

The Functional Model: a model for more efficient and effective Government

The functional model of Government provides strong central leadership of cross-departmental corporate functions. This model will professionalise the Civil Service through improved decision-making, cross-departmental working, organisational capability, efficiency, resilience and control. A strong functional model will help deliver better public services and accelerate savings.

“We need to evolve the centre of Government to one which contains strong core functions... we need to build capability... we need to reach across departmental boundaries to create synergy across Government as a whole.

We have begun to create a functional model at the heart of Government to develop cross-Government strategies, delivered through the department agendas, and bring the benefits I have described, and many more over time.”

John Manzoni, Chief Executive of the Civil Service, speaking at the Institute for Government (IfG), 2015

Context

Since May 2010 the Cabinet Office, working closely with HM Treasury, has led a cross-Government programme to ensure taxpayers' money is focused on frontline services. With rising public expectations for high quality services, coupled with the need to continue to reduce the budget deficit, the Government needs to do more, and better, for less. This creates an imperative to find new ways of working, both within departments and across Government as a whole.

Over this Parliament the Government has secured unprecedented levels of efficiency and reform savings, delivering for successive years £3.75 billion, £5.5 billion, £10 billion and £14.3 billion - all compared with a 2009-10 baseline. The Government is on target to save £20 billion for 2014-15 from central Government efficiency and reform and by reducing losses to the public purse through fraud, error and uncollected debt.

This work has been driven by an increasingly strong corporate centre that is supporting and challenging departments to maximise efficiencies and improve services. Some of these achievements were set out in [“Efficiency and Reform in the next Parliament”](#). Historically, however, the UK Civil Service has had little central leadership of corporate functions and has been significantly behind many well-run private companies and other OECD governments.

Corporate functions provide the specialist expertise that every organisation requires. For example, at the most basic level, Human Resources functions recruit and develop employees. Finance functions maintain control of spending and provide accurate financial accounts. Commercial functions purchase goods and services. Strong corporate functions are a critical enabler of improved business performance. In large, well-run organisations, leadership of these corporate support functions – or “functional leadership” – is often concentrated within a corporate centre or Head Office. This functional model provides strong central leadership of cross-departmental corporate functions, which improves decision-making, cross-departmental working, organisational capability, efficiency, resilience and control.

Despite excellent progress in recent years, the Government recognises that it needs a stronger functional model if it is to drive further improvements and deliver its commitment to save a further £20 billion for 2019-20 through efficiency and reform. The Government has initiated a series of reforms to strengthen central leadership of corporate functions under the management of the new Chief Executive of the Civil Service. These changes will help deliver better public services and accelerate savings. The experiences of organisations that have undertaken similar journeys suggest that the timeline to capture significant benefits across all functions is five to ten years.

The benefits of a strong functional model

A strong functional model can provide benefits for the functions themselves, but the main prize and main focus is on the benefit to overall Government performance.

The benefits for functions include:

- **Reduced operating costs** – better coordinated, integrated and concentrated support functions can reduce operating costs.
- **Investment in shared capabilities** – standardised processes and concentration of activity in shared services or centres of expertise enable investment in systems and tools that can be leveraged at scale.
- **More attractive careers and enhanced skills** – stronger functions can create career paths that transcend single departments, and can support the recruitment, development and retention of more capable people.

The benefits for overall Government performance include:

- **Better public services** – for example, a strong digital function can improve public services by transitioning services on online and designing them around the needs of the citizen.
- **Financial savings on the operating cost of Government** – for example, a strong property function can reduce the operating cost of the Civil Service by using the estate more efficiently and selling vacant properties.
- **Financial savings on other Government spending** – the advice of the functions can bring a different perspective to spending decisions, for example on major infrastructure projects, improving the allocation of scarce resources, which can yield substantial savings.
- **Better decision-making** – increased quality of professional advice and better departmental and cross-departmental data can improve the speed and quality of decision-making.
- **Enhanced resilience and flexibility** – shared pools of functional experts can be deployed more easily, reduce dependence on specific individuals, support smaller departments and deploy high-quality talent where it is most needed.
- **Tighter control** of spending and policy implementation through consistent standards and processes for functional activities and improved management information, which can in turn reduce risks.
- **Better cross-Government working** – greater functional leadership and coordination can improve sharing of expertise and good practice across departments.

The Functions

The Government is strengthening ten core functions:

Commercial

- Leveraging Government's scale and purchasing power by acting as a single, coordinated and informed customer to drive better value procurement. This includes central procurement of common goods and services.
- Working with suppliers to ensure that there are effective and developed markets for Government to work with.

Communications

- Ensuring the Government communicates with the public in a consistent and coordinated manner, using the most effective and efficient media channels.
- Communicating internally so civil servants are well informed on issues that affect them and fully engaged in the delivery of public services.

Corporate Finance

- Managing Government's interventions in the private sector to secure best value for the taxpayer.
- Ensuring that Government is an effective and intelligent shareholder in its part or wholly owned businesses.

Digital

- Supporting more effective and efficient delivery of services through common cross-Government digital platforms, used by all departments.
- Providing common technology services for civil servants to increase collaboration and reduce the total spend on IT.

Finance

- Controlling spending and reporting financial performance accurately and transparently.
- Informing decision-making through financial insight and management information.

HR

- Devising and implementing a workforce strategy for the Civil Service and in particular the management of Senior Civil Service careers.
- Providing common HR policies and expert services to support departments including recruitment, learning and development and organisational design and development.

Internal Audit

- Providing in-house Internal Audit and assurance services and expertise to Accounting Officers across the Civil Service and in the centre of Government.
- Adding value to public services by improving the effectiveness of the organisations that provide them, based on recommendations for improvement.

Legal

- Providing high quality legal advice to Government - including litigation and employment law and commercial and European law alongside legal advice on policy and operational areas.

Project Delivery

- Overseeing and managing the Government's Major Projects Portfolio.
- Providing assurance and expertise to support and improve the delivery of major projects.

Property

- Centrally managing the Government's estate in the most efficient and cost-effective way.

The functions represent 10 priority areas of common, cross-departmental activity for which central leadership is required. These 10 functions include many of the 25 [Government professions](#); however, the professions include a wider set of expertise including both niche areas (for example, veterinary) and broad areas (for example, policy and operational delivery).

The Functional Model

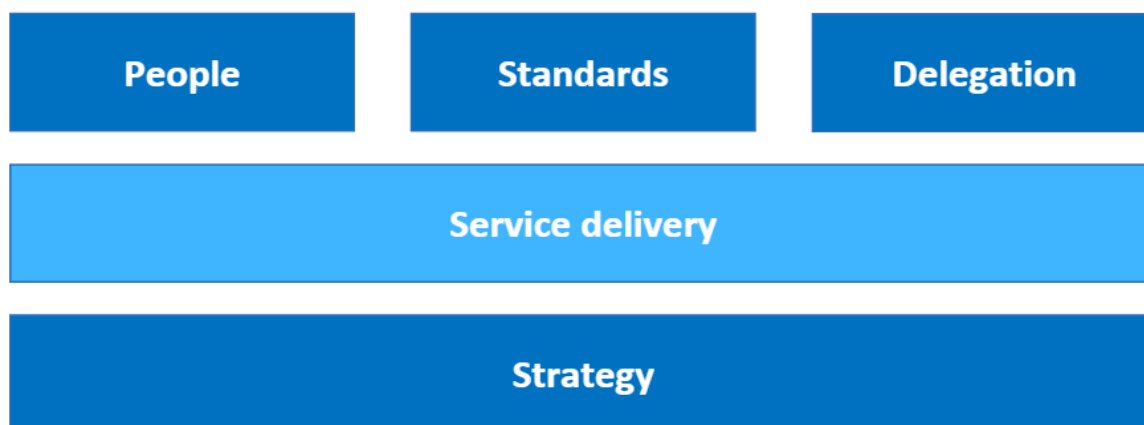
There is no 'one size fits all' model. In moving to a stronger functional model there will be differences between functions and for different activities within each function. However, the model for each function is dictated by a set of common design principles:

- Empower central functional leaders to set standards, and improve the capabilities of their function
- Share resources, systems and expertise wherever possible
- Reduce the cost of functional support and enable broader efficiencies
- Ensure that the role of functions is to serve departments and their agencies, as well as Government as a whole
- Tight control from corporate centre of activities within the functions
- Keep specialist activities close to departments and their agencies
- Provide departments with the support needed to deliver department-specific needs and Minister-specific priorities
- Maintain the accountability of Ministers and Accounting Officers to Parliament
- Ensure that the benefits of any changes outweigh the costs and risks.

Most functions have converged towards a similar model; departmental functional leads have "dotted line" reporting to a central functional leader and "solid line" reporting to their overall department or agency head. This retains the existing Ministerial and Accounting Officer accountability arrangements but provides the central functional lead with the responsibility for their overall function, including:

1. **Strategy** - Defining the strategy for their function;
2. **Service Delivery** – Providing coordinated services centrally to departments and the public;
3. **People** - Capability building, including approval of senior appointments into the function;
4. **Standards** - Setting and enforcing standards for functions;
5. **Delegation** – Providing clarity over which decisions can be made where and having visibility and oversight of departmental spend within their function.

The operating models for each of the functions are at varying stages of maturity. Over the coming months, the Government will develop the functions in each of these five areas.



People

The success of the functional model is dependent on the talent of the professionals that operate them. The Government will need to do more to ensure that it attracts, develops, and retains the talent the Civil Service needs to deliver high quality public services.

The central functional leaders will work with relevant Heads of Professions (where they do not perform both roles) to:

- Oversee specialist recruitment pipelines and be directly involved in recruiting and deploying people to senior roles (including sitting on recruitment panels) to ensure key posts are filled with individuals of the right calibre who can influence and carry forward challenging transformational change across Government;
- Advise on specialist reward packages to ensure that talent is attracted and retained;
- Ensure that there are clear career paths across the function that take account of the importance of expertise, professionalism and the value of gaining deep experience within a specialist field;
- Identify talent and ensure that individuals are exposed to the right opportunities to prepare them for more challenging roles;
- Lead capability building for specialist staff (including professional accreditation) and training and development opportunities for other civil servants to raise awareness and background skills;
- Ensure their function has the requisite capability to deliver effectively; and
- Feed into performance assessment including ensuring that people's technical ability and functional contribution are adequately reflected.

Standards and Delegation

Having the right minimum standards and clear delegation in place will enable decisions to be made in the right place at the right time by the right people. Ultimately, clear standards and delegation will provide frameworks for professionals to operate in; and will allow better decision-making across Government and proportionate oversight from the centre.

In setting minimum standards - and over time driving those up – the Government can ensure that, wherever in Government decisions are made, work will not fall below the agreed standards. Frameworks of delegation will allow the Government to set sensible parameters around decision-making so that it is clear where in Government the right place is to make certain types of decision.

Soon after the 2010 Election, HM Treasury delegated to the Cabinet Office operational spending controls targeted at ten areas of spend, including consultancy, ICT, recruitment, marketing and property. These central controls have served to stop wasteful spending, implement cross-government strategies, and facilitate more joined-up delivery of public services. Controls have helped deliver a significant proportion of the Government's efficiency and reform savings, which totalled £14.3 billion for 2013-14 (compared with a 2009-10 baseline). The emphasis is now shifting from spending controls to more positive standards and frameworks of delegation operating along a functional axis. However spending controls will remain in place until the Government builds the necessary capability, standards, behaviours and governance within the functions. This - with HM Treasury and Cabinet Office working together to support departments - will ensure the Government continues to deliver the programme of reform and the required future spending consolidations.

Service Delivery

For many functions, it makes most sense to deliver some services centrally. Often these are transactional services where economies of scales are most easily made (for example the procurement of common goods and services or payroll services). Equally, some expert services are most effectively delivered through a central organisation, for example legal services through the Treasury Solicitor's Department (TSol) and Internal Audit, although this should not undermine specific areas of expertise.

Where services are delivered centrally, it is important that there are robust measures in place to ensure that those services live up to the needs of their customers. Over the coming months, the Government will strengthen the performance management arrangements for the services provided by functions and ensure that there is an appropriate customer service focus within those organisations.

Strategy

For Government to deliver transformative change to public services and the proposed efficiency savings (£10 billion for 2017-18 and £15-20 billion for 2019-20) it is vital that we develop coherent strategies that bring together functional expertise to think differently about how we deliver services.

The Government has already started work to develop strategies that bring together thinking across functions and departments. These strategies look to deliver bold programmes of work that fundamentally change the way in which the Civil Service works. They will build upon the work of this Parliament, such as the digital exemplars forming the basis for Government as a Platform or the work on sharing the public sector estate, forming the basis for a more radical approach to how we manage the public sector estate. Functional expertise will not only be vital to building these strategies but also to implementing them.

Next Steps

To drive the Civil Service's ability to deliver these commitments and many others that will lead to better public services at lower cost, the Government will:

- Ensure there is a clear and agreed strategy and implementation plan to deliver the efficiency savings set out in the Autumn Statement and to transform public services.
- Develop more compelling propositions to attract, develop, deploy and retain talent.

- Build and codify minimum standards within functions.
- Drive up the quality and efficiency of centrally provided services whilst evaluating which services are best delivered centrally and which ought to remain closer to the businesses.