



House of Commons

Committee of Public Accounts

**Improving public
services through
innovation: the Invest
to Save Budget**

Sixteenth Report of Session 2002–03



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Improving public services through innovation: the Invest to Save Budget

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*Report, together with formal minutes, and
minutes of evidence*

*Ordered by The House of Commons
to be printed 7 April 2003*

HC 170
Published on 9 May 2003
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit" (Standing Order No 148).

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Angela Eagle MP (*Labour, Wallasey*)

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The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at http://www.parliament.uk/parliamentary_committees/committee_of_public_accounts.cfm. A list of Reports of the Committee in the present Session is at the back of this volume.

Committee staff

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Summary

In 1998–99 the Treasury and the Cabinet Office launched the Invest to Save Budget (ISB) to support projects intended to foster changes in departments' methods of working so as to promote successful innovation and deliver better public services. Departments can bid for funding from the ISB and at July 2002, 334 projects costing some £310 million had been supported.

It is clearly important that improvements in public services which innovation can make possible are realised. The Committee, on the basis of a Report¹ by the Comptroller and Auditor General took evidence from the Treasury, the Home Office and Jobcentre Plus agency on behalf of the Department for Work and Pensions on what the ISB has so far achieved and whether the lessons learnt from projects have been widely implemented.

Our key conclusions are:

- Invest to Save implies that the programme is essentially about saving money and not about developing new approaches which have good potential to improve services. Such a perception could discourage civil servants from putting forward sufficiently innovative or cutting edge ideas. It is important that the objectives and aims of the ISB are clearly communicated and understood.
- ISB projects that have been funded so far have a wide range of objectives and intended outputs. While this means that the potential for innovation is widely spread, there is a risk that financial support is so dispersed that its impact is reduced. Departments need to work together more to establish a nucleus of projects tackling similar issues with most potential to benefit from innovation. By ensuring that innovation and good practice is proven to work in a critical mass of projects other departments and agencies are more likely to adopt similar approaches.
- To help promote greater awareness of the importance of innovation each department should appoint a senior official responsible for championing innovation, including programmes such as the ISB, and ensuring that better ways of delivering services which have been successfully piloted are widely understood and adopted.
- As most ISB projects are small in comparison to departments' total spending they have tended to receive less attention than larger programmes. Insufficient monitoring may result in failure to intervene in projects that are struggling, avoidable costs being incurred, or threats to the success of promising but difficult projects not being tackled early enough. Key milestones should be set for all projects against which progress can be monitored and action taken as necessary to increase the chances of projects being successful.

1 C&AG's Report, *The Invest to Save Budget* (HC 50, Session 2002–03)

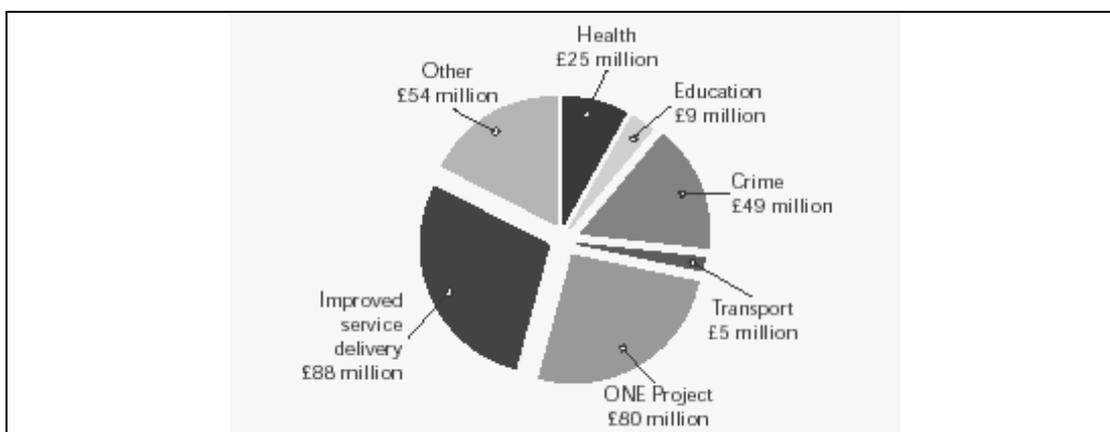
- A willingness to adopt new innovative approaches to improve public services is more likely to become widespread if departments have confidence that the risks associated with innovation are well managed. As we have emphasised before,² risk taking and innovation are consistent with the careful and proper control of public money. Controls should, however, focus on managing risks and not be a barrier to change.

2 1st Report from the Committee of Public Accounts, *Managing Risk in Government Departments* (HC 336, Session 2001–02), para 3

1 Selecting and managing ISB projects

1. Departments can bid for funding from the ISB for projects which have good potential to improve the delivery of public services. The programme is intended to allow new service delivery methods to be tested to determine whether or not they should be implemented more widely across government. The criteria for selecting projects include increasing the extent of joint working between different parts of government; identifying innovative ways of delivering services; improving the quality of public services and/or reducing their cost. The key intended benefits of projects funded so far are increasing public access to services, tackling social exclusion and focusing on issues impacting on education and young people. 28% (£88 million) of the £310 million spent to 30 July 2002 was on projects to deliver improvements in health, education, transport and tackling crime.

Figure 1: How the Invest to Save Budget was allocated at July 2002³



Source : National Audit Office

2. A key criteria for deciding whether a project should receive ISB support is that it would not have gone ahead without ISB funding. The Treasury considered that the number of projects that would have been financed irrespective of the ISB was very small and probably no more than 1%. Projects were selected on the basis of their overall quality and the likely benefits they would deliver. Because of their innovative nature projects were expected to outperform the 6% minimum rate of return normally required of public sector projects. The Treasury referred to an example of a project to set up a website whereby all the information provided by central government to local government is available through one channel accessible by all local authorities. It is estimated that this project should save £5 million a year for an initial investment of half a million pounds – a return much greater than 6%. Information on the rate of return achieved by all projects was, however, not routinely available centrally.⁴

3. The 260 projects funded in the first three rounds of the ISB programme were selected from some 1000 expressions of interest and around 400 formal bids. With less than a third of initial project proposals receiving ISB support there is a risk that departments could be

³ C&AG's Report, paras 12, 1.2, 1.4 and Figure 3

⁴ Qq 5, 72-77

wasting resources in putting forward ideas which have little chance of funding. The Treasury said that a benefit of having so many expressions of interest was that it had encouraged departments to be more creative and generate new ideas. Unproductive effort was kept to a minimum because the first stage was a short expression of interest which did not take long to prepare and it was only if the initial idea progressed to a formal bid that the Treasury and the Cabinet Office required a detailed business case.⁵

Ensuring that ISB funds are fully utilised

4. In 2000–01, some 70% of £12 million allocated to local authorities for ISB projects was not spent and in 2001–02, 28% of £17 million remained unutilised. The Treasury attributed this to the relatively short lead time from when projects were approved and the subsequent financial year in which the money had to be spent. This meant that organisations had limited time to award contracts, purchase goods and services and commission other work to ensure that all allocated funds were utilised. The Treasury's prime concern was the ISB funds were used cost effectively rather than quickly. It was, however, seeking to take decisions earlier so that organisations were aware of approved funding in good time before the start of the financial year. There was also flexibility so that funds not spent in one year were not lost.⁶

5. Tight timescales particularly in round one of the ISB programme to develop and submit expressions of interest and prepare applications and business cases had also led to more mainstream projects being put forward than ones which were innovative. The Treasury considered that it took departments some time to gear their processes to generate enough projects of the right quality. Now that there was a regular annual cycle of bidding for ISB funding and more widespread knowledge of the programme a more continuous flow of good ideas was coming forward.⁷

6. Some projects such as Phoenix which was intended to make it possible to link new computer systems in the criminal justice system to the Police National Computer appeared not to have been well prepared, or the issues that needed to be tackled were not identified at the outset. At the beginning of the ISB programme more limited preparation time had meant that initial project design was often rushed. But while the electronic links to the Police National Computer had experienced some problems, the Home Office said it was now successful.⁸

Avoiding gold plating

7. The risk of a project being gold plated needed careful consideration, particularly with projects which piloted new approaches which might be then rolled out nationally. There was a risk that the best resources were allocated to a pilot to ensure that it was successful and then subsequently it was not possible to replicate such a concentration of effort across the country. The Treasury said that for this reason it was important that pilots had good

5 C&AG's Report, para 1.13; Qq, 22–23

6 C&AG's Report, para 12; Q 25

7 C&AG's Report, para 5; Qq 88–90

8 Qq 91–93

evaluations to identify any tendency to over estimate the benefits that might be achieved once a project was implemented more widely.⁹

The need for sound project management

8. An interim review of the ISB programme commissioned by the Treasury in August 2000 recommended that the management and monitoring of ISB projects needed to be improved and made more transparent. The review also stressed the importance of having skilled project managers. We have on a number of occasions commented on the tendency for critically important programmes to have during their lifetime several managers, often with little project management experience, and such a lack of continuity could put the success of projects at considerable risk. For example, our Report¹⁰ on the National Probation Service Information System Strategy highlighted that the project had had seven programme directors in seven years. We asked whether the lack of management continuity and relevant experience was a weakness with ISB projects. The Treasury agreed that the public sector needed to improve its project management skills considerably. The Office of Government Commerce was through its Gateway reviews of projects at critical stages in their development seeking to address this. ISB projects were usually too small, however, for the standard Gateway process to be applied to all of them.¹¹

Department for Work and Pensions—the “ONE” project

9. 26% (some £80 million) of total ISB expenditure has supported a single project—the Department for Work and Pensions ONE project which has piloted a one-stop shop making it possible for people to claim benefits and receive employment advice from a single location. Asked whether this project would have gone ahead regardless of ISB support the Treasury said that it was an exceptional project which was very successful in promoting joint working across government, which departments were often not good at doing. As the project had not been allocated funds in the comprehensive spending review, ISB support had made it possible for the project to go ahead and pilot new working methods in the Benefits Agency and the Employment Agency.¹² Jobcentre Plus considered that without the stimulus of ISB support the changes were unlikely to have been possible. This was because it gave staff freedom to experiment and take some risks in a controlled and sensible way which it was often not possible to do in running large day-to-day operations.¹³

10. The ONE project piloted an innovative approach to administering benefits by requiring all new claimants to consider their capacity to work and their job prospects before receiving benefit, through the intervention of an adviser (Figure 2). One of the main objectives of the project was, as a consequence, to increase the level of sustainable employment by getting more benefit recipients into work. The results, however, of the

9 Q 23

10 32nd Report from the Committee of Public Accounts, *The Implementation of the National Probation Service Information Systems Strategy* (HC 357, Session 2001–02)

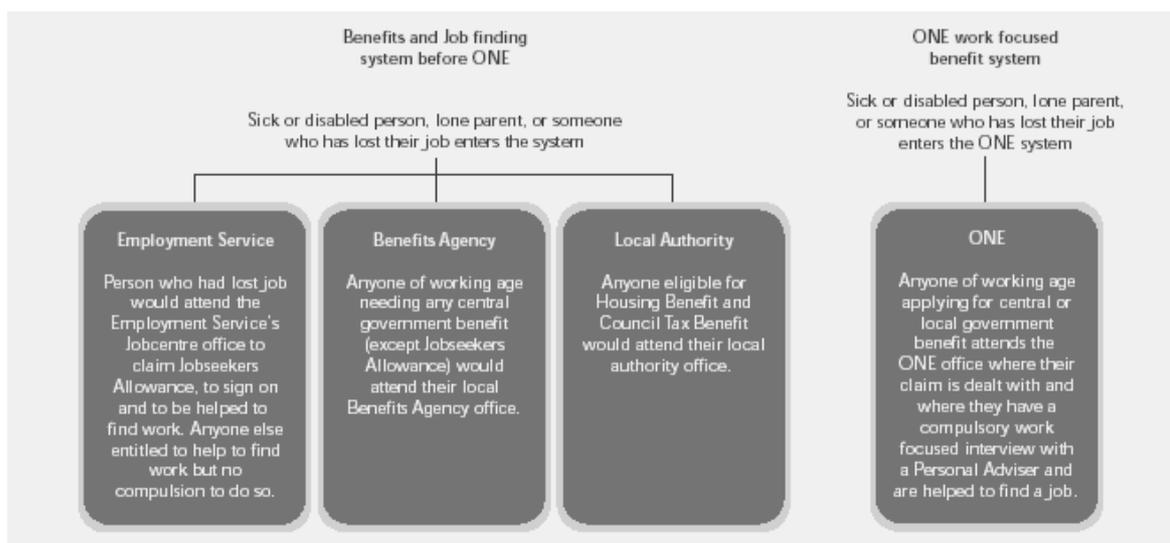
11 C&AG's Report, para 1.20; Q 118

12 C&AG's Report, para 12; Qq 4–7

13 Q 31

Department's final evaluation in February 2003 found that the pilot had not been successful in meeting this objective.¹⁴ The Department for Work and Pensions had however recognised the risks in taking forward a project of this kind, and that as a pilot it might not work, given the problematic and intractable nature of securing employment for many benefit recipients. Consequently, from the outset, the Department put in place a thorough regime for the monitoring and evaluating the scheme, spending £5 million to this end, so that robust conclusions could be drawn from the pilot.¹⁵

Figure 2: The service provided before and made possible by the 'ONE' project



Source: National Audit Office

11. The main benefit which the Department for Work and Pensions considered it had derived from the ONE project was how to develop, pilot and subsequently implement nationally what has now become the Jobcentre Plus service.

12. As a consequence the Department decided to rollout the ONE pilot to the Jobcentre Plus service nationally throughout 2001 and 2002 before the final evaluation results were known, in expectation that the principles enshrined in the pilot would increase the number of benefit claimants getting into work.¹⁶ It is disappointing, therefore, to find that the results of the final evaluation suggest that the ONE project has made no difference to the employment prospects of benefit claimants. These results have implications for the effectiveness of Jobcentre Plus, and the Department for Work and Pensions will need to assess carefully the adequacy of these new arrangements for getting those on welfare back to work.

14 Department for Work and Pensions, Research Report No 183, *Final Effects of ONE* (February 2003)

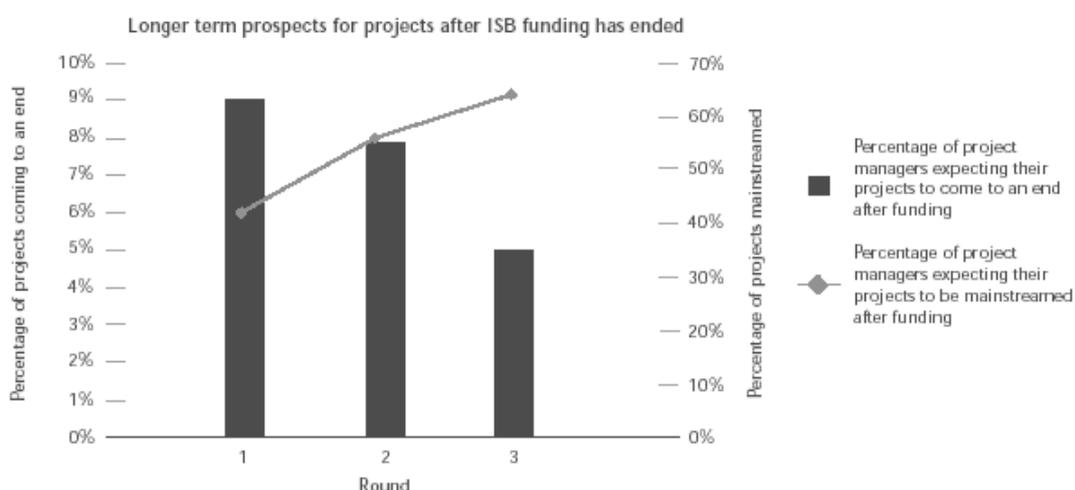
15 Qq 12–15

16 C&AG's Report, para 2.3 and Figure 21

2 Ensuring that the innovation is widely adopted

13. Departments had often not clearly thought through how the innovation or improvement in service made possible by ISB support would continue and be more widely adopted once funding had ceased. Over the course of the first three rounds of the ISB programme the percentage of projects reported as likely to be more widely adopted after financial support had ended increased from 42 to 60% (Figure 3). As yet, however, there was less evidence of new approaches which had been proven to work by an ISB project in one department being taken up by another. The ONE project had had a much wider impact in influencing the development of the Jobcentre Plus service. But, as the explicit aim of piloting the ONE project was to consider how best to implement nationally the new approach to administering benefits, there was little likelihood of it not being mainstreamed. For smaller projects the Treasury sought to make sure that other departments were aware of the lessons of projects that went well and which could be more widely replicated. The Treasury did this by providing information on its website (www.isb.gov.uk), running annual conferences and organising seminars which bring together risk and project managers to learn from each other.¹⁷

Figure 3: Longer term prospects for projects after ISB funding has ended



Source: National Audit Office

14. The Treasury commissioned external consultants to carry out an interim evaluation of the ISB programme in August 2000 with a follow up review in May 2002. These led to changes in the way the overall programme was managed. The extent to which individual projects have been evaluated was, however, variable. At June 2002 only 19 projects had had a formal evaluation and these differed in the extent of their analysis partly reflecting the size and value of each project. Very few evaluations considered how lessons learnt should be disseminated. If ISB projects are not subject to some form of evaluation better ways of delivering public services may be lost or not be widely implemented. Conversely a new

approach which initially seemed to have good potential but which was subsequently not realised may be tried elsewhere thus wasting public money.¹⁸

15. Although 20% of the Home Office's projects had been completed at the time of the Comptroller and Auditor General's examination, none of the evaluation reports held by the Treasury's ISB Unit related to these projects. The Treasury said that this did not mean that evaluations were not done, and the Home Office confirmed that the Phoenix project had been evaluated. The Treasury's ISB Unit, which was set up when the programme started, monitors the overall performance of the ISB. In addition, the Treasury told us that every project should have an implementation plan, six monthly progress reports, an interim evaluation half way through its life and a final evaluation within six months after a project was completed.¹⁹

16. More evaluations were now being undertaken. But some of the issues which it would be normal for an evaluation to address, such as how lessons were being more widely communicated, might have been only partly covered because the issues may not have been the responsibility of those consulted during the evaluation. For example, wider implementation of ISB lessons for the Criminal Justice system would be the responsibility of the relevant Department and not necessarily the individual ISB project managers. Nevertheless the Treasury accepted that the quality of project evaluations could be improved, and said that it would be drawing departments' attention to lessons in the Comptroller and Auditor General's Report to ensure that these are reflected in future evaluations.²⁰

Monitoring performance

17. During the first three ISB funding rounds the Home Office did not collect and hold centrally information on its portfolio of ISB projects and in particular how funds allocated to them were being used. Asked why it was not until three years after the ISB programme began that any central monitoring was carried out, the Home Office said that monitoring of individual projects did take place, but this information was not brought together centrally. The Home Office referred to its Phoenix project to provide electronic links to Police National Computer, which was its first ISB project and which had been carefully monitored. Previously there had been no central unit to bring together all the lessons learned and ensure that they were acted upon them. The Home Office said that such a unit was now in place.²¹

Cost savings

18. As its name implies, the programme has funded projects intended to reduce the cost of delivering services. As the ISB has been operating for over four years we asked how much projects had saved. The Treasury said that individual projects would consider savings potential and departments should monitor its achievement, but this information was not

18 C&AG's Report, paras 1.18, 1.20–1.22

19 *ibid*, para 3.7; Qq 56–60

20 Qq 49, 51–52

21 C&AG's Report, paras 3.5–3.6; Qq 8–9, 132–133

collated for the whole ISB programme. In addition many projects had only projected savings which had yet to be achieved and confirmed by evaluations. The Treasury referred to the Life Events Access Project (LEAP), which aims to provide citizens with access to services through one contact point around life events such as changing employment, as an example of the level of savings which can be possible. In this case the partners involved in the project, which are mainly local authorities, should save £5 million over five years.²²

19. Asked how much its expenditure programmes had been reduced as a result of successful ISB projects the Home Office said that the main benefit had been the opportunity through savings to transfer money to other programmes. For example, ISB support for the Phoenix project had reduced the cost of installing the Criminal Records Bureau system and the DNA database.²³

Encouraging well managed risk taking

20. A key aim of the ISB programme is to encourage well managed risk taking where there is good potential to improve public services. One way of doing so is to reward those who are most successful in taking risks which are well managed and contribute to innovation and tangible improvements in service delivery. The Treasury said that a major cultural change was needed so that civil servants were more confident about adopting innovative approaches which had the potential to deliver significant benefits, but which involved risks requiring careful management. Processes were being put in place to establish reliable risk management, including better corporate governance, annual statements of internal control signed by Permanent Secretaries to provide assurance that reliable controls existed, and a risk management unit which the Treasury said it would be establishing shortly. In addition, performance related pay enabled departments to give special bonuses to reward those who were innovative. These different initiatives, together with the greater focus on improving service delivery, would help promote better risk management and innovation, but there was scope to do more.²⁴

22 C&AG's Report, paras 2, 1.2; Qq 112–117

23 Qq 81–82

24 C&AG's Report, para 1.5; Qq 34–37

Conclusions and recommendations

Selecting and managing ISB projects

1. Only a small number of projects have as yet been evaluated to assess their impact and what has, or has not, contributed to their success. There is a risk, therefore, that innovation and better ways of delivering services may be lost or not adopted by other public sector organisations. All ISB projects should be subject to some form of evaluation and the results widely communicated.
2. The tight timescales to develop proposals for ISB support have led to more mainstream than cutting edge projects being put forward. Identifying suitable projects which are innovative and have good potential to improve service delivery requires careful consideration and research. Departments need to encourage key staff, particularly those involved in front line service delivery, to brainstorm and challenge existing ways of working.
3. Staff may be discouraged from putting forward innovative ideas if securing a decision as to whether a project should go ahead is time consuming and administratively bureaucratic. While reliable procedures are needed to ensure that projects are properly managed, their selection and approval should be sufficiently streamlined to encourage a wide range of ideas to improve public services.
4. Those who are directly involved in the day to day delivery of public services are most likely to know how services can be best improved. Ways of rewarding those at the front line of service delivery who make a real difference, whether through innovation, well managed risk taking, or good performance should be developed to encourage others to do so.
5. The Department for Work and Pensions ONE project—by far the largest ISB project to-date—had, as one of its main objectives, the aim of increasing levels of employment by piloting new and innovative ways of getting benefit recipients into work. The Department's February 2003 evaluation of the project indicated, however, that it had made no difference to the chances of benefit recipients securing employment. While this is a disappointing outcome for an innovative project the Department did recognise from the outset the risks inherent in such a scheme, given the often difficult task of getting those on welfare back to work. It took steps to address these risks by regularly monitoring the progress of the pilot and candidly evaluating its impact, so that clear lessons could be drawn as the initiative went forward. In this respect, the Department managed the project and its inherent risks well.
6. The Department nevertheless decided to roll-out the full Jobcentre Plus service—with its approach and operation based heavily upon the ONE project—before knowing whether the pilot had actually achieved one of its main objectives. In the light of the disappointing evaluation of the ONE project, the Department need to consider what consequences arise for the Jobcentre Plus initiative, and especially for its likely effectiveness in encouraging more benefit recipients to get back into work.

Ensuring that innovation is widely adopted

7. To assist in selecting projects for ISB funding each proposals should, where it is practicable to do so, set out the estimated rate of return to indicate the likely benefits which the investment should deliver. The rate of return achieved should also be made available for completed projects. In this way other public sector organisations can form a better judgement as to whether projects are worth implementing more widely.
8. All successful projects should be followed up so that the improvements in service delivery which they have achieved are sustained and further developed. Departments should plan for new approaches successfully piloted to be more widely implemented, and decide how best to deal with barriers that could prevent the wider realisation of project benefits.
9. The ISB can support projects that by developing better ways of delivering services reduce their costs and so release funds to deploy on other services. There is, however, limited information on the extent to which projects have led to cost savings. Such information is important and should be made available and disseminated for all completed projects.

Formal minutes

Monday 7 April 2003

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon
Mr Ian Davidson
Mr George Howarth
Mr Brian Jenkins

Mr David Rendel
Mr Gerry Steinberg
Jon Trickett
Mr Alan Williams

The Committee deliberated.

Draft Report (Improving public services through innovation: the Invest to Save Budget), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 20 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Sixteenth Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provision of Standing Order No 134 (Select Committees (Reports)) be applied to the Report.

[Adjourned till Wednesday 9 April at Four o'clock

Witnesses

Monday 9 December 2002

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Sir John Bourn KCB, National Audit Office; **Mr Rob Molan**, **Mr Gus O'Donnell CB**, and **Mr Adam Sharples**, HM Treasury; **Mr John Gieve CB**, Home Office; and **Mr Leigh Lewis CB**, Department for Work and Pensions

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| Second Report | Dealing with pollution from ships | HC 119 (<i>Cm 5770</i>) |
| Third Report | Tobacco Smuggling | HC 143 (<i>Cm 5770</i>) |
| Fourth Report | Private Finance Initiative: redevelopment of MOD Main Building | HC 298 (<i>Cm 5789</i>) |
| Fifth Report | The 2001 outbreak of Foot and Mouth Disease | HC 487 |
| Sixth Report | Ministry of Defence: Exercise Saif Sareea II | HC 502 |
| Seventh Report | Excess Votes 2001–02 | HC 503 |
| Eighth Report | Excess Votes (Northern Ireland) 2001–02 | HC 504 |
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The response to the report is printed in brackets after the HC printing number