



Capability Review of the Department for Culture, Media and Sport

Foreword

The purpose of departmental Capability Reviews is to use honest and robust assessments of future capabilities to identify the specific measures that are needed if central government departments are to play their part in enabling the UK to meet the considerable challenges of the future.

Over the course of the last generation there has been a transformation in the UK economy and wider society. In the era of globalisation, international trends in, for example, migration, production techniques and energy consumption have a profound effect on an outwardly facing nation like the UK. Global competition places a premium on productivity and flexibility. Harnessing new technology, developing new, high-value skills and embracing change have all enabled the UK economy to respond to these challenges, but only because companies, communities and individuals have had to learn to adapt to rapid change. As the pace of change quickens, skills and flexibility will become even more important.

Just as these trends have required a major change in the behaviour of all parts of UK society – corporate, community and individual – the challenges of the future require a response from government too. If the State, through public services, is to enable the UK to thrive over the decades to come, public services and those who deliver them must also become more flexible and adaptable, more individual, more expert and more professional.

And the environment in which public services are delivered is also changing fast. Migration, an ageing population and changing lifestyles are amongst the factors that have made the UK population – the users of public services – more diverse than ever before. The nature of public services means that often the normal market-based ways in which suppliers learn what customers think of services are only partly available. But technological and lifestyle changes mean that the public's expectations are rising, as those who use services rightly demand something tailored to their needs and delivered in the way most convenient for them.

Equipping public services for these challenges requires a transformation of the nature of government. The Capability Reviews mark an important part of this process for the centre, with an examination of what the needs going forward are for each government department.

Underpinning each review is how each department can play the role of enabler. In the modern era of technological change and consumer choice, it is not for government to control or prescribe what people want and receive.

Instead, a clear vision of what the centre should do is fundamental. High-level targets are an important tool, but the centre cannot and should not seek to micro-manage everything. Instead, the centre needs strong strategic capability to set and review priorities, as well as robust systems for managing performance and tackling areas of weakness. Getting the right skills in place, particularly operational skills, is of critical importance. Equally crucial is ensuring that policy is

designed in a way that uses what works for customers and providers. These are the themes of the Capability Reviews.

Each Capability Review has been carried out by the Capability Reviews Team in the Cabinet Office, with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments. The teams' wealth of experience provides external challenge and insight as well as contributing to sharing best practice across Whitehall.

I would like to thank and acknowledge the support of the review team for the Department for Culture, Media and Sport (DCMS), without whom this report would not have been possible. The members of the team were:

- Andy Friend, former Chief Executive, John Laing plc
- Irene Lucas, Chief Executive, South Tyneside Metropolitan Borough Council
- Dr William Moyes, Executive Chairman, the Independent Regulator of NHS Foundation Trusts (Monitor)
- Mark Addison, former Director General, Department for Environment, Food and Rural Affairs
- Dr Minouche Shafik, Director General, Department for International Development

This report is just the beginning. The real challenge for DCMS comes in implementing what has been identified as needing to be done. Key actions which address the areas for improvement have been agreed between the Cabinet Secretary and the Permanent Secretary of the Department. The Capability Reviews Team will regularly review progress and provide support to help ensure that DCMS is on track to deliver.



Sir Gus O'Donnell KCB
Cabinet Secretary and Head of the Home Civil Service

March 2007

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The Department's response

The Department has responded to the findings of the review by putting in place a transformation programme that has seven areas of action. The Cabinet Secretary will use this to hold the Permanent Secretary to account on progress.

The Permanent Secretary's response

I welcome this Capability Review and the areas for action that it highlights.

The report draws attention to our recent successes, of which the Department is rightly very proud. They include the BBC Charter Review, the reform of entertainment licensing and of the National Lottery and, of course, our successful bid to stage the 2012 Olympic and Paralympic Games. We are also encouraged by the report's findings that both our staff and stakeholders recognise our existing performance, see the potential for us to do even better, and want to support us in doing so.

The Department for Culture, Media and Sport (DCMS) is moving centre stage. Our responsibilities – for increasing participation in sport and culture, for preserving the best of our cultural heritage for future generations, and for the creative and leisure economy – increasingly affect the quality of people's lives and cut across key government priorities, including promoting social cohesion. We have a number of very high profile programmes of work in hand, including delivering the Olympics and digital switchover.

In meeting these responsibilities, we will be able to draw on a major asset: our highly committed staff. As the Capability Review report says, there is 'a pool of talented, enthusiastic and innovative people in DCMS'.

However, the review team made clear that in order to meet the expectations on DCMS as a key department within government, we need to raise our game. The review has pointed out a number of areas where we must improve, in some cases urgently, at a time when we must discharge our responsibilities with limited resources. We recognise these challenges and we are fully committed to making the necessary transformation; the framework of the Capability Review provides the opportunity to do so in a focused and structured way.

How we will improve to fulfil our potential

As our profile grows, we need to be clear about the value we add to our sectors and be driven by clear, consistent priorities. We need to capitalise on our size by ensuring that it allows us to act quickly and be agile in reallocating resources. We need to be integrated and strategic in how we manage our non-departmental public bodies (NDPBs).

With senior management colleagues, I have set a series of tests – the ‘5 Cs’.

- Clarity: are we clear on strategic priorities and purpose, how we achieve them, and how we are performing?
- Capability: do we have the skills, experience and leadership across the Department to achieve our priorities?
- Challenge: are we challenging enough in our ambitions, leadership and openness to external views, and do we challenge our partners constructively?
- Collaboration: can we work better with our stakeholders and partners, and listen more effectively to the public?
- Credibility: passing these tests will be the key to the credibility we need to achieve our ambitious objectives.

Our transformation programme

We are therefore embarking immediately on a comprehensive transformation programme. We will proceed at pace.

I initiated in November 2006, shortly after I arrived, a review of the Government Olympic Executive (GOE) as an early part of the Capability Review. In January 2007, I put in place arrangements to integrate the GOE into DCMS and to strengthen its capacity. We will shortly be recruiting a director general for the GOE with extensive experience in complex construction or infrastructure programmes.

DCMS prospectus

Our next and most pressing priority is to undertake a rigorous analysis of DCMS’s added value, in consultation with our staff, NDPBs and stakeholders. This is the first step in our transformation programme, and the key to the other reforms that will follow. We aim to publish a new DCMS prospectus by the summer, setting out how the Department intends to add value to the bodies and sectors it serves. This may result in us doing less rather than more, allowing us to focus our energy and resources in a more strategic and risk-based way.

Board structure and governance

At the same time, and reflecting the review’s recommendation that we refocus the role of the Board and its relationships and engagement, we are putting in place a new governance structure. This will ensure that the Department has strong, corporate leadership. Our new Board will focus on strategic risks and issues, anticipating changes to priorities and aligning the business as necessary to meet them. It will be smaller than the previous Board and will have stronger external representation. The new Board will be supported by an Executive Board and by an Advisory Panel, consisting of senior representatives of our key stakeholders.

NDPB engagement

Our analysis of added value will inform another early priority, which will be to improve our engagement with NDPBs. This will set the pattern for more strategic collaboration with NDPBs in future and help to ensure the success of our transformation.

Structures and ways of working

A further area of action identified by the review is redistributing resources and restructuring the organisation. Following a review of our resources, we have identified ways to reduce our headcount by 30–35 posts during the 2007/08 financial year. This will pave the way for further improvements to the way we work in the future.

Starting in the summer, and drawing on the DCMS prospectus, we will take forward a fundamental review of our organisation and staffing structures. We will align our organisation and structures fully with our priorities and with a new and improved approach to managing key relationships with our partners, our ministers and our staff. In line with the review's recommendation that we build research capability based on strategic outcomes, I fully expect to make changes that include improved capacity for knowledge and strategic research as well as enhanced professional skills, an orderly winding down of low-value work and a more systematic interchange of staff with our partners.

Delivering the transformation programme

We have set up a series of task forces to take the transformation programme forward. These cover the following areas:

- added value;
- board structure and governance;
- NDPB engagement;
- staff engagement;
- ways of working and structure;
- skills and interchange; and
- research and evidence.

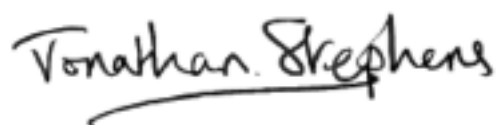
We will involve our external partners and staff at all levels in the transformation programme. Each task force, led by a DCMS director, will start immediately, although the last three will draw heavily on the initial findings of the first four.

Conclusion: facing the future

Our transformation has already started. It will be well advanced by the middle of 2008, as we enter the period of the Comprehensive Spending Review of 2007, and

in time for the handover of Olympic responsibility from Beijing in the run-up to 2012. As well as making us more effective and influential, this will enrich the jobs of those ready to be part of a bolder, better DCMS.

The future that we face as DCMS moves centre stage is both inspiring and challenging. In transforming the Department, we will continue to draw on the sound advice of the Capability Review team, but also on the unique creativity, passion and innovativeness of our sectors, and their world-beating expertise and professionalism.

A handwritten signature in black ink that reads "Jonathan Stephens". The signature is written in a cursive style with a long horizontal stroke underlining the name.

Jonathan Stephens
Permanent Secretary
Department for Culture, Media and Sport

March 2007

1. The Department

The Department for Culture, Media and Sport (DCMS) aims to improve the quality of life for all through cultural and sporting activities, to support the pursuit of excellence, and to champion the tourism, creative and leisure industries. DCMS has taken on further responsibilities since it was established in 1997. The Department operates in a complex delivery environment, through ‘arm’s length’ relationships with 66 public bodies and through a mix of funding, regulation and sponsorship.

DCMS is unlike most other government departments in that the public chooses whether to use the services it funds, and its sponsored bodies compete for people’s leisure time and money to extend participation in, and enjoyment of, culture, media and sport.

The Department’s responsibilities have grown over time. The original Department of National Heritage was created in 1992, bringing together responsibilities for the built heritage, arts, museums, libraries, broadcasting and sport and the creation of the National Lottery. As the Department for Culture, Media and Sport since 1997, DCMS has taken on further responsibilities for gambling, licensing the alcohol and entertainment industries, horseracing, and additional creative industries. After the tragic events of 9/11, the Department’s role was further extended to include providing humanitarian assistance to British survivors and affected families of major disasters. In 2003, DCMS became the lead government department for the 2012 Olympic and Paralympic Games.

The Department operates in a complex delivery environment, through ‘arm’s length’ relationships with 66 public bodies and through a mix of funding, regulation and sponsorship. Together, these sponsored bodies employ over 17,000 people. They include: non-departmental public bodies with a range of policy, grant-making and advisory functions, such as the Arts Council England, Sport England, English Heritage and the Big Lottery Fund; museums and galleries such as the Imperial War Museum and Tate; the British Library; the Royal Parks Agency; and public corporations such as the BBC, Channel 4 and the Horserace Totalisator Board (the Tote). DCMS also works in close partnership, through its Government Olympic Executive (GOE), with the Olympic Delivery Authority and the London Organising Committee for the Olympic Games on delivering the 2012 Olympic and Paralympic Games.

Some sponsored bodies are highly influential, have an international reputation and are national assets in their own right. Many derive significant funding from commercial activities and private sponsorship and are commercially astute in their approach.

DCMS also works closely with a range of private sector bodies and businesses in developing policies for broadcasting, licensing, gambling, tourism and the creative industries. The Department has strong and diverse connections with the voluntary and community sector, regional cultural consortiums and regional development

agencies. It also works with local authorities on tourism and on providing cultural and leisure services for local communities.

DCMS is the smallest central government department, employing 540 people, just 0.1 per cent of the Civil Service, and with annual running costs in 2006/07 of £53m. However, the Department is responsible for significant programme expenditure which for 2006/07, excluding the Olympics, amounts to £1.72bn. This is 0.3 per cent of total government expenditure. The economic sectors for which DCMS is responsible account for about 13 per cent of the economy.

In 2007/08, around 97 per cent of DCMS's funding of £1.79bn is expected to go to its sponsored bodies. This is about one-sixth of the funds that will be generated or spent on culture, media and sport from the National Lottery, local authorities and the BBC licence fee.

In addition, annual private sector sponsorship is estimated at over £400m for sports and over £100m for culture, while UK charitable trusts and foundations donate an estimated £600m each year to cultural and sporting activities. The value of volunteers working and supporting culture and sporting activity is estimated at £12.7bn a year.

The Department is organised into three main directorates, each led by a director general: the Government Olympic Executive; the Culture, Creativity and Economy Directorate; and the corporate centre under a chief operating officer. There is a separate Communications Directorate led by a director. Legal services are provided by the Treasury Solicitor's staff, also led by a director.

The Department's top-level governance is the DCMS Board, which comprises the Permanent Secretary, the three directors general, six directors and two non-executive directors. The Board is supported by an Audit Committee, chaired by a non-executive director.

2. Current delivery challenges

DCMS has four Public Service Agreement (PSA) targets set in the Spending Review of 2004. Two are joint targets with other departments. DCMS is ahead on delivering one PSA target but is not yet able to assess progress against the other three. The Department is on track to achieve its Gershon efficiency savings target and its headcount reduction and Lyons relocation targets. The Department has achieved some significant successes beyond its PSA targets.

DCMS has four PSA targets set in the Spending Review of 2004. Two are joint targets with other departments.

1. Enhance the take-up of sporting opportunities by 5–16 year olds by increasing the percentage of school children who spend a minimum of two hours each week on high-quality PE and school sport (joint target with the Department for Education and Skills).
2. Halt the year-on-year increase in obesity among children under 11 by 2010 (joint target with the Department for Education and Skills and the Department of Health).
3. By 2008, increase the take-up of cultural and sporting opportunities by adults and young people aged 16 and above from priority groups.
4. By 2008, improve the productivity of the tourism, creative and leisure industries.

DCMS is ahead on delivering one PSA target but is not yet able to assess progress against the other three.

The Department is ahead of target in increasing participation in school sport. In 2005/06, 80 per cent of pupils within a school Sport Partnership took part in at least two hours of high-quality PE and school sport in a typical week, compared with 69 per cent in 2003/04.

DCMS has not yet been able to assess progress against the other three targets, pending collection and analysis of data from various national surveys that will become available later this year.

The Department is on track to achieve its Gershon efficiency savings target and its headcount reduction and Lyons relocation targets.

At December 2006, the Department had achieved efficiency savings of £183m and is on track to achieve its Gershon efficiency savings target of £262m by 2008. It has reduced its headcount by 22 posts against its target to reduce the number of staff working in DCMS by 27 posts by March 2008. It has also relocated 443 posts against its Lyons target of relocating 600 NDPB posts out of London and the South East by March 2010.

The Department has achieved some significant successes beyond its PSA targets.

The Department has delivered on challenges beyond its PSA targets and across its sectors. Major achievements have been:

- Leading the winning bid for the 2012 Olympic and Paralympic Games, and setting up the Olympic Delivery Authority, which is responsible for delivering the infrastructure and venues associated with the Games, and the London Organising Committee for the Games, responsible for the staging of the Games.
- Undertaking the BBC Royal Charter Review, which recognised the BBC's editorial independence and set out its public obligations, remit, governance and regulatory framework in the digital age for the next 10 years.
- Implementing licensing reform, which integrated differing licensing regimes, provided the drinks and entertainment industries with greater flexibility to offer alcohol, public entertainment and late-night refreshment, and gave communities a greater say in licensing decisions.
- Reforming the National Lottery, making it more responsive to people's priorities by increasing openness, accessibility and public involvement, making delivery of National Lottery funding more effective, and ensuring the good causes the Lottery supports match the country's needs for the next 10 years.

3. Challenges for future delivery

DCMS has some high-profile delivery challenges ahead, particularly on the 2012 Olympics and Paralympics. At the same time, the Department will have to lead and keep pace with developments across its dynamic culture, media, sport and creative industry sectors. To succeed in meeting these challenges, DCMS will have to transform itself and improve its impact across the sectors in which it operates and amongst the communities it serves.

DCMS has some high-profile delivery challenges ahead, particularly on the 2012 Olympics and Paralympics.

DCMS has two major delivery challenges: digital switchover and, particularly, the 2012 Olympic and Paralympic Games, which have a significant bearing on the Department's and the UK's reputation for public service delivery.

The Department's role in the Olympic Project is to:

- lead overall government support for the 2012 Olympic and Paralympic Games;
- provide monitoring and assurance on progress of the overall Olympic project; and
- lead delivery of the Olympic 'legacy' benefits, in partnership with other government departments.

The Olympics is a large-scale, complex programme for DCMS with a number of politicised and highly publicised relationships. The issues DCMS has to address in the Olympics reflect many of the challenges for the Department as a whole – effective working with diverse partner organisations and cross-Whitehall coordination with a range of other government departments.

How well DCMS handles the Olympic project is the key issue for the Department's leadership and is its biggest ever challenge. It is also the Department's greatest opportunity to grow in stature and fulfil its aims.

A further major delivery challenge for DCMS is, working with the Department of Trade and Industry, to deliver digital switchover on a region-by-region basis from 2008 to 2012. This involves changing the UK's ageing terrestrial broadcasting network with the best available digital technology and encouraging people to convert or upgrade their TV and recording equipment to receive digital television. Digital switchover will help the UK continue as a world leader in broadcasting and is the biggest government-led change across the UK since decimalisation.

At the same time, the Department will have to lead and keep pace with developments across its dynamic culture, media, sport and creative industry sectors.

A substantial part of the Department's work with its sponsored bodies is to promote and support the public's opportunity to enjoy and benefit from culture, leisure, sport and heritage. At the same time, the Department must lead and keep pace with developments across its dynamic sectors to:

- ensure that sport, media and culture play a full role in the Government's wider social and economic policy agendas, such as social cohesion, reducing crime and re-offending, and improving health;
- anticipate further technological developments in media and broadcasting and future-proof broadcasting decisions so a healthy market can flourish alongside excellent public service broadcasting; and
- secure the long-term success of the creative industries in an increasingly competitive global economy and make the UK the world's creative hub.

To succeed in meeting these challenges, DCMS will have to transform itself and improve its impact across the sectors in which it operates and amongst the communities it serves.

The combination of diverse responsibilities, a high media profile, influential stakeholders and dynamic sectors means that DCMS must transform itself to meet its substantial future challenges.

The arrival of a new Permanent Secretary has helped to focus attention on the Department's capability to address future challenges. This Capability Review has confirmed the Permanent Secretary's initial diagnosis of where action is required to strengthen capability.





The capability issues for this transformation programme mean being clear how and where DCMS can uniquely add value across its sectors; how it can become a more agile, responsive and challenging organisation that works effectively with its sponsored bodies and other departments; and how the Department can get the maximum leverage to influence, set and lead the agenda for culture, media, sport and the creative industries nationally, and, where appropriate, through local government.

The Department's leadership is using the challenges ahead, particularly delivery of the legacy benefits from the Olympics and the Comprehensive Spending Review of 2007, to unite the Department around a common purpose and to harness the enthusiasm and commitment of partners, stakeholders and staff. This will help DCMS to enhance its credibility, reputation and influence within government and beyond. It will also help the Department to realise its full potential and improve its impact across the sectors in which it operates and amongst the communities it serves.




4. Assessment of capability for future delivery

- The Department’s capability for future delivery was assessed as ‘well placed’ in 2 of the 10 elements in the model of capability. These were ‘set direction’ and ‘plan, resource and prioritise’.
- Five elements were assessed as a ‘development area’. These were ‘ignite passion, pace and drive’, ‘build capability’, ‘base choices on evidence’, ‘build common purpose’ and ‘manage performance’.
- Three elements were assessed as an ‘urgent development area’. These were ‘take responsibility for leading delivery and change’, ‘focus on outcomes’ and ‘develop clear roles, responsibilities and business model(s)’.
- There were no areas of ‘serious concerns’.




Leadership

L1	Set direction		Well placed
L2	Ignite passion, pace and drive		Development area
L3	Take responsibility for leading delivery and change		Urgent development area
L4	Build capability		Development area

Strategy

S1	Focus on outcomes		Urgent development area
S2	Base choices on evidence		Development area
S3	Build common purpose		Development area

Delivery

D1	Plan, resource and prioritise		Well placed
D2	Develop clear roles, responsibilities and business model(s)		Urgent development area
D3	Manage performance		Development area

The model of capability is shown at Annex A.
The assessment categories are shown at Annex B.

5. Capability Review findings

Leadership

DCMS has knowledgeable, committed staff and a positive working environment. The Board now needs to take collective responsibility for setting the purpose and direction of the Department and for delivering its transformation programme. DCMS should now focus on developing the talent, skills and leadership styles it needs to increase its influence and credibility with sponsored bodies, with other government departments and across its sectors.

DCMS has knowledgeable, committed staff and a positive working environment.

- The new Permanent Secretary is regarded as decisive and engaging. He has met with staff to hear their views on DCMS and has outlined an ambitious and compelling '5 Cs' change agenda. The individuals in the top team are well-regarded across the Department and sponsored bodies and have helped to build a positive working environment.
- The Permanent Secretary inherited from his predecessor a pool of talented, enthusiastic and innovative people in DCMS. Staff are knowledgeable, enthusiastic and committed to their area of work. The Department scores highly in many areas of its staff and Senior Civil Service satisfaction surveys and there is enthusiasm amongst staff to be part of a highly credible and influential department.
- DCMS achieved the new Investors in People (IIP) standard in 2006 and maintains a focus on people development. Board members have published their individual development plans and managers' performance appraisal arrangements include taking responsibility for the training and development of their people.
- The Department is making a greater effort to address poor performance. A staff management agreement sets out expectations of staff and managers.
- The Department has strengthened its professional expertise to provide economic advice, statistics and research. DCMS is also strengthening capability for the Government Olympic Executive (GOE) to provide an 'intelligent client' function by recruiting people with high-level commercial and financial experience in complex construction and infrastructure programmes.
- DCMS is aware of the importance of diversity. It is a Stonewall Diversity Champion and is meeting 11 out of 15 of its workforce diversity targets for women, ethnic minorities and disabled people. Eighty-eight per cent of staff feel they are treated with fairness and respect – the highest score in Whitehall.

The Board now needs to take collective responsibility for setting the purpose and direction of the Department and for delivering its transformation programme.

- The Board has no explicit view of its role. It acts predominantly as an internally focused management board and as a forum for information sharing. The size, composition and overall skills-mix of the Board constrain its ability to act as a dynamic leadership team.
- Board discussions do not include sufficient challenge and the role of non-executive directors is not clear enough.
- The Department has not fully engaged with the capability challenges identified by several previous reviews. Many of the issues raised in this Capability Review have appeared in previous assessments of DCMS, but the Department has not addressed their more challenging recommendations.
- The Board will need to operate more as a corporate team and take collective responsibility for setting the purpose and direction of the Department, for securing added value and for driving its transformation programme.

DCMS should now focus on developing the talent, skills and leadership styles it needs to increase its influence and credibility with sponsored bodies, with other government departments and across its sectors.

- The Department lacks an effective people or talent strategy. DCMS needs to build capability in a number of areas such as delivery and performance management, strategy formulation, strategic finance, and HR and organisational development. There is no training programme for staff on skills required to work effectively in partnership with sponsored bodies. These issues will need to be addressed if the Department is to deliver its transformation at pace.
- DCMS does not do enough to draw on the wealth of experience, skills and ability in sponsored bodies, who have indicated that they would welcome greater collaboration with DCMS both informally and through a more proactively managed programme of exchanges and secondments. Such a programme should not seek to replicate in the Department the skills that the sponsored bodies themselves need, but to plug the gaps that impede DCMS in fulfilling its own responsibilities. The programme would also offer front-line development opportunities for DCMS staff.

Strategy

There are good examples of evidence-based decision making and effective engagement with ministers and stakeholders. There is insufficient understanding in DCMS or its sponsored bodies about where the Department adds value. DCMS needs to work more closely with ministers, sponsored bodies and other government departments to build common purpose on strategy, priorities and outcomes. The Department needs to strengthen its research capability and use of evidence to inform policy making, set the forward agenda and provide leadership across its sectors.

There are good examples of evidence-based decision making and effective engagement with ministers and stakeholders.

- DCMS has examples of well-developed strategies and plans for some aspects of its work, such as delivering the Public Service Agreement (PSA) target on school sport and delivering digital switchover.
- The Department provides good advice to ministers in support of specific strategic and policy issues. Staff have opportunities to work closely with ministers.
- The twinning arrangements between Board members and regions are helping to increase the Department's visibility and build stronger relationships with regional and local stakeholders.
- DCMS has begun more systematically to collect and use evidence to inform policy making. The *Taking Part* survey is making a positive and growing impact on the Department's evidence base on participation.
- DCMS has undertaken extensive and well-regarded consultation exercises, for example on the BBC Charter Review and National Lottery reform projects. The Creative Economy Programme is closely involving stakeholders from across the creative industries sector. The Department has also engaged and used evidence from sponsored bodies to inform its submission to the Comprehensive Spending Review of 2007.

There is insufficient understanding in DCMS or its sponsored bodies about where the Department adds value.

- DCMS and its partners have insufficient understanding of how or where the Department adds value across the range of its responsibilities. There is a perception that DCMS's role is too much that of a funding 'post-box' between HM Treasury and sponsored bodies.
- The Department is not regarded as sufficiently connected, proactive or influential in its engagement with other government departments. DCMS needs to do more to articulate the contribution its sectors can make to wider 'quality of life' issues. This will raise the Department's profile and increase its influence across Whitehall.

DCMS needs to work more closely with ministers, sponsored bodies and other government departments to build common purpose on strategy, priorities and outcomes.

- The Department is too often reactive, responding to issues rather than working with its sectors to set and deliver the cultural, sporting and creative agendas. DCMS is not sufficiently clear on why and how it is pursuing particular outcomes, such as in its work on creative industries.
- Corporate business planning tends simply to aggregate current activity. This hinders DCMS's ability to make informed resource decisions. The Department has not engaged sufficiently with ministers to set overall strategy and priorities and has not been able to make decisions on stopping low-impact work.
- Nor has the Department sufficiently involved key stakeholders enough in setting overall strategy and in building common purpose. Major and influential sponsored bodies are not sufficiently engaged on the key strategic questions affecting their sectors, in setting a shared agenda with the Department or in identifying cross-cutting issues and opportunities.
- DCMS does not have enough of an understanding of the impact of its policies at local level. It could do more to understand its impact and to increase its influence at local and regional levels, without increasing its presence in Government Offices for the Regions. This would enable the Department to get the maximum leverage from local authorities, the Third Sector and businesses in the substantial contribution they make to sporting and cultural facilities and opportunities.

The Department needs to strengthen its research capability and use of evidence to inform policy making, set the forward agenda and provide leadership across its sectors.

- The Department lacks a developed evidence base on which to make informed policy, delivery and investment decisions and to offer support and challenge to ministers. Spending on research in DCMS is not driven enough by business priorities, gaps in essential knowledge or forward-looking issues. The appetite for collection and use of evidence and information across the Department is inconsistent.
- There is no overall guide or framework for DCMS and its sponsored bodies on research and evidence gathering or on sharing information gathered.
- DCMS could do more to marshal and share the research, evidence and 'what works' in sponsored bodies and more widely from academia and international comparisons. This would help the Department to get on the front foot to set the forward agenda for its sectors. Better coordination by DCMS on research and evidence gathering overall would drive greater collaboration and improve policy making.
- Sponsored bodies and local authorities are unclear on the purpose and use of much of the information provided for DCMS on culture and sporting activity. Without that clarity, sponsored bodies consider they have unnecessary data collection burdens.

Delivery

DCMS responds well to new and unforeseen circumstances and is developing its performance management of sponsored bodies. But the Department needs to develop a more robust, risk-based approach to engagement with its sponsored bodies and to managing performance. DCMS should review its organisational structure and resourcing to reflect its analysis of where it can add most value to its sectors.

DCMS responds well to new and unforeseen circumstances and is developing its performance management of sponsored bodies.

- The Department can provide a flexible, fast response to new and unforeseen circumstances. For example, it established the Olympic Development Authority immediately after winning the Olympic bid, influenced the EU directive on Television Without Frontiers and provided immediate support to the survivors and families affected by the 7 July 2005 London bombings.
- DCMS has a strong focus on programme and project management, initiated by the previous Permanent Secretary, and uses this discipline to deliver. For example, it helped the Department in its introduction of licensing and gambling legislation.
- DCMS is developing its performance management of its sponsored bodies. It has put in place funding agreements setting out the 'deal' between the Department and each of its sponsored bodies for the funding provided.
- The Department has commissioned a series of peer reviews of major sponsored bodies, and these have improved their efficiency and effectiveness. It has also worked with Communities and Local Government and the Audit Commission to ensure that cultural services are included in local authorities' Comprehensive Performance Assessment arrangements.

But the Department needs to develop a more robust, risk-based approach to engagement with its sponsored bodies and to managing performance.

- DCMS does not have an explicit understanding of how existing business models and its engagements with sponsored bodies should operate. Whilst delivery networks have been mapped, they have not generally been rationalised or made effective.
- The Department recognises that its engagement should not be to micro-manage sponsored bodies, but to empower and challenge them to deliver their services. But, sponsored bodies do not consider that DCMS has clearly articulated or developed its relationship with them, even though they are crucial to delivering the Department's policy agendas. Sponsored, regional and local bodies and other government departments want DCMS to succeed in raising its game to become more forward looking and outcome focused.

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- DCMS should offer more of a strategic performance challenge to its sponsored bodies. They consider the Department's relationship with them as being more about monitoring their use of funds and delivery of low-level targets.
 - The Department does not have a sufficiently differentiated, segmented and risk-based approach to engagement with its sponsored bodies. DCMS should concentrate more explicitly on those engagements where it can add most value. These should be based on identifying, managing and challenging areas of high risk or underperformance.

DCMS should review its organisational structure and resourcing to reflect its analysis of where it can add most value to its sectors.

- The Department has an organisational structure based on its sectors and a 'man-marking' approach to sponsored bodies. This means the Department is silo-focused, with too little lateral working and limited ability to move resources to match changing priorities.
- Within DCMS, the Government Olympic Executive (GOE) has developed as a distinct, almost separate part of the Department, with its own accounting officer function and with responsibility for delivering legacy benefits that are more the responsibility of the Department as a whole.
- DCMS should consider the extent to which it can realign and restructure itself, more on a 'horizontal' than 'vertical' basis, to reflect where and how the Department, corporately, might engage and operate across sectors to add most value. Restructuring would make the most of the strengths of the Department's relative size to be a lean, flexible and agile organisation.

6. Key areas for action

The review identified five key areas for further action that are critical if DCMS is to respond effectively to future challenges. A rigorous analysis of the Department's added value should drive all other transformation and capability improvements. This analysis will provide the coherent framework around which the Department's transformation programme needs to be shaped. That transformation programme will be a significant challenge for the Department and the leadership team. The programme should be resourced appropriately, draw on external skills and experience and be led by a dedicated change director.

Area for action 1 – define the Department's added value and pursue relentlessly

- DCMS should determine how and where it can add more value to its sectors and how that value can be measured. Adding value might include providing a cross-government perspective, making connections between different bodies and across sectors, acting as an effective advocate for its sectors, influencing other government departments and ensuring other departments' policies do not get in the way of its sectors' objectives.
- The Board should undertake a rigorous analysis of the Department's added value in different sectors and publish an 'added value prospectus'. This prospectus should set out the role and purpose of the Department, show where and how DCMS adds value in and across its sectors and how it will measure success.
- The prospectus should be developed further through consultation with the Department's sponsored bodies and sectors, and with other government departments, including HM Treasury. Consultation should be focused, related to hard-edged proposals for future action and conducted at pace.
- The prospectus should be a clear and practical document that is sufficiently robust to enable DCMS to prioritise and make decisions on the most effective use of resources. The Department should use the added value analysis to shape and drive all other transformation and capability improvements.

Area for action 2 – refocus the Board's role, relationships and engagement

- The Department should reduce the size of the Board and review its composition and membership to bring in more diverse leadership styles and experience, such as in organisational design, transformational leadership and delivery.
- The Department should strengthen its governance arrangements by establishing a new advisory group with members drawn from sponsored bodies and other stakeholders. This group should support the Board on strategy development and advise on common, emerging and forward-looking issues in and across sectors.
- The Department should be clear about how the Board will operate. It should produce a clear statement of the Board's role and purpose and define the Board's operating principles, particularly how it engages with ministers and the proposed

advisory group, and how key issues should be brought to the Board for consideration and decision. Board member roles and behaviours should be clearly defined to focus on acting corporately, to encourage challenge and innovative thinking, and to share corporate responsibility for decisions taken. The Department should also reinvigorate the way the Board works so that it becomes more dynamic and energised.

Area for action 3 – develop a risk-based framework for engagement with sponsored bodies

- The Board should produce a risk-based relationship management framework, linked to an added value analysis of each sponsored body. The Department should draw on this framework to establish the relationship and behaviours expected between each body and DCMS. A more strategic and risk-based engagement with key partners would help concentrate scarce resources where they are needed and liberate capacity for other priority tasks.
- The Board should use the engagement framework progressively to exit from the peripheral and less important, and to consider alternative delivery models for those sponsored bodies where DCMS can add little value. The Board should invest in the higher added-value engagements and in building connections across sponsored bodies and sectors on cross-cutting and emerging issues.
- DCMS should re-shape its approach to performance management to focus on high-risk issues and success measures across its sponsored bodies and sectors.

Area for action 4 – redistribute resources and restructure to strengthen the Department

- DCMS should restructure and redistribute resources, based on where the Department adds value, and address the piecemeal growth of responsibilities over time. This restructuring should seek to develop a more agile and responsive capability on cross-cutting, thematic and major sector issues.
- The Department should integrate the Government Olympic Executive (GOE) into DCMS. The Permanent Secretary should take over the Olympic accounting officer role. The Department should continue to strengthen the GOE's 'intelligent client' capability and transfer back to the Department the Executive's responsibility for delivering the DCMS contribution to Olympic legacy benefits.
- DCMS recognises that it is about to undertake a transformation programme. The Department should ensure that it has sufficient capacity and people on that programme with the capability and authority to make change happen. The Department should draw on external skills and experience and the transformation programme should be led by a dedicated change director.
- As part of the restructuring, the Department should identify specific skills and capability gaps and address any areas of deficit or where further strengthening is required. In particular, the Department, should ensure its HR capability is sufficient to be able to shape and deliver a DCMS people strategy. The people strategy should include an effective secondment and exchange programme with

sponsored bodies and other partner organisations. The Department should also ensure its finance capability is equipped to take more of an informed and challenging approach to resourcing DCMS and its sponsored bodies and sectors, based on best return for investment and on delivery of effective services.

Area for action 5 – build research capability based on strategic outcomes

- DCMS should agree a research strategy with sponsored bodies and other stakeholders that enables them, together, to focus on the most important cross-cutting, emerging and forward-looking issues. This will help inform the Department's forward agenda and determine where DCMS can provide leadership for and across its sectors.
- As part of this approach, the Department should build its capability to undertake, manage and sponsor its research programme. DCMS should also establish an agreed research budget with its sponsored bodies and work with them to share and promulgate research information and good practice across their sectors and other government departments.
- DCMS should do more to embed an evidence-based approach across the Department, including setting an explicit standard to ensure all recommendations for decision to ministers and to the Board are rooted in evidence and analysis.

Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The reviews provide an assessment of capability for departments, identify key areas for improvement and set out key actions to address these areas.

The scope of the reviews is to assess the capability of departments’ senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 49 questions.

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

Leadership

Key questions that test current capability

L1 Set direction

- How do you set a clear direction and articulate the vision to provide a compelling and coherent view of the future?
- How do you take difficult decisions, and do you follow them through?
- How do you generate common ownership of the vision amongst the board, the department and delivery owners?
- How do you maintain focus when faced with crises/system shocks? How do you balance this with the need to keep the vision up to date when circumstances change?

L2 Ignite passion, pace and drive

- Are you seen as role models in the department, inspiring the respect, trust, loyalty and confidence of superiors, peers and staff? Do you talk, listen and act on feedback and thereby demonstrate an understanding of the business?
- Do you display passion about meeting delivery outcomes?
- How do you engage personally with customers and staff in the department and across the system?
- How do you maintain energy and enthusiasm? How do you inspire staff to be proud to work for the organisation?

L3 Take responsibility for leading delivery and change

- Do you drive delivery by taking responsibility, welcoming challenging feedback on performance and learning lessons from successes and failures?
- How do you role-model an effective corporate culture of teamwork within the system? Do you and the senior leadership team act as an effective guiding coalition and initiate work across boundaries to achieve delivery outcomes?
- Do you accept the pressing need for change? Do you demonstrate your personal commitment to that change?
- How do you manage change effectively? How do you champion and drive through that change, addressing and overcoming resistance when it occurs?
- Are you open, honest, courageous and unflinching in delivering tough messages to your ministers and the department?

L4 Build capability

- How do you nurture talent and encourage innovation in order to build capacity?
- Do you have a leadership development/promotion process that is fair and transparent?
- How do you manage the performance of everyone by rewarding good performance and tackling poor performance?
- Do you get enthusiastically involved in identifying talent and building capability in individuals and teams?
- Do your culture, behaviour and staff profile reflect the diversity of the customers you serve?

Strategy

Key questions that test current capability

S1 Focus on outcomes

- Do you have one overarching set of clear and challenging outcomes, aims and objectives that will improve the overall quality of life for customers and benefit the nation?
- How do you work with ministers to develop strategy?
- How do you negotiate trade-offs between 'priority' policies?
- How do you work with other departments and partners external to government when developing strategy?

S2 Base choices on evidence

- How do you understand what your customers and stakeholders want?
- How do you identify future trends and plan for them? How well do you identify and manage the associated risks?
- How do you innovate by developing creative solutions to challenging problems? How do you ensure appropriate ambition?
- How do you choose between the range of options available?
- Once a strategic challenge has been identified, what process do you follow to address it, and who is involved?
- How do you ensure that your decisions are informed by sound evidence and analysis?
- How do you design systems that deliver your strategic objectives? How do you consider whole systems and understand the cost base?

S3 Build common purpose

- How do you align and enthuse the different players in the delivery chain to deliver?
- How do you remove obstacles to effective joint working? How do you share learning in order to ensure the strategy is delivered?

Delivery

Key questions that test current capability

D1 Plan, resource and prioritise

- Do you have the right skills, resources, structures and plans necessary to deliver the strategy as part of a clear model of delivery?
- Do you prioritise (and de-prioritise) and sequence deliverables, taking account of a proper risk management strategy, focused on change management priorities?
- Are your delivery plans aligned with the strategy? Are they robust and regularly reviewed?
- Are your delivery plans consistent with each other? Do they form a coherent whole that will deliver your strategy?
- How do you maintain a focus on efficiency and value for money?

D2 Develop clear roles, responsibilities and business model(s)

- Is the purpose of the departmental centre and headquarters functions clear?
- How do you ensure you have clear roles and responsibilities, rewards and incentives, which are understood across the delivery chain? Do they reflect the business model(s), and are they supported by appropriate governance arrangements?
- How well do you understand your business model(s)?
- How do you know whether you have the right balance between centralised and decentralised services?
- How do you identify and agree accountabilities and responsibilities for delivering desired outcomes across the delivery chain? How do you make sure that they are clear and well understood by all parties?
- How do you negotiate and contract with delivery agents, stakeholders and partners? How are these agreements documented and shared?

D3 Manage performance

- Do you have high-quality performance information supported by research and analytical capability? Does it allow you to track performance across the delivery chain?
- Do you actively respond to performance issues and follow them up?
- How effective is high-level programme and risk management across the delivery chain?
- How do you ensure and maintain effective control of the department's resources and the quality of its outputs?
- How do you know that your delivery chain understands customer needs and the drivers for satisfaction and responds to them?
- How do you ensure that your delivery chain captures and realises benefits?
- How do you feed this information back into the development of your strategy?

Annex B: Assessment categories



Strong – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



Well placed – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.



Development area – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.



Urgent development area – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.



Serious concerns – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)

Capability Reviews Team
Delivery and Transformation Group
Cabinet Office
Horse Guards Road
London SW1A 2HQ

Telephone: 020 7270 5953

E-mail: capabilityreviews@cabinet-office.x.gsi.gov.uk

Web address: www.civilservice.gov.uk/capabilityreviews

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