



Department of Energy and Climate Change: Baseline Assessment

Foreword

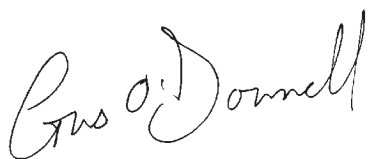
The purpose of Capability Reviews is to use honest and robust assessments of future capabilities to identify the specific measures that are needed if government departments are to play their part in enabling the UK to meet the considerable challenges of the future.

In a world of new technologies, climate change, security threats, migration and huge diversity in the users of public services, the Civil Service must be able to respond to changes faster than ever before. The Capability Reviews are an important part of making this happen, through an assessment of a department's capability to meet its future challenges.

This review of the Department of Energy and Climate Change (DECC) was carried out by the Capability Reviews Team in the Cabinet Office, with external reviewers chosen for their expertise and experience. I would like to thank and acknowledge the support of the review team for DECC, without whom this report would not have been possible. The external members of the team were:

- Tom McKane, Director General, Strategy, Ministry of Defence;
- Jonathan Vickers, Non-Executive Director of four public sector organisations; and
- Ron Whatford, Independent Consultant.

This report is just the beginning. The real challenge for DECC comes in implementing the changes that have been identified. I will hold the Permanent Secretary to account on the Department's progress in these areas. The Capability Reviews Team will invite DECC to participate in regular reviews of its progress and will provide support to ensure that the Department is on track to deliver its future challenges.



Sir Gus O'Donnell KCB
Cabinet Secretary and Head of the Home Civil Service
December 2009

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1. The Department

The Department of Energy and Climate Change (DECC) was created in October 2008 to take the lead across government for tackling climate change and securing clean, safe and affordable energy for the UK. The Department's mission is global change on a historic scale. Its role is to lead this change.

DECC was created in October 2008 to bring energy policy (previously with the former Department for Business, Enterprise and Regulatory Reform) together with the overall lead for climate change policy (previously with the Department for Environment, Food and Rural Affairs). The Department currently has 1,150 staff in London and Aberdeen and a resource outturn for 2008/09 of £2.7bn.

The Department has a vital and leading role to play in the Government's programme to turn the UK into a low carbon economy. DECC leads on Public Service Agreement 27 ('To lead the global effort to avoid dangerous climate change'), and is organised to deliver against seven Departmental Strategic Objectives (DSOs). These are to:

1. secure global commitments which prevent dangerous climate change;
2. reduce greenhouse gas emissions in the UK;
3. ensure secure energy supplies;
4. promote fairness through climate and energy policies at home and abroad;
5. ensure that the UK benefits from the business and employment opportunities of a low carbon future;
6. manage energy liabilities effectively and safely; and
7. develop the Department's capability, delivery systems and relationships so that it serves the public effectively.

DECC works closely with other government departments, as well as local and regional partners and the voluntary and private sectors, to shape the UK into a prosperous, fair and low carbon economy with secure energy supplies, as well as playing a leading role in working towards a successful global agreement on climate change. The Department has responsibility for four executive non-departmental public bodies: the Nuclear Decommissioning Authority, the Civil Nuclear Police Authority, the Coal Authority and the Committee on Climate Change. DECC also sponsors the Carbon Trust and Energy Saving Trust.





The Department's delivery agenda is extensive, covering the UK energy system and its future development and interaction with international energy markets; the transition to a low carbon UK economy, including oversight of multi-sector carbon budgets and domestic energy efficiency; measures to combat fuel poverty; the effective management of energy liabilities; and the UK's contribution to a global climate agreement.

DECC is supported by a Departmental Board chaired by the Permanent Secretary, which includes two non-executive directors.




2. Assessment of capability for future delivery

DECC is a new and relatively small department which is responsible for the government's approach to climate change and energy policy. There has been universal support for the creation of DECC and there have been successes in the first year, including setting a clear direction and attracting high-calibre and enthusiastic staff. However, there is a lot of work still to do if the 2020, then 2050, targets are to be met. The Department should not underestimate what it will take to convert DECC into a great delivery department.




Leadership

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

Strategy

S1	Focus on outcomes		Well placed
S2	Base choices on evidence		Development area
S3	Build common purpose		Development area

Delivery

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

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

3. Review findings

Leadership

The Permanent Secretary is well respected and staff and stakeholders praise the strong direction set for the Department. However, DECC has significant gaps in the skills it needs if it is to meet its future delivery challenges, and urgent action is required to build a delivery skills base and culture.

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- Stakeholders, including other government departments, commented that the Permanent Secretary has made good progress in setting up a new department with climate change mitigation (from the Department for Environment, Food and Rural Affairs) and the energy function (from the former Department for Business, Enterprise and Regulatory Reform, now the Department for Business, Innovation and Skills).
- Praise for the Permanent Secretary is widespread and she has taken the time to build a Board that is highly regarded and has the appropriate skills and experience. The Board is aware of the Department's strengths and capability gaps.
- Staff and stakeholders are clear about DECC's mission and can articulate the Department's purpose. Some commented that DECC had already established its place in Whitehall and built a good reputation both domestically and internationally.
- Staff in London and Aberdeen demonstrate pride, passion and enthusiasm, and the Department attracts high-quality people who find the mission compelling. Seventy-five per cent of staff are proud to work for DECC (August 2009 mini staff survey).
- The introduction of the Department's values ('aim high, reach out, pull together') has been very successful and they are understood by all staff and recognised by some external stakeholders.

However, DECC has significant gaps in the skills it needs if it is to meet its future delivery challenges, and urgent action is required to build a delivery skills base and culture.

- DECC recognises that it does not have all the skills it needs to deliver on its future agenda. Key skills gaps include customer insight, programme and project management, commercial expertise, and behavioural and social research capability. The Board has not yet given the Department's future skills requirements sufficient attention and a skills strategy is only in the early stages of development. Given the challenging delivery agenda, significant urgent action is needed to develop and acquire the skills needed and to build a delivery culture.

- The Board has made a concerted effort to respond to issues highlighted in the mini staff survey by holding staff events, as only 22 per cent of staff agreed that the Board was sufficiently visible (August 2009 mini staff survey). Finalising the two remaining appointments to the Board should help staff to relate to the Board as a team.
- Staff and stakeholders pointed to personnel changes at board level which impacted adversely on the building of strong stakeholder relationships and forming a DECC culture. Only 28 per cent of staff think that DECC is operating as a single, joined-up organisation (August 2009 mini staff survey).
- While staff and stakeholders generally feel that the Department has made good progress in the first year, some of the corporate systems and processes are still to be embedded, such as IT and HR. There are also a number of unaddressed issues around accommodation and facilities in DECC's London building, which though small individually, in aggregate threaten the morale of staff and the effectiveness of the organisation.
- DECC has not yet collected diversity data on staff below the Senior Civil Service (SCS) and it is unclear, therefore, how it will meet its diversity targets at SCS level through promotion of the feeder grades.
- The performance management system, including the management of poor performance, is new and has yet to be tested. Staff commented that the Department has limited processes for talent management and capability planning.

Strategy

The Department has a clear set of challenging outcomes and has published a number of strategy documents which have been praised by stakeholders and staff. There are mixed views on DECC's use of evidence and there are critical gaps in key areas of the evidence base, which are adversely impacting on the Department's ability to deliver.

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- The Department prioritised strategy development in its first year and has produced a number of key strategy documents that make clear the outcomes the government aims to achieve. A diverse range of DECC's stakeholders praised the *UK Low Carbon Transition Plan* in particular, as well as *The Road to Copenhagen* which sets out the UK Government's case for an international agreement on climate change.
- The Department has developed seven new DSOs with a clear set of challenging outcomes which staff understand and have bought into. Eighty-six per cent of staff understand how their work contributes to DECC's objectives (August 2009 mini staff survey).

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- Stakeholders within and outside of government are supportive of the creation of DECC and believe that the case for bringing the policy areas of energy and climate change together is compelling.
 - Government departments and stakeholders, including those internationally, gave positive feedback on their relationship with DECC and report that it continues to improve.
 - DECC has developed innovative methods of engaging with the public on the climate change agenda, for example the Act on CO₂ campaign.

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- While some of DECC's stakeholders and delivery partners described the Department's energy statistics modelling as 'world class' and other government departments complimented DECC's evidence-based policy making, some scientists and academics were more critical. The Department recognises the need to draw on a range of different modelling processes as part of its Energy 2050 Roadmap process.
- Stakeholders and staff told us that DECC's knowledge of customers is weak and the Department is badly in need of social and behavioural research capability. The Department recognises that an in-depth understanding of consumer behaviour and how to influence it is an essential prerequisite for meeting the consumer-related targets on climate change.
- The Department does not manage knowledge in a systematic way and stakeholders express frustration that knowledge is being lost with staff movement.
- Although stakeholders reported good relationships with DECC, some commented that not enough staff in the Department really understood their business needs and that they lacked commercial awareness. DECC needs a better understanding of the realities of the private sector and the market if it is to mobilise and steer the delivery partners who will be making the key investment decisions.

Delivery

The Department has established a lean corporate centre and continued to deliver on its policies during a challenging set-up phase. However, the scale of future delivery challenges is unprecedented and the Department lacks effective, detailed delivery plans for how its strategic ambitions will be delivered. The delivery landscape is complex and the roles, responsibilities and accountabilities of delivery partners are unclear and therefore significant urgent action is required.

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- DECC has continued to deliver on its inherited policies during a fast-paced set-up period, including the continued roll-out of home energy efficiency measures, and the renewable and nuclear energy programmes. The UK is on target to more than meet its greenhouse gas reduction obligations under the Kyoto Protocol.
- Ministers feel they have been well supported in developing policy and strategy. Despite some significant upheaval, DECC has published some high-profile strategies, and made good preparations for Carbon Budgets and the Copenhagen Climate Change Conference in December 2009.
- A lean corporate centre has been established and a single finance system and shared services procurement arrangement with the Department for Business, Innovation and Skills has been agreed.
- The Department has started to review its relationships with, and the performance management of, key delivery partners such as Ofgem, the Energy Saving Trust and the Carbon Trust. DECC renegotiated the Warm Front contract – providing domestic heat and insulation services – with its delivery partner to deliver improved efficiency, effectiveness, competition and, therefore, value for money.
- DECC has initiated a phased delivery landscape review, starting with the domestic households sector, which aims to redefine how DECC will work with its key delivery partners to achieve its ambitions.
- The cross-departmental Delivery and Strategy High-level (DASH) Board provides effective oversight of Public Service Agreement 27 ('To lead the global effort to avoid dangerous climate change'), which DECC leads on behalf of government.

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- Stakeholders, delivery partners and staff feel that there is a significant gap between the Department's targets and an understanding of how they will be delivered. The translation of the Department's strategic direction into detailed delivery plans needs to be accelerated if DECC is to convince its partners that it can meet its 2020 and 2050 targets.
- The Department's delivery model, including roles, responsibilities, rewards and incentives for its delivery partners, is unclear and requires significant urgent action. The Department has not yet identified all the levers it will need to mobilise a diverse and complex range of partners to shift their priorities, to invest significant amounts of resource and to help change consumer behaviour.
- Given the Department's relatively small size, the Board must decide what DECC can sensibly deliver itself and what should be commissioned from delivery partners. Better prioritisation on the use of resources and the phased programme of delivery landscape reviews should help in making these decisions and should, therefore, be accelerated.
- Delivery partners report that performance management by the Department is limited. The Department will need to become more skilled at performance managing its delivery partners and needs to significantly shift its skill base and build a delivery culture to do this.

**Capability Reviews Team
December 2009**

4. Departmental response: plans for continuous improvement

Coming just over a year after the creation of the Department of Energy and Climate Change (DECC), the Capability Review offered us an important opportunity to take stock of the progress we have made to establish the Department and how well we are placed to respond to our emerging challenges. We welcome the review team's findings and agree with the balance of their assessment, both of the strengths that DECC has evidenced so far and the challenges that we now need to address.

As we look ahead to the next phase of our development, we will draw on the strong foundation we have established. From the outset, we knew that the urgency of our agenda would mean that we would have to move at pace to deliver on our existing priorities and to establish the scope and scale of the task in the medium and long term. Thanks to the dedication of our staff, the good collaborative working we have enjoyed with other departments and the enthusiasm of our stakeholders for our mission, we have begun to do just that. The task now is to maintain the pace of change required as we move to establish delivery mechanisms for the new long-term priorities identified in the *Low Carbon Transition Plan* (LCTP). As well as developing and retaining our policy and strategy strengths, we also intend to become a model delivery department. This was the implication of the strategy we defined for ourselves in July 2009 in the LCTP. We will now put this into practice.

Leadership

We welcome the review team's assessment that we have set a strong direction for the Department and have moved rapidly to articulate our purpose and establish our reputation domestically and internationally. Just as importantly, it is right that the passion and enthusiasm of our staff has been recognised, which we have sought to underpin through the successful embedding of DECC's values: 'aim high, reach out, pull together'. As we move forward, we will:

- build on the appointments and strong teamwork of the Board to give a visible lead to joining up the Department and our engagement with stakeholders;
- build on the buzz and commitment of staff by investing in our infrastructure and in learning and development to make DECC a great place to work;
- urgently assess the extent of the skills shortages within the Department, in the light of our emerging delivery plans, and establish a comprehensive skills strategy that both invests in our existing staff talent and brings in the necessary expertise; and
- continue the work, already in train, to improve our data on diversity, and, working with DECC's Diversity Action Group, set out how we will meet our diversity targets.

Strategy

We have undertaken a significant amount of work to set a clear strategic direction for DECC. Within nine months of DECC being created, we published the LCTP which has been praised as a model of outcome-focused and evidence-based strategy which was built on DECC's considerable analytical strengths. This has given us a coherent set of challenging delivery outcomes, reflecting what the evidence told us we would need to do. However, we are continuing to develop our analysis at pace, and have already started to plan the path from 2020 to 2050. As we move forward, we will:

- assess and fill the gaps the review has identified in our evidence base and conclude work already under way to improve our social and behavioural research capability, our knowledge of customers, our programme and project management, and aspects of commercial awareness;
- introduce a comprehensive knowledge-management system; and
- continue the ongoing work of improving our relationships and partnerships with stakeholders.

Delivery

The development of our strategy has brought into sharp focus the delivery challenge ahead. As the review makes clear, we already work with a wide range of partners to deliver our agenda both domestically and internationally, and have made good progress through 2009. However, we recognise that our future delivery challenges are of an unprecedented scale. The review has underlined the need to accelerate the actions we have planned to address in the next phase of DECC's development. This will involve building on the delivery strengths that already exist within DECC, and building robust delivery plans for our new, very challenging, long-term goals. As we move forward, we will:

- accelerate our ongoing work to develop detailed delivery plans and delivery landscape reviews as required, for our strategic objectives, and introduce demanding quality standards that these plans must meet. For example, they will need to make clear the skills required for the Department and the implications for our delivery partners;
- submit these plans to rigorous external and internal challenge; and
- continue the work already begun to clarify the roles and responsibilities of delivery partners and improve DECC's performance management of these relationships.

The Capability Review challenges us to re-focus and re-invigorate ourselves to continue to build DECC into an even more effective organisation in our second year. We will do so, and will set out in an action plan, developed with our staff, how we will tackle the priorities identified.

**Department of Energy and Climate Change
December 2009**

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 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 39 questions. For further information on the model of capability, see www.civilservice.gov.uk/capabilityreviews.

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 boards 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.

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 under way. 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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