements between the Chief Executives and departmental Ministers. Ministers are responsible for realising outcomes and “purchase” or contract with Chief Executives for the provision of outputs to do so. There are two types of Ministers:

- “Vote” Ministers who seek appropriations from Parliament to purchase “classes” of outputs produced by a department or other suppliers (or to incur expenses such as social welfare benefits); and
- “Responsible” Ministers who are concerned with the departments’ performance from the supplier point of view.

Some departments administer just one vote, but there are a number of multi-vote departments providing outputs to more than one Minister. For example, the Ministry of Commerce currently administers separate votes for business development, commerce, communications, consumer affairs, energy and tourism. “Vote” Ministers and departments agree on detailed “purchase agreements” which define the quantity, quality and cost of the outputs to be delivered. In so doing, Ministers may decide to use purchase advisers, who may be staff or external consultants, to obtain advice independent of the departments supplying the outputs.

#### Strengths and weaknesses

Reviews of the New Zealand system of public management point to a number of positive outcomes. In particular, they indicate that the use of SRAs has helped to clarify the strategic objectives of Governments, increase awareness of synergies and trade-offs between different Government policies and articulate the link between outcomes and



### *Box 4.7: continued*

outputs. However, the reviews have also highlighted a number of concerns about the system. Most critically, there is a concern that SRAs are an ineffective tool of strategy since, in reality, they “sit above” departmental objectives rather than driving their activities. The reviews offer a number of possible explanations for this:

- SRAs are seen as everyone’s responsibility and yet no one is responsible for championing them, driving them forward or monitoring their achievements;
- rather than being a selective set of real priorities, SRAs have tended to cover most areas of Government and so enabled departments to claim that much of their work supports one or more SRAs;
- SRAs are not always sufficiently explicit to be translated into operational priorities;
- SRAs are not integrated into wider processes such as departmental performance management systems or ex post monitoring of outcomes;
- there are limited incentives within and across portfolios for resetting priorities and budgets and no real process for identifying and managing cross-portfolio trade-offs; and
- the Budget remains the most powerful expression of strategy and only weakly connected to the SRA process.

#### Recent developments

The New Zealand Government is seeking to address these and other concerns through a series of refinements to the original model. In particular, some structural support for the SRAs is emerging with the establishment of budgetary “envelopes” for particular issues. For example, a “*Green [funding] Package*” has been set up. This is overseen by a group of Ministers whose role is to decide how funds may be best spent to achieve the environmental SRA.

Another recent development is the establishment of a cross-portfolio vote for “*Biosecurity*” lead by one Minister. This covers activities undertaken by four major departments (health, fisheries, agriculture and conservation), each of whom spend part of the Vote. The Minister has the ability to redistribute funds from one part of the Vote to another. He or she receives advice from all four agencies, but can also access independent advisers.

Annex A5 gives more details.



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## ...from local government?

4.11. Similar lessons can be drawn from local government. In particular, it is worth noting two key differences between local and central government that may contribute to more effective cross-cutting working in local authorities:

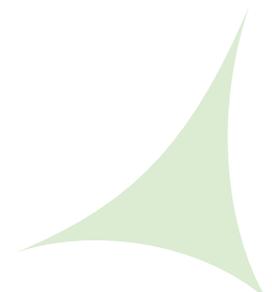
- local government is closer to the public and so its officials are generally more focused on their needs and their perception of the quality of services; and
- the best local authorities tend to have a strong chief executive and senior management team able to intervene quickly to organise cross-cutting activity when needed, broker conflicts of priorities when they arise, and drive through culture change when that is needed. There has not been, until the Civil Service Management Committee (now Board) was set up in February 1999, the equivalent of a local authority top management team for Whitehall.

4.12. Conversely, the best local authorities combine a strong centre with a well-developed capacity for delegation and a willingness to allow those responsible for services to get on with their jobs, within an overall framework of objectives and performance management.

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## ... and from devolved administrations?

4.13. Devolution within the UK provides opportunities to pursue new ways of working across boundaries. Already in Scotland, for example, practical steps have been taken in this direction, as box 4.8 describes.



### *Box 4.8: How Scotland is handling cross-cutting issues*

Structures: where sensible, brigading of Ministerial portfolios and departmental structures around cross-cutting objectives rather than simple sectoral functions (e.g. a Minister for Enterprise and Lifelong Learning; a Minister for Rural Affairs; a Minister for Children and Education; a Minister for Communities);

Parliamentary committees: mirror Ministerial portfolios (e.g. rural affairs, enterprise and lifelong learning) so emphasising the cross-cutting working;

Cross-cutting priorities: identification of eleven key cross-cutting priorities (promoting social inclusion; tackling drugs; Digital Scotland; rural development; developing the knowledge economy; delivering integrated services for children and young people; promoting public health; science; modernising Government; equality issues; and sustainable development);

Champions: identification of Ministerial and senior management champions for each of the priority issues;

Cross-cutting mechanisms: creation of tailor-made mechanisms for handling each of the eleven cross-cutting priorities, for example the creation of Ministerial committees reporting to Cabinet for the four top priority issues;

Performance management: incorporation of a specific cross-cutting focus in departmental planning processes;

Public visibility: focus on the cross-cutting priorities for the Government and the commitment to work in a joined-up way in the Scottish Executive's programme document *Making it Work Together*.<sup>1</sup>

<sup>1</sup> Produced by the Scottish Executive and available at [www.scotland.gov.uk](http://www.scotland.gov.uk)

## 5. THE VISION – WHERE DO WE WANT TO BE?

### Summary

To achieve effective cross-cutting policy making and delivery requires fundamental changes in practice and behaviour at all levels of Government.

*Policy making* should focus on desired outcomes and take account of the impact of one policy on another.

There should be a clear relationship between high level objectives, and targets on the ground.

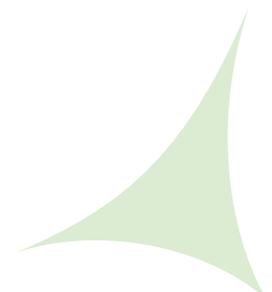
The implications of policy making for *service delivery* need to be considered much earlier and more thoroughly than is presently the case.

### Requirements for a more cross-cutting future

5.1. If this report has the impact intended, taken with other measures in the Modernising Government agenda, policy making and service delivery will in future have the following characteristics:

#### *Policy Making*

- Ministers and officials will get as much, if not more, credit for delivering cross-cutting objectives as for purely departmental ones;
- policy making will be focused on desired outcomes, rather than individual departments' inputs and objectives. The boundaries of policy will not be constrained by the boundaries of departmental responsibilities;
- the impact of one policy or programme on others will be properly assessed and taken into account in policy design and implementation;
- there will be a clear, overarching framework of objectives and targets for each policy which can readily be translated into meaningful targets and objectives at lower levels of Government and which can be checked for consistency with other targets operating at local level. Cross-cutting objectives will be an integral part of this framework;
- Ministers and civil servants will continue to be held to account by Parliament and due financial propriety will be fully preserved.



### Service Delivery

- implications for service delivery level will be fully taken into account in policy formulation;
- conflicting priorities will be sorted out at a strategic policy level and not allowed to undermine efficient and effective service delivery;
- targets for service delivery will be outcome-focused, and designed to deliver the Government's key objectives while leaving the maximum amount of freedom for local service providers to develop innovative cross-cutting solutions tailored to local needs and priorities.

## What needs to be done?

5.2. To realise the vision, action is required across a broad front:

- *leadership* from Ministers and senior civil servants that makes clear cross-cutting working is valued. This requires reform of the way the performance of Ministers and senior civil servants is judged, so they have greater incentives to look beyond departmental responsibilities and get credit for leading successful cross-departmental initiatives;
- taking greater account of cross-cutting problems and issues in *policy formulation and development* by giving greater emphasis to external sources of advice – including feedback from service users and service deliverers about the coherence and effectiveness of central Government's policies and funding mechanisms;

- enhancing the *skills and capacity* of civil servants, so they are better able to promote and manage cross-cutting policies and services; work in partnerships with multiple reporting lines; and have stronger project management skills;
- further reforming the way that money for cross-departmental policies and initiatives is allocated and controlled including, where appropriate, more cross cutting *budgets* which combine flexibility in service delivery with clear, tight accountability;
- encouraging Parliament and public sector *auditors and inspectors* to respond positively to new approaches to cross-cutting working and innovative accountability arrangements; and
- using *the centre* to support more cross-cutting policy making and service delivery, particularly through the way in which objectives and targets are set for departments and agencies, but intervening directly only as a last resort.

5.3. These issues are addressed in Chapters 6–11.

## 6. LEADERSHIP FOR CROSS-CUTTING POLICIES AND SERVICES

### Summary

Ministers and senior civil servants need to provide strong leadership for cross-cutting working in order to create a culture which fosters cross-cutting initiatives. They need to act as “champions” for cross-cutting policies and services.

Leaders should be judged and visibly rewarded for their performance in securing cross-cutting objectives as well as purely departmental ones.

Practical steps, such as setting out leaders’ cross-cutting responsibilities in the terms of their appointment, need to be taken.

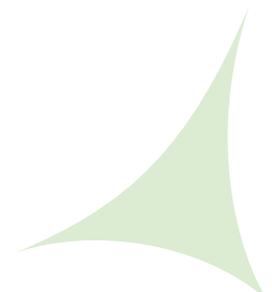
### Cross-cutting working requires effective leadership

6.1. A step-change in attitudes is needed if more cross-cutting initiatives are to be successfully implemented. Good management and good systems cannot, on their own, transform organisations and change cultures. Effective leadership is needed to promote and sustain cultural change. This is particularly crucial in the case of cross-cutting problems and issues which, by their nature, require different ways of working.

6.2. The way Ministers behave strongly affects the way civil servants behave. Civil servants pride themselves on reading signals from Ministers and, in turn, Ministers seek to anticipate signals from senior Ministers and No 10. At present, most signals strongly

reinforce the priority given to meeting departmental objectives, and securing resources and publicity for departmental activities, rather than promoting cross-cutting action. The rewards and incentives for Ministers and senior civil servants – including the ways in which performance is appraised and evaluated – further reinforce these outcomes.

6.3. If the Civil Service is to adopt a more corporate, cross-cutting approach, there need to be changes in the way in which leadership skills and managerial capability are developed and in the incentives leaders and managers work with. Ministers and senior civil servants need to create a culture conducive to cross-cutting working and to act as “champions” for cross-cutting initiatives.



## Changes are needed in three key respects

6.4. Change is needed in three key areas:

- cross-cutting working needs to be seen to be valued as much as traditional “vertical” departmental approaches throughout Government and the Civil Service;
- leaders need to say much more clearly what they want rather than relying on signals which can be misinterpreted; and
- there should be clearer models of the leadership required to deliver the Government’s cross-cutting goals.

6.5. Delivering these changes means:

- placing responsibility for driving forward cross-cutting working firmly at the heart of the jobs of Ministers and senior civil servants. This means that they need to have clear and, wherever possible, quantified objectives for cross-cutting action, and clear measures for success against which their performance can be judged;
- giving more recognition to the achievement of cross-cutting objectives. Career progression needs to be visibly enhanced by success in cross-cutting work and by having outside and varied experience. This is particularly important in the case of junior Ministers and senior officials where such recognition, if publicised, can have a significant impact on both their peers and aspiring Ministers and senior officials; and
- setting out more explicitly that the overriding responsibility of leaders in Government and the Civil Service is achieving corporate objectives, including cross-cutting objectives, rather than an individual departmental agenda.

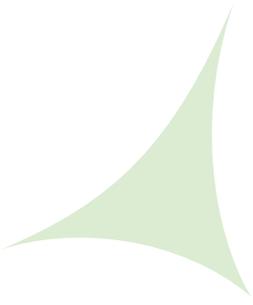
## Ministers have a critical role in driving forward change

6.6. The role of Ministers in driving this process forward is critical. If Ministers make it clear that they expect their civil servants to take a broad, non-departmental approach to policy-making, if they sustain that message and reinforce it in the way they respond to issues, then the desired changes will happen.

## ...underpinned by more modern ways of communicating Ministers’ wishes to civil servants

6.7. Most civil servants have little or no direct contact with Ministers and learn about Ministers’ views and priorities from brief notes issued from private offices, or third or fourth hand reports of Ministers’ views, and by interpreting the way Ministers respond to particular issues as they arise. This process of Chinese whispers is open to all sorts of distortions: Ministers are sometimes assumed to have views that they do not in fact hold.

6.8. This is a phenomenon common to every organisation but that does not make it all right for a Government department. The Centre for Management and Policy Studies (CMPS) could usefully commission some research into the precise ways in which Ministers views are communicated down through Government departments and how these can be improved using modern corporate communications techniques. This should also be covered in the joint training for Ministers and senior civil servants proposed in the Modernising Government White Paper.



**Conclusion 1:** the responsibility of Ministers and Permanent Secretaries for delivering cross-cutting objectives should be made clear in their terms of appointment and reflected in any assessment of their performance.

**Conclusion 2:** when assessing leaders' performance, more weight should be given to their track record in delivering cross-cutting objectives.

**Conclusion 3:** an element of the reward package for leaders should be developed to underpin Recommendation 2.

**Conclusion 4:** alongside other criteria, promotion to senior civil service posts (and progression through the Senior Civil Service (SCS)) should depend increasingly (and ultimately entirely) on the demonstration of a range of different experiences within and outside Government, along with an understanding of, and the skills to manage, cross-cutting and implementation issues.

**Conclusion 5:** the development of leadership models as part of the Civil Service Reform programme (see paragraph 8.2) should take explicit account of the importance of leaders' performance in identifying the need for, and driving forward, cross-cutting action. This should be reflected in leadership models and training programmes.

**Conclusion 6:** to drive forward change, selected Ministers should be given responsibility for cross-cutting policies and programmes outside their core departmental remit and should report six-monthly to the Prime Minister through the appropriate Cabinet Committee. They should be supported in their cross-cutting role by high quality teams involving outside experts.

**Conclusion 7:** as part of the Cabinet Office/CMPS programme of joint training for Ministers and civil servants, there should be a particular focus on the way in which Ministers' views on the importance of cross-cutting policies are communicated to departments, and how modern communications techniques can improve that process. This could be informed by research commissioned by, for example, the CMPS.

## 7. IMPROVING CROSS-CUTTING POLICY MAKING AND IMPLEMENTATION

### Summary

Whitehall's traditional approach can mean that cross-cutting problems and issues are not identified and addressed.

Lack of co-ordination of policies and programmes can cause confusion on the ground and jeopardise effective delivery of services.

There is a need for better consultation, greater involvement of outside experts and more cross-cutting research and analysis to underpin cross-cutting policy making and service delivery.

The implementation of cross-cutting policies needs to be underpinned by a clear framework of objectives and effective performance measurement.

### Current policies are not sufficiently cross-cutting

7.1. Those involved in delivering Government policy, particularly local authorities, argue that policy is often poorer for not being sufficiently cross-cutting:

- Whitehall departments can fail to identify problems that cut across their boundaries. Social exclusion is an example of a problem that for many years was tackled, less effectively, as a series of isolated departmental issues;
- Government departments may miss opportunities to provide better services and more effective programmes through cross-cutting working; and

- those on the receiving end of centrally-made policy – whether deliverers or service recipients – are often left to try to make sense of the uncoordinated messages, policies and funding streams passed down by Whitehall departments. The potential complexity of the resulting chains of communication and funding in one important area – housing and community care – are illustrated in figure 7.1.

7.2. Action is in hand to rationalise some of these lines but they will inevitably remain complex and the health and well being of some very vulnerable people will continue to depend on effective inter-departmental and inter-agency co-ordination.

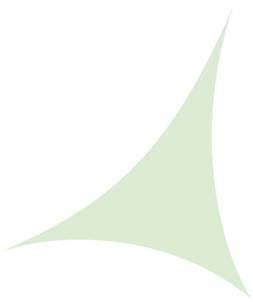
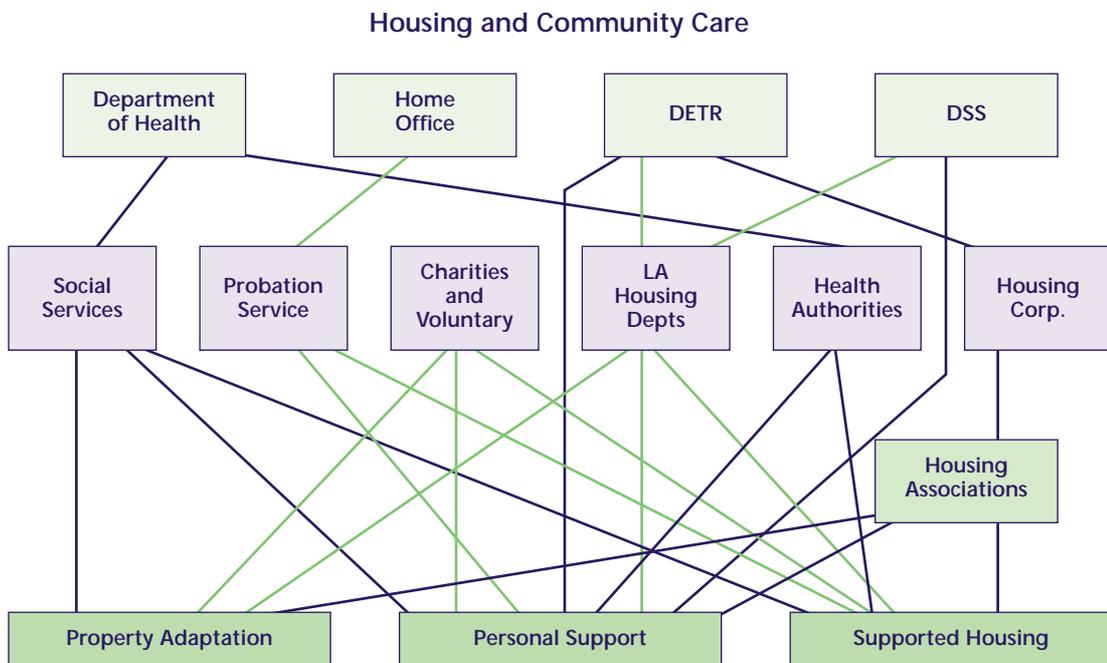


Figure 7.1: Provision of housing to vulnerable people – the complexity of the communications and funding streams



Source: "Home Alone", published by the Audit Commission, May 1999. Available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

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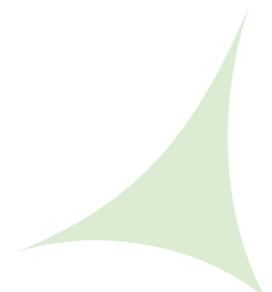
### Cross-cutting policy making requires effective consultation with stakeholders

7.3. Consultation with stakeholders is an established means of shaping policy. Whitehall departments carry out numerous consultation exercises. However, the methods Government uses to consult are generally not cross-cutting. With some exceptions, departments carry out consultation on their policies alone. Consultation also tends to be highly structured. Consultees – often selected by the departments – are asked to give their views on specific issues and proposals, and the process and format for giving their views is set by the department. These methods of consultation reduce the likelihood that problems and issues that cut across departmental boundaries will be identified.

7.4. To ensure cross-cutting problems and issues are identified, policy makers need to:

- provide channels for information and views to reach Government which are not constrained to departmental silos – people and organisations should not have to tailor their views to fit Whitehall's departmental structure; and
- get better at listening to service users and service providers and responding to evidence that there is a problem.

7.5. A number of innovative initiatives are being used to tackle this. (Box 7.1). The People's Panel is one. The Cabinet Office has also been running the "Listening to Older People Programme" and holding "Listening to Women" events. These are cross-cutting initiatives supported by a number of different departments, asking people about their



### *Box 7.1: Innovative approaches to consultation*

- The People's Panel: in 1998 MORI and Birmingham University's School of Public Policy were commissioned to set up a People's Panel. The Panel consists of 5,000 members of the public randomly selected from across the UK and is designed to be a representative cross-section of the population (by gender, age, background, region etc). Panel members are being consulted about how public services are delivered and how delivery can be improved. One of the major advantages over ad hoc research projects and other forms of consultation is that the Panel is an ideal vehicle for examining cross-cutting issues.
- Listening to Older People: as part of the programme for the 1999 International Year of Older Persons, Ministers took part in a series of Listening to Older People events across the UK. A range of events, including an internet conference, was held in Belfast, Newcastle, Leamington, Cardiff, London, Liverpool, Southampton, Truro and Aberdeen. The listening events have provided invaluable information and feedback that will help the Government decide priorities and shape cross-cutting policies to meet them.
- Listening to Women: to help identify issues that are most important to women, the Minister for Women launched a Listening to Women exercise in February 1999. This consisted of regional road shows, a national conference of women's organisations, qualitative research, and a postcard campaign. Government has never communicated with women in this way before. The findings have been circulated to all parts of Government so that they can be used in policy-making, and to develop cross-cutting women-specific guidelines for service providers.

(cross-cutting) experience of Government rather than consulting them on particular policies. Proposals are also in preparation for a consumer test to be applied across all public services.<sup>1</sup>

7.6. However, these remain relatively isolated examples. It remains difficult for any one individual who is the victim of disjointed public services to know how to register their concerns with someone who will take the issue seriously and can do something about it. It can be similarly difficult for local service providers to know who in central Government to speak to if a conflict of departmental policies is causing problems on the ground.

**Conclusion 8:** departments should work with the Cabinet Office and others, including Government Offices for the Regions, to develop joint mechanisms, especially at regional and local level, to improve consultation and feedback on cross-cutting issues, including:

- different ways to reach and involve stakeholders in the development of policies and the delivery of services;
- better ways of communicating decisions; and
- using such feedback to create virtuous circles of continuous improvement.

<sup>1</sup> A joint Cabinet Office/Treasury initiative. Key proposals are that each main public service dealing regularly with the public should carry out regular satisfaction surveys with its users and publish the results; and that public services should be encouraged to build customers' views (including complaints) into their planning, appoint a "customer champion" to promote the necessary change, and report annually on how they have done this.



**Conclusion 9:** unless there are special reasons for not doing so in a particular case, departments should routinely publish details of the consultation process that has been followed in developing new policies, i.e. who was consulted, at what point in the process and what they said.

### Involving outside experts improves policy and makes it more cross-cutting

7.7. Interested parties need to be brought more actively into the policy-making process. Discussions with the Local Government Association (LGA) and others suggested two particular ways in which existing practice could be improved:

- central Government departments should do more to cultivate ongoing relationships with external partners and stakeholders; and
- the consultation process needs to carry on after policy decisions have been taken. Those decisions need to be communicated in a way that demonstrates the views expressed in consultation have been listened to and taken into account.

7.8. A particularly effective way of opening up the policy making process and gaining

the benefit of views, ideas and expertise from outside central Government is to involve more outside experts and practitioners in the development of policy. The use of outside experts is particularly helpful in developing policy to tackle cross-cutting problems. Such experts bring an understanding of the problem undistorted by departmental boundaries, and may be more open to cross-departmental solutions.

7.9. There are different ways of bringing outside experts into the policy development process, and it would be helpful for guidance to be issued to describe the options and spread best practice. The CMPS could provide advice for outside experts on how to work effectively with the Government machine and training for civil servants on how to make full use of outside experts. A number of departments already have a lot of experience and expertise in this – for example the Chief Scientist and the Office of Science and Technology – on which the CMPS can draw. One very successful example of bringing outside experts and practitioners into the policy making process was the Youth Justice Task Force (see box 7.2).

7.10. In the past the main inhibition on involving such experts has been the fear that policies will be leaked before they are properly developed, forcing the Government onto the defensive and reducing the positive

#### *Box 7.2: Youth Justice Task Force*

In 1997 the Government set up a Task Force to advise it on policies for youth justice and on the implementation of its Youth Justice action plan. The Youth Justice Task Force brought together individuals from Government departments; local government; voluntary sector organisations with experience in dealing with the perpetrators and victims of crime; the various parts of the criminal justice system, including the Probation Service, the court service and the police; and private sector companies. As well as contributing their own personal expertise and experience, the Task Force took the views of organisations outside Government involved in dealing with youth crime, from experts in the field, and from bodies such as the Standing Conference of Women's Organisations. Altogether, they consulted over 5000 people.



impact of a policy announcement. The same concerns can inhibit inter-departmental consultation. These concerns need to be recognised and addressed.

7.11. The basis on which outside experts are involved needs to be clear and agreed. But subject to that, their involvement can be invaluable. The involvement of the LGA on the steering groups of both the Modernising Government White Paper and this project provides an encouraging precedent. The LGA are now also involved in the Cross-cutting Issues Group in the year 2000 Spending Review and they and other experts are involved in a number of the project teams (see Chapter 11).

**Conclusion 10:** more outside experts should be involved in the policy-making process, perhaps as part of high level teams to support cross-cutting Ministers.

**Conclusion 11:** the CMPS should provide training for civil servants on how best to use outside experts and advice for outside experts on how best to work with the Government machine.

**Conclusion 12:** the CMPS should take the lead in developing and disseminating guidance on the different ways in which outside experts can be brought most effectively into the policy development process.

## Ministers need fora at which cross-cutting issues can be discussed

7.12. The use of Cabinet Committees to address cross-cutting issues is patchy and, when such issues are discussed in Committee, Ministers may feel constrained to promote their departmental goals rather

than cross-cutting Government objectives. This means that Ministers can have limited opportunities to discuss cross-cutting issues collectively with their colleagues, and the opportunity for Ministers to contribute fully to the solution of cross-cutting issues from their wide experience is lost. This needs to be addressed urgently.

**Conclusion 13:** the Cabinet Office and No.10, in consultation with Ministers and departments as necessary, should explore how to increase the effectiveness of Cabinet Committees as fora for addressing cross-cutting issues.

## Cross-cutting policies need to be underpinned by cross-cutting analysis ...

7.13. There is a dearth of research and analysis across traditional policy boundaries.<sup>1</sup> Research, data and analysis tend to be commissioned on a departmental basis. Furthermore, there is no common database containing the research, data and analysis which does exist and to which all Government departments have access.

7.14. The CMPS has in part been established to address this. It will be creating an infrastructure for supporting policy making across departments including:

- the creation of a resource centre to facilitate access to key pieces of evidence and data (from the UK and around the world); and
- working with departments to create new systems of knowledge management designed to improve cross-departmental contributions to policy development.

<sup>1</sup> this issue is addressed in more detail in the PIU report: "Adding It Up – Improving Analysis and Modelling in Central Government".



## ... and implementation by clear objectives and effective performance measurement

7.15. Experience from both within Whitehall and outside suggests that cross-cutting objectives can act as a powerful driver for cross-cutting working. Several countries and many local authorities have introduced cross-cutting objectives as a means of co-ordinating and managing links between different departments and agencies. However, careful attention needs to be given to the design of cross-cutting objectives and the infrastructure put in place to support them. In particular, to be effective in driving behavioural changes, cross-cutting objectives need to be:

- supported by strong leadership to ensure that they are given sufficient priority (Chapter 6);
- integrated into a wider system of performance management (Chapter 8);
- linked to budgetary allocations and “power over money” e.g. catalytic funding for cross-cutting projects (Chapter 9); and
- sufficiently tangible to be translated into operational priorities and outputs for departments.

7.16. Overseas experience (Chapter 4) also points to the need to limit the number of cross-cutting objectives and restrict them to high priority areas: too many causes confusion. There is also a danger of cross-cutting objectives becoming too generic – too “motherhood and apple pie” – and hence losing focus and impact.

## Public Service Agreements are crucial for promoting cross-cutting working

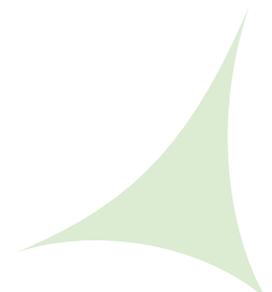
7.17. The Public Service Agreements (PSAs) which underpin the Government’s public expenditure plans are a potentially powerful tool for promoting cross-cutting working. They are a means of:

- driving forward the Government’s policies;
- ensuring that departmental objectives and targets are aligned to the Government’s overall goals;
- holding Ministers and departments accountable for the delivery of the Government’s objectives and targets; and
- ensuring policy initiatives are carried forward cross-departmentally wherever they need to be.

7.18. The strength of the structure is derived from the requirement that departments have to report progress to the Ministerial Committee on Public Services and Public Expenditure (PSX) and ultimately to Parliament, coupled with its links to the budgetary process.

## ... but care is needed in designing the underpinning targets

7.19. This study has looked closely at how objectives are translated in practice into performance measures and targets that support and encourage cross-cutting activity. The Cabinet Office’s Measurement and Performance Project (box 7.3) and other



evidence suggests that effective cross-cutting and partnership working can be inhibited by:

- onerous reporting requirements to different central Government departments and agencies;
- lack of clarity as to requirements and freedoms in meeting objectives; and
- failure to take into account fully the interactions between different targets.

### *Box 7.3: The Measurement and Performance Project (MAPP)*

#### Aim

The aim of MAPP is: “To understand and improve the use of performance measures and targets in multi-agency working”. In order to meet this aim, the project has the following objectives:

- knowledge: to investigate whether performance measures act as barriers or incentives to multi-agency working to deliver public services;
- assistance: to support multi-agency working in using performance measures and targets; and
- improvement: to assess how central Government could improve the way it uses performance measures and targets for the monitoring and evaluation of initiatives delivered through multi-agency working.

#### Case studies

An interim report on the project’s findings was published in November 1999. This draws on case study evidence from:

- East Sussex, Brighton and Hove Drug Action Team;
- Bradford Health Action Zone;
- Bradford Crime and Disorder Partnership;
- Herefordshire and Worcestershire Business Link;
- Lewisham Challenge Partnership, a New Commitment to Regeneration Pathfinder; and
- West Devon Environmental Network, a Local Agenda 21 partnership.

#### Findings

The main findings from the case studies are:

- where performance targets act as incentives to partnership working, it is because they support shared aims and objectives;
- there is a need for greater coherence between national, regional and local organisations when agreeing high level targets; and
- targets must be set against baselines using robust information.

The MAPP interim report is available on the web at <http://www.cabinet-office.gov.uk/eeg/1999/mapp.htm>



## So, some key principles should be adopted

7.20. First, there is a need for greater clarity in describing both the requirements on, and freedom of, delivery agents. The following principles should be adopted:

- if outputs are prescribed, then agencies should not be held responsible for unwanted outcomes;
- if outcome targets are set, agencies should have freedom to determine outputs;
- if the Government wishes to specify priorities, then it should do so in clear, quantitative terms. If not, it should state explicitly that agencies have the freedom to decide their own priorities and should forswear setting national or local targets which imply priorities; and
- these principles should apply particularly to local authorities given their closeness to their customers and their independent electoral mandate.

7.21. Second, a more rigorous approach to appraisal and evaluation is needed so that information requirements are:

- sufficient to enable Government to appraise policy options, monitor progress and evaluate results;
- restricted to what is necessary for those purposes; and
- subject to review from both user and supplier perspectives.

7.22. Third, a more sophisticated approach to local measures and targets is needed so that they:

- are not necessarily directly cascaded from those at national level but define what is needed at local level to deliver the national objective;
- focus on outputs and outcomes rather than just activity;

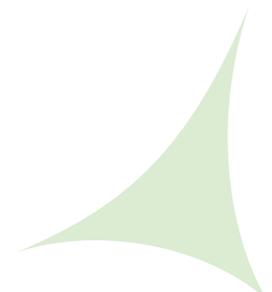
- reflect the need to optimise (but not necessarily maximise) the mix of outputs; and
- are derived from a rigorous, scientific examination of the underlying interactions.

## Better use of better data

7.23. Effective cross-cutting work, at both central and local levels, requires data to be much more readily accessible and usable across departments and agencies. To achieve this, there is a need for:

- more effective use of technology to provide access to performance information and to permit data to be submitted in electronic form. This could take the form of a shared database with different levels of access across and within departments and the wider public sector;
- better defined and, where appropriate, convergent data descriptions, geographical referencing and core survey methodologies;
- clear assignment of responsibility for managing performance information for cross-cutting activities; and
- increased awareness of existing data sets (including small area data) for example, through marketing existing data sets, postcode labelling, better central guidance on sources and uses, and building the development of data systems into all policy implementation.

7.24. These reforms would need to be supported by improvements to the quality and robustness of performance information, possibly through improved access to and deployment of professional expertise and greater use of outside research and data sources in setting performance measures and targets.



## The need for co-ordinated development work on performance measures

7.25. There are a number of projects looking at these and related issues. For example, the Social Exclusion Unit Policy Action Team 18 is looking at many of the same issues, as is the Government Statistical Service Policy and Management Committee. The LGA has proposed some work in this area and the Regulatory Impact Unit in the Cabinet Office has looked at performance measures for enforcement. The Public Sector Productivity Panel have a number of projects on performance management.

7.26. This level of interest is welcome but there is a risk that it could just lead to further duplication of effort and lack of coherence. There would be merit therefore in making sure that the issues in this section are taken forward through a single plan of action, overseen by a multi-agency, multi-disciplinary team, closely linked to any work on the design of PSAs. The precise way in which this could be organised should be a priority for the Cross-cutting Issues Group described in Chapter 11.

**Conclusion 14:** an early task for the Cross-cutting Issues Group should be to establish machinery to develop a Government performance information strategy bringing together all existing and future work on the design, usability and accessibility of performance measures and targets.

## 8. SKILLS FOR CROSS-CUTTING POLICIES AND SERVICES

### Summary

Tackling cross-cutting issues requires developing Civil Service strengths in areas such as diversity of experience, mobility and performance management.

These priorities are closely linked with the wider agenda of Civil Service reform.

Areas in particular need of attention are: (a), increasing mobility within the Civil Service and beyond it; (b), changing the culture; and, (c), creating better incentives and rewards for cross-cutting working which encourage the acquisition and development of necessary skills.

### The skills and capacity of the Civil Service need to be enhanced

8.1. Working successfully on cross-cutting policies, programmes and projects depends crucially on having the right mix of skills and experience. The main barriers to developing these skills – as evidenced by the findings of focus groups consulted by the project team (see Annex A6) – are:

- the failure to bring in and bring on people from more diverse backgrounds with a range of skills needed to tackle cross-cutting problems and issues;
- the lack of opportunity for senior officials to develop a broader, more cross-cutting perspective through movement between

departments and secondments outside the Civil Service or by other means; and

- the absence of incentives and rewards to promote more cross-cutting working and thus incentives and rewards to acquire the skills needed for such work.

8.2. These and other issues are being addressed by the Civil Service Reform Programme. A report by Sir Richard Wilson, the Head of the Home Civil Service, was published in December 1999. It set out a programme of reform devised by the Civil Service that will ensure the Service is equipped to deliver the Modernising Government agenda in the 21st century.<sup>1</sup> The proposals in this Chapter need to be viewed in the context of this broader agenda.

<sup>1</sup> A copy of the report can be found at <http://www.cabinet-office.gov.uk/civilservice-reform/index.htm>



## The need for a more corporate Senior Civil Service

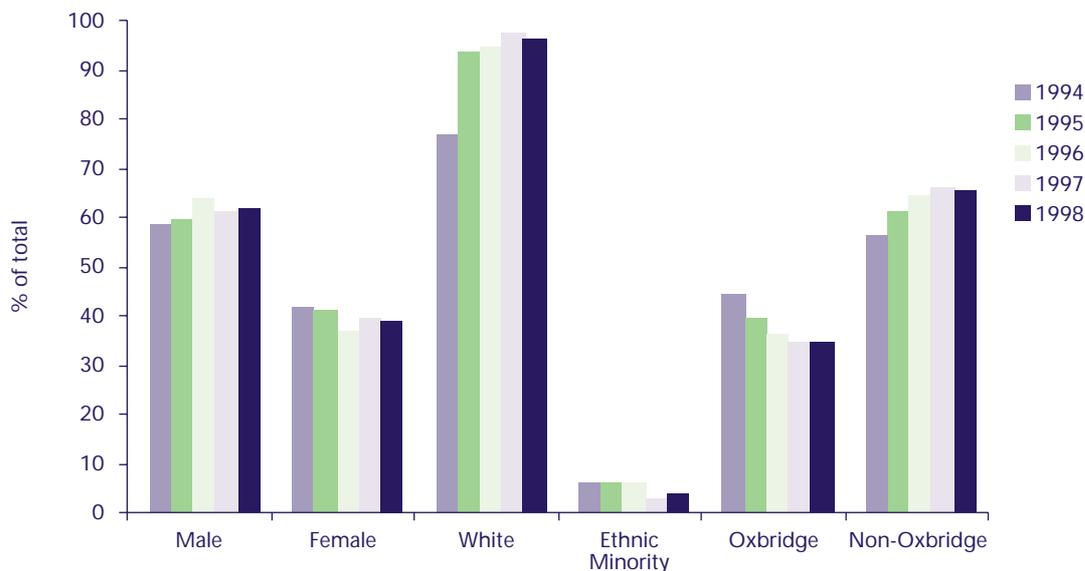
8.3. The Senior Civil Service (SCS) was created in 1996 in response to the increasing focus of departments and agencies on their core business as a result of the delegation of pay and grading arrangements and other reforms. The intention was that the creation of the SCS would encourage individual senior civil servants to take a broader perspective than the department or agency in which they were currently working, thereby underpinning collective Cabinet Government and providing leadership for change.

8.4. In practice it has proved more difficult than expected to move people's focus from

purely departmental business. The result is that the SCS has failed to realise its full potential as a resource for supporting and promoting cross-cutting working.

**Conclusion 15:** in order to promote cross-cutting leadership and a more corporate approach in the Civil Service, the Civil Service Management Board (CSMB) should consider putting in hand work to introduce 'common citizenship'<sup>1</sup> for the Senior Appointments Selection Committee (SASC) group.<sup>2</sup> The position for non-SASC members of the top 600 should be reviewed in three years' time in the light of experience gained from the SASC group.

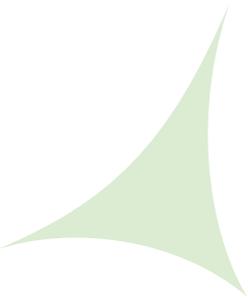
Figure 8.1: Candidates recommended for appointment in open fast stream competitions



Source: Fast Stream Recruitment Report 1998/99

<sup>1</sup> The term common citizenship is used to describe personnel management arrangements which place increased emphasis on the civil servant as a corporate rather than a departmental resource. Common citizenship would involve each civil servant's contract being signed by the Head of the Home Civil Service; central management of entry to the group; a common pay awarding system; central management of careers, succession planning and vacancy filling; treating the group as one for the purposes of retirement and pensions; and a uniform approach to other employment decisions.

<sup>2</sup> SASC Group posts are Permanent Secretary and other posts which derive their title from the Senior Appointments Selection Committee which advises the Head of the Home Civil Service on the recommendations he makes to the Prime Minister on appointments to the most senior Civil Service posts.



## Bringing in and bringing on the right people

8.5. The processes for bringing in people with different skills and experience and developing the potential of existing staff are crucial to realising the capability of the Civil Service to deliver cross-cutting action. In general, recruitment, training and development are the responsibility of individual departments and agencies. They operate within the framework currently set by the Development and Training and Modernising Government White Papers and the Recruitment Code,<sup>1</sup> with special arrangements in place for the SCS and fast stream trainees. These developments mean that civil servants are 'owned' by their parent department resulting in an emphasis on departmental rather than service-wide needs.

8.6. This restricted outlook applies even to those meant to be a corporate resource. For some time, the Civil Service has been seeking to recruit fast stream, "high flying", civil servants from more diverse backgrounds with the skills and potential to manage complex cross-cutting organisations. This has not happened (see Figure 8.1). The Civil Service Reform Programme therefore includes commitments to a range of actions intended to ensure the Civil Service becomes more open and diverse.<sup>2</sup>

## More civil servants need experience of partnership working

8.7. Civil servants need to get better at working across organisational boundaries. Boundaries are not, to coin a phrase, a bad thing. External boundaries define an organisation and give it shape; internal boundaries provide a way of organising work

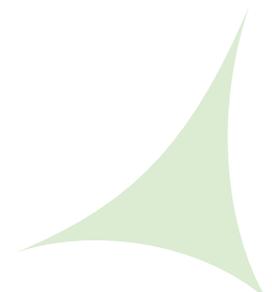
and helping people to know what job they are supposed to do. Internal boundaries enable organisations to exploit the basic concepts of comparative advantage and division of labour – dividing an organisation into sections with defined responsibilities means that staff know what job they are expected to do, and can acquire the knowledge, skills and experience to do it well.

8.8. But when boundaries become barriers to the free flow of information, ideas and creative energy, they risk creating rigid, inefficient organisations. That is true of both internal and external boundaries. An organisation cannot operate effectively if internal boundaries become inflexible walls and sections within it start acting as if they are in competition with, or under threat from, other parts of the organisation. And when external boundaries become inflexible walls, an organisation is unlikely to spot and adapt quickly enough to changes in its customers' needs or to other changes in the environment in which it operates, far less spot and exploit potential synergies with other organisations which it could work with to mutual benefit.

8.9. The answer is not to remove the boundaries, but to make sure they remain flexible and permeable. That may require a fundamental change of mind-set in the organisation – switching from a culture of tribal competitiveness to one of partnership. That change of mind-set is difficult to achieve in an organisation that is not used to looking beyond its own narrow interests. It means looking for shared agendas, and may sometimes mean doing things that do not seem to be in the immediate interests of the organisation, but which adds value indirectly by adding to the value of the partnership. That change of mindset is vital to successful cross-cutting working.

<sup>1</sup> See <http://www.cabinet-office.gov.uk/moderngov/index.htm>

<sup>2</sup> Details can be found at <http://www.cabinet-office.gov.uk/civilservice-reform/index.htm>



## The nature and challenges of successful partnership working

8.10. An organisation's capacity to make the switch to this sort of partnership working depends critically on the quality and skills of its management. It is not an easy transition to make. Most people – though not all – can change the way they work if they are given the right steer, the right sort of support, and the right sort of incentives. But managing partnership working is different to managing staff in a conventional command and control hierarchy. It means managing staff who may be working in complex cross-cutting teams, with multiple reporting lines; moreover, it means managing staff who may be faced with what feels like complex conflicts of loyalty.

8.11. When it is successful, partnership working is very powerful. But it can feel very uncomfortable to individuals who are used to more conventional ways of working, and particularly unattractive to individuals who believe they need to be able to demonstrate significant personal achievements in order to get on in their careers. So a key task in managing the transition to partnership working is to have an appraisal system which is capable of recognising and rewarding a contribution to a team effort. Senior management also have to demonstrate that they recognise the different skills needed for partnership working and are capable of providing the support needed by staff who are acquiring these skills.

## There needs to be more movement within and outside the Civil Service

8.12. Movement within the Civil Service and between the Civil Service and the wider public, private and voluntary sectors are vital ingredients in developing the skills and experience needed for partnership working and cross-cutting Government. However,

there is still relatively little mobility within the Civil Service or interchange between the Civil Service and other sectors (see Figures 8.2 and 8.3). People have remained cautious about moving between departments because they have not seen it as good for their careers. This issue is also addressed by the Civil Service Reform Programme with which the conclusions below are consistent.

**Conclusion 16:** entry to the Senior Civil Service should reflect the desirability of having experience across, and outside, Government and focus on those competencies that are critical to cross-cutting working.

**Conclusion 17:** revisions to the core competencies for the SCS should highlight the importance of cross-cutting working and the skills needed for this: leadership, policy vision, strategic management, project management, exploiting IT, managing change and managing stakeholders.

**Conclusion 18:** there should be new targets (at all levels) for mobility within and interchange outside the Civil Service. These should be supported by developing measures to show that such experience is valued (e.g. active management of moves; keeping in touch arrangements; acceptance of performance assessments undertaken by host employers etc.) and arrangements for de-briefing returners and sharing lessons within the parent organisation.

**Conclusion 19:** there should be an expectation that development programmes for all high potential staff will provide the opportunity for significant experience of: frontline delivery; another department or the wider public/voluntary sector; partnership working; the EU; work in the regions; or the private sector. This expectation should be set out in relevant recruitment and career development literature.

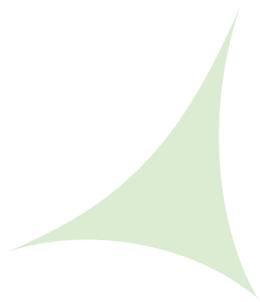
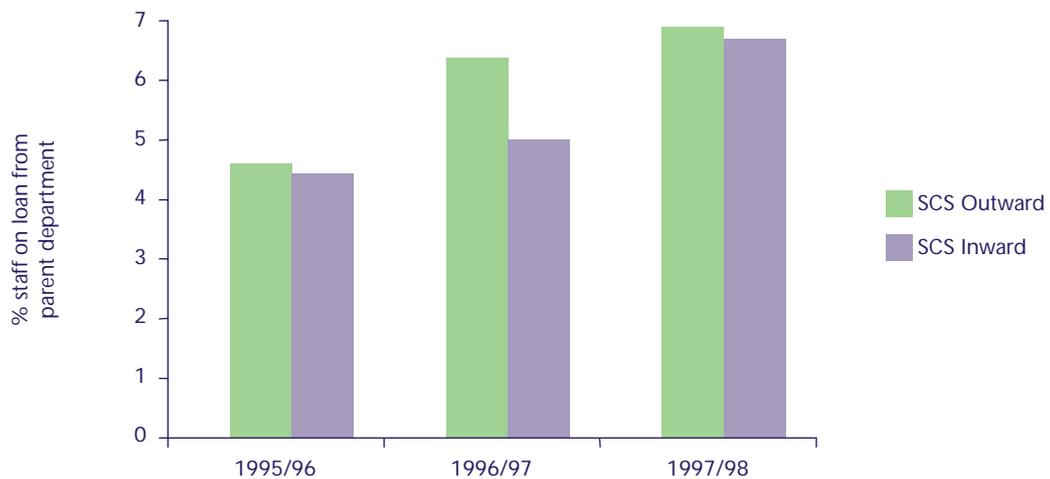
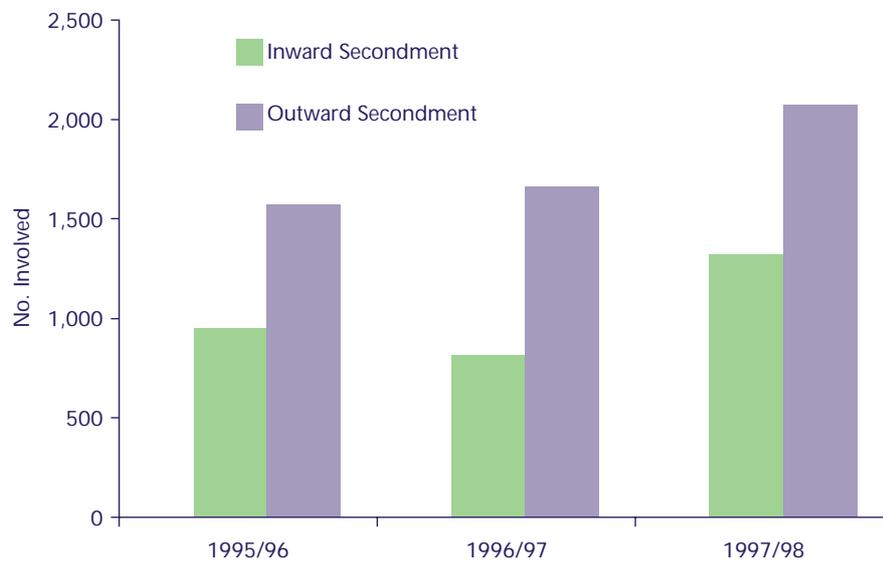


Figure 8.2: SCS Inter-departmental Mobility



Source: Departmental Mobility Returns

Figure 8.3: Interchange activity across all Civil Service grades



Source: Departmental Interchange Returns



## Some quicker ways to make progress – “culture breakers”

8.13. Ensuring that more civil servants – particularly senior civil servants – have experience of working in other organisations will inevitably take time. There may be a case for considering some innovative ways of quickly giving a substantial number of civil servants experience of the challenges of cross-cutting working, so a critical mass of them can start to develop the necessary skills and aptitudes.

8.14. It would be possible, for example, to use some cross-cutting policy areas as pegs around which to build a cultural change management process. The key would be to select a number of policy issues which straddle departments, set some targets and tasks which can only be achieved jointly and use those as catalysts in a deliberate, systematic change management process. This process would need to be driven from the top (Ministers and Permanent Secretaries), given high priority and sustained over several years. The working methods used in these areas would be deliberately chosen to break down established behaviour and develop the different skills needed for good cross-cutting working – in other words, to act as “culture breakers”.

8.15. There would be two key criteria for selection of these pegs:

- there should be few enough to give the exercise focus and to allow substantial good quality management resource to be concentrated on them; *but*
  - there should be enough of them to create a ripple effect. They should be in policy areas which matter, but the change management process built round them would be as important, if not more so, than the policy issue. Some existing central government examples of the cross-cutting working that might be promoted include: delivering Jobseekers Allowance; joint planning for the armed forces within the Ministry of Defence; the joint planning and management of the Criminal Justice System; and closer working between the Customs and Excise and the Inland Revenue. There are numerous local government examples.
- 8.16. A variation on this is to give Ministers responsibility for promoting cross-cutting topics or themes which are not among their department’s responsibilities, and have them supported in this by secretariats drawn from other departments. Where this is already happening (e.g. Sure Start), it can give civil servants experience of working in unusual ways across departmental boundaries, and it helps to break down the conventional culture that civil servants only report to, and function through, their departmental Minister.<sup>1</sup>
- 8.17. Experience of developing policy in teams with outsiders, such as the Youth Justice Task Force, similarly gives civil servants the opportunity to develop the skills needed for successful partnership working. To be most successful as “learning opportunities”, however, the individuals have to retain a foot in their departmental camp so they learn to handle the ambiguity of role and potential conflicts of interest that are inherent in cross-cutting working.

<sup>1</sup> A similar arrangement has been adopted in Wales, where each Assembly Secretary has been named as the “champion” for one or more cross-cutting themes under the direct supervision of the First Secretary.



**Conclusion 20:** working with the CMPS, departments should explore methods of exposing civil servants to different ideas and ways of working by involving a wide range of stakeholders in policy development. This could include increased use of mixed teams of Ministers and officials from different departments and agencies as well as academics and those responsible for service delivery.

### There need to be better incentives and rewards for cross-cutting working

8.18. Performance management is a powerful tool for aligning organisational and individual effort behind agreed goals. It has the potential to shape behaviour and ensure that the whole is greater than the sum of the parts. Successful performance management requires effective business planning processes clearly linked to those for managing individuals. In many respects, Civil Service performance management processes are highly effective in aligning individual effort behind organisational goals. Organisational objectives with a narrow departmental focus feed through to individual objectives and priorities.

8.19. But current systems of performance appraisal and pay focus almost entirely on individual achievement with little regard being paid to team or corporate contribution. This promotes a narrow focus on what is best for the individual rather than in the interests of delivering broader objectives. There are no real incentives for individuals to join or provide support to teams outside their area or organisation since the same weight is rarely attached to that activity in the appraisal process.

8.20. The Civil Service culture needs to place greater emphasis on transformational skills

which are central to managing cross-cutting work such as leadership; strategic management; project management; the vision to exploit technology; managing change; and managing stakeholders.

**Conclusion 21:** performance appraisal systems for individuals at all levels should better reflect contributions to corporate or team goals by incorporating a balanced scorecard approach i.e. appropriate weighting (depending on the task) between e.g. personal performance measures; team or corporate measures; and people measures (management, communications, development).

**Conclusion 22:** there should be significant financial rewards available to teams or individuals who crack complex cross-cutting problems. These could be in the form of non-consolidated bonuses and should be clearly identified to ensure reinforcement of messages. They should be fully integrated into the wider reward and performance appraisal system.

**Conclusion 23:** corporate training and development provided by CMPS should disseminate cross-cutting messages and emphasise the skills required for collaborative working in management and other courses. CMPS should also develop specific new programmes on partnership working focused on senior and middle management levels. Departments and agencies should revise their training and development activities accordingly to ensure a broad base of skills and awareness.

## 9. FLEXIBLE FUNDING FOR CROSS-CUTTING POLICIES

### Summary

The Treasury has made a number of changes to the framework for the control of public expenditure which give departments more flexibility in planning spending and which should facilitate cross-departmental working.

But current systems of allocating and accounting for budgets can still be a barrier to cross-cutting working.

More needs to be done, including making more use of pooled funding and cross-cutting budgets to support cross-cutting initiatives.

A cross-cutting budget, administered by the Chief Secretary to the Treasury, should be set up to act as a catalyst for cross-cutting working.

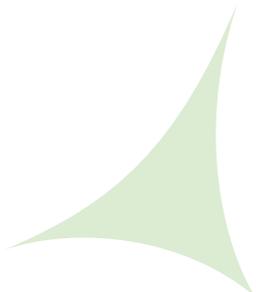
### Perceptions of barriers to cross-cutting working

9.1. Much is said about the perception that there are major barriers to cross-cutting working in the way budgets are allocated; the conditions that are attached to them; and the accountability structures associated with responsibility for seeing that money is spent wisely and for the purpose for which it was allocated. In practice, there is little evidence of insurmountable barriers: practical solutions can usually be found to get round most problems if there is a good enough reason for doing so, though this may involve a considerable amount of time and effort.

9.2. In considering what further flexibility might be put in place, it is important to recognise the constitutional starting point. Under the present system, Parliament votes

money to the executive to do specific things and it expects the executive to be able to demonstrate that the money was used for that purpose, and that it was not wasted. If something goes wrong, Parliament expects to be able to call in one or more officials who will take responsibility for what has happened, and to call them to account. Government Accounting rules are intended to achieve this. For much the same reason, departments have their own rules relating to the money they allocate to other bodies, in particular local authorities, non-departmental public bodies and health authorities.

9.3. It is clearly important to maintain budget accountability whilst avoiding unintended or undesirable consequences. There are now few rules which prevent money being switched between department (see box 9.1 for recent changes). The main



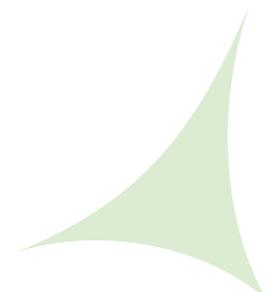
### *Box 9.1: Recent changes to budgetary control should assist cross departmental working*

As part of the 1998 Comprehensive Spending Review (CSR), the Treasury made a number of changes to the framework for controlling public expenditure which gave departments more flexibility in planning spending and which should facilitate cross-departmental working:

- budgetary controls are now operated through Departmental Expenditure Limits (DEL) which cover only that spending which is within departments' direct or indirect control. Other spending is in Annually Managed Expenditure (AME);
- DELs are set for three years so that departments can plan over a longer time horizon than when plans were reviewed and revised annually;
- any planned funding within a DEL which is not spent in one year can be carried over to the following year, helping departments to manage their budgets and avoid wasteful end-of-year spending surges;
- additional flexibilities apply in some cases e.g. for the New Deal where the profile of spending extends over the life of the Parliament and additional flexibilities allow provision to be brought forward as well as carried over;
- the separate system of subsidiary cash limits has been abolished, and replaced by a single control at the level of the DEL. This provides more flexibility to reallocate money;
- two central funds were established to be allocated on a competitive basis to promote innovative projects and co-operation between departments and agencies. The £230 million "Invest to Save" Budget funds innovative projects involving two or more departments. The £2.5 billion Capital Modernisation Fund supports high quality capital projects with strong encouragement to departments to put forward joint proposals.

The Public Service Agreements (PSAs) agreed as part of the CSR set out the outputs departments are committed to deliver with the funding allocated to them. They encourage cross-departmental working by including some 50 targets which are held jointly by two or more departments, and establishing cross-departmental PSAs on criminal justice, drugs, and Sure Start.

The budgeting rules allow cross-cutting initiatives to be funded in several ways, for example by transfers between departments or through joint budgets that are managed by one department. The Treasury is ready to examine any aspect of the budgetary rules that are thought to be an obstacle to effective joint working.



barrier to the funding of cross-departmental policies – particularly between Spending Reviews – is different views about relative priorities; specifically, differing views about the relative priority of cross-cutting issues in relation to purely departmental objectives.

9.4. The key question is how to create the right sort of incentives for departments to spend money on programmes which are not their core business but which are central to the Government’s overall aims and objectives.

### Potential solutions include ...

9.5. Stronger mechanisms are needed to settle disputes between departments about the funding of cross-cutting initiatives. There are various options that could be considered. Positive incentives, including credit for promoting cross-cutting work, will help. But where that fails, the Chief Secretary to the Treasury or an appropriate group of Ministers, need to have the clear, explicit authority of the Prime Minister to hear arguments and impose a settlement.

### ... a catalytic cross-cutting budget

9.6. To provide positive incentives, box 9.2 proposes the creation of a central budget, administered by the Chief Secretary, to promote cross-cutting initiatives. The budget could be used only for pump priming initiatives which had the general support of colleagues but for which resources could not be found from existing departmental budgets. If the right incentives are in place, cross-cutting work should not normally require special funding from the centre. Allocation from the budget could be made by the Chief Secretary in consultation with appropriate colleagues.

**Conclusion 24:** a cross-cutting budget could be created as a collective resource to help support cross-cutting initiatives that require funding between Spending Reviews.

### ... and in some cases pooled budgets

9.7. In some cases the appropriate response to the need for cross-cutting working will be for departments and agencies to put in place a pooled budget. Where budget flexibility is important and there are legal barriers, it makes sense to remove them. For example:

- the 1999 NHS Act has given new powers to local authorities, health authorities and NHS bodies to commission services jointly, or even pool funds in the interests of public health; and
- the 1999 Local Government Act has made it possible to remove quickly any legislative barriers to the pooling of budgets for services which promote best value and allows best value local authorities to enter into partnerships with other agencies.

The NAO have confirmed that accountability to Parliament for the use of pooled budgets can be shared by those who share responsibility for delivering cross-cutting policies.

9.8. Pooled budgets are, however, neither necessary nor sufficient to ensure effective collaborative working. It is important not to think they are a panacea or the solution in most cases. Pooling a budget may just create a different, more troublesome boundary in a different place. What is important is that there is:

- flexibility in the way funds can be used;
- shared responsibility for delivering the outcomes, including responsibility for working effectively together;



## *Box 9.2: A cross-cutting budget*

### The problem

It is often difficult for departments to reach agreement to fund cross-cutting initiatives between Spending Reviews. Departments will have already allocated their budgets to departmental priorities, and will be reluctant or unable to contribute to a common pool. There are similar difficulties when investment is needed by one department to produce savings for another. Negotiations on a way forward can be lengthy, and complicated by the responsibility of each Accounting Officer to ensure the proper management of his or her budget and by the fact that costs can fall in one year and benefits in another.

### A possible solution

These problems would be alleviated by a cross-cutting budget that could part-fund cross-cutting initiatives between Spending Reviews.

### How it could work

The objective of the proposal would not be to fund all cross-cutting work from the centre, but to provide a financial incentive or catalyst for cross-cutting work. The fund need not, therefore, be large – the idea would be to pump-prime (on a matched funding basis) cross-cutting working. Decisions to allocate funding for cross-cutting initiatives would be for the Chief Secretary, in consultation with colleagues.

It would be possible, for example, to make payments only to initiatives that:

- contributed to the limited number of cross-cutting themes identified in the year 2000 and subsequent Spending Reviews;
- substantially furthered existing cross-cutting initiatives; and/or
- were consequent upon a cross-cutting PSA.

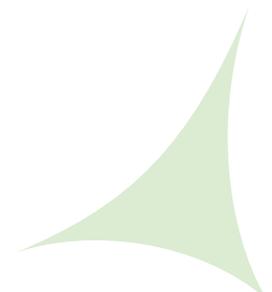
Contributions from the cross-cutting budget would be time-limited, requiring departments to take over the funding once the initiative was up and running.

- clear responsibility for the individual budgets that fund combined activities; and
- a clear understanding of the relationship between those contributing to the budget, if necessary through written protocols or memoranda of understanding.

**Conclusion 25:** more cross-portfolio budgets should be considered for high priority issues.

**Conclusion 26:** Treasury should be pro-active in encouraging departments to develop cross-cutting budgetary approaches and reflect this in arrangements made for sharing experience between its spending teams.

**Conclusion 27:** lines of responsibility need to be clearly defined but, where there is joint working, there is no reason why more than one Accounting Officer should not be held accountable for the implementation of a joined up service.



## Exploring alternative budgetary arrangements

9.9. In order to explore what sort of improvements could usefully be made to existing budgetary arrangements to make them more flexible in relation to cross-cutting policies, four case studies have been initiated in an exercise linked to the switch to Resource Accounting and Budgeting (RAB). The case studies (see box 9.3) are being carried out with the relevant departments and will provide lessons which will feed into the year 2000 and subsequent Spending Reviews.

### *Box: 9.3: Budgeting for cross-cutting initiatives*

#### Objectives

The objectives of the RAB case studies are to:

- generate and test options for allocating and managing the budgets of cross-cutting initiatives, with a view to establishing which arrangements best contribute to the achievement of their objectives;
- identify principles which will aid future decision-making about where and when alternative budgetary arrangements are useful and add significant value; and
- explore whether the move to resource accounting and budgeting has particular implications for joint working.

#### Case studies

The four case studies cover:

- the ONE programme (see next chapter);
- the Government's overall drugs policy;
- the Criminal Justice System; and
- area-based initiatives (e.g. health action zones, education action zones, employment zones, New Deal for Communities).

#### Options

Options under consideration include:

- shared or pooled funding;
- increased flexibility, including decentralisation and regionalisation of decision-making; and
- any other funding arrangements which have the potential to improve policy/service delivery.

## 10. AUDIT AND EXTERNAL SCRUTINY FOR CROSS-CUTTING POLICIES AND SERVICES

### Summary

**Current systems of audit and external scrutiny contain few positive incentives for cross-cutting working, and there is a perception that they can act as a barrier to cross-cutting initiatives.**

**A range of initiatives is being taken to minimise perceived barriers to cross-cutting working from audit and external scrutiny. These need to be communicated effectively to departments.**

### The relevance of audit to cross-cutting working

10.1. All public sector activities are subject to public scrutiny through Parliament, the audit bodies (NAO, Audit Commission, Scottish Audit and the Northern Ireland Audit Office) and a whole range of inspectorates, from Her Majesty's Inspector of Prisons to OFSTED. This scrutiny is a powerful driver of the behaviour of public officials and Ministers. Criticism by audit bodies is taken very seriously, and Ministers and departments seek to avoid censure by Select Committees and the Public Accounts Committee.

10.2. It is important that the scrutiny mechanisms do not inhibit efforts to work across organisational boundaries, and reinforce them when they offer good value for money. Cross-cutting working involves more complex accountability arrangements than traditional arrangements and may involve more risk. But it can also yield significant benefits. It is important that the process of audit and Parliamentary scrutiny allows for this and supports well thought through innovation.

### Perceived disincentives to cross-cutting working

10.3. The scrutiny mechanisms are structured largely around individual organisations and vertical lines of accountability. The Parliamentary Select Committee structure generally follows departmental lines and Select Committees, in the main, call Ministers and officials to account for their performance against departmental targets and objectives. Following the existing responsibilities of Accounting Officers, the NAO carries out annual financial audits of each department. In addition, it carries out around 50 value for money studies each year looking at how economically, efficiently and effectively departments, agencies and other public bodies have used their resources.

10.4. Increasingly the NAO are also examining cross-cutting issues – for example, their recent work on the Criminal Justice System and on obesity. Government departments and agencies generally expect, however, to be scrutinised in relation to their implementation of departmental policies and



the control of their own budgets. Only occasionally will their relations with other departments and agencies, and their contribution towards common objectives be examined. As a consequence, departments and agencies face powerful incentives from the scrutiny system to concentrate on the improvement of their own internal performance and financial control, and much less incentive to consider how they could improve the Government's overall performance by working with other organisations.

10.5. In addition, departments' perceptions of the audit and scrutiny process can produce actual disincentives. There is a widely held perception, for example, that auditors and scrutiny bodies will criticise departments for undertaking new and risky policies. Yet, if Government is to develop more effective cross-cutting policies, and provide a better service to the citizen, it needs to explore new methods and innovative approaches. This will inevitably involve risk. Civil servants need to learn to assess and manage risk, rather than to avoid and minimise it at the cost of rejecting untried policies that may yield great benefits. They also need to have confidence that audit and scrutiny will support them in that approach.

10.6. There have been significant advances in the management of risk. For example, in the Department of Health, operational research analysts have been working with the Chief Medical Officer and other Government departments on a major programme aimed at improving the understanding of how factors combine to present a risk to health and have published departmental guidance on risk communication. Cross-cutting policies and programmes frequently carry with them a complex set of risks and effects and it is important that the latest risk assessment and communication techniques are used.

10.7. A further disincentive to cross-cutting working is the possibility that a new cross-

departmental approach, involving a number of public bodies and a combination of previously separate functions, will attract a burdensome set of overlapping audits and inspections from the various bodies responsible for scrutinising each element. The various audit and inspection bodies are, however, alert to this potential problem and are working together to minimise any such burden.

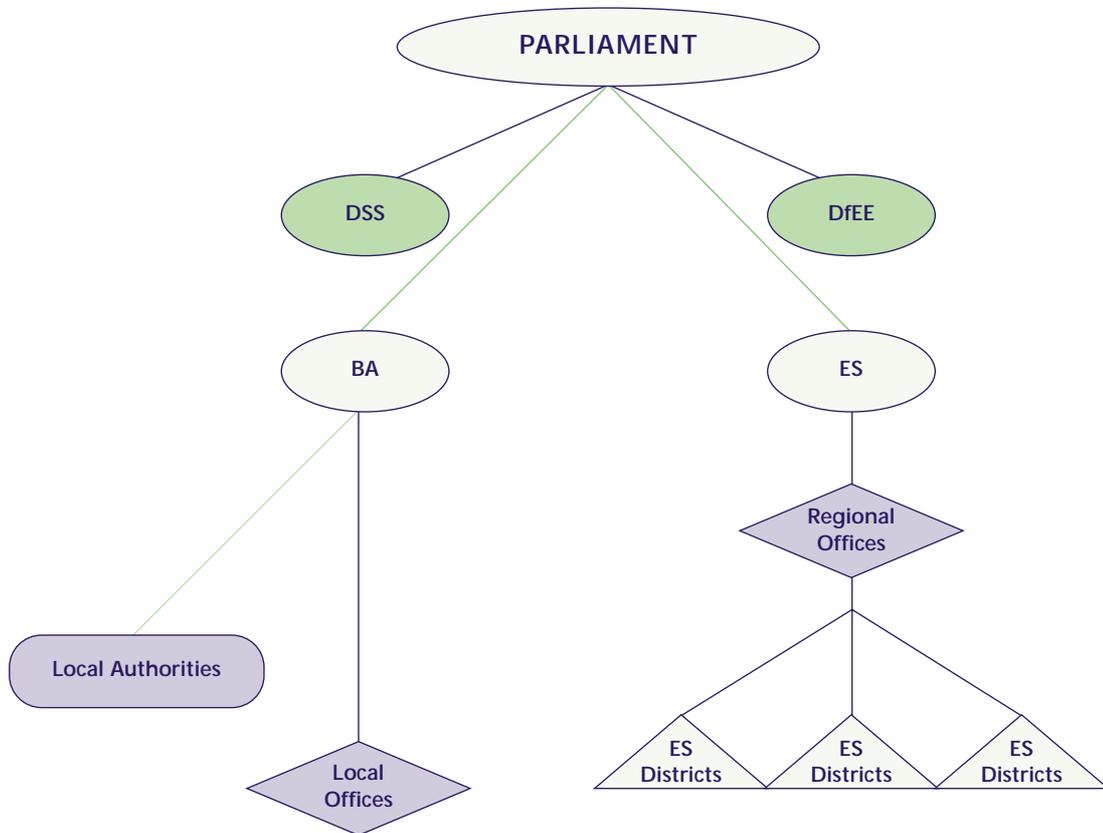
10.8. None of these problems brings into question the basic principle and structure of the current accountability and scrutiny system. These remain a strong driver of performance. And none of the proposals in this report will weaken the central principle of accountability. On the contrary, by bringing the system for holding departments to account into line with the reality of cross-cutting initiatives and programmes, they should help to ensure that scrutiny continues to be effective and relevant.

### An example: ONE

10.9. A good example of the issues that cross-cutting working can throw up for auditors is ONE, the single work-focused gateway to benefit. The main organisations involved are DFEE, DSS, the Employment Service (ES), the Benefits Agency (BA) and local authorities (who administer Housing Benefit on behalf on the Benefits Agency). The usual lines of control and accountability in these organisations are shown in Figure 10.1.

10.10. The two departments – DSS and DFEE – are responsible to Parliament, while two agencies – BA and ES – are answerable to them, and, for operational issues, directly to Parliament. Management of the field operations is by traditional single lines through a series of district, area and regional offices. Relations between organisations are generally semi-contractual at the top, and by liaison at the delivery level (though DSS,

Figure 10.1: Traditional lines of accountability for DSS, DfEE and their agencies



DfEE, BA and ES are jointly responsible for the policy and delivery of Jobseeker's Allowance (JSA) and have closer links in this area).

10.11. By contrast, the management of ONE is based on joint decision-making at every level (see figure 10.2). The ONE pilots are administered by a Project Board, answerable to a joint Ministerial group. Project Management Groups at regional level bring BA, ES and local authorities together to manage the pilots in their region. Each individual pilot is headed by a single manager, who might be drawn from any of the partner organisations, and who oversees a mixed team of BA, local authority and ES staff.

10.12. While all the departments and organisations involved remain accountable for the resources they are contributing to the project, it obviously makes sense to consider responsibility for the performance of the project as a whole. In recognition of this, the House of Commons Select Committees for

Education and Employment and for Social Security have undertaken a joint investigation of the project, during which they invited the responsible officials in DSS, DfEE, ES and BA to attend a committee session together.

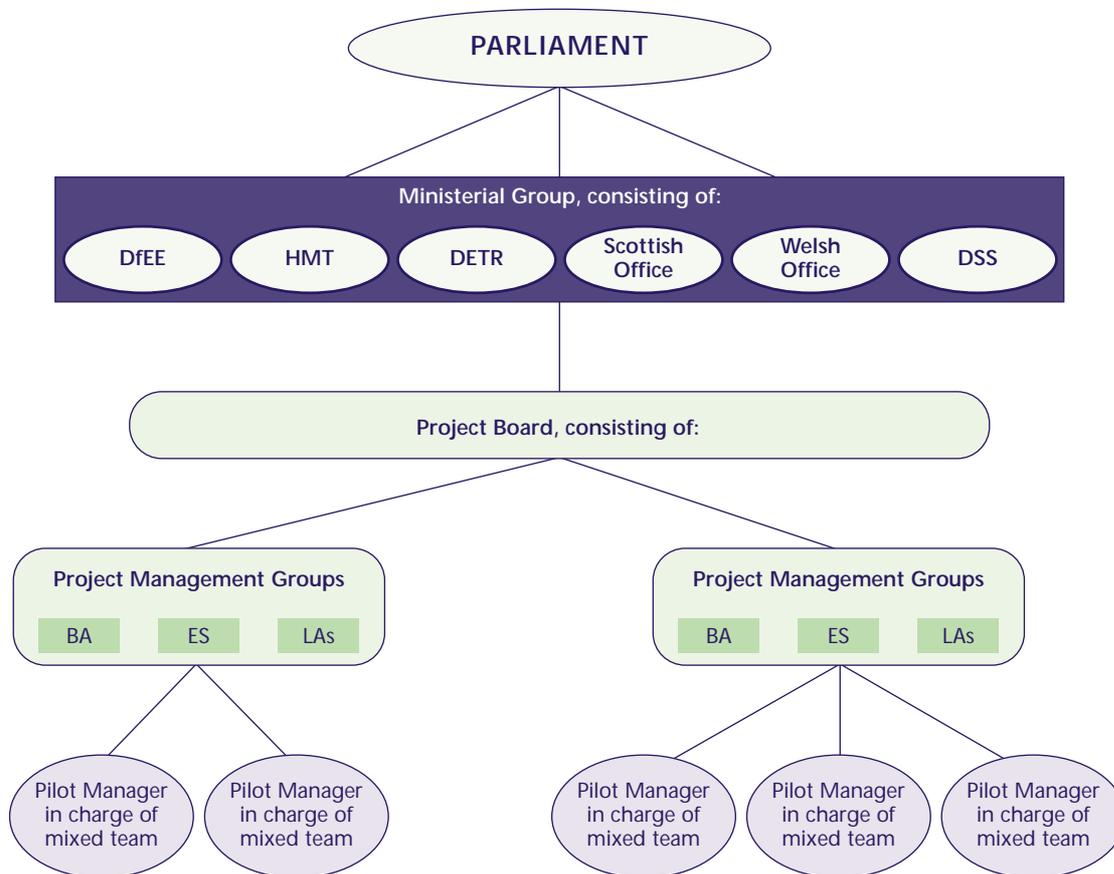
### Reforms to facilitate cross-cutting audit and scrutiny

10.13. There is already recognition within Parliament, the audit bodies and inspectorates of the importance of looking across organisational boundaries:

- the NAO has produced a number of studies which have considered how Government agencies are working together to achieve common objectives e.g. on housing benefit, the Criminal Justice System and the tax exemption of charities;



Figure 10.2: The joint management structure of ONE



- the wide range of inspectorates which work to ensure public services are properly and effectively delivered have taken a number of steps to address the cross-cutting nature of many public services e.g. the Heads of Inspectorates Forum has co-ordinated the activities of inspectorates, standardised good practice, and minimised the burden caused to practitioners by overlapping inspections; and
- in the House of Lords some committees are arranged along cross-cutting, rather than departmental lines, e.g. science and technology.

10.14. It is clearly important that Parliament has the opportunity to scrutinise policies and

programmes which cross-departmental boundaries. In discussions with departmental and Parliamentary officials, both sides considered that more could be done to remove barriers to cross-cutting scrutiny. Options might include carrying out more cross-cutting studies, more discussion at the formative stage of cross-cutting policies and working through cross-cutting committees. A positive approach by Government is likely to be met by willing co-operation from Parliament, although it will naturally and rightly remain the case that Government will be challenged by Parliament. As a first step the Chief Secretary to the Treasury should discuss the issues raised in this section of the report with the Chairman of the Public Accounts Committee (PAC).



**Conclusion 28:** the Government should:

- signal the willingness of central Government departments to provide oral and written evidence to Parliamentary Committees on cross-cutting issues regardless of the terms of reference or ambit of the Committee;
- make available to Select Committees in both Houses, at an early stage in the policy process, information about the factual and analytical basis of cross-cutting policies, including joint appraisals;
- wherever possible, give Parliament early notice of cross-cutting issues which are being addressed by departments; and
- be ready to agree to the appointment of ad hoc, cross-cutting Select Committees in both Houses of Parliament.

**Conclusion 29:** the Government should welcome initiatives by Parliament to:

- increase the extent to which it addresses issues across departmental boundaries in the PAC and Select Committees by taking more hearings on cross-cutting policies and programmes; taking more evidence jointly from responsible Ministers and/or Accounting Officers; and, where necessary, creating cross-cutting committees;
- establish cross-cutting committees in the House of Lords; and
- consider more joint committees of both Houses on key cross-cutting issues.

**Conclusion 30:** the Government should consider with Parliament the case for powers in specific areas to streamline cross-cutting working e.g. harmonising the various investigative powers relating to benefit fraud.

**Conclusion 31:** the Chief Secretary to the Treasury should seek an opportunity to discuss the issues raised in this report with the Chairman of the PAC.

## Risk aversion as a barrier to cross-cutting working

10.15. The Public Audit Forum (PAF) – which brings together the NAO; the Northern Ireland Audit Office; the Audit Commission in England and Wales; and the Accounts Commission in Scotland – has issued an important and helpful statement on auditors approach to risk-taking (box 10.1) to allay fears among departments that auditors will punish sensible risk-taking.

10.16. The PAF paper, ‘Implications for Audit of the Modernising Government Agenda’,<sup>1</sup> emphasises that:

- modernising Government requires new forms of accountability, which take account of the need for more joint-working and joint-responsibility. This is not a problem for auditors so long as departments have set out a clear governance framework, and appropriate accountability and reporting arrangements;
- auditors will support worthwhile change;
- in assessing value for money, auditors are happy to take into account costs and benefits extending beyond organisational boundaries where appropriate;
- auditors are comfortable with the greater emphasis – set out in the Modernising Government White Paper – on the need to achieve target outputs and outcomes. But departments need to define clearly outputs and outcomes which are measurable, and put in place from the outset of the new programmes arrangements for setting targets and measuring performance;
- appropriate financial controls need to apply; and
- auditors of cross-cutting activities will work together – in joined-up audit – to ensure that audit is as focused and cost-effective as possible. External auditors will in

<sup>1</sup> available at [www.public-audit-forum.gov.uk/publicat](http://www.public-audit-forum.gov.uk/publicat)

### *Box 10.1: The auditors' approach to Modernising Government initiatives: statement by the Public Audit Forum*

"Modernising Government represents a significant change in the public service environment, and its successful implementation will require new ways of working. The goal of achieving more efficient and effective delivery of public programmes is one that is shared between public sector managers and auditors, and the Public Audit Forum do not want fear of the risks of change to stifle worthwhile innovation designed to lead to improvements. So we encourage auditors to respond constructively and positively to Modernising Government initiatives and support worthwhile change.

Public sector managers are of course responsible, as stewards of public resources, for assessing and managing the risks associated with innovation and increased flexibility, and for ensuring the proper conduct of public business and the honest handling of public money while pursuing innovative ways of securing improvements in public services. It remains important to ensure proper accountability, but this must not be approached in a rigid way which might mean missing opportunities to deliver better value for money. And auditors will respond to this new environment positively and constructively by:

- adopting an open-minded and supportive approach to innovation (including the use of techniques tried elsewhere), examining how the innovation has worked in practice and the extent to which value-for-money has been achieved;
- in the process, supporting well thought through risk-taking and experimentation;
- consistent with their independent role, providing advice and encouragement to management implementing Modernising Government initiatives by drawing on their audit work in this area, seeking to identify and promote good practice so that experience can be shared and risks minimised.

In these ways, we believe auditors can support and encourage worthwhile change, while providing independent scrutiny and assurance and fulfilling effectively their statutory and professional responsibilities."

*Source: Implications for Audit of the Modernising Government Agenda, PAF, 1999.*

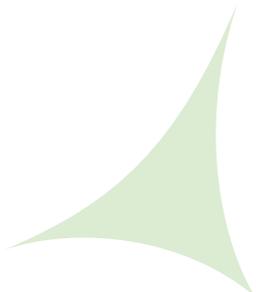
particular need to work closely with, and place appropriate reliance on, the work of internal auditors.

10.17. The NAO have reinforced his with further statements on the important issue of risk. In its work on the Private Finance Initiative (PFI), the NAO has embraced the need for change and made a constructive contribution to the development of the initiative. In a public statement, the NAO set out clearly that it would support well thought out innovation and risk-taking in PFI schemes. The NAO included a statement of

their position on risk in their response to the Modernising Government White Paper.

***"If a department or other public body has taken steps to identify and manage its risks, so that it can evaluate how it is doing, but something comes out of the blue which could not have been planned for and causes a project to fail, we should not criticise officials for being at the receiving end of what could not be predicted; our focus will be on the lessons that can be drawn".<sup>1</sup>***

<sup>1</sup> "Modernising Government, The NAO Response", June 1999, available at [www.nao.gov.uk/publications](http://www.nao.gov.uk/publications)



**Conclusion 32:** the Government should welcome, and departments respond positively to, the NAO's development of initiatives aimed at encouraging effective cross-cutting working. These initiatives include:

- carrying out exemplar studies of cross-cutting policies, including joint studies with the Audit Commission;
- examining Whitehall's evaluation of cross-cutting policies; and
- identifying best practice in risk management, providing a benchmark for assessing departments' systems for tackling risk and suggesting ways of fostering a risk management culture.

## The need for further action

10.18. This work needs to be built on in three ways:

- ensuring that the good intentions expressed in the PAF statements are adopted in practice, and that officials respond accordingly by being more ready

to take calculated risks which are justified and well managed;

- equipping officials with the skills and confidence to meet audit requirements while working in a cross-cutting way; and
- increasing the extent to which the audit and inspection system requires cross-cutting working where it adds value rather than merely accommodating it.

## Publicising the PAF message

10.19. The first step to take is to ensure that officials are aware of the PAF statement. The Treasury has drawn up a communication strategy to ensure the PAF statements on auditing encourage a positive attitude to joined-up working among auditors and auditees (box 10.2). In particular, this will make clear that the Accounting Officer's memorandum includes a responsibility on Accounting Officers to take account of costs and benefits falling outside departmental boundaries.

### *Box 10.2: Communicating the PAF message*

A number of measures are planned to ensure that those responsible for taking decisions in Government are aware of the positive approach being taken by auditors and inspectors, as summarised in the Public Audit Forum's statement. These include:

- a communication from the Permanent Secretary at the Treasury and the Head of the Home Civil Service to Accounting Officers;
- oral briefings to Accounting Officers and Principal Finance Officers;
- amendments to the Accounting Officer memorandum;
- articles in periodicals for civil servants, Government accountants, and Government internal auditors;
- a new element in the training course for new Accounting Officers; and
- the NAO is to mention the issue specifically when they see newly appointed Accounting Officers.



**Conclusion 33:** the important and helpful messages from the Public Audit Forum contained in the Modernising Government White Paper and 'The Implications for Audit of the Modernising Government Agenda' need to be communicated effectively both within the different audit agencies and within Government.

**Conclusion 34:** Treasury should strengthen the Accounting Officer memorandum to give each Accounting Officer clear responsibility for taking account of costs and benefits falling beyond departmental boundaries.

10.20. Actions, of course, speak louder than words, and officials in departments, agencies and delivery organisations will be looking for signs that the PAF statement is actually affecting the way auditors behave. Officials do not expect to avoid criticism when they have failed to act sensibly. But only when they see auditors respond appropriately when a carefully calculated risk has not worked out as hoped, will they start to gain enough confidence to take further risks. The signals that Ministers give when calculated risks go wrong will also be important. For that to happen there will of course first need to be good and well-documented examples of managed risk-taking on which auditors can report, and departments should not hesitate to draw attention to these in discussions about audit work programmes.

### Learning lessons

10.21. A second step is to work through an actual case of cross-cutting working to see what lessons can be learned. Following the successful cross-cutting review of the Criminal Justice System (CJS) in the Comprehensive Spending Review, a system of joint planning and management of the CJS has been set up involving a common set of overarching aims and objectives for the various criminal justice departments and

agencies. The different departments and agencies are subject to scrutiny variously by the NAO, the Audit Commission and a number of different Inspectorates. A project has been set up by the Strategic Planning Group for the CJS to look at the arrangements for co-operation between auditors and inspectors in order to:

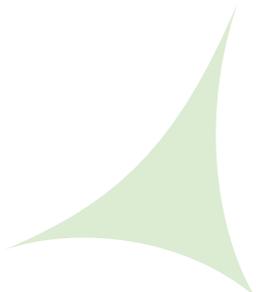
- establish how effective they are in scrutinising *the system as a whole*;
- ensure that the process of scrutiny does not inhibit successful joint working; and
- consider whether, by evaluating performance against common objectives and targets, the auditors and inspectors can act as a positive force to help bind the system together.

10.22. The terms of reference of this study are shown in box 10.3.

**Conclusion 35:** it will be important to draw out and promulgate any general lessons from this review about how external review can help to reinforce incentives for effective cross-cutting working.

### Other scrutiny mechanisms?

10.23. Consideration also needs to be given to whether there are other scrutiny mechanisms, apart from audit, inspection and Parliament, which could provide departments with a positive incentive towards joint working. Mechanisms that drew on the experience of service users and deliverers, to whom departmental boundaries are irrelevant, would be inherently cross-cutting. Steps have already been taken in this direction with the creation of the People's Panel. This work could usefully be built on to ensure that the views of service users and deliverers bring pressure to bear on departments to resolve problems caused by departmental barriers, and exploit the opportunities offered by cross-cutting working.



**Conclusion 36:** building on the People's Panel, mechanisms should be developed to enable scrutiny of cross-cutting policies and programmes to take greater account of the views of service users and deliverers. As part of this, the joint inspection forum<sup>1</sup> set up to support the "best value" initiative should be encouraged to feed views back into the Treasury's Spending Reviews.

### *Box 10.3: The review of audit and inspection in the Criminal Justice System – terms of reference*

The project will review the present arrangements for inspection and audit of the Criminal Justice System and determine whether those arrangements enable an assurance to be given about the efficiency and effectiveness of the System as a whole.

In particular, the review will examine:

- the current priorities, programmes of work and resources of the criminal justice inspectorates and audit bodies;
- current arrangements for co-operation between the inspectorates and audit bodies, and their effectiveness as a means of delivering assurance about the performance of the Criminal Justice System as a whole;
- the treatment by inspectorates and audit bodies of interfaces between the criminal justice agencies, areas of joint responsibility and any gaps in coverage; and
- arrangements for ensuring the efficiency and effectiveness of the Crown Courts and how they may best be integrated into any overall system of assurance.

It will also consider the scope for improved inspection and audit arrangements, including the options identified in the Cross-departmental Review of the Criminal Justice System as part of the Comprehensive Spending Review (1998):

- increased co-operation between existing inspectorates and audit bodies;
- the introduction of new machinery at a higher level than existing inspectorates to track down performance across the system as a whole;

and make costed recommendations for change.

The review will be carried out by officials from the Home Office and the Magistrates Courts Service Inspectorate, and will report by early 2000.

<sup>1</sup> The Best Value Inspectorate Forum for England was launched in July 1999. The aim of the Forum is to increase the effectiveness of inspection on behalf of service users while minimising demands on inspected bodies. As part of its work, the Forum is developing arrangements to inspect across organisational boundaries including the identification of thematic issues for cross-cutting inspection.

## 11. GETTING THE ROLE OF THE CENTRE RIGHT

### Summary

The reforms set out in this Report will allow and encourage departments to pursue cross-cutting approaches where this adds value.

The centre has an important role to play in setting the right strategic framework, supporting departments and promoting cross-cutting action whilst intervening directly only as a last resort.

Spending Reviews, Public Service Agreements (PSAs) and cross-cutting objectives and performance measures are all powerful instruments for promoting cross-cutting working.

Clearer, more inclusive processes need to be established for identifying future areas for cross-cutting initiatives.

### The centre has a critical role to play in promoting cross-cutting working

11.1 The reforms set out in this report are intended to help put in place the systems and incentives that will allow departments to pursue a cross-cutting approach wherever it adds value compared with traditional ways of working. Ultimately, they should contribute to a more cross-cutting culture across Whitehall.

11.2. The centre (No 10, the Cabinet Office and the Treasury) also has an important role to play in promoting cross-cutting working. However, this needs to be carefully framed; a vital lesson from the private sector is that the centre of any organisation can destroy value as a result of the wrong sort of intervention more easily than it can add value as a result

of the right sort of intervention (box 11.1). The centre should only intervene where cross-cutting working is difficult to initiate or sustain without central intervention and the activity is crucial to the organisation's overall objectives.

11.3. In central Government, the role of the centre should be to:

- set the right strategic framework of aims, objectives, targets and performance monitoring to drive forward the Government's reform programme;
- ensure that the Government's cross-cutting and other objectives are clearly articulated to departments and agencies;
- ensure that conflicts between objectives are resolved quickly and not allowed to frustrate cross-cutting working at departmental or local level;

- monitor departments' plans for, and achievement of, cross-cutting working and to challenge them to improve performance where shortcomings (e.g. failures to exploit synergies from cross-cutting working) are identified; and
- intervene directly to join up policies or service delivery where that is not happening in an important area, *but only as a last resort*.

11.4. Principles to guide intervention by the centre include:

- the need to be selective about where and how to intervene;
- the need to appraise the potential impact of any central intervention before embarking on it;
- the need for the centre to recognise its limitations and to draw on expertise from departments and elsewhere when needed;

### *Box 11.1: Private sector experience – how the corporate centre adds value*

#### Role

The role and focus of corporate centres varies significantly from business to business. However, most corporate centre functions can be categorised as follows:

- core activities e.g. activities in support of statutory and stakeholder requirements;
- value adding activities (directly linked to companies "value proposition"); and
- shared services (e.g. HR, IT, accounting).

Businesses worldwide are re-thinking how their corporate centres add value to the business as a whole. Five main "value propositions" may be identified<sup>1</sup>:

- *build* – assisting business units to gain size and power;
- *stretch* – raising the profitability of business units;
- *link* – creating and coordinating links across business units;
- *leverage* – building and exploiting corporate assets (e.g. knowledge); and
- *develop* – changing the portfolio of business units.

#### Lessons

A number of businesses are beginning to place greater emphasis on the "link" and "leverage" functions (e.g. Virgin and ICI) to ensure effective exploitation of corporate resources and better management of links across different business and geographical units. In doing so, experience suggests a number of preconditions for effective interventions:

- the centre should not try to do everything itself but draw upon the expertise and knowledge from business units and beyond;
- the centre needs to understand the business units well enough ("sufficient feel") to avoid destroying value by the wrong sort of interventions; and
- the centre needs the right sort of skills (e.g. facilitation, cross-cutting working).

<sup>1</sup> with acknowledgements to PriceWaterhouseCoopers (PWC) for devising this model.

- the need to look to service deliverers and end-users to signal where there are existing (or potential) failures to work cross-departmentally; and
- the need to evaluate the effectiveness of different interventions and use the lessons learned to do it better next time round.

### The year 2000 Spending Review is critical

11.5. A review of the Public Service Agreements which underpin the Government's public expenditure plans will form a critical part of the year 2000 Spending Review. This provides an opportunity to identify and drive forward major areas of work which require a cross-cutting approach.

11.6. As part of arrangements for the year 2000 Spending Review, the Treasury has set up a Cross-cutting Issues Group to review policy areas that might benefit from a more cross-cutting approach. As well as officials from the Treasury, there are representatives of the LGA and the Audit Commission. The Group's recommended list of policy areas for cross-cutting review in the year 2000 Spending Review is given in Box 11.3. Details were announced by the Chief Secretary in December 1999.

11.7. The approach to be taken to each of these cross-cutting reviews follows the principles outlined in this report with a lead Minister, inter-departmental teams working in partnership to tackle the problem identified, and involving outside experts.

#### *Box 11.3: Details of cross-cutting reviews in the year 2000 Spending Review*

In consultation with departments and local government, the Prime Minister and the Chief Secretary to the Treasury have identified a list of thirteen cross-cutting reviews to be conducted by summer 2000.

A cross-cutting review of Welfare to Work will consider how to move towards employment and opportunity for all. In addition to 1998's review of Services for Children, which established the Sure Start Programme, the Government has added reviews looking at Young People at Risk and Old People.

To 1998's reviews of Drugs and the Criminal Justice System, the Government has added a new review of Crime Reduction, exploring new options for tackling the causes of crime.

The Government is building on the review of Local Government Finance in the 1998 Comprehensive Spending Review. In addition there will be two new reviews looking at area-specific problems: a review of Government Intervention in Deprived Areas and a review of Rural and Countryside Programmes.

The Government has established a review of Science and Research, to consider how public support can better address the needs of the economy at large.



### *Box 11.3: continued*

Two further reviews will look at cross-cutting issues overseas. The first of these will consider how Britain can best contribute to Conflict Prevention, with an initial focus on sub-Saharan Africa. The second will look at Britain's contribution to Nuclear Safety in the former Soviet Union.

For each of these reviews, the Prime Minister has identified a lead Minister. An inter-departmental team has been established, and the reviews will draw on relevant experience from inside and outside Whitehall.

More details are given in Annex A8.

## **A more systematic approach to identifying areas for cross-cutting initiatives**

11.8. However, for the future a more systematic continuing approach is called for. This will require machinery able to:

- review cross-cutting priorities between, as well as during, Spending Reviews; and
- monitor the outcomes of cross-cutting working.

11.9. The required machinery is summarised in the following recommendations:

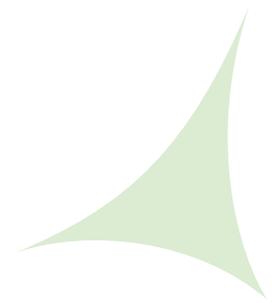
**Conclusion 37:** the Performance and Innovation Unit (PIU) Steering Board should take the lead in commissioning work to identify future cross-cutting priorities between Spending Reviews and recommending the right part of Government to take them forward. This will be a substantial task requiring, among other things, consultation with departments and those delivering and consuming services. The PIU Steering Board may want to co-opt others to support it in this work and to set up sub groups of practitioners and specialists. It should be supported by a joint secretariat of the Cabinet Office and the Treasury.

**Conclusion 38:** The Cross-cutting Issues Group, chaired by the Treasury, should consider and monitor proposals for cross-cutting work in the year 2000 and subsequent Spending Reviews and co-ordinate the introduction of additional cross-cutting Public Service Agreements (PSAs).

**Conclusion 39:** PSAs should reflect the Government's key cross-cutting priorities and identify the contribution each department can make to achieving them. Departmental PSAs should be more explicit in identifying areas where collaboration and input from other departments is required.

**Conclusion 40:** the Modernising Government Project Board in the Cabinet Office should take the lead in monitoring the implementation of the proposals in this Report and in investigating the effectiveness of the delivery of cross-cutting initiatives on the ground.

**Conclusion 41:** the Chief Secretary to the Treasury and the Minister for the Cabinet Office should submit a joint report to the Prime Minister on progress with the implementation of the proposals in this report by early 2001.



## The role of the centre needs to be communicated clearly to departments

11.10. For these arrangements to work effectively, the central departments need to work closely together and be seen to be doing so. At present, the precise role of, and relationship between, No 10, the various parts of the Cabinet Office (including the Centre for Management and Policy Studies and the Civil Service Management Board) and the Treasury, can be obscure to staff in departments and beyond. A short, plain English guide setting out the roles of the different players at the centre, how they work together and how they relate to departments would be invaluable in communicating the role of the centre and in underpinning the proposals in this Chapter.

**Conclusion 42:** the central departments should prepare and circulate a short guide setting out the roles of the different players at the centre, how they work together and how they relate to departments.

## 12. IMPLEMENTATION STRATEGY

### Summary

**Implementation is of critical importance for realising the benefits of the proposals in this report.**

**Responsibility for securing implementation is shared between the Cabinet Office, the Treasury and the Civil Service Management Board.**

**The Chief Secretary to the Treasury and the Minister for the Cabinet Office should submit a report on progress to the Prime Minister by early 2001.**

### A programme of action for cross-cutting working

12.1 This report sets out a comprehensive and coherent programme for putting in place the systems, skills and incentives that will allow cross-cutting issues and policies to be tackled effectively by the public service. Implementation will be clearly of critical importance.

- the Treasury (including the Cross-cutting Issues Group); and
- the Civil Service Management Board.

### How will progress with implementation be monitored?

12.3. The Modernising Government Project Board will monitor the implementation of this report's proposals and the Chief Secretary to the Treasury and the Minister for the Cabinet Office will report progress made to the Prime Minister by early 2001.

### Who is responsible for what?

12.2. The following table lists all the conclusions in this report and indicates who will be responsible for taking them forward and by when. Lead responsibility for implementing the conclusions is shared between:

- the Cabinet Office (in particular CMPS, Civil Service Corporate Management, the PIU Steering Board and the Modernising Government Project Board);

Conclusion	Lead Responsibility	In Support	By When
<p>Leadership for cross-cutting policies and services</p> <p>Conclusion 1: the responsibility of Ministers and senior civil servants for delivering cross-cutting objectives should be made clear in their terms of appointment and reflected in any assessment of their performance.</p>	No 10 (for Cabinet Ministers) Secretaries of State (for junior Ministers and senior civil servants)	Cabinet Office	With immediate effect
<p>Conclusion 2: when assessing leaders' performance, more weight should be given to their track record in delivering cross-cutting objectives.</p>	No 10 (for Cabinet Ministers) Departments	Cabinet Office/Civil Service Management Board (CSMB)	Ongoing
<p>Conclusion 3: an element of the reward package for leaders should be developed to underpin Recommendation 2.</p>	CSMB	Departments	April 2002 (as part of wider civil service reforms)
<p>Conclusion 4: alongside other criteria, promotion to senior civil service posts (and progression through the SCS) should depend increasingly (and ultimately entirely) on the demonstration of a range of different experiences within and outside Government along with an understanding of, and the skills to manage, cross-cutting and implementation issues.</p>	CSMB	Departments	October 2000 (as part of wider civil service reforms)
<p>Conclusion 5: the development of leadership models as part of the Civil Service Reform programme should take explicit account of the importance of leaders' performance in identifying the need for and driving forward cross-cutting action. This should be reflected in leadership models and training programmes.</p>	Cabinet Office	CMPS Departments	June 2000
<p>Conclusion 6: to drive forward change, selected Ministers should be given responsibility for cross-cutting policies and programmes outside their core departmental remit and should report six monthly to the Prime Minister through the appropriate Cabinet Committee. They should be supported in their cross-cutting role by high quality teams involving outside experts.</p>	No.10	Cabinet Office Treasury Departments	April 2000 (as part of year 2000 Spending Review)
<p>Conclusion 7: as part of the Cabinet Office/CMPS programme of joint training for Ministers and civil servants there should be a particular focus on the way in which Ministers' views on the importance of cross-cutting policies are communicated to departments, and how modern communications techniques can improve that process. This could be informed by research commissioned by, for example, the CMPS.</p>	CMPS	Cabinet Office Departments	First element in place. Further modules by April 2000

Conclusion	Lead Responsibility	In Support	By When
Improving cross-cutting policy making and implementation			
Conclusion 8: departments should work with the Cabinet Office and others, including Government Offices for the Regions (GORs), to develop joint mechanisms, especially at regional and local level, to improve consultation and feedback on cross-cutting issues, including different ways to reach and involve stakeholders in the development of policies and the delivery of services; better ways of communicating decisions; and using such feedback to create virtuous circles of continuous improvement.	Departments Cabinet Office	GORs	Ongoing
Conclusion 9: unless there are special reasons for not doing so in a particular case, departments should routinely publish details of the consultation process which has been followed in developing new policies, i.e. who was consulted, at what point in the process and what they said.	Departments Cabinet Office	CMPS	Ongoing
Conclusion 10: more outside experts should be involved in the policy-making process, perhaps as part of high level teams to support cross-cutting Ministers	No.10 Departments	Cabinet Office CMPS Treasury	April 2000 (as part of Year 2000 Spending Review)
Conclusion 11: the CMPS should provide training for civil servants on how best to use outside experts, and advice for outside experts on how best to work with the Government machine.	CMPS	Office of Science and Technology (OST) Cabinet Office	Programme in place by September 2000
Conclusion 12: the CMPS should take the lead in developing and disseminating guidance on the different ways in which outside experts can be brought most effectively into the policy development process.	CMPS OST	Cabinet Office	Circulate guidance by May 2000
Conclusion 13: the Cabinet Office and No.10 in consultation with Ministers and departments as necessary, should explore how to increase the effectiveness of Cabinet Committees as fora for addressing cross-cutting issues.	Cabinet Office No.10	Departments CMPS	Early 2000
Conclusion 14: an early task for the Cross-cutting Issues Group (see Conclusion 38) should be to establish the machinery to develop a Government performance information strategy, bringing together all existing and future work on the design, usability and accessibility of performance measures and targets.	Treasury	Cabinet Office Departments	New/adapted machinery in place by April 2000

Conclusion	Lead Responsibility	In Support	By When
<p>Skills for cross-cutting policies and services</p> <p>Conclusion 15: in order to promote cross-cutting leadership and a more corporate approach in the Civil Service, the Civil Service Management Board should consider putting in hand work to introduce 'common citizenship' for the SASC group. The position for non-SASC members of the top 600 should be reviewed in three years' time in the light of experience gained from the SASC group.</p>	CSMB	Departments	Spring 2000 (as part of wider civil service reforms)
<p>Conclusion 16: entry to the Senior Civil Service should reflect the desirability of having experience across, and outside, Government and focus on those competencies that are critical to cross-cutting work.</p>	CSMB	Cabinet Office	April 2001 (as part of wider civil service reforms)
<p>Conclusion 17: revisions to the core competencies for the SCS should highlight the importance of cross-cutting working and the skills needed for this: leadership; policy vision; strategic management; project management; exploiting IT; managing change and managing stakeholders.</p>	CSMB	Cabinet Office	April 2001 (as part of wider civil service reforms)
<p>Conclusion 18: there should be new targets (at all levels) for mobility within and interchange outside the Civil Service. These should be supported by developing measures to show such experience is valued (e.g. active management of moves; keeping in touch arrangements; acceptance of performance assessments undertaken by host employers etc.) and arrangements for de-briefing returners and sharing lessons learnt within the parent organisation.</p>	CSMB/Cabinet Office	Departments CMPS Treasury	Spring 2000 (as part of wider civil service reforms)
<p>Conclusion 19: there should be an expectation that development programmes for all high potential staff will provide the opportunity for significant experience of: frontline delivery; another department or the wider public/voluntary sector; partnership working; the EU; work in the regions; or the private sector. This expectation should be set out in relevant recruitment and career development literature.</p>	Departments	Cabinet Office CMPS	December 2000
<p>Conclusion 20: working with the CMPS, departments should explore methods of exposing civil servants to different ideas and ways of working by involving a wide range of stakeholders in policy development. This could include increased use of mixed teams of Ministers and officials from different departments and agencies as well as academics and those responsible for service delivery.</p>	Departments CMPS		CMPS discussion paper by March 2000

Conclusion	Lead Responsibility	In Support	By When
Conclusion 21: performance appraisal systems for individuals at all levels should better reflect contributions to corporate or team goals by incorporating a balanced scorecard approach i.e. appropriate weighting (depending on the task) between e.g. personal performance measures; team or corporate measures; and people measures (management, communications, development).	CSMB/Cabinet Office	Departments	First element in place; fuller programme by end 2000
Conclusion 22: there should be significant financial rewards available to teams or individuals who crack complex cross-cutting problems. These could be in the form of non-consolidated bonuses and should be clearly identified to ensure reinforcement of messages. They should be fully integrated into the wider performance appraisal system.	CSMB/Cabinet Office	Treasury Departments	Spring 2001
Conclusion 23: corporate training and development provided by CMPS should disseminate cross-cutting messages and emphasise the skills required for collaborative working in management and other courses. CMPS should also develop specific new programmes on partnership working focused on senior and middle management levels. Departments and agencies should revise their training and development activities accordingly to ensure a broad base of skills and awareness.	CMPS Departments/Agencies	Cabinet Office	October 2000 for new partnership programmes Review of programme content underway.
Flexible funding for cross-cutting policies			
Conclusion 24: a cross-cutting budget could be created as a collective resource to help support cross-cutting initiatives that require funding between Spending Reviews.	Treasury	Cabinet Office Departments	April 2000 (as part of year 2000 Spending Review)
Conclusion 25: more cross-portfolio budgets should be considered for high priority issues.	PIU Steering Board Cross-cutting Issues Group	Treasury, No.10, Cabinet Office, Departments	Ongoing
Conclusion 26: Treasury should be pro-active in encouraging departments to develop cross-cutting budgetary approaches and reflect this in arrangements made for sharing experience between its spending teams.	Treasury	Departments	Ongoing
Conclusion 27: lines of responsibility need to be clearly defined but, where there is cross-cutting working, there is no reason why more than one Accounting Officer should not be held accountable for the implementation of a joined up service.	Treasury		Advice to be issued by early 2000

Conclusion	Lead Responsibility	In Support	By When
<p>Audit and external scrutiny for cross-cutting policies and services</p> <p>Conclusion 28: the Government should:</p> <ul style="list-style-type: none"> <li>• signal the willingness of central Government departments to provide oral and written evidence to Parliamentary Committees on cross-cutting issues regardless of the terms of reference or ambit of the Committee;</li> <li>• make available to Select Committees in both Houses, at an early stage in the policy process, information about the factual and analytical basis of cross-cutting policies, including joint appraisals;</li> <li>• wherever possible, give Parliament early notice of cross-cutting issues which are being investigated; and</li> <li>• be ready to agree to the appointment of more ad hoc, cross-cutting Select Committees in both Houses of Parliament.</li> </ul>	<p>Leader of the House of Commons Leader of the House of Lords</p>	<p>Cabinet Office</p>	<p>Ongoing</p>
<p>Conclusion 29: the Government should welcome initiatives by Parliament to:</p> <ul style="list-style-type: none"> <li>• increase further the extent to which it addresses issues across departmental boundaries in the PAC and Select Committees by taking more hearings on cross-cutting policies and programmes; taking more evidence jointly from responsible Ministers and/or Accounting Officers; and, where necessary, creating cross-cutting committees.</li> <li>• establish cross-cutting committees in the House of Lords; and</li> <li>• consider more joint committees of both Houses on key cross-cutting issues.</li> </ul>	<p>Leader of the House of Commons Leader of the House of Lords Chief Secretary (for PAC) Cabinet Office</p>	<p>Cabinet Office</p>	<p>Ongoing</p>
<p>Conclusion 30: the Government should consider with Parliament the case for powers in specific areas to streamline cross-cutting working, e.g. harmonising the various investigative powers relating to benefit fraud.</p>	<p>Cabinet Office</p>	<p>Departments</p>	<p>Ongoing</p>
<p>Conclusion 31: the Chief Secretary to the Treasury should seek an opportunity to discuss the issues raised in this report with the Chairman of the PAC.</p>	<p>Treasury</p>	<p>Cabinet Office</p>	<p>By early 2000</p>

Conclusion	Lead Responsibility	In Support	By When
<p>Conclusion 32: the Government should welcome, and departments respond positively to, the NAO's development of initiatives aimed at encouraging effective cross-cutting working. These initiatives include:</p> <ul style="list-style-type: none"> <li>• carrying out exemplar studies of cross-cutting policies, including joint studies with the Audit Commission;</li> <li>• examining Whitehall's evaluation of cross-cutting policies, and</li> <li>• identifying best practice in risk management, providing a benchmark for assessing departments' systems for tackling risk and suggesting ways of fostering a risk management culture.</li> </ul>	Treasury Cabinet Office	Departments	Ongoing
<p>Conclusion 33: the important and helpful messages from the Public Audit Forum contained in the Modernising Government White Paper and 'The Implications for Audit of the Modernising Government Agenda' need to be communicated effectively both within the different audit agencies and within Government.</p>	Treasury Cabinet Office	National Audit Office Public Audit Forum Departments	Ongoing
<p>Conclusion 34: Treasury should strengthen the Accounting Officer memorandum to give each accounting officer clear responsibility for taking account of costs and benefits falling beyond departmental boundaries.</p>	Treasury		By early 2000
<p>Conclusion 35: it will be important to draw out and promulgate any general lessons about how external review can help to re-enforce incentives for effective cross-cutting working.</p>	Treasury	Criminal Justice Departments	Lessons learned paper by April 2000
<p>Conclusion 36: building on the People's Panel, mechanisms should be developed to enable scrutiny of cross-cutting policies and programmes to take greater account of the views of service users and deliverers. As part of this, the joint inspection forum set up to support the "best value" initiative should be encouraged to feed views back into the Spending Reviews.</p>	Cabinet Office	DETR and other departments	Ongoing
<p>Getting the role of the centre right</p> <p>Conclusion 37: the PIU Steering Board should take the lead in commissioning work to identify future cross-cutting priorities between Spending Reviews and recommending the right part of Government to take them forward. This will be a substantial task requiring, among other things, consultation with departments and those delivering and consuming services. The PIU Steering Board may well want to co-opt others to support it in this work and to set up sub-groups of practitioners and specialists. It should be supported by a joint secretariat of the Cabinet Office and the Treasury.</p>	PIU Steering Board (supported by the Cabinet Office and Treasury)	Departments	Ongoing

Conclusion	Lead Responsibility	In Support	By When
Conclusion 38: the Cross-cutting Issues Group, chaired by the Treasury, should consider and monitor proposals for cross-cutting work in the year 2000 and subsequent Spending Reviews, and co-ordinate the introduction of additional cross-cutting PSAs	Cross-cutting Issues Group, Treasury	Cabinet Office Departments	Ongoing
Conclusion 39: Public Service Agreements should reflect the Government's key cross-cutting priorities and identify the contribution each department can make to achieving them. Departmental PSAs should be more explicit in identifying areas where collaboration and input from other departments is required.	Departments	Treasury Cabinet Office	Year 2000 and subsequent Spending Reviews
Conclusion 40: the Modernising Government Project Board in the Cabinet Office should take the lead in monitoring the implementation of the proposals in this Report and in investigating the effectiveness of the delivery of cross-cutting initiatives on the ground.	Cabinet Office	Treasury Departments	Ongoing
Conclusion 41: the Chief Secretary to the Treasury and the Minister for the Cabinet Office should submit a joint report to the Prime Minister on progress with the implementation of the proposals in this report, by early 2001.	Treasury Cabinet Office	Departments	Early 2001
Conclusion 42: the central departments should prepare and circulate a short guide setting out the roles of the different players at the centre, how they work together and how they relate to departments.	Cabinet Office HMT No 10	Departments	Early 2000

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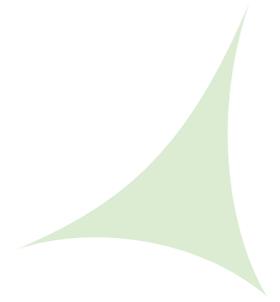
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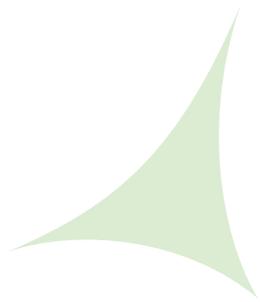
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## ANNEX A1 THE ROLE OF THE PERFORMANCE AND INNOVATION UNIT

1. The creation of the Performance and Innovation Unit (PIU) was announced by the Prime Minister on 28 July 1998 as part of changes following a review of the effectiveness of the centre of Government by Sir Richard Wilson. The PIU's aim is to improve the capacity of Government to address strategic, cross-cutting issues and promote innovation in the development of policy and in the delivery of the Government's objectives. The PIU is part of the drive for better, more joined-up Government. It acts as a resource for the whole of Government, tackling issues that cross public sector institutional boundaries on a project basis.

2. The Unit reports direct to the Prime Minister through Sir Richard Wilson and is headed by a senior civil servant, Suma Chakrabarti. It has a small central team that helps recommend project subjects, manages the Unit's work and follows up projects' recommendations with departments. Project work is carried out by small teams of people assembled from inside and outside Government. About half of the current project team staff are drawn from outside Whitehall, including from private sector consultancies, academia and local government. The Unit's work is overseen by a Steering Board with representatives from No.10, the Cabinet Office and the Treasury.

3. The first set of PIU projects was announced by the Prime Minister in December 1998. These were:

- Developing Electronic Commerce in the UK – how to make the UK the world's best environment for e-business – published in September 1999. A small working group separately considered the issue of Encryption and Law Enforcement. The report, published in May 1999, sets out the issues surrounding encryption, e-commerce and law enforcement, and recommendations to achieve better balanced Government policy in this area;
- Objectives for Rural Economies – examining the differing needs of local rural economies and the key factors affecting their performance, so as to establish clear objectives for future Government policy – published in December 1999;
- Active Ageing – examining the trend towards early retirement amongst people in their fifties, its causes and what measures might be taken to halt or reverse the trend. The study will identify ways of increasing employment opportunities for older people by examining the incentives for businesses to employ and retain older people (due to report early in 2000);
- Central Government's Role at Regional & Local Level – getting the right institutional arrangements and relationships in place for joined-up delivery of central Government policies in regions and localities (due to report in early 2000); and
- Improving Whitehall's Management of Cross-cutting Policies and Services ("Wiring it up") (this report).



4. The Unit is also separately identifying the key, long term Strategic Challenges which Government will have to face, as announced in the Government's Modernising Government White Paper, published in April 1999. This work will help departments and other organisations to look beyond their existing policies towards the Government's long-term goals.

### Further projects

5. Subsequently, the following further projects have been announced:

- Analysis and Modelling in Central Government ("Adding it Up") – to review departments' capabilities for quantitative analysis and modelling in key areas of Government policy, including access to and the use made of data, to identify strengths and weaknesses, and make cost-effective recommendations for change (published in parallel with this report);
- The Post Office Network – to undertake a strategic view of the Post Office network following the Post Office White Paper, including picking up the commitment in the White Paper to develop minimum access criteria for Post Office services;

- Social, Health, Environmental and Trade Objectives on the Global Stage – to identify a coherent set of principles for handling social, health and environmental issues in international fora, with a particular focus on the WTO but taking also account of other international institutions such as United Nations agencies;
- The Pursuit and Seizure of Criminal Assets – to evaluate the effectiveness of following the money trail and seizing criminal assets as a technique in fighting serious and organised crime and, in the light of the analysis, develop a new strategy to exploit this approach more vigorously; and
- Strategic Options for the Electronic Delivery of Government Services – this study will, in the light of developments in technology, analyse which public services should be delivered by electronic means, and look at the options for securing delivery of these services, including the respective roles of the public and private sectors.

6. Further information on the PIU and its projects, and copies of its published reports, can be found on the PIU website at [www.cabinet-office/gov.uk/innovation](http://www.cabinet-office/gov.uk/innovation).

## ANNEX A2 THE PROJECT TEAM, SPONSOR MINISTERS AND STEERING GROUP

1. The report was prepared by a multi-disciplinary team, drawn from the public and private sectors, and guided by three Ministerial sponsors and a Steering Group with Government and non-Government representation.

### The Team

- Gill Noble (Project Director), Deputy Director, Public Services Directorate, Treasury;
- Andrew Lean (Team Leader), Senior Civil Servant, seconded from Department for Environment, Transport and the Regions;
- Malcolm Dawson – seconded from Performance Management Group, Cabinet Office;
- Olivia Lankester – seconded from PricewaterhouseCoopers;
- Susan McLaren – seconded from Department for Education and Employment.

Supported by:

- Stephen Aldridge – the PIU Chief Economist; and
- Lesley Bainsfair – from the PIU central team.

### Sponsor Ministers

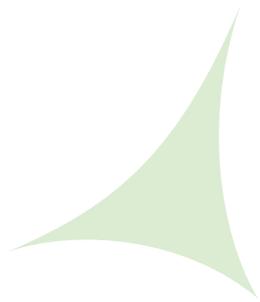
2. All PIU project teams' work is overseen by one (or more) Sponsor Minister(s) with an interest in (but generally no direct policy responsibility for) the subject area. This project benefited from the contributions of three Sponsor Ministers:

- The Rt Hon Stephen Byers MP, now Secretary of State for Trade and Industry;
- The Rt Hon Geoff Hoon MP, now Secretary of State for Defence; and
- The Rt Hon Alan Milburn MP, now Secretary of State for Health.

### Steering Group

3. In addition, the team was greatly assisted by being able to draw on the experience and advice of its Steering Group. The team benefited from an extensive process of consultation and review with the Steering Group throughout the project. The group, chaired by Gill Noble, comprised:

- Simon Rew – PriceWaterhouseCoopers;
- Peter Garland – NHS Executive;
- Geoff Mulgan – No 10 Policy Unit;
- Jonathan Boyce – Audit Commission;
- Caroline Mawhood – National Audit Office;
- Neil Kinghan – Local Government Association;



- Jamie Mortimer – Treasury Accounts Officer, Treasury;
  - Adam Sharples – Head of General Expenditure Policy, Treasury;
  - David Nooney – Director, Modernising Government Programme, Lord Chancellor’s Department;
  - Andrew Whetnall – Director for Local Government, Department for Environment, Transport and the Regions;
  - Robert Fulton – Senior Civil Servant, Planning and Finance Directorate, Home Office;
  - Peter Shaw – Director General, Finance and Analytical Services, Department for Education and Employment;
  - Willy Rickett – Head of Economic and Domestic Affairs Secretariat, Cabinet Office;
  - Jonathan Rees – Director, Modernising Public Services Group, Cabinet Office;
  - Jeremy Cowper – Deputy Director, Modernising Government, Cabinet Office;
  - Suma Chakrabarti – Director, PIU;
  - Stephen Aldridge – Chief Economist, PIU.
4. The team gratefully acknowledges the advice and time given by each Steering Group member. The team also acknowledges with thanks the contributions of all those who offered advice or participated in its working groups.

## ANNEX A3 LESSONS FROM SWEDEN

### Background

1. There are three levels of governing institutions in Sweden: central, regional and local. Central Government is represented at every level: through County Administrative Boards and the regional branches of central Government agencies; and at local level through administrative offices and central programmes. At the centre, a number of small Ministries (usually 10-15 serving some 20 ministers), staffed by permanent civil servants, develop high-level policy and prepare legislation. There are, typically, no more than 100-200 staff in each Ministry. The detailed design and implementation of policy is undertaken by around 250 central Government agencies, which have a significant degree of independence from the Ministries. These range in size from 1000 staff to 55,000. Every agency is headed by a director-general appointed by the Government, and most have a board consisting of laymen representing the various bodies and populations with an interest in the operation of the agency. Members of Parliament also often sit on these boards.

2. The Parliament is unicameral and elected by proportional representation. The current Prime Minister is a member of a minority Social Democratic Government. There are some 15 committees of Parliament, which follow the Ministry structure in broad terms with a few exceptions (there are, for instance, committees covering health and welfare, and social insurance, both of which

are covered by the Health and Social Affairs Ministry). These committees discuss and report to the plenary on all Bills presented to Parliament. They also comment on the Government's budget proposal.

### Budgeting

3. A new budget process has been adopted in the last decade to tackle Sweden's high level of public spending. The new process was designed to impose fiscal discipline in the setting of the budget.

4. The Swedish Parliament spends a considerable proportion of its year debating the budget. Standing committees can propose amendments to the budget: before the reforms, proposals to increase the budget of one or another agency, each debated separately in different committees, led to incremental but significant increases in the overall budget.

5. The reforms introduced a stage-by-stage process designed to enforce an overall limit of spending.

- first, the Ministry of Finance considers the macroeconomic outlook for the coming year, and presents its findings to the Cabinet. In the light of this, Ministries submit budget proposals;
- the Ministry of Finance then proposes an overall budget for the coming year, divided into 27 expenditure areas which cross ministry and agency boundaries;

- this proposal is considered at a two day meeting of the Cabinet. Government then puts its decision on the overall total and the 27 expenditure areas to Parliament in a Spring Budget Bill. Parliament debates and agrees a total ceiling for expenditure, and provisional divisions between the 27 expenditure areas;
- the individual appropriations within the 27 expenditure areas are negotiated within Government, and the whole package put to Parliament in the autumn in the Budget Bill;
- Parliament debates and agrees the budget in two stages. First, the 27 expenditure areas are considered by the Finance Committee with advice from other standing committees. Parliament agrees the division between the 27 expenditure heads. Second, proposals on individual allocations are put forward by the standing committees and these are considered by the Parliament as a whole;
- crucially, at each stage, the ceilings agreed in the previous stage must be honoured, and any proposal to increase items within those ceilings – either to increase an allocation to one of the 27 expenditure areas within the overall ceiling, or to increase an individual appropriation within an expenditure area – must be accompanied by suggestions for savings in other areas to maintain the ceiling. A proposal to increase the allocation to, for instance, the police, would have to show how that increase could be accommodated within the total allocated to the justice expenditure area by cuts to, say, the court service or prisons.

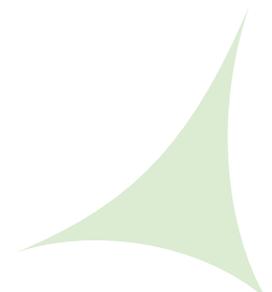
6. Once this process has been completed and appropriations to individual Ministries, agencies and public enterprises set, they are managed and controlled organisation by organisation. Issues which arise on individual allocations during the year are negotiated in the usual way between organisations with the involvement of the Ministry of Finance. Organisations are responsible to the Ministry of Finance (and to the National Audit Office) for managing their appropriation. The 27 expenditure areas are not reflected in the machinery for monitoring and controlling expenditure.

### Objective setting

7. While responsibility for expenditure areas can run across several Ministries, responsibility for individual appropriations within the expenditure area is always assigned to individual Ministers. Similarly, while the objectives that the Government sets itself can run across several appropriations, expenditure areas or Ministries, areas of activity contributing to those objectives are assigned to individual Ministers and Ministries. These assignments are set out in writing in a Government ordinance.

### Co-operation between departments

8. The Government ordinance which sets out Ministerial responsibilities also sets out formally the obligations on Ministries to consult other named Ministries in developing activity in their assigned areas. Decisions cannot be taken without the agreement of the named Ministries. Co-ordination on this model is more commonly used than central co-ordinating machinery such as cross-departmental committees.



## Audit and scrutiny

9. Administrative agencies are subject to audit by the National Audit Office (RRV) which, like the UK's NAO, performs financial audits of each agency and public enterprise each year, plus around 20 performance audits (the equivalent of the NAO's VFM audits) on topics of its own choosing.

10. The RRV's independence is guaranteed by Parliament. It does not, however, as the UK's NAO does, report to Parliament on the performance of Government. Instead, it reports to Government and Parliament together on the performance of the agencies that carry out most of the work. It also presents an annual report to Government on the 'general state of affairs in the central Government administration'. The RRV is also often asked by the Government to perform special assignments, and to comment on proposals made by commissions.

11. The RRV tends to take a broad, cross-cutting view in its audits focusing on the performance of individual agencies against the objectives set out for them by Ministries in their annual letters of instruction.

12. Parliament also has its own auditors, the Riksdag Revisorer (RR). The 24 auditors and deputy auditors in the RR are elected by Parliament and may be MPs or outside experts. They are supported by 25 professional audit staff. Reports from the RR are considered by the relevant standing committee and any decisions of the committee are then debated by Parliament. The RR performs only performance audits. Recent investigations include the education system, the European Union, health care, and Government auditing. RR reports are considered by the relevant standing committee.

## People

13. Most of Sweden's civil servants work in agencies. There is little movement between these organisations. The very fragmented nature of Swedish central Government administration tends to limit mobility.

## On the ground

14. Swedish local government, whether at county or municipal level, is responsible for school education, child care, rubbish collection, care of the elderly, social services, planning, environmental health, health and medical services, and some aspects of regional development such as tourism and transport. Their current responsibilities are the result of a gradual decentralisation from central to local government over the last 30 or so years, and this process is continuing. Local government in Sweden has a relatively high degree of independence and responsibility, although it is bound by standards for education, health and social services set down in legislation by Parliament.

15. There are also a number of central agencies with offices at local level, and there are, in addition, County Administrative Boards, which perform a similar function to the UK's Government Offices.

16. The number of agencies, central and regional, operating at local level can cause confusion and co-ordination is difficult. A pilot is currently running in two areas in which the responsibilities of the County Administrative Board have been handed over in one case to a regional council elected by the existing municipal and county councils, and in the other case, to the existing county council itself.



## Lessons

17. The Swedish system recognises the need for cross-cutting working in a number of ways:

- the Government sets objectives which straddle Ministerial and budget boundaries;
- the budget system, at least initially, allocates money according to policy areas, rather than to organisational structures;
- the system requires Ministries to co-ordinate and consult with each other through the Government ordinance;
- the high degree of independence at local level gives scope for co-ordination there; and
- there is a tradition of inclusive and collective decision-making: MPs sit on the executive boards of central Government agencies and coalition Government brings many different people into the Governmental decision-making process. This may sometimes help to prevent unnecessarily adversarial relations between bodies, though there was also a suggestion that it reduced accountability.

18. However, there are also factors that militate against the greater co-ordination of public policy:

- the objectives of the Government are not matched one-to-one with the expenditure areas, and so the discussion of the budget does not focus on the relative priorities of the objectives themselves, but on the expenditure areas;

- the 27 expenditure areas, once decided, are divided into individual appropriations given to individual Ministers, and further allocated to individual Government agencies. Monitoring and audit is, after that, mostly focused at the level of individual appropriations. This stems from the fact that the 27 expenditure areas were designed largely as an instrument of fiscal discipline during the budget-setting process, rather than as a solution to fragmented Government;
- the Swedish central administration is very fragmented, with most of the decisions being taken at the level of 250 administrative agencies working to individual letters of instruction. There is little movement of staff between these agencies; and
- local authorities complain of increasing centralisation through the setting by Parliament of more and more specific standards for performance.

19. The Swedish system has not, therefore, eliminated inter-agency tensions and lack of co-ordination. The Swedish experience underlines the need to reflect the commitment to cross-cutting working throughout Government system.

# ANNEX A4 THE HONG KONG SPECIAL ADMINISTRATIVE REGION (HKSAR): INITIATIVES TO ENHANCE CROSS-DEPARTMENTAL WORKING

## Introduction

1. In 1997, the HKSAR introduced a new “results-focused” system of public management known as the Target-based Management Process (TMP). The intention was that the system would “manage for results by results” by directing resources to priorities, clarifying responsibilities and relationships, and managing delivery across Government. This Annex sets out the key features of the system and identifies some of the lessons for effective cross-departmental working.

## Background – the machinery of Government in Hong Kong

2. The HKSAR machinery of Government consists of:

- 15 Policy Bureaux – led by Policy Secretaries, responsible for policy-making in broad (largely cross-cutting) areas reporting to either the Chief or Financial Secretary;
- cross-cutting units (e.g. the Central Policy Unit, the Efficiency Unit, the Business and Services Promotion Unit); and
- departments and agencies (over 70 in total) – theoretically responsible for implementation but in practice most also have a policy-making function. Their primary reporting line is to their lead Policy Bureau but some departments have secondary reporting lines to other Policy Bureaux.

## Design and use of cross-cutting objectives

3. The Target Management Process introduced a hierarchy of objectives:

- Policy Objectives – these represent the strategic, high level goals of the Government (currently 37 in total);
- Key Result Areas – the elements in the delivery process for each Policy Objective; and
- Initiatives – the practical steps that the Government is taking to improve performance in order to deliver the KRAs and thus the overall Policy Objective; and
- Activities – the day-to-day baseline activities which are undertaken to achieve the Policy Objective and consume the majority of resources.

4. A list of Policy Objectives was selected in consultation with the Chief Secretary for Administration and the Financial Secretary (the two most senior civil servants), and finalised with the Policy Bureaux. Some are more outcome focused (and hence cross-cutting) than others such as those which focus on a specific client group e.g. the elderly or youths. Each Policy Bureau is given lead responsibility for one or more Policy Objectives. This is seen as important in terms of ensuring high level ownership and sponsorship as well as clear lines of accountability.



5. Almost all Policy Objectives involve more than one department or agency in the implementation/delivery. In many instances, Policy Bureaux will be dependent upon departments under other Policy Bureaux for the delivery of the chosen outputs. For example, the Health and Welfare Bureau is dependent upon the Housing Bureau to deliver the residential care for the elderly. However, HKSAR has avoided introducing joint responsibility for Policy Objectives and outputs.

6. The mechanism for commissioning work from other Bureaux/departments varies from informal agreements to more contractual relationships and transferring of resources (e.g. funding of posts). In some cases, the arrangement is made directly with the delivery agent and in others via the relevant Policy Bureau. In some cases, cross-departmental committees are set up to address cross-cutting policy and co-ordination issues (eg the Health and Welfare Bureaux set up a cross-cutting committee for care of the elderly).

7. The system of cross-commissioning and matrix reporting is seen as a potentially powerful mechanism for aligning departmental activity with Policy Objectives and co-ordinating delivery across departments. However, early experience suggests that departmental loyalties are still quite strong and some departments tend to prioritise the work related to the Policy Objective of their “parent” Policy Bureau (and their traditional area of activity) particularly when there is a conflict of priorities.

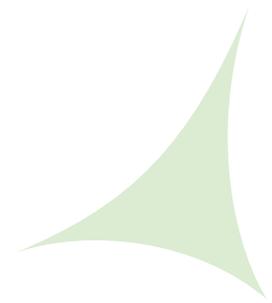
## Resource allocation and budgets

8. Votes for baseline activities are allocated direct to departments (heads of department are voted funds by and accountable to the Legislative Council (LegCo)). Resources have been allocated on an incremental basis and although Policy Bureaux can, in theory, reallocate resources between departments this is very rare. Policy Bureaux have also had relatively little information about how votes for baseline activities are used by departments.

9. However, in terms of funding for new initiatives, the Policy Bureaux have much more influence. They are responsible for prioritising bids from departments for new money and distributing new funds. As a result, this funding is much more closely linked to Policy Objectives. The intention is that, in the long term, Policy Bureaux should have more control over baseline funding.

10. There is a rolling programme of Fundamental Expenditure Reviews (FERs) that follow the Policy Objectives structure and so look at expenditure across a number of departments. This was not part of the initial TMP approach but was added in response to the Asian economic slowdown of the late 1990s and the need to improve productivity more rapidly. FERs of tourism, developing Hong Kong and a potential new youth Policy Objective are underway.

11. There is no provision for departments to share resources (e.g. through pooled budgets). However, this is not seen as an obstacle to effective cross-departmental working. Officials argue that these are not needed since the Policy Objectives are broken down into distinct component parts that departments can take forward separately.



## Performance review system

12. HKSAR has introduced an on-line performance review system to manage and monitor progress against the achievement of Policy Objectives. As noted above, the Policy Objectives are translated into Key Results Areas and then activities and initiatives with measures and targets set for each. Named officials in different departments are identified as responsible for delivering against these measures and targets. They are responsible for showing progress against targets by regularly updating the on-line review system.

13. This system may be accessed by all departments and allows any official involved in the implementation of a Policy Objective to view progress across the piece. The full impact of this system is not yet known since it is in the process of being rolled out across departments. It is seen as a potentially powerful driver for raising awareness across departments of the interdependencies between their activities and holding officials to account for specific outputs.

## External scrutiny and review

14. Lead Bureaux publish revised Policy Objective booklets each year in support of the Chief Executive's Policy Address. These booklets both report on progress in meeting targets and set updated targets for the future. There are plans for senior level internal reviews of performance by Bureaux in delivering the Policy Objectives.

15. LegCo has panels (broadly equivalent to Select Committees) which cover broad programme areas (e.g. health, education). These are not explicitly aligned with Policy Objectives. Policy Secretaries brief the relevant LegCo Panel on the progress and new policies reported in the Policy Objective Booklets. The Public Accounts Committee calls Policy Secretaries and heads of

departments to account for their departments' use of funds. It is notable that it frequently calls more than one Policy Secretary at one time.

16. The Audit Commission (reporting directly to the Chief Executive) does not yet follow the Policy Objective and KRA structure.

17. The Government is currently looking at introducing surveys, People's Panels and other community facing mechanisms to assist in reviewing performance against Policy Objectives.

## Change management and implementation

18. HKSAR adopted a phased approach to implementation beginning in 1997 with three "Strategic Policy Objectives" (care for the elderly, quality housing for all and quality education) and then rolling out the system to cover the whole of Government activity in 1998. Some officials and consultants involved in the implementation process argue that a more staggered approach would have been beneficial. Some also believe that TMP could have been restricted to the more cross-cutting areas (i.e. not straddling the whole of the Government activity) in order to focus resources and energies where they were most needed.

19. The implementation process has been underpinned by high profile backing from the Chief Executive and the Chief Secretary for Administration as well as on-going training across departments. This is seen as critical to the success of the change programme.



## Lessons

20. Hong Kong's Policy Secretaries have responsibility for cross-cutting Policy Objectives and allocating resources to new initiatives relating to these objectives. This high level ownership and sponsorship of objectives is seen as critical to the success of the system as is the control of new funding.

21. The Hong Kong experience suggests that cross-cutting objectives can act as a powerful tool for managing contributions across departments when translated into clear output measures for individual departments and officials. The Target Management Process holds named officials to account for meeting specific output

targets relating to different Policy Objectives and for showing progress against these targets on a cross-departmental information system. One of the key benefits of this system is that it makes responsibilities for cross-cutting activities more explicit.

22. Many officials and consultants involved in the implementation process in Hong Kong argue that a more staggered approach would have been beneficial. There is also the view that TMP might have been restricted to the more cross-cutting areas (i.e. not straddling the whole of the Government activity) in order to focus resources and energies where they were most needed.

# ANNEX A5 THE NEW ZEALAND MODEL OF PUBLIC MANAGEMENT

## Introduction

1. New Zealand's model of public management has been widely acclaimed and debated by Governments and academics world-wide. This annex summarises some of its key features and perceived strengths and weaknesses, focusing on its impact on the New Zealand Government's capacity to address strategic and cross-cutting issues.

## Use of cross-portfolio objectives

2. New Zealand Governments articulate their desired broad objectives through Strategic Results Areas (SRAs). SRAs are defined as "critical medium-term objectives for the public sector that contribute to the Government's longer-term policy goals and objectives." The nine SRAs for the period 1997-2000 include the following:

- ensuring that there is a stable and secure overall economic policy climate that is conducive to strong economic growth and development;
- enhancing New Zealand's international influence and position as a successful open and secure trading nation;
- progress towards becoming a more highly knowledgeable and skilled nation through policies and delivery strategies that enhance the effectiveness of education systems to achieve good quality outcomes;

- protecting and enhancing New Zealand's environment.

3. SRAs are intended to help link the objectives of departments, and ultimately the individual employment contracts of Chief Executives and individuals, to the Government's over-arching goals. Ministers and Chief Executives are required to identify the major contributions of their departments to SRAs through the articulation of Key Results Areas (KRAs) which are, in turn, included in performance agreements between the Chief Executives and departmental Ministers.<sup>1</sup>

4. KRAs are not meant to encompass every aspect of a department's business but rather to focus on critical matters such as delivery of goods and services in support of SRAs and aspects of departmental management regarded as critical to its performance.

## Budgetary processes

5. Ministers are responsible for realising *outcomes* and "purchase" or contract with Chief Executives for the provision of *outputs* to do so. There are two types of Ministers:

- "Vote" Ministers who seek appropriations from parliament to purchase "classes" of outputs produced by a department or other supplier (or to incur expenses such as social welfare benefits); and

<sup>1</sup> All Department heads (Chief Executives) are non political appointments selected by the State Services Commission. They are on fixed term contracts with 20-25% performance related pay and have a high degree of autonomy including the power to hire, fire, pay and promote departmental personnel.

- “Responsible” Ministers who are concerned with the departments’ performance from the supplier point of view.

6. A “Vote” Minister will often also be a “Responsible” Minister. There is usually one vote for each Ministerial portfolio except where the portfolio relates to more than one department (e.g. the Attorney General portfolio relates to the Crown Law Offices, Serious Fraud Office and the Parliamentary Counsel).

7. Some departments administer just one vote, but there are a number of multi-vote departments providing outputs to more than one Minister. For example, the Ministry of Commerce currently administers separate votes for business development, commerce, communications, consumer affairs, energy and tourism.

8. “Vote” Ministers and Departments agree on detailed “purchase agreements” which define:

- the quantity and quality of the outputs to be delivered;
- the cost of the outputs (including a share of overhead costs);
- performance measures and standards;
- procedures for assessing performance;
- reporting requirements; and
- rewards and sanctions.

9. In doing so, Ministers may decide to use purchase advisers, who may be staff or external consultants, to obtain advice independent of the departments supplying the outputs. Ministers may delegate to purchase advisers negotiation of some of the detail of the purchase agreement. Purchase agreements with organisations outside departments such as Crown entities and private sector providers are usually managed by departments on behalf of Ministers.

10. During the course of the year, Ministers and Chief Executives may negotiate changes to purchase agreements without recourse to Parliament unless appropriation changes are needed.

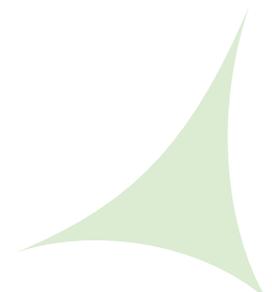
## Lessons

11. Reviews of the New Zealand system of public management point to a number of positive outcomes. In particular, they indicate that the use of Strategic Results Areas has helped to:

- clarify the strategic objectives of Governments;
- increase awareness of synergies and trade-offs between different Government policies; and
- articulate the link between outcomes and outputs.

12. However, a number of concerns about the system have also been identified. Most critically, there is a concern that SRAs are an ineffective tool of strategy since, in reality, they “sit above” departmental objectives rather than driving their activities. There are a number of explanations for this:

- SRAs are seen as everyone’s responsibility and yet no one is responsible for championing them, driving them forward or monitoring their achievement;
- rather than being a selective set of real priorities, SRAs have tended to cover most areas of Government’s work and so enabled departments to claim that much of their work supports one or more SRAs;
- SRAs are not always sufficiently explicit to be translated into operational priorities;
- SRAs are not integrated into wider processes such as departmental performance management systems or ex post monitoring of outcomes;



- Ministers do not have “job descriptions” *per se* but letters of appointments do define responsibilities in terms of achieving desired outcomes;
- Ministers are generally not accountable to Parliament for cross-cutting outcomes/themes (they are instead accountable for their own contribution to a theme);
- there are limited incentives within and across portfolios for resetting priorities and budgets and no real process for identifying and managing cross-portfolio trade-offs; and
- the Budget remains the most powerful expression of strategy and only weakly connected to the SRA process.

13. In addition, there is concern that the focus on contracting out and a “market approach” to operating in the public sector has reinforced trends towards “departmentalism”.

## Postscript

14. The New Zealand Government is seeking to address these and other concerns through a series of refinements and adaptations to the original model. In particular, some structural support for the SRAs is emerging with the establishment of budgetary “envelopes” for particular issues. For example, a “Green [funding] Package” has been set up. This is overseen by a group of Ministers whose role is to decide how funds may be best spent to achieve the environmental SRA.

15. A further recent development is the establishment of a cross-portfolio vote for “Biosecurity” led by one Minister. This covers activities undertaken by four major departments (health, fisheries, agriculture and conservation), each of whom spend part of the Vote. The Minister has the ability to redistribute funds from one part of the Vote (e.g: that administered by Health) to another (e.g: that administered by Agriculture). The Minister receives advice from all four agencies, but can access independent advisers (e.g: a Biosecurity Council) if (for example) he or she receives conflicting advice from the four agencies.

## ANNEX A6 THE SKILLS AND CAPACITY OF THE CIVIL SERVICE: SUMMARY OF FOCUS GROUP FINDINGS

1. A central element of the research on skills and capacity was a series of three focus groups with junior, middle and senior level civil servants from across departments and agencies. The focus groups were intended to establish the views of civil servants on the main barriers to successful cross-cutting working and what changes might be made. The focus groups were complemented by two seminars: one with ex-senior civil servants now working in the private sector and the other with HR professionals from across the civil service. The following is a summary of the range of the personal views expressed – views which were clearly strongly held and based on practical experience.

- the current system encourages a certain mindset – play safe, don't make mistakes – there is no incentive to take managed risks – only disincentives;
- senior civil servants and others do not have incentives to encourage different ways of working i.e. to go outside departmental boundaries;
- there are no incentives to join or contribute to a project team – the appraisal process does not attach weight to external contributions;
- performance management and pay focuses too much on individual achievement and not enough on team or corporate contribution.

### The nature of the problem

#### *Performance management*

2. The groups felt strongly that the Civil Service's approach to performance management reinforced a departmental, risk-averse outlook and discouraged people from contributing to work that did not feed directly into their operational objectives.

- organisational objectives have a narrow departmental focus – which feeds through to individual objectives and priorities – with clear incentives to keep one's own manager happy, not the manager in another department – leading to collective tunnel vision;
- there is little awareness of the Government's strategic priorities – which aren't cascaded down effectively;

#### *Recruitment and development*

3. Participants felt that traditional Civil Service skills were looked for and developed in potential senior managers but this did not cater for the demands now being made of the modern Civil Service. They supported the need for greater movement both within the Civil Service and outside but saw a range of barriers, in particular whether broader experience was actually in individuals' best interests.

- the Civil Service recruits and promotes in its own image – especially high flyers. We want 'new style' joined-up civil servants – but don't know who they are or how to pick them; we're still selecting 'old style' civil servants due to the nature of the recruitment process and the people making the selections;



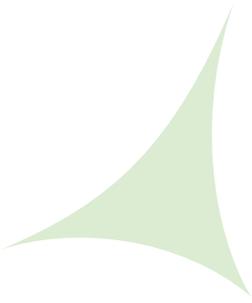
- there is not enough movement between departments and into/out of the Civil Service – this affects knowledge of other organisations. Performance management, career development processes and attitudes of departmental managers all act as barriers to movement;
- the job advertising process is a constraint – it tends to reward those who can hit the ground running and to pigeon-hole people based on existing skills rather than potential – it acts against gaining broader experience – and focuses on limitations not strengths;
- this is reinforced by a hands-off approach to career development by personnel/the centre – the organisation is not interested in the knowledge and experience of its employees;
- the Civil Service does not value or develop critical skills for cross-cutting working i.e. leadership, strategic management, project management, exploiting IT, managing change or managing stakeholders. It values second order skills e.g. drafting, chairing meetings etc.
- tight deadlines deter consultation with external stakeholders – though tight deadlines in part result from not taking sufficient account of the need to consult when agreeing timetables;
- stakeholders are increasingly fragmented – difficult to identify and then consult;
- the Civil Service is very poor at gaining early ownership from stakeholders – it tends to consult properly only at a late stage i.e. when there is a draft bill or when the Government is committed to a course of action;
- there is a failure to consider marketing/presentation in tandem with policy development – presentation must be as joined up as the policy;
- communication routes tend to reflect hierarchy – indirect rather than direct – thus inhibiting liaison at appropriate working levels.

### Communications

4. The communication skills of civil servants are generally seen to be very poor and highly traditional. The Civil Service has not adapted to the demands of the modern information-rich society and the need to manage relationships with stakeholders more effectively.
- there remains a tendency to communicate by letter and to avoid face-to-face contact – especially with external stakeholders (other departments, interest groups etc.) so real relationships are never built;

### Management Style

5. There was a strong view that the Civil Service culture is still too hierarchical and controlling. Front line staff are not given the freedom they need, particularly in the fast-moving and flexible environments associated with partnership working.
- ivory tower syndrome – in part because it's actually easier to take a 'we know best' approach (don't need to put effort into communication and consultation);
  - there is a short term task orientation and a focus on narrow departmental objectives;
  - protectionism and territorialism is endemic in the Civil Service – results from the hierarchical structure, grading of posts by size of command, resources controlled and power of knowledge;



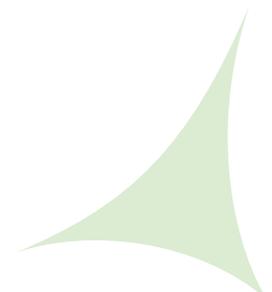
- there is insufficient real delegation of authority:
  - a tendency to maintain control by senior management and Ministers;
  - empowerment is required for real risk taking and risk management – the process of reviewing innovative proposals up the line sanitises any risk;
  - a particular problem is where technical experts are at different levels in different organisations – affects attitudes and perceived credibility of opposite numbers;
  - affects decision taking in partnership arrangements – mismatches between decision making levels in the Civil Service, local Government, private sector and voluntary sector.
- management still seen as a second order skill – the bottom 10% of the job description – and primarily for people in agencies;
- delegation has resulted in a confused and inconsistent approach to strategic management – control of both objectives and means of delivery; fuzzy boundaries and uncertainty about freedom to act means decisions passed up the line.

### *Organisation and management*

6. The way the Civil Service deploys its resources, including the processes it uses, was felt to be based around a world of work which no longer exists. The Civil Service was not designed to react quickly to change or to bring people together on a cross-functional or cross-departmental basis. Its systems emphasised process over outcome.

- the Senior Civil Service is a corporate resource in name only;

- teams are put together on the basis of 'the usual suspects', not on the basis of appropriate skills mix or required roles – results in skills gaps, narrow outlook, group-think, failure to harness diverse skills in the workforce;
- insufficient time is spent at the start of projects to ensure teams have appropriate skills;
- the Civil Service is very poor at directing resources quickly to high priority areas – whether departmental or Government. The process is slow and departmentally based;
- attitudes to risk – and thus systems and processes – are based on a small minority of exceptional cases rather than vast majority of routine cases;
- the system values consensus and conformity and rejects the unconventional or innovative – conflict avoidance rather than resolution – ensures joined-up working sub-optimises cross-cutting working;
- evident confusion between equality and fairness – equality interpreted as treating everyone the same – leads to a focus on process (equal treatment) not outcome (fair treatment) – drives attitudes to risk, consultation, management, development etc;
- lack of continuity of personnel between policy development and implementation – leads to loss of corporate memory, breakdown of networks and relationships especially with external stakeholders.



### Information management

7. Access to the right information at the right time was seen to be essential for effective cross-cutting working. Many of the problems participants had encountered in the past had, in part, been due to not having full information available to them – about who was doing what or about what research was available.

- critical lack of awareness of what policy development activities are planned or underway in different organisations;
  - research capacity – or at least knowledge of what research is available – under-developed hampering evidence-based and cross-cutting policy development;
  - information about *who does what* across the public sector not easily accessible to those either within or outside the civil service;
  - information about *who knows what* even less accessible;
  - failure to integrate IT systems;
  - legal obstacles to data sharing between organisations combined with fears about loss of data integrity.
- Ministers' letters of appointment should include a job description and corporate responsibilities;
  - PSAs should include objectives and measures which require collaborative effort across departments and consequently...
    - performance management systems for individuals must better reflect contributions to corporate or team goals;
    - incorporate a balanced scorecard approach i.e. equal weighting between e.g.
      - personal performance measures;
      - team or corporate measures;
      - people measures (management, communications, development);
  - departmental and individual performance measures need to be defined from a client perspective and tested for perverse incentives;
  - make civil servants in cross-cutting areas answerable to Ministers across departmental boundaries (e.g. Sure Start);
  - introduce bonuses which can be awarded to reflect the achievements of cross-departmental teams and which are distributed within the team;
  - Permanent Secretary's/CEO's award for creativity or corporate contribution.

### Possible levers for change

8. The following summarises the proposals put forward by participants. The proposed changes are intended to improve incentives to act in a cross-cutting way, to equip civil servants with the necessary skills and experience to manage cross-cutting activities effectively and to overcome some of the day-to-day barriers people face.

### Performance management

- define and communicate the 'top six' priorities for Government and the Minister responsible for each key priority;

### Recruitment and development

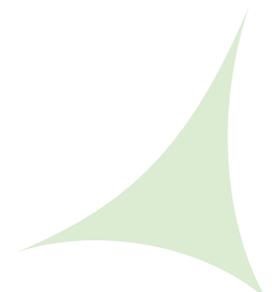
- modular training programme for Ministers and civil servants including:
  - induction training for new Ministers which highlights corporate responsibilities;
  - 'blue sky' seminars for Ministers and civil servants to brainstorm emerging policy issues;

- 
- CMPS to disseminate cross-cutting messages in existing menu of courses etc. and develop new programmes on partnership working;
  - develop a vision of the cross-cutting civil servant;
  - update recruitment criteria – recruit more diverse range of skills and experience - marketing strategy to overcome conformist image and appeal to broader cross-section of society;
  - revise Senior Civil Service core criteria to highlight importance of cross-cutting activity and reflect new critical competences: leadership, policy vision, strategic management, project management, exploiting IT, managing change and managing stakeholders;
  - define more clearly the leadership that's needed – inspirational leaders with a corporate outlook;
  - reward, develop and promote those who reflect the new culture;
  - introduce the expectation that all fast streamers will gain experience in another department and outside the Civil Service during their first four years – set out in recruitment literature etc. – similar expectation in other management development programmes;
  - by 2004, a condition of entry to the Senior Civil Service should be substantive recent experience in more than one department and experience outside the Civil Service – coupled with new interchange targets.
- emphasis on skills in interpersonal communications, management of stakeholder relationships, synthesising agreement (rather than gaining consensus), public relations;
  - build time for meaningful consultation into policy development:
    - requires acceptance by Ministers of longer lead times in early stages in interests of better evidence-based policies and perhaps shorter overall timeframe.
  - involve stakeholders and interest groups in consultation at earlier stage:
    - easier if build longer term and more open involving relationships.
  - presentation an integral part of policy development – all new policy proposals should include a presentation strategy.

### *Organisation and management*

### *Communications*

- make a reality of the SCS as a corporate resource:
  - introduce common citizenship for the SCS (Civil Service wide, rather than departmental contracts, pay arrangements, career management, succession planning, networking opportunities etc.)
- 80/20 guidelines – 20% of time to be spent on cross-cutting projects or corporate activity;
- establish links between departmental in-house consultancy units to spread best practice, improve knowledge management and maintain expertise especially where they perform intelligent customer role – will require central management/ co-ordination;
- develop processes to share risk and increase co-operation e.g. joint briefing of Ministers by departments;



- more co-location of staff where close working on a regular basis;
- better and more consistent project management approach to setting up and running cross-cutting initiatives.

### *Management Style*

- develop more consistent approach to strategic management:
  - clarity of objectives, performance measures, boundaries and freedom of action;
  - interfere in inverse proportion to success – but give them the chance to succeed first;
  - institutionalise project management approaches;
- selection criteria/processes for entry to SCS:
  - increased emphasis on first order management skills;
  - recognise and promote policy/civic entrepreneurs;
  - recognise that there are roles where management is not as crucial – but then be selective about who gets those roles and their future possible appointments;
- delegate real authority with the task – recognise expertise regardless of grade;
- review the impact of job evaluation systems – do they reward sufficiently responsibility for management of a range of stakeholders and cross-cutting activities?

- reward sharing information and learning:
  - introduce personal ‘Yellow Pages’ on departmental intranets and reward ‘hits’;
  - reward integration of action learning into projects by teams/team leaders;
  - reward involvement in policy evaluation activity;
  - reward effective consultation.

### *Information management*

- develop cross-service knowledge management systems which:
  - log all new policy development projects (under sector or outcome clusters);
  - record the results of impact appraisals;
  - log relevant consultation documents;
  - allow other departments to ask questions/make comments.
- improved directories of who does what in each department and agency covering all levels of staff with telephone and e-mail addresses;
- review legal obstacles to data sharing.

## ANNEX A7 CROSS-CUTTING ACTION TO PREVENT DRUG ABUSE

1. As part of its research, the project looked at cross-cutting action to combat drug abuse and, in particular, at the experience of the East Sussex and Brighton and Hove Drug Action Team (DAT).

### The national picture

2. Responsibility for drugs prevention is divided between the Home Office, Department of Health and Department for Education and Employment, with separate budgets, staff and accountability, held together primarily by the UK Anti-Drugs Co-ordinator's powers of persuasion and the priorities of the current staff, subject to the collective views of the Cabinet sub-Committee HS(D).

3. Measures are currently under way to improve co-ordination. At working level there is a proposal for a Drugs Prevention Board to draw up a single annual plan for the activities of Departments. That board is to be chaired by the Drugs Co-ordinator with outside representation, including local authorities and the police.

4. This approach will provide joint dissemination of good practice, a joint drug prevention research programme, a co-ordinated approach to international issues and better liaison with professionals.

### The local picture – experience of DATs

5. Each local authority has set up a Drug Action Team (DAT) to take forward the Government's anti-drug strategy. The core members of the East Sussex and Brighton & Hove Drug Action Team are the Health Authority, the local authorities concerned (including their respective education and social services), the Probation Service, the Police and HM Prison & Young Offenders Institution. Only a small amount of resources is allocated to the team itself; resources for anti-drug activity are controlled by the individual partners. The role of the DAT is therefore to co-ordinate the anti-drug activities of its partners.

6. The aims and objectives of this DAT are the same as those for the national anti-drugs strategy. The aim is to reduce the harm caused by the misuse of drugs. Supporting this aim are four objectives: to reduce drug misuse by young people, to reduce the supply of drugs and drug related crime and to help people overcome drug related problems.

7. Each objective has one Key Performance Target setting out what is to be achieved by 2005 and 2008. Supporting these 4 Key Targets are 19 targets to be achieved by 2002 and 20 targets to be achieved during 1999/00. The national targets bring together drug related targets from Government departments (DFEE, Home Office, Department of Health, etc) who also separately give them to the individual organisations involved in the DAT. As a



result, the individual partners are more focused on meeting the targets relating to their individual organisations than on the DAT meeting the targets for the partnership.

8. As well as dealing with the requirements of new targets, DATs have also been asked individually to provide drugs related performance information by their sponsor central Government department. The Anti-Drugs Co-ordination Unit (ADCU) have proposed an Action Plan template which should allow DATs to address the differences in the information required for the DAT as a whole and for the individual partnership members. Nonetheless, the information requirements placed on individual members by parent departments can be very burdensome.

## Targets and objectives

9. The targets in the National Plan are set out so that they are visibly related to a particular objective. However, the extent to which the targets support the objectives, and therefore the stated policy aims, is limited by what is measurable. For example, measuring drug related crime is very difficult to define and measure, although this needs to be done in order to meet the second Key Target: to reduce the level of repeat offending amongst drug misusing offenders by 50% by 2008. These difficulties are reflected in the associated targets for 1999/00 and 2002; of these 8 targets, 7 are activity based or milestone targets (e.g. to set baselines) which say little about success in reducing drug related crime.

10. Locally, as well as the targets set by the ADCU, Drug Action Teams also need to consider the drug related targets being set under Best Value. The emphasis Best Value puts on processes, and the increasing use of the EFQM Excellence Model by the police

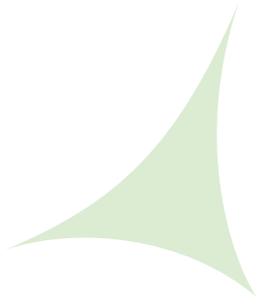
and other public bodies may shift the focus of attention away from outcome or output based indicators to process measures.

11. Another issue for DATs turns on joined up terminology. For example, the National Plan has 2002 targets concerned with “programmes involving lifeskills approaches in all schools, the youth service, further education, the community and with parents” and “drug-related deaths”. Such targets would benefit from guidance on the meaning and scope of the concepts used. Moreover, as there is no national consensus on key terms, such as drug misuser, the DAT would welcome a greater lead on this issue from the centre.

## The way forward

12. Building on the typology for cross-cutting action developed for this project and views put to the project team, the solution may be on the following lines:

- DH and Home Office drugs work should be merged with, as a first and very early step, the co-location of the teams;
- the performance management framework run by DH for Regional Office Performance Management should be further developed to take account of the drugs strategy;
- there should be more joint working between UKADCU and departmental teams, secured through departments ‘signing over’ a proportion of the relevant teams’ time to UKADCU. This would need to be underpinned by clear performance management arrangements e.g. workplans agreed by departmental line managers and managers in the cross-cutting unit;
- the UKADCU should be given a ‘demonstration project’ budget so that it can directly support initiatives which showcase its strategy;



- lines of responsibility should be clarified so that delivers do not get mixed signals from the centre e.g. from UKADCU and the No 10 Policy Unit;
- the Sure Start model should be considered as a possible way of creating a more unified budget;
- DATs and other local partnerships need to be set clearer, corporate targets and given co-ordinated guidance on definitions and terminology; and
- incentives should be developed to reward those contributing significantly to the achievement of joint targets, with recognition from senior staff and Ministers made public.

## ANNEX A8 DETAILS OF CROSS-CUTTING REVIEWS IN THE YEAR 2000 SPENDING REVIEW

1. The review of Welfare to Work and ONE will consider how the Government can move further towards its aim of employment opportunity for all. The review will look at all expenditure devoted to moving people from welfare to work, including expenditure on the Employment Service, the New Deals and the cost of providing benefits, training and advice for those not in work. This work is being led by members of the Cabinet sub-committee on Welfare to Work. Departments involved include Education and Employment, Social Security, Health, Inland Revenue and others.

2. The review of Sure Start and Services for the Under Fives will consider the Sure Start programme in the light of developments since its launch in 1998. It will review evidence which has emerged since the last spending review, and will aim to take a complete view of what current needs are and what different government programmes are delivering. Minister for Public Health Yvette Cooper will report on this review with Secretary of State for Employment David Blunkett. Involved are the Departments of Health, Education and Employment, Environment, Transport and Regions, Social Security and the Home Office.

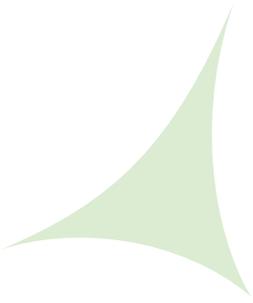
3. The review of Young People at Risk will report on the most cost effective policies and means of service delivery for helping young people at risk aged 13-19 to make the transition safely from childhood to adulthood. It will make recommendations on adjustment to existing programmes as well as on co-ordination and accountability arrangements. The work is being led by the

Minister for Employment, Welfare to Work and Equal Opportunities Tessa Jowell and involves Departments across Whitehall.

4. The review of Support for Older People will look at the scope for improving the 'gateway' to ongoing care and support for older people and some disabled people who cannot work. It will review existing arrangements for information provision and needs assessments, exploring the possibility of a single point of access to services. It will consider the scope for more rational, effective and efficient systems of service delivery across the boundaries of social services, social security, the NHS, other government bodies, and the private and voluntary sectors. The work is being led by the Minister of State for the Cabinet Office Ian McCartney and involves departments across Whitehall.

5. The Criminal Justice System review will build on initial work in the Comprehensive Spending Review. The CSR proposed setting clear objectives and targets for the CJS as a whole and introducing new arrangements for joint strategic planning and performance management at national and local level. The new study will take stock of what has been achieved and what more remains to be done, and help underpin effective crime reduction. The Home Secretary Jack Straw will lead this review. All departments involved in the CJS will participate.

6. The review of Drugs will build on the work undertaken in the previous spending review to make a fundamental and rigorous



assessment of the effectiveness of the use of existing anti-drugs resources. As well as considering the outputs and resources required to underpin the strategy, it will also consider mechanisms for co-ordination and delivery of the strategy, both at national and local level. A particular concern will be to focus efforts on pro-actively tackling the root cause, rather than reactively subsidising failure. The review is being led by the Minister for the Cabinet Office Mo Mowlam, working with the UK Anti-Drugs Co-ordinator Keith Hellawell and departments across Whitehall.

7. The review of Crime Reduction will build on the Crime Reduction Strategy established in the last spending review. It will consider the scope for crime-reducing activities across the whole of Government, tackling the full range of factors associated with criminality and offending. The review team will ensure that its findings are reflected in resource allocation and target setting in the year 2000 Spending Review. Home Office Minister of State Charles Clarke is leading the review and departments across Whitehall are involved.

8. The review of Local Government Finance will provide an overview of the spending needs and objectives of English local government to inform decisions in the year 2000 Spending Review. The key outputs of the review will be the local authority revenue settlement and investment strategy. The review will also consider how targets can best be delivered on the ground. The review being led by the Minister for Local Government and the Regions Hilary Armstrong. All departments with an interest in local government are involved.

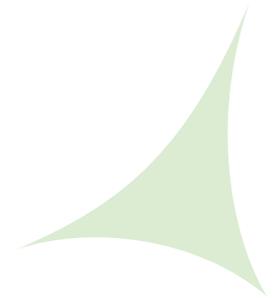
9. The review of Government Intervention in Deprived Areas will consider the impact of main programmes in deprived areas as well as regeneration funds and area-based initiatives. Building on recent

work by the Social Exclusion Unit, it will seek to ensure that the year 2000 Spending Review supports the Government's aim of narrowing the gap between the most deprived neighbourhoods and the rest of the country. The Chief Secretary has asked Treasury permanent Secretary Sir Andrew Turnbull to lead this review, reporting to all interested Ministers.

10. The review of Rural and Countryside Programmes will build on the recent recommendations to Government by the Performance and Innovation Unit and ongoing work on the Rural White paper. It will consider rural development, environmental issues and the provision of public services in rural areas. Minister for the Cabinet Office Mo Mowlam will lead this review. Other departments involved include the Ministry of Agriculture, Fisheries and Food, the Department of Environment Transport and the Regions and the Department of Trade and Industry.

11. The review of Science and Research aims to ensure that science which is supported from public funds in England is being properly conducted and exploited to the benefit of the economy at large. This work will take full account of work being carried out for a Science and Innovation strategy led by the DTI. It will be led by the Minister for Science Lord Sainsbury, and will involve the Department of Trade and Industry, the Department for Education and Employment, and the other departments that play a significant role in these areas.

12. The review of Conflict Prevention in Sub-Saharan Africa will consider how the UK's objectives for conflict prevention in this region can best be defined and delivered. The review will also consider the scope for applying the conclusions of the review to conflict prevention worldwide. The review will be led by the Secretary of State for International Development Clare Short.



Other departments involved include the Foreign Office and the Ministry of Defence.

13. The review of Nuclear Safety in the former Soviet Union will identify the UK's key priorities, taking into account G7, EU and other international efforts to address nuclear safety, security and mitigation of the nuclear legacy in the FSU. It will examine how both UK bilateral assistance and UK contributions to multilateral programmes contribute towards achieving these objectives. The review is being led by the Foreign Office Minister of State John Battle. Other departments involved include Trade and Industry, Defence, International Development and Environment, Transport and the Regions.

14. The Treasury, Cabinet Office and outside experts will be involved in all thirteen reviews.

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