



Capability Review of the Department of Health

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

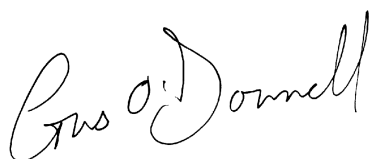
a way that uses what works for customers and providers. These are the themes of the Capability Reviews.

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 of Health (DH), without whom this report would not have been possible. The members of the team were:

- Margaret Aldred, Director General, Cabinet Office
- Mike Clasper, Non-Executive Director, ITV plc and former Chief Executive, BAA plc
- Mark Lowcock, Director General, Department for International Development
- Keith Satchell, former Group Chief Executive, Friends Provident plc
- Rob Whiteman, Chief Executive, London Borough of Barking and Dagenham

This report is just the beginning. The real challenge for DH 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 DH is on track to deliver.



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

June 2007

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The Department's response

The Permanent Secretary, the NHS Chief Executive and the Chief Medical Officer have jointly responded to the findings of the review and have identified four key strands of action. They will work together closely to deliver the required outcomes. The Cabinet Secretary will use these to hold the Permanent Secretary to account on progress.

Response from the Permanent Secretary, the NHS Chief Executive and the Chief Medical Officer

This Capability Review could not have been better timed for the Department of Health (DH). It brings a valuable set of external insights to bear on the issues we knew we had to address as we built new leadership arrangements for the Department and planned the next phase of our journey. It will add focus and momentum to our work to ensure DH is best equipped to play its part in leading and shaping the health and care systems and will help us articulate a clear and distinctive role for the Department for the future.

We especially welcome the report's recognition of the commitment and expertise of our staff. We believe DH has a unique blend of experience and talent, drawn from many backgrounds. Our staff are highly motivated and values-driven. And as the report demonstrates, they can be proud of the progress achieved on many fronts:

- in leading delivery of service improvements and better outcomes for service users in the NHS and social care;
- in rising to public health challenges such as smoking and the flu pandemic;
- in developing new approaches to a more devolved system of health and care delivery, supporting locally responsive services;
- in working with the NHS to achieve financial balance in 2006/07, achieving an unprecedented scale of turnaround; and
- in promoting research excellence.

Our blend of staff and range of achievements reflect the Department's unique role as both a Department of State covering the full breadth of policy on health and care, and as the effective headquarters of the National Health Service (NHS), with the very direct public and parliamentary accountability that this brings.

As we note in our self-assessment for the review, and as the Capability Review itself confirms, this strong outward focus has at times been at the expense of clear and consistent leadership for the Department itself. We have asked a great deal of our staff at a time when numbers have been falling, the pressure to deliver has been great, and the strategic landscape has been changing fast. They have responded remarkably. But we know that there have been times when they have struggled to see a clear identity for the Department itself and to understand the changing expectations placed on them. Our stakeholders, too, have pressed for greater clarity and engagement.

After a year of transition, the new leadership arrangements now in place in the Department create a stronger platform for the future. We are now better placed to offer leadership both to the health and care systems and to the Department itself. We have already begun work on this and have shared our developing thinking with the review team. This report is timely in spelling out the challenges for the next phase.

1. Direction and role

We accept the review's challenge to set out clearly and urgently:

- the direction of travel for the NHS, social care and public health systems and what this means for the Department of Health;
- the 'business models' governing the way in which the Department will work with these systems to promote improved outcomes for service users; and
- what the direction of travel and the business models mean for:
 - the work the Department should do; and
 - the way in which we should do it.

We are committed to a process of engagement with staff and stakeholders in the health and social care system, to build a sense of common purpose and future direction to set alongside the plans and priorities being developed through the Department's work on the Comprehensive Spending Review (CSR) – which the review team has commended. Together these will establish a high-level framework for achieving better health, better care and better value. In parallel, we will work on our ambition to be a better Department of State. Work to clarify our business models and to articulate what these mean for the role and work of the Department has also begun.

We shall bring these strands together in the autumn to shape the direction for the health and care system and to provide a robust framework for the Department's business plan for 2008/09.

2. Alignment for a better Department of Health

Our work on direction setting will help us to re-articulate the distinctive role of the Department. We shall then need to ensure that our leadership and governance arrangements, our business processes and our corporate behaviours, are all fully aligned within this.

We shall review and clarify our formal and informal governance arrangements, including:

- individual director general accountability; and
- the role of the Departmental Management Board and its supporting boards and committees.

We shall also work with colleagues to reinvigorate our Senior Leadership Team (SLT), which brings together all directors general and directors, to develop this further into a strong leadership coalition for the Department.

We shall also build on the recent improvements in the Department's business processes, to ensure that:

- our business plan is developed and tested against the strategic direction and framework;
- our new policy governance processes are systematically embedded, to strengthen evidence-based policy making and implementation planning;
- we strengthen the role of the policy committee in prioritisation across the Department's policy portfolio, ensuring individual strands of work are properly positioned within the wider strategic framework;
- there is greater focus on shared objectives and interdependencies, across the Department and across government, and that our business processes address these; and
- risk management is fully embedded in our corporate governance and in individual accountabilities.

Together, these arrangements will ensure greater coherence and consistency in the work and management of the Department and in support for ministers.

3. Supporting our staff to succeed

We welcome the challenge to deliver a comprehensive staff development programme, and to address the specific capability and skills issues identified in the review. Many elements of this work are in place but we will sharpen and raise its profile. And we shall put in place a comprehensive organisational and staff development programme to support the response to this review.

4. A new approach

It could not be clearer – both from the report and from our self-assessment – that how we go about these improvements will be as important as what we do. This review has shone a spotlight on the need for the Department to raise its game on staff engagement and corporate leadership.

We are already taking some steps in response to messages from staff surveys. Within DH, we have consulted and agreed on a set of change principles which will now guide our response to this review.

The Department's SLT has also developed, and consulted staff on, a set of corporate leadership behaviours. The SLT has agreed that these should be included in the objectives of every member of the SLT and be reflected in 2007/08 performance assessments and in performance related pay.

As we re-articulate the Department's future role and ways of working, we shall work with staff on a fuller expression of our values and corporate behaviours and on the ways in which we can live out these more fully and consistently, right across the Department and in our relations with our stakeholders.

The commitments we are making are fundamental to the role of the Department, what we do and how we do it. Over time they will begin to shape a new culture for DH. This is not about an add-on programme but about building improvements into our mainstream business processes and doing that in a way which engages our staff and values their input.

We shall publish a full action plan in July with clear timetables and deliverables built around the areas for action identified by the review team and the response we set out here. But we are already clear that the touchstone for success will be how our staff and stakeholders feel about the Department and the way it treats them.

We welcome this report and the challenges it offers. We know we owe it to our staff, our stakeholders and to the public we serve to meet these challenges. This is our personal commitment to do so.



Hugh Taylor
Permanent Secretary



David Nicholson
NHS Chief Executive



Liam Donaldson
Chief Medical Officer

June 2007

1. The Department

The Department of Health's goal is to improve the health and well-being of the people of England. It sets policy on all health and social care issues and is also responsible for protecting and promoting the health of the public, ranging from preparations for a flu pandemic to preventing childhood obesity. It acts as the headquarters of the National Health Service (NHS) in England.

The Department of Health's aim is to improve the health and well-being of the people of England. It sets policy on all health and social care issues, including public health matters. The Department is responsible for ensuring provision of a comprehensive health service through the NHS. It also leads on action to address major health and lifestyle problems (such as obesity, smoking, drug misuse, physical inactivity and high blood pressure) that impact on people's health and on future risk of chronic illness and premature death, and to tackle related health inequalities. The Department's work on health protection includes planning for future risks such as pandemic flu and the threat of a bioterrorist attack.

The Department works closely with diverse stakeholders, including:

- NHS bodies and social care organisations;
- patient, user and carer groups;
- a range of professional, staff and other stakeholder bodies;
- government departments, local authorities and other local agencies; and
- the independent sector, including voluntary and community bodies.

The Department is accountable for spending over £90bn on the NHS in 2007/08. Through the NHS, it delivers services to some 1.5 million people and their families each day through 1.3 million staff in 361 local organisations, thousands of GP practices and other primary care services. It influences a further £12.5bn of spending through local authorities on adult social care, providing services to around 1.7 million service users, most of whom are older people.

These responsibilities mean that the Department and its leadership team have demanding and distinct system-wide leadership roles in addition to their direct responsibilities for the Department, its work and its people. The Department's role gives it a high public profile, subject to constant scrutiny by Parliament and the media, both on policy and service delivery and on the day-to-day personal experiences of the service users, their families and the people who provide those services.

The Department sets national standards, policy and priorities for the NHS and manages the performance of the 10 Strategic Health Authorities (SHAs) through the NHS Chief Executive. The SHAs lead local planning exercises to ensure that national priorities are met within resources, and are also responsible for managing the performance of Primary Care Trusts (PCTs) and NHS Trusts, but not NHS

Foundation Trusts. There are 152 PCTs responsible for GPs, dentists, opticians, pharmacists, walk-in centres and community services and for commissioning other health services from NHS Trusts and other providers. There are 176 Acute NHS Hospital Trusts, 62 of which have been conferred Foundation Trust status (meaning they are not subject to direction from DH but are locally accountable), 74 Mental Health NHS Trusts (three of which are NHS Foundation Trusts) and 13 Ambulance NHS Trusts.

The Department has two executive agencies. The Medicines and Healthcare products Regulatory Agency (MHRA) safeguards public health through regulating medicines and medical devices. It has around 850 staff and, as a government trading fund, most of its expenditure – around £80m in 2006/07 – is funded from fee income from pharmaceutical companies. The NHS Purchasing and Supply Agency (PASA) ensures that the NHS in England makes the most effective use of its resources when purchasing goods and services. It employs about 270 people and had a total expenditure of £28.5m in 2006/07.

The Department operates through a number of arm's length bodies, such as Monitor and the National Institute for Health and Clinical Excellence (NICE). These organisations regulate the health and social care system, improve standards, protect public welfare and support local services. The Department is midway through a rationalisation programme to reduce the number of arm's length bodies from 38 to 19.

There are also strong European and international elements to the Department's work, including action to promote and exploit research and development in all aspects of health, and management of the relationship (as regulator, customer and sponsor) with the pharmaceutical and wider life science industry in order to get the best outcomes for health.

The Department employs over 2,300 people and its running costs in 2006/07 were £240m. Its headquarters staff are located in Leeds and London. It also has a public health team co-located within each of the Government Offices in the English regions. Each team is headed by a regional director of public health, who also acts as director of public health in the relevant NHS SHA.

In March 2006, the then Permanent Secretary and NHS Chief Executive retired and subsequently the decision was taken to split the role of Permanent Secretary and NHS Chief Executive, which had been combined since November 2000. The Permanent Secretary leads the Department as a whole, while the Chief Executive leads the NHS and is also chief adviser to the Secretary of State on NHS matters. The Chief Medical Officer leads on public health matters and is chief professional adviser to ministers and across government on public health and medical matters.

A Departmental Management Board (DMB) supports ministers in developing strategy for the health and care system and overseeing its implementation. The

DMB has 17 members, including the Permanent Secretary, the NHS Chief Executive and the Chief Medical Officer, 11 directors general and three non-executive directors. The Secretary of State regularly attends part of the meeting. Several committees underpin the DMB: the NHS Management Board; the Corporate Management Board; the policy committee; the finance committee; the senior pay strategy committee; and the audit committee. The NHS Management Board is chaired by the NHS Chief Executive. It provides leadership for the NHS and ensures that NHS performance and financial delivery are on track. The Corporate Management Board is chaired by the Permanent Secretary and is responsible for the internal running of DH.

The Senior Leadership Team is a forum used for communications with, and the engagement of, senior staff. It comprises all of the Department's directors general and directors, including national clinical directors and regional directors of public health.

2. Current delivery challenges

The Department has eight Public Service Agreement (PSA) targets set out in the Spending Review of 2004. DH has made significant progress towards achieving most of its PSA targets. DH has also had some other significant successes. The Department is on track to achieve its Gershon efficiency savings target and its headcount reduction and Lyons relocation targets.

The Department has eight PSA targets set out in the Spending Review of 2004.

1. Improve the health of the population. By 2010, increase life expectancy at birth in England to 78.6 years for men and 82.5 years for women. The target is underpinned by more detailed sub-targets for coronary heart disease, cancer and suicide.
2. Reduce health inequalities by 10 per cent by 2010 as measured by infant mortality and life expectancy at birth.
3. Tackle the underlying determinants of health and health inequalities. This is underpinned by more detailed sub-targets for smoking, childhood obesity and reducing teenage pregnancy.
4. Improve health outcomes for people with long-term conditions by offering a personalised care plan for vulnerable people most at risk; and reduce emergency bed days by 5 per cent by 2008, through improved care in primary and community settings for people with long-term conditions.
5. Ensure that by 2008 no one waits more than 18 weeks from GP referral to hospital treatment.
6. Increase participation of problem drug users in drug treatment programmes by 100 per cent by 2008; and increase year on year the proportion of users successfully sustaining or completing treatment programmes.
7. Secure sustained annual national improvements in NHS patient experience by 2008, as measured by independently validated surveys.
8. Improve the quality of life of vulnerable older people by supporting them to live in their own homes where possible.

DH has made significant progress towards achieving most of its PSA targets.

The Department is either ahead of its planned trajectory for, or is on track to deliver, 12 of its 19 PSA sub-targets. Encouraging progress is being made on a further four. Two sub-targets are challenging and one is still at an early stage of development.

- Sub-targets for cancer inequalities, long-term conditions and drug treatment participation have been met early.
- Performance is on course or ahead of trajectory for heart disease and cancer mortality, heart disease inequalities, reducing adult smoking, 18-week waits, drug treatment effectiveness, patient experience and supporting older people to live at home.

- There has been encouraging progress in increasing life expectancy at birth, reducing mortality from suicide, reducing smoking in specific population groups and reducing teenage pregnancy.
- The targets for reducing health inequalities are challenging, although the Department is on track to narrow the gap by 2010 for either males or females, or both, in some 60 per cent of the most deprived areas in England.
- Work to address childhood obesity is still at an early stage.
- There is also an additional non-PSA target on hospital-acquired infections, requested by the then Secretary of State in 2002. The target is to halve the number of MRSA bloodstream infections by 2008. Although progress has been made in reducing the number of infections, the pace of the reduction needs to quicken in order to deliver the target.

DH has also had some other significant successes.

The Department can point to a continuing programme of rapid NHS expansion and modernisation as well as achievements on other fronts. These include:

- Increases in capacity: over the past decade the number of doctors and dentists has increased by 38 per cent, the number of nurses by 27 per cent and the number of allied health professional and scientific staff by 40 per cent.
- Delivery of new hospitals: the NHS Plan target of 100 new hospital schemes by 2010 has already been surpassed.
- Service delivery improvements: the introduction of walk-in centres and NHS Direct (a 24-hour telephone helpline and online advice service); the delivery of more care closer to home, through new facilities such as community hospitals, and through redesign of care pathways; the implementation of a range of new information systems and services through NHS Connecting for Health, including electronic booking, electronic prescribing and digital X-rays; and the successful introduction of the European health insurance card, which allows UK residents travelling in most European countries to show they are entitled to treatment.

However, the pace of change has led to concomitant difficulties, which the Department has had to tackle. For instance, during the course of the Capability Review, strains emerged in the relationship with clinicians over the recruitment and selection process for junior doctors.

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

- The Department achieved £4.9bn of efficiency savings between April 2004 and March 2007, 75 per cent ahead of its 2008 target and some £500m ahead of its planned trajectory.
- By December 2006, the Department had achieved a reduction of 650 posts against its target of 720 by 2008. It has already relocated 594 posts against its Lyons commitment of 1,020 relocations by 2010. It remains on track to meet both of these targets.

3. Challenges for future delivery

The Department will face the challenges brought about by demographic changes in the UK. Technical and medical advances, as well as globalisation, will offer new opportunities but also generate new cost pressures. The Department's leadership role will need to change as the move to a more devolved health and social care system continues. Increasingly, the Department will need to work closely with other service providers to deliver its agenda.

Although the Department has a record of real achievements in the recent past, it faces a stretching and complex set of challenges ahead, which will have to be addressed in the context of reduced running costs for the Department, as resources are focused on the front line.

The Department will face the challenges brought about by demographic changes in the UK.

The population is ageing. The number of people aged over 85 in the UK is set to increase by two-thirds by 2025. This will increase the challenge of dealing with chronic disease – already accounting for 80 per cent of GPs' time and 80 per cent of hospital bed days. Ensuring that more years are lived in good health is the single biggest challenge faced by health and social care. Demographic changes also affect patterns of informal delivery of care through family and other support networks and have implications for the labour market for care. Direct care provision is labour-intensive and will require more staff, leading to increased pressure on supply and the skills base of direct care in the future. The Department will be faced by the challenges of ensuring sustainable services and funding plans for health and social care, and of working across government on the needs of the growing elderly population.

Technical and medical advances, as well as globalisation, will offer new opportunities but also generate new cost pressures.

Advances in technology and medical science will open up new opportunities – and with them public expectations – but also create new cost pressures. The Department has already laid the foundations to establish the NHS as an internationally recognised centre for research excellence, by implementing the research strategy, Best Research for Best Health, and establishing the National Institute for Health Research, which will identify opportunities to improve health as well as generating economic benefits. The long-term leadership strategy developed by government and the pharmaceutical industry creates a framework to improve outcomes for patients while strengthening the environment for industry in the UK. But there is much to do to realise the full benefits of these initiatives.

The Department's work with and through European and world health organisations to influence and determine global approaches to shared problems will also become

more important. Ensuring that the NHS and other key players can respond to international health threats, will remain of the highest importance.

The Department's leadership role will need to change as the move to a more devolved health and social care system continues.

The Department needs to lead the next stages of transition in the NHS from top-down performance management to locally driven healthcare systems. This will require strong and strategic system leadership, management and development; further action to strengthen the NHS's financial position and improve productivity; and the strengthening of clinical leadership to promote staff engagement on quality, safety and delivery of personalised services. The Department will also need to be able to explain to, and engage with, taxpayers, service users and staff as the programme of reform progresses.

In social care, too, the Department will need to lead work to strengthen users' ability to shape the system; increase capability in planning, commissioning and delivering services; encourage more flexible, responsive and efficient services; and ensure performance, inspection and regulation systems focus on delivery of better outcomes for service users.





Increasingly, the Department will need to work closely with other service providers to deliver its agenda.

The health risks of modern lifestyles are already having consequences for the NHS. For example, almost 13 million adults in Britain are expected to be clinically obese by 2012 and the NHS is already seeing consequential rises in the incidence of stroke, heart disease and type 2 diabetes. The Department will need to work in closer partnerships with other organisations to meet these challenges and to make its full contribution to broader social policy. This will require a first-rate strategic and analytical approach, including a better understanding of the relationships between health, economic and other factors, as well as delivery expertise appropriate for this wider environment.




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 'plan, resource and prioritise' and 'manage performance'.
- Four elements were assessed as a 'development area'. These were 'take responsibility for leading delivery and change', 'build capability', 'build common purpose' and 'develop clear roles, responsibilities and business model(s)'.
- Three elements were assessed as an 'urgent development area'. These were 'ignite passion, pace and drive', 'focus on outcomes' and 'base choices on evidence'.
- There was one area of 'serious concerns'. This was 'set direction'.




Leadership

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

Strategy

S1	Focus on outcomes		Urgent development area
S2	Base choices on evidence		Urgent 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)		Development area
D3	Manage performance		Well placed

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

5. Capability Review findings

Leadership

Leaders are driving system reform and delivery in the NHS based on government priorities. Having led the Department through a difficult period of transition, the Department's new top leadership are creating a stronger platform for the future. Equally, the quality of professional expertise in several areas of the Department is highly regarded. However, the scale of challenge remains great and the Department has not yet set out a clearly articulated vision for the future of health and social care and how to get there. The leadership attention devoted to the 2,300 staff in the Department charged with leading the health and social care system has not been sufficient. The Department too often operates as a collection of silos, and corporate governance structures are not as effective as they need to be. There are some skills gaps, and mechanisms to address future skills needs are not yet fully in place.

Leaders are driving system reform and delivery in the NHS based on government priorities.

- Since 2000, the Department has driven NHS delivery centrally, focusing on clear targets and using some innovative methods such as multi-disciplinary teams to meet them.
- The Department is now making significant progress against the trajectory of National Health Service modernisation outlined in the NHS Plan.
- It has been taking forward a significant programme of reform to the health and care system designed to give people more choice and control over their care and treatment, using a range of demand- and supply-side reforms, underpinned by payment by results to ensure money follows the patient, and a more effective regulatory system to guarantee safety and promote quality.
- At the same time, the Department has overseen a streamlining of the NHS, rationalising and refocusing the roles of SHAs and PCTs.
- The Department led a successful financial recovery programme in 2006/07.

Having led the Department through a difficult period of transition, the Department's new top leadership are creating a stronger platform for the future. Equally, the quality of professional expertise in several areas of the Department is highly regarded.

- The new Permanent Secretary, the new NHS Chief Executive and the Chief Medical Officer are well regarded by staff and stakeholders and have complementary skills that provide a good leadership platform for the Department. The Department has also been successful in its recent appointments to the Departmental Management Board of credible individuals with management experience.
- The appointment of a Director General for Social Care has been widely applauded and he is already seen as making a mark in raising the profile of social care in the Department.

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- The Department has a history of changing the shape of its workforce. For example, it has recruited staff with specialist expertise, such as NHS clinicians and managers, researchers and accountants, who have provided operational insight and understanding of the complexities of the NHS system.
 - In some areas, particularly in medical and scientific research and development, the Department possesses expertise and professional skills that are world class. The Department takes a leading role in international health issues and is highly influential in the World Health Organization and in Europe.

However, the scale of challenge remains great and the Department has not yet set out a clearly articulated vision for the future of health and social care and how to get there.

- There is currently no single clear articulation of the way forward for the whole of the NHS, health and well-being agenda. Consequently, staff and stakeholders are unclear about the vision for health and social care and feel little sense of ownership of it.
- The pace at which change has been implemented has led to a sense of disenfranchisement among staff and delivery partners.
- In the absence of a clear direction, and given the intense day-to-day public scrutiny of its activities, events can distract the Department from longer-term thinking.
- The Comprehensive Spending Review 2007 will provide an important opportunity to articulate the future direction. For the Department itself, this includes greater clarity about its role as a Department of State.

The leadership attention devoted to the 2,300 staff in the Department charged with leading the health and social care system has not been sufficient.

- DH staff are generally passionate and committed to improving health outcomes and their own work. They have a strong public service ethos, but corporate behaviours are weak and there is a limited sense of working together to achieve a collective purpose.
- DH staff are generally positive about their own teams, but less so about the Department as a whole. DH staff morale is low. In a recent staff survey a quarter of respondents said they felt valued as an employee of the Department.
- Internal management should be strengthened and directors general need to be more visible, engaging with staff at all levels. Staff survey results reveal that few respondents considered that the Department as a whole was well managed.
- The high proportion of staff drawn from the NHS and other non-civil service backgrounds combined with a number of restructuring exercises have contributed to a sense that the Department lacks its own culture distinct from that of the NHS or a set of behavioural values that are common to all DH staff and which drive a positive culture. This further exacerbates the lack of sense of the Department as a corporate entity.

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- The new leadership arrangements in DH, with a Permanent Secretary post focused on DH itself, create an opportunity to respond to these concerns and it is important that this opportunity is seized.

The Department too often operates as a collection of silos, and corporate governance structures are not as effective as they need to be.

- The Department too often operates as a collection of silos focused on individual activities. The Departmental Management Board is large and its role is not yet clear enough.
- There has been significant development of the boards and committees that support the DMB. However, there is further to go to translate them into fully effective decision making fora. Nor are governance arrangements yet well understood across the Department.
- The establishment of the Senior Leadership Team represents progress but it has further to go to function as a corporate group. It has acknowledged the need to role-model corporate behaviours consistently, and must now follow through on this.
- Individual accountabilities at the most senior levels are not clearly defined, although recent steps to clarify this, particularly in specifying the senior NHS roles, are welcome.
- The Department has managed internal change poorly, placing too great a focus on structural change and headcount reductions. In the latest staff survey, very few respondents considered that change was managed well in the Department.

There are some skills gaps, and mechanisms to address future skills needs are not yet fully in place.

- There are shortages of some skills, for instance in economic analysis and modelling, commissioning, policy analysis and supporting ministers.
- The approach to the training and development of DH staff needs attention to ensure it is aligned with organisational needs.
- Arrangements for talent management, succession planning and managing poor performance also need to be strengthened.

Strategy

Operational priorities for the NHS are clear and well understood, and there is evidence of some good engagement with clinicians, front-line staff and other stakeholders. Success in delivering key outcomes has been based on evidence drawn from research, analysis and national and international best practice. Policies are not well integrated and there is inconsistent prioritisation across the full range of the Department's responsibilities. DH has not been consistent in its use of evidence in policy making and in its consideration of how to implement policies. Many stakeholders feel strongly that the Department does not listen enough to them.

Operational priorities for the NHS are clear and well understood, and there is evidence of some good engagement with clinicians, front-line staff and other stakeholders.

- There is wide recognition and understanding of the key delivery priorities set out in the NHS Operating Framework for 2007/08, reflecting some PSA targets. The framework has been well received by stakeholders in the NHS.
- The Department has taken steps to strengthen its engagement with stakeholders at national level in the creation of a National Stakeholder Forum and of a Social Partnership Forum with NHS trade unions. More widely, it has developed good relationships with the pharmaceutical industry. Equally, it has been successful in engaging with clinicians and front-line staff in specific areas, such as cancer and heart disease, through the appointment of national clinical directors or 'tsars' and the use of clinical networks.
- There are some good examples of the Department working in collaboration with front-line staff to develop policy, such as the clinical reference groups which supported the development of national service frameworks and the Payment by Results Clinical Advisory Group. The consultation '*Your Health, Your Care, Your Say*', a major public listening exercise in preparation for a new White Paper (*Our Health, Our Care, Our Say*) on community health and social care, has received much praise for its breadth and depth of engagement.
- Some innovative work has been done on creating a new infrastructure for oversight of the health and social care system, such as the creation of the National Institute for Health and Clinical Excellence (NICE) and the Health Protection Agency.
- The Department has had some successes in working with other government departments, for example with the Home Office on healthcare for prisoners.

Success in delivering key outcomes has been based on evidence drawn from research, analysis and national and international best practice.

- During 2006, the Department established a policy and strategy directorate to equip it to lead a major system-wide reform programme, as well as to oversee

policy across a wide-ranging agenda and to ensure an evidence-based approach to policy making across the Department. The directorate is highly regarded by stakeholders inside and outside the Department.

- Good use of the evidence base for best practice and what works has been key to the delivery of reduced waiting times, the national service frameworks on clinical priorities and in reducing, progressively, levels of healthcare-acquired infections.

Policies are not well integrated and there is inconsistent prioritisation across the full range of the Department's responsibilities.

- The Department has a clear set of PSA targets and numerous policy lines in support of them. However, a strategic framework that brings coherence to the breadth of the Department's continuing activity is needed to ensure greater order in the way in which policies are implemented.
- The Department must have a transparent and effective mechanism through which trade-offs can be made and priorities decided in line with the Department's objectives.
- Policies tend to be developed in organisational silos and cross-boundary integration issues are not routinely thought through. Sometimes insufficient attention is paid to the impact these issues will have on delivery agents. This has resulted in tensions between individual well-intended policies emerging during implementation.
- Many stakeholders in the NHS and beyond feel that the Department generates too many initiatives without properly considering the interactions or offering any clarity on prioritisation.
- The Department's strong NHS focus has sometimes been at the expense of close and effective working with other departments.

DH has not been consistent in its use of evidence in policy making and in its consideration of how to implement policies.

- While progress has been made, the Department's capacity and capability to formulate strategy for the system as a whole, based on effective modelling and analysis of the interactions of different policies, remain fragile.
- Not all parts of the Department are confident in the use of economic and social analysis and evidence to support policy making.
- Sufficient emphasis is not always placed on planning how policy will be implemented, particularly outside the main priority areas. Stakeholders are not always engaged in implementation planning, making it less likely that risks are identified and managed effectively.
- Although there are some examples of successful evaluation of projects, there is little evidence that the Department has a systematic process for learning from past experience. Equally, there is mixed feedback on the Department's ability to deploy and learn from pilots.

- The Department's horizon-scanning capability is considered weak by both internal and external stakeholders. This will be a key skill for the future when more responsibility will be devolved to local NHS organisations.
- The weaknesses in aspects of the Department's policy making have diminished the quality of briefing to ministers in some areas. The Department recognises these weaknesses and has started to rectify them.

Many stakeholders feel strongly that the Department does not listen enough to them.

- Relationships with staff groups in the delivery chain, including clinicians, are strained.
- The recent difficulties with Modernising Medical Careers (MMC), including the loss of confidence in the recruitment and selection process for junior doctors and the associated IT application system (Medical Training Application Service, MTAS), have exacerbated these strains.
- There is a need for more consistent engagement between the Department and front-line staff, enabling them to make an effective contribution to the development of policy and build common ownership of outcomes.

Delivery

The Department has secured some significant delivery achievements of which it can be proud. DH has strengthened its planning and resource management capabilities, making significant progress in tackling NHS deficits. DH's business model for the delivery of its future agenda is not yet clearly articulated.

The Department has secured some significant delivery achievements of which it can be proud.

- The Department is delivering most of its PSA targets, including on fundamental indicators such as life expectancy. There has, for example, been a rapid reduction in NHS waiting times and there are now significantly improved mortality rates for cancer and chronic heart disease.
- These delivery achievements are not confined to services in the NHS. Many more people are being supported to live at home, rather than in residential settings, and the Department has reduced emergency bed days by more than 5 per cent through improved care in the community ahead of the 2008 target date. In addition, other achievements, such as the implementation of smoke-free legislation, will be important to the future health of the nation.
- The Department's capability to manage and track performance across the NHS system is impressive and central to the successful delivery of targets. It has found ways to collect and analyse real-time data from the NHS.

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- This has allowed it to grasp performance issues firmly and respond swiftly, where necessary. There have been notable successes in identifying and deploying appropriate interventions at a local level, such as in the use of turnaround teams in underperforming accident and emergency departments.
 - The Department has made great strides in improving its responsiveness to customer contacts. For example, timely responses to correspondence rose from 29 per cent to over 90 per cent between 2002 and 2006. The Department's customer service centre now deals with over 250,000 contacts a year, including phone calls and emails, and is seen as a good practice model within Whitehall.

DH has strengthened its planning and resource management capabilities, making significant progress in tackling NHS deficits.

- During 2005/06, problems emerged over reported deficits in the NHS, leading to an annual deficit of £547m, which equates to 0.7 per cent of NHS revenue spend. During 2006/07, a framework for recovery was put in place, financial discipline was strengthened and overall financial balance was achieved in that year, with a reported surplus of some £500m, an unprecedented scale of financial turnaround in the NHS. The improved financial position provided a platform for reforms to the financial regime for NHS Trusts in March 2007, to establish a fairer and more transparent regime for the future. The NHS is now in its strongest financial position for many years.
- Further, DH has sought to strengthen the link between finance and performance in the NHS through the creation of the NHS finance, performance and operations director general post.
- The preparatory work for the Comprehensive Spending Review of 2007 is an encouraging example of the linking of strategy and resource allocation in order to target the areas that will make the most impact. It has been well received by stakeholders within government.
- The Department has launched a new business planning process that has brought greater consistency and clarity to the allocation of resources, and a way of aligning departmental activity with strategic priorities.
- The Director General for Finance is well regarded by stakeholders.
- The Department is on track to deliver its Gershon efficiency savings and Lyons relocation targets.

DH's business model for the delivery of its future agenda is not yet clearly articulated.

- Roles and responsibilities for the NHS and their relationship with DH's wider responsibilities are not currently defined clearly enough within the Department. Ministers, the Permanent Secretary, the Chief Executive of the NHS and the Chief Medical Officer all recognise this need and are responding to it.

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- More generally, accountabilities are not clearly defined at individual, functional or collective levels, both inside the Department and amongst its arm's length bodies. However, the Department is rationalising and reshaping its arm's length bodies, to enhance their effectiveness and release resources to the front line, and this should help.
 - The Department's best current performance has been achieved by using the most direct levers in the acute sector. In the more devolved delivery model of the future, the Department will have fewer direct levers with which to influence its delivery chain. The Department has made good progress in putting in place its reforms to the health and care system and there is evidence from the field that these reforms are beginning to have the intended impact. Stakeholders are, however, unclear about the changes that are needed, and the extent of these changes is considerable.
 - Management of risk across the delivery chain is weak. There is no formal linkage between risk registers and mitigation strategies held by the Department and those in the delivery chain.

6. Key areas for action

The Department of Health Senior Leadership Team has an important opportunity to build on its recent successful delivery by developing a vision that is owned and understood by staff and stakeholders, being more consistent and robust in strategy, clarifying accountabilities and better leading the 2,300 staff in the Department. The Capability Review identified six key areas for further action to enable the Department to deal effectively with the challenges ahead.

Area for action 1 – establish a vision for improving health, health services and well-being that is clearly understood, widely owned and the primary focus for the whole of the system

- The Department needs to outline a clear vision for staff and stakeholders.
- It should do this by constructing a credible picture of how the whole system will make improving health and well-being its primary focus in the future. This should encompass all of its responsibilities and not just the NHS.
- Once the picture is understood, the Department should develop a clear plan of how the vision will be realised.
- There should be concerted communication – externally and with staff – about the future picture and the nature of the changes needed to get there.
- Effective action in this area is essential if the Department is to make significant progress. Engaging staff and stakeholders, as well as ministers, will be crucial for success.

Area for action 2 – the Senior Leadership Team must build and role-model a corporate culture that is consistently manifested in the behaviours of staff at all levels of the Department

- The Department needs to develop its own corporate culture, which is recognisable and lived throughout the organisation.
- The Senior Leadership Team must articulate a set of values and behaviours that they must collectively adopt and role-model without exception.
- The Permanent Secretary, the NHS Chief Executive and the Chief Medical Officer should adopt a zero-tolerance approach to ensure that these values are lived and demonstrated by the leadership team.
- The Senior Leadership Team must embed the departmental values amongst staff to make them an effective framework that underpins the thinking and ways of working of staff.

Area for action 3 – articulate a robust strategic framework and embed an evidence-based approach to inform policy choices

- The Department needs to develop a robust strategic framework that builds a bridge between its vision, its PSA targets and individual policy lines.

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- This clearly articulated strategic framework will enable the Department to manage better the integration of policy and to incorporate new policies.
 - The framework should be underpinned by business processes that allow effective setting of policy and business priorities, decision taking across the full range of the Department's policy responsibilities, and allocation of resources to priorities in alignment with the departmental vision.
 - The Department must move to a more rigorous culture of evidence-based policy making with greater account taken of dependencies within DH, across government and with external organisations.

Area for action 4 – lead people better, develop their mix of skills, nurture their talent and manage performance to improve the Department's effectiveness

- The Department needs to harness the innate commitment and enthusiasm of staff through better people management. Senior management must collectively work to raise departmental morale as a matter of urgency.
- It should in its working practices seek to deploy and develop staff to share and make best use of delivery experience, policy making skills, and specialist scientific and technical skills.
- Current skills gaps should be filled. In particular, the Department must ensure it has sufficient analytical capability, policy making skills and capability to support ministers.
- The Department needs to improve its performance and talent management, introducing and actively using improved processes to nurture individuals in the Department.
- The Department should establish and apply a consistent approach to managing change internally and externally.

Area for action 5 – clarify and articulate roles, responsibilities and accountabilities and strengthen departmental governance structures and processes

- The Department needs to be clear about the roles and responsibilities of individuals and functions within the Department. In particular, it needs to ensure that accountabilities are established.
- This should include being clear about roles and responsibilities for the NHS and its relationship with DH's wider responsibilities.
- Clear accountabilities need to be cascaded throughout the Department and through its delivery chains. This should pervade the whole system and be visible at a local level.
- Once accountabilities are clear, the Department should follow these through in revised membership and terms of reference for the DMB and its various committees.

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- One area of focus in clarifying accountabilities should be the approach to providing a consistently high quality of support and advice to ministers.

Area for action 6 – improve the Department’s capability for planning the implementation of policy

- The Department needs to develop processes for ensuring the robustness and consistency of the Department’s policy implementation planning.
- It should ensure delivery partners and stakeholders are consistently engaged earlier in the development of policy implementation plans.
- It should also ensure that risks are identified, owned and managed to minimise the likelihood and impact of problems in delivery. This risk analysis should encompass the impact on other DH policies and on the interests and behaviours of internal and external stakeholders.

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.)

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