



# Her Majesty's Revenue & Customs: Capability Action Plan

# Foreword

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## **Lin Homer, Chief Executive and Permanent Secretary, HM Revenue & Customs**

In 2009 I was an external reviewer of the HMRC Capability Re-Review when concerns were raised about elements of HMRC's operational performance and capability, most notably in customer service. The HMRC that I have just joined as Chief Executive has demonstrably improved in these areas during the last two years. In this Capability Review, HMRC provides clear evidence of what actions have been taken to improve performance, while highlighting what still has to be done and setting out the plans for doing it.

We are continuing to improve our effectiveness and efficiency in revenue collection, securing a record £468.9 billion in 2010-11 and nearly doubling the additional tax collected from enforcement and compliance activities, from £7.4 billion in 2005-06 to £13.9 billion in 2010-11. We have achieved this while reducing our workforce by a third.

Leadership capability is a critical enabler of our SR10 objectives, so enhancing leadership capability is a key priority. We have a committed Executive Committee (ExCom) which has driven improvements and progress towards delivering our strategic goals. ExCom's membership will be refreshed during the next couple of years as some senior members retire and some fixed contracts expire. Succession planning is under way to ensure a planned and orderly transition.

Within the top three tiers, we now have a streamlined and focused senior leadership cadre; by 2013 we will have slimmed down the SCS cadre by 20 per cent. We are confident that, at the most senior levels, we now have the right people performing the right roles to deliver HMRC's key strategic challenges. We will continue to ensure that our SCS are supported by sustainable skills development, and we are progressing well with selecting and supporting people in key leadership roles throughout the rest of the organisation.

PaceSetter – the set of principles, tools and techniques we use in HMRC to drive continuous improvement with a customer focus – is playing a key role in helping HMRC achieve our Spending Review commitments, by identifying and cutting wasteful processes. We are committed to having all of our staff using PaceSetter by July 2013.

We have stabilised and are improving our front-line services to customers – both individuals and businesses. Continuing to improve our customers' experience is a critical objective. We have an established, customer-centric strategy based on a deep understanding of our customers. This strategy will focus the way we work by embedding our understanding of our customers into the design of our products, processes and intervention work, so that we can deliver services and engage with customers in a way that meets their expectations and needs. We have developed a range of customer service measures to enable us both to focus attention where it is needed and to track progress against performance targets.

Our strategy will help us to protect customer service as we make the significant changes to our organisational structure to meet our SR10 commitments, shifting specialist compliance

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resource to higher-risk work and moving staff from service areas to compliance roles. Over the next three years this involves moving thousands of people – a process that is already under way – and investing in specialist work tackling avoidance, evasion and fraud. By 2015, HMRC will be smaller and more streamlined and more than half of HMRC's employees will be engaged in compliance work. We therefore have to manage the sequencing of moves across the organisation with considerable care in order to achieve and maintain service delivery standards while ensuring that we provide the necessary resources for compliance.

These three areas – strengthening leadership for the long-term, achieving and maintaining high levels of customer service and completing a major restructuring of this large organisation – are big challenges. We are confident of our ability to meet them, and to ensure that everyone in the UK pays their fair share of tax to fund essential public services.

# Foreword

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## **Mike Clasper, Non-Executive Chairman, HMRC Board**

The Board has been very involved in this Capability Review, with all non-executive directors playing an assurance role throughout the process. We provided challenge during the review and support the final report and scores.

We endorse the report's description of an organisation that is improving its performance across a range of measures, which we have seen at first hand during our Board visits to many HMRC locations. HMRC collected record revenues in 2010-11, is making the cost reductions required by the Spending Review and has made substantial progress in addressing the service failings in 2010 for which it was rightly criticised.

We accept that there are still challenges, including continuing to enhance our leadership capability, completing the major departmental restructuring and improving the experience of our customers. I am confident in the commitment of Lin Homer and her Executive team to address these challenges and demonstrate further progress over the next 12 months.

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# 1. Challenges for the Department

**HMRC has challenging Spending Review 2010 (SR10) commitments, delivering cost savings of 25 per cent, reinvesting £917 million to bring in additional revenue of £7 billion a year by 2014-15 and stabilising and improving the customer experience.**

**To achieve this, we need to stabilise our core delivery systems and achieve sustainable business delivery, while reducing our workforce to 56,000 Full Time Equivalent (FTE) roles across HMRC as a whole. This will allow us to invest in 4,500 new roles in tackling avoidance, evasion and fraud.**

**We are tasked to deliver in an environment that provides uncertainty for our people. But while we cannot control the uncertain financial climate, we will better manage the Department's reputation and address our low level of staff engagement.**

## The Department

HMRC is a large and complex business, responsible for collecting the UK's tax revenues to fund the UK's Public Services. Our customers span nearly every UK citizen and business and each day we collect more than £1.2 billion in revenue and pay out more than £109 million in benefits and credits.

As at February 2012, HMRC had some 66,700 employees (FTE) including some 3,400 on a Fixed Term Appointment, down from around 96,000 in 2005.

A record 9.45 million Self Assessment tax returns were filed on time this year (2012). The figure is up four per cent (nearly 700,000 returns) on last year and is the highest on-time filing result since HMRC was created in 2005. A new online filing record was set, with 7.65 million returns coming in through the internet – 80.9 per cent of the total.

We work closely with other government departments, for example collecting student loans, policing the national minimum wage and supporting delivery of Universal Credits, and have a strengthened relationship with HM Treasury (through a re-invigorated Policy Partnership).

We hold 80 times more stored data than the British Library (equivalent to 1.1 billion books).

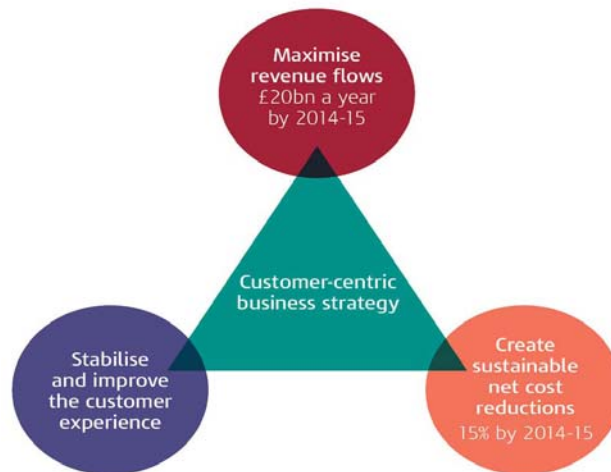
## Key challenges

HMRC plays a vital role in reducing the national deficit and bridging the tax gap. Our Spending Review 2010 settlement committed us to reinvesting £917 million of savings to bring in additional revenues of £7 billion a year by 2014-15, on top of £13 billion additional revenues to which we are already committed.

Our objectives are to maximise revenue flows, while stabilising and improving the customer experience to create sustainable cost reductions.

Our customer-centric business strategy (see Annex C) sits at the heart of the way in which we seek to deliver these objectives.

# 1. Challenges for the Department



We have three key challenges: leadership, customer service and organisational transformation.

## Leadership

- While we have a clear and coherent vision for the future of HMRC, the challenge for our leadership is to communicate this vision effectively to our people, to embed it across the organisation and to translate the vision into delivery.
- With the scale of change and workforce reduction that we are making, and issues of reform affecting all civil servants across government, there is considerable uncertainty against which we need substantially to re-engage our workforce, ensuring that they understand the customer-centric business strategy and how this secures improved business outcomes.
- We also have a challenge in restoring our reputation externally, particularly among those customers who we let down through poor services in 2010, and among stakeholders whose confidence in us has been damaged.

## Customer service

- Our challenge is to create a strong focus on our customers, stabilising and improving the customer experience and designing our products, processes and intervention work, around customer needs and behaviours.

## Organisational restructuring

- Our organisational challenge is to complete the change process and transform HMRC, refocusing our efforts and resources on enforcement and compliance activities, while protecting customer services.
- The sequencing of thousands of people moves across the organisation must be undertaken with considerable care, both ensuring that the transition does not disrupt services and that we have the right people, with the right skills, in the right roles once the process is complete.

## 2. Capability Action Plan: Findings




In 2015, although HMRC will still be one of the UK's biggest people organisations, with 56,000 employees, it will be a slimmer, more streamlined, more highly-skilled Department, with the majority of staff deployed on compliance work.

We are continuing to develop the capability of our senior leaders and our workforce to achieve high levels of performance and to execute the changes that are needed at pace. We have an ongoing challenge to win the hearts and minds of our people, so that the commitment they show in their work is matched with pride in being part of HMRC.




By 2015, our customer-centric business strategy will be further embedded in the organisation and the way we work. We will get core services right for all our customers in the areas that they care about most through consistently meeting defensible service levels. In addition, we will deliver targeted and more ambitious improvements for some specific customer groups.

We will have consistently met our service delivery targets and our customers, external stakeholders and employees will recognise the effective and efficient way in which we raise the money needed to fund the UK's public services.





### Leadership

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

### Strategy

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

### Delivery

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



## 3. Capability Action Plan: Next steps

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### Leadership

#### **We have a clear and coherent vision for the future of HMRC**

- We have maintained consistent communications on the HMRC Vision and our people increasingly have a clear understanding of our Purpose and Way. We have a succession planning process in place to refresh our Executive Team as some of the members retire. This will ensure that our senior leaders continue to work as a team at the highest level to meet the challenges of SR10.
- Integral to our organisation's succession planning is identifying and nurturing our talent across HMRC, through an accelerated talent development programme. We will be using HMRC's Leadership Framework to evaluate the technical and behavioural skills of our people as we develop our leadership capability in a more streamlined organisation.
- We are reshaping our organisational structure, reducing our management structure from 13 levels to eight, with the intention of speeding up decision-making processes and clarifying accountabilities. We have reviewed all the spans of management, halving the number of roles with management responsibility to 5,500, and have already reduced the number of SCS posts to 335. Our Non-Executive Chairman and Non-Executive Directors provide independent assurance of this process.

#### **But we still have more to do to develop our people and embed the necessary leadership skills, behaviours and values, which promote pride in our organisation and vision**

- Our employee engagement scores are still low, but we are committed to working with our people to make a difference. Increasing employee engagement is crucial, both for HMRC's long-term sustainability and in supporting the major transformations ongoing until the end of SR10 and beyond.
- Our challenge is to continue to work with our people across the organisation, to ensure there is a transparent connection between their job and the HMRC Vision. Our site-based communications initiative is already increasing visibility and connectivity between senior leaders and staff, as well as across lines of business, and we are learning many lessons directly from our front-line staff.
- We are embedding performance management and talent management processes to enhance our delivery capacity and leadership capability, in order to deliver our Spending Review objectives. An essential part of this is strengthening our approach to coaching and performance management.
- HMRC will continue to invest in developing the skills of our people to improve our capability in leadership, our core professions and the business and technical skills required to redeploy our workforce. The planned investment will ensure that our leaders, managers and our wider workforce will have the right skills to improve the customer and employee experience.

## 3. Capability Action Plan: Next steps

### Strategy

**Our strategy allows HMRC to make choices about how to design services and interventions that best influence customer behaviour, to maximise revenues and improve the customer experience at the lowest sustainable cost**

- We have an established strategy built on a deep understanding of customer behaviours, which underpinned our settlement in SR10 and helped us to make the case that reinvestment in HMRC would bring additional revenue to the Exchequer.
- To ensure that change is consistently aligned with our strategy, we are delivering our SR10 commitments through a single HMRC Change Programme.
- Segmenting our customer base allows us to target services and interventions more appropriately to their needs. For example, we are working to move our 'willing and able' customers to a low-cost, self-serve model (creating the right customer experience for their needs at the right cost for them and for us), enabling HMRC to refocus our resources on those customers who really need help or who choose not to comply.
- Our strategy is refocusing the way we work, by using evidence and customer insights more intelligently. We are committed to using customer understanding and front-line experience in making key decisions, and engaging our customers in the development of policies, products and processes. We are now testing ideas and approaches with customers, using pilots to learn and build momentum.
- Our work in successfully nudging customer behaviour, through using different types of messaging in debt letters, has been highly praised by the Cabinet Office Behavioural Insights Unit. We are now developing capability to tailor messages to more customers.
- Our CONNECT risk and intelligence capability enables us to use predictive analytics and algorithms to develop more detailed profiles and focus our resource appropriately. This underpins our new compliance intervention programme for the SR that will contribute significantly to the additional £7billion in tax revenues.
- Our successful Fraud and Error Assessment Tool (FEAST) pilot has helped prevent more than £50 million in error and fraud losses in just over 12 months. We will continue to do groundbreaking work with a credit reference agency.
- We work proactively with partners and stakeholders on a number of shared agendas, including the development of policy and tackling fraud. We are also designing our core capabilities in ways that enable their exploitation, where possible, for wider government benefit.
- We have developed a range of measures for the SR10 period, to track our performance on revenue, customer experience and cost.

**But we have a lot more to do to embed the strategy in the hearts and minds of all our people and to use our understanding of customers to inform our day-to-day decisions and choices**

- We need to do more to seek external exemplars, in particular to help us improve the speed and effectiveness with which we are embedding our strategy.
- We will continue to refine and improve our customer experience and measures to track progress.
- We need to do more to develop our people's understanding and use of the strategy, as evidence gathering and strategic planning do not yet feature consistently across the whole Department.
- We should do more to share our strategic planning findings across the Department.
- We will continue to work collaboratively across government to address cross-cutting challenges and share expertise.
- We are developing a more proactive communications strategy that will improve both how we communicate with our own people about our strategy and with customers directly, and how our reputation with stakeholders and via the media, indirectly influencing our customers' perception of us.

## 3. Capability Action Plan: Next steps

### Delivery

#### HMRC is making progress and improving its delivery

- HMRC is among the best in the world at gathering revenues, targeting groups where customer research indicates significant non-compliance to increase yield and compliance. In 2010-11 we raised £468.9 billion, an increase of £30 billion on 2009-10.
- Our tax credits error and fraud strategy has exceeded the target of £1.4 billion of losses prevented by the end of July 2011.
- We have secured agreements with Liechtenstein and Switzerland. Since its launch, the Liechtenstein Disclosure Facility has had 1,721 registrations and had received £222 million by 30 September 2011.
- There have been significant challenges in relation to large tax settlements and these are now being dealt with. We will continue to build and strengthen our governance, particularly in providing greater transparency about how we assure large tax settlements. A new code of governance – covering the range of tax settlements with HMRC customers – will be published and this will set out the processes for ensuring that appropriate challenge is built into decision-making and that the approach is even-handed.
- Through improved operational performance, debt levels have decreased steadily over the past three years and by more than £3 billion in the year to March 2011.
- HMRC is in the NAO's top quartile for developing, reporting and using performance data.
- We have brought together a number of data sources to enable HMRC more easily to identify potential tax fraud, increase yield and reduce waste.
- In the 12 months to the beginning of February 2012 our contact centres had handled 73 per cent of calls compared to a very poor 42 per cent at the same point in 2010-11.
- Performance against our service standard for post has improved across all post types during 2011-12.
- 90.4 per cent of Self Assessment returns were filed on time this year – the best result for seven years – and 80.9 per cent were filed online, up from 78.2 per cent last year.
- We have stabilised the new PAYE system (NPS) which has increased accuracy rates for PAYE tax coding to 98 per cent this year, compared to 80 per cent two years ago. We have cleared more than half of the 18 million legacy open cases from the end-of-year reconciliation exercise identified by NPS, and will complete this during 2012.
- To help meet our SR10 commitments, we are accelerating PaceSetter implementation plans to achieve universal coverage within the next 18 months and using our PaceSetter skills to re-engineer the processes behind our top tax regimes.
- We have successfully challenged suppliers over service delivery and costs, achieving improved value for money.

#### But we still have more to do to improve delivery for our customers and staff

- While HMRC has committed staff and we encourage them to come up with new ideas, we recognise that suggestions are still lost and that our staff do not consider that we manage change well.
- We are not satisfied with current levels of service to our customers, but we are in a much stronger position now than in 2010. We will continue to work to improve service levels, especially in the areas we know our customers care most about: easy access to our services and quick, accurate responses.
- HMRC is committed to all of our staff using PaceSetter as our continuous improvement programme by July 2013. By embedding PaceSetter properly, and providing transparent and well-understood performance measures, we will capture ideas from front-line staff on improving delivery and allocating resources more effectively.
- By October 2012 we will re-design the VAT end-to-end process to provide a speedier, more integrated service.
- HMRC will continue to work with DWP in the design and implementation of Universal Credit, supported by the development and delivery of Real-Time Information.

### 3. Capability Action Plan: Next steps

Area for development	Milestone	Model Element	Date
<b>Leadership</b>			
Set direction	Succession planning is under way at ExCom level to ensure continuing capability via a planned and orderly transition.	L1	Following a review we will be implementing succession plans within 18 months
Ignite passion, pace and drive	We have researched and designed an employee value proposition – One HMRC, One Deal – alongside a colleague segmentation model, to help us understand what motivates our employees and to build their connection to our organisational values and the work we do. This will underpin future HR initiatives with our staff. We need to integrate and articulate this in a way that has resonance with people’s daily work.	L2	Actions to be agreed by April 2012 then roll-out.
	We are sharing workshops and master classes entitled ‘Role of the Manager’ across HMRC, after pioneering them in Benefits and Credits. These have focused on helping managers understand their role, and how this links to the leadership behaviours and operational excellence.	L2	Now being rolled out in B&C. Sharing wider across HMRC from June 2012.
	A new site-based communications initiative involving senior staff regularly visiting our 16 key locations housing 85 per cent of our people has been started as part of a rolling programme of briefing and question and answer sessions with front-line, middle and senior managers. Issues raised are fed back and acted upon.	L2	Review of initiative complete. Actions agreed and now in roll-out phase.
Develop people	We have a robust selection process to populate our senior roles and independent assurance is provided by our Non-Executive Chairman and Non-Executive Directors.	L3	Processes agreed – ongoing implementation.
	To ensure we get the best from everyone we are developing an accelerated talent programme.	L3	Our strategic workforce plan will identify key areas to focus on by September 2012
	Leadership Strategy and Talent management. We are in the early stages of embedding performance management and talent management processes which will enhance our delivery capacity and leadership capability.	L3	Leadership Strategy & action plan to be implemented within SCS community in Spring 2012.
	We have planned senior management development over the next 12 months as part of the HMRC Leadership Strategy.	L3	Leadership Strategy & action plan to be implemented within SCS community in Spring 2012.

### 3. Capability Action Plan: Next steps

Area for development	Milestone	Model Element	Date
<b>Strategy</b>			
Strategy development and horizon scanning	<p>International benchmarking, including performance comparisons and process improvement.</p> <p>Develop our strategic choices to prepare for the future.</p> <p>Develop a new, more pro-active communications strategy that will improve how we communicate with customers, stakeholders and our people.</p>	<p>S1</p> <p>S1</p> <p>S1</p>	<p>Ongoing</p> <p>Ongoing with quarterly Ministerial stock takes</p> <p>Developed and approved March 2012; implementation ongoing.</p>
Using analysis and customer feedback to improve strategy	<p>Build operational research capability, eg through recruitment of new analysts.</p> <p>Refine customer experience ambition and underpinning measures to track progress.</p>	<p>S2</p> <p>S2</p>	<p>Ongoing to March 2015</p> <p>Initial publication in Three Year Plan by May 2012. Ongoing programme to develop in 2012-2013</p>
Embedding the strategy in the hearts and minds of our people	<p>Customer Capability project to more clearly articulate our customer ambition, identify gaps in our ability to embed a customer-centric approach in design and delivery.</p> <p>Align line of business and functional strategies with HMRC customer-centric business strategy to inform decisions and improve outcomes.</p> <p>Continue to embed the strategy by leveraging the PaceSetter network and working through the Tax and Operational Delivery professions.</p>	<p>S3</p> <p>S3</p> <p>S3</p>	<p>Recommendations by July 2012. Improvements to be completed during 2012-2013</p> <p>Ongoing with quarterly stock takes</p> <p>Ongoing with Review in summer 2012</p>
Working cross-government and involving stakeholders	<p>Building links with other government departments and taking the initiative to ensure early collaboration and common purpose.</p>	<p>S3</p>	<p>Initial engagement work has started, ongoing development</p>

### 3. Capability Action Plan: Next steps

Area for development	Milestone	Model Element	Date
<b>Delivery</b>			
Innovate and improve delivery	<p>By October 2012, we will have re-designed the VAT end-to-end process, to provide a speedier and more integrated service to allow businesses to register and obtain information about all taxes in a single visit to the website.</p> <p>HMRC will continue to work with DWP in the design and implementation of Universal Credit.</p> <p>In April 2012, HMRC will launch a pilot of the new Real Time Information (RTI) system, with employers, software developers and pension providers.</p>	<p>D1</p> <p>D1</p> <p>D1</p>	<p>October 2012</p> <p>Ongoing</p> <p>April 2012 to October 2013</p>
Plan, resource and prioritise	<p>We have identified a product and process owner for each of our main tax products and will use their expertise to improve future business planning and delivery by looking at the end-to-end customer experience.</p> <p>We are tightening the business planning process by having clear, three-year business and change plans, integrated and monitored across lines of business, to enable HMRC to meet Spending Review commitments.</p>	<p>D2</p> <p>D2</p>	<p>Ongoing</p> <p>Ongoing</p>
Develop clear roles, responsibilities and delivery models	<p>We are committed to improving policy, operational and tax professionalism through targeted recruitment, qualifications and a new Tax Academy.</p> <p>We will build and strengthen our governance, particularly in providing greater transparency about the process for large tax settlements in order to be seen to be treating all taxpayers even handedly.</p>	<p>D3</p> <p>D3</p>	<p>Ongoing</p> <p>Ongoing</p>
Manage performance and value for money	<p>HMRC is committed to all of our staff using PaceSetter as our continuous improvement programme by July 2013. Through embedding PaceSetter properly, and providing a clear line of sight for performance information, we aim to capture ideas from front-line staff on ways to improve delivery and allocate resources more effectively.</p>	<p>D4</p>	<p>Ongoing</p>

## 3. Capability Action Plan: Next steps

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### **Approach to capability management**

HMRC will use our established governance processes to support the continued development of business capability. The HMRC Change Programme provides governance and assurance of investment in approved business cases to realise additional revenues, customer benefits and efficiency savings. Governance also extends to include the tracking and reporting of efficiency savings enabled by business as usual activities, as set out in Line of Business, Chief People Officer, Chief Finance Officer and Chief Information Officer efficiency plans, such as productivity improvements enabled by PaceSetter, improvements to absence management levels, organisational design and process re-engineering. Our Finance function tests and assures performance of the organisation against our business plans.

Alongside these, our People function will continue to manage the departmental performance against this Capability Action Plan.

# Annex A: The model of capability





# Annex A: The model of capability

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## L1: Set direction

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

## L2: Ignite passion, pace and drive

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

## L3: Develop people

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

# Annex A: The model of capability

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## S1: Set strategy and focus on outcomes

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

## S2: Base choices on evidence and customer insight

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

## S3: Collaborate and build common purpose

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

# Annex A: The model of capability

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## D1: Innovate and improve delivery

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

## D2: Plan, resource and prioritise

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





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

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

## D4: Manage performance and value for money

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

## Annex B: Assessment Criteria

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

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