



House of Commons
Committee of Public Accounts

Integration across government and Whole-Place Community Budgets

Fourteenth Report of Session 2013–14

*Report, together with formal minutes, oral and
written evidence*

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Committee of Public Accounts

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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 www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Adrian Jenner (Clerk), Rhiannon Hollis (Clerk), Sonia Draper (Senior Committee Assistant), Claire Cozens (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

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Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Integration across the Government	7
Poor integration in central government	8
Role of the centre of Government	8
Figure 1: Centre of the Government recommendations from C&AG's Report on Integration across the Government	9
2 Barriers to effective integration	12
Evidence base for integration	12
Funding arrangements	13
Accountability for integrated services	13
Formal Minutes	15
Witnesses	16
List of printed written evidence	16
List of Reports from the Committee during the current Parliament	17

Summary

For many years Governments have sought to breakdown silo working in departments and ensure better integration across departments to ensure more effective services and better value for money. If the Government works in traditional silos, money is wasted, citizens experience a poorer service and unintended consequences can occur which may negatively impact efficiency and value for money. Integration of health and social care services is one well-known example, but there are other examples elsewhere in government. For instance, proposals to integrate income tax and national insurance are intended to simplify how businesses and individuals pay tax and cut administrative costs.

Poor coordination across central government has been evident for many years. We are concerned that the Government is not acting with sufficient urgency to make the step change in integrated working at the front line. This change is vital if more public services are to be protected with reduced resources.

The Cabinet Office and the Treasury are best placed to support and promote integration across the Government, as they are the central departments responsible for coordinating policy and allocating monies. However, they are failing to provide the necessary strategic leadership and are not doing enough to tackle the barriers to integration. These include the lack of good information to identify where the Government could do better by joining services, funding arrangements which make it difficult for bodies to invest in joint working, and the risk that Accounting Officers are reluctant to pool budgets in case they lose control and authority if services were more often joined up.

In contrast to more limited progress in central government, the Whole-Place Community Budgets programme has involved local public bodies and central government working together to develop evidence-based plans for new integrated services. Through this programme, four local areas have analysed in detail the expected costs and benefits of integration and their findings show clear potential for improving outcomes and reducing costs in each area. Proposals include, for example, better coordination and integration of services for families with complex needs, But we are still talking about proposals rather than action

The Department for Communities and Local Government, which manages the Whole-Place Community Budgets programme, has provided effective support to date. However, if other central government departments are not committed to Whole-Place Community Budgets it may, like similar initiatives in the past, fail to deliver any significant and lasting change. The programme must be evaluated properly to see whether the early promise translates to real change on the ground and improves value for money.

On the basis of two reports by the Comptroller and Auditor General,¹ we took evidence on integration across government and Whole-Place Community Budgets. We heard from the Head of the Civil Service and Permanent Secretary of the Department for Communities

¹ C&AG's Report, Integration across government, Session 2012-13, HC 1041, 13 March 2013; C&AG's Report, Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets, Session 2012-13, HC 1040, 13 March 2013

and Local Government; the Permanent Secretary of the Cabinet Office; the Director General of Public Spending in the Treasury; and the Director General of Social Care in the Department of Health. We also took evidence on Whole-Place Community Budgets from Essex County Council's Chief Executive and Manchester City Council's Deputy Chief Executive.

Conclusions and recommendations

- 1. Central government often fails to work in an integrated way because it is structured around individual departments that struggle to look beyond their own 'silos'.** This point is recognised in the *Civil Service Reform Plan*, which called for the civil service to work more collaboratively. There are many examples of where closer collaboration and joined up services could save money and provide more effective services. Integrated health and social care for the elderly is just one these examples. Whole-Place Community Budgets show how local bodies might coordinate their activities to improve outcomes for service users, an example of integrated working which offers lessons for how central government could collaborate more effectively. The Cabinet Office should set out the specific measures it will introduce to bring about the more collaborative civil service set out in the *Civil Service Reform Plan*, including how policy will be developed in an integrated way that starts with outcomes rather than existing departmental structures.
- 2. There is a lack of strategic leadership from the centre.** As the central departments responsible for determining the Government's strategy and allocating resources respectively, the Cabinet Office and the Treasury are best placed to develop coordinated working and tackle barriers to integration. However, they are failing to do so effectively. The Comptroller and Auditor General's report on *Integration across government* contained several practical recommendations to improve how the centre of the Government supports integrated working, which we fully endorse. The Cabinet Office and the Treasury should provide a stronger lead on integration and explain to us how they will respond to the specific recommendations directed to them in the C&AG's report.
- 3. The Government lacks evidence on where it could join up services more effectively.** The Spending Review process is an opportunity to identify where the Government could align its activities better, but past Spending Reviews have been too focused on individual departments. The Whole-Place Community Budget areas have shown the importance of basing decisions about service integration on analysis of the estimated costs and benefits. For future Spending Reviews, departments should identify and provide clear evidence on opportunities for integration in their spending proposals, and the Treasury should challenge those which have not.
- 4. Current funding rules and mechanisms can act as barriers to coordinated working.** We heard how one or two-year funding arrangements make it difficult for local bodies to invest jointly in projects which require a long-term financial commitment. It is particularly hard to make the case for significant up-front investment, where benefits may take time to accrue. In some cases the financial benefits of improving services do not fall to the body making the investment, which can also be a barrier to collaboration. The Treasury should improve financial incentives for integrated working by initiating multi-year funding agreements, aligning funding periods for different bodies, and creating mechanisms to share the financial benefits of coordinated working.

5. **Where several organisations combine resources to deliver a service, it is important to be clear about who is accountable for what.** The Whole-Place Community Budget areas have mapped how the benefits and costs of investing in integrated services are split between different bodies, which should help clarify accountabilities for those resources. The Treasury and Cabinet Office should ensure that, where services are integrated, accountability arrangements are clear, drawing on lessons from the Whole-Place Community Budgets programme.
6. **The Whole-Place Community Budgets programme illustrates the potential of better integration of services.** We commend the work of the four local areas and the Department for Communities and Local Government to date in designing better integrated public services, and clearly setting out the expected benefits. This early promise now requires continued support from across the Government to translate it into real change on the ground, such as support from the Department for Business, Innovation and Skills to help ensure local areas are able to align skills and training provision with their plans to generate economic growth. The Department should support and monitor the implementation of the Whole-Place Community Budgets programme, and promote wider take-up of the approach. In particular, it needs to encourage the support of other departments, ensure robust evaluation of new integrated services, and disseminate lessons learned.

1 Integration across the Government

1. The Government operates largely through departments or other public sector bodies which are organised by policy area or function. However, many policy issues and public services cut across the ‘silos’ created by organisational boundaries. ‘Integration’ in the Government refers to the coordination of working arrangements where several departments or other public sector bodies are involved in delivering a service or programme.²

2. The Government has made some progress on integrating back-office functions: for example, collaborative procurement in the NHS and departments sharing legal services, finance and other corporate services.³ However, there is significant potential for more integration of frontline services to increase the efficiency of service delivery and improve service outcomes for citizens. The Treasury acknowledged that the Government needs to radically rethink how frontline services could be delivered for less—including through greater integration—and this is crucial at a time of continuing cost restraint.⁴ For example, the Government has recently announced new initiatives to achieve integrated health and social care services by 2018, which could result in considerable savings from reduced hospital admissions and shorter hospital stays, as well as allowing patients to be supported in their preferred place of care. The Government has also proposed integrating income tax and national insurance contributions, in order to reduce administrative costs and simplify how businesses and individuals pay tax.⁵

3. One important example of integration is the Whole-Place Community Budgets programme. This has involved public sector bodies in four local areas (West Cheshire, Essex, Greater Manchester and the West London ‘Tri-borough’ area, incorporating Westminster, Hammersmith and Fulham, and Kensington and Chelsea) working collaboratively within their areas and with central government departments to identify scope for reorganising frontline services within each locality. The areas focused on high-cost services like health and social care and services for families with complex needs, where they consider there is most scope to improve outcomes and reduce costs. Supported by the Department for Communities and Local Government, the four areas published their plans for integrated working in October 2012 and started implementation in April 2013. The potential savings they have identified are significant: for example, Greater Manchester estimates £270 million net savings over five years, while Essex forecasts net benefits of £414 million over six years.⁶

2 C&AG’s Report, *Integration across government*, para 1.2

3 Qq 95-100, 118-119; Ev 28 [Department for Communities and Local Government]; Ev 28 [Department of Health]

4 Q 126

5 Qq 116-117; C&AG’s Report, *Integration across government*, Figure 2; C&AG’s Report, *Streamlining farm oversight*, Session 2012-13, HC 797, 12 December 2012, paras 19-21; Department of Health, *Integrated Care and Support: Our Shared Commitment*, May 2013

6 C&AG’s Report, *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets*, paras 1.13-1.15, Figure 3

Poor integration in central government

4. The problems of poor coordination in Government have long been recognised. Despite various coordinating measures having been tried over a number of years—such as cross-cutting public service agreements—there has been a distinct lack of progress in tackling the issue.⁷ The basic problem is that Whitehall is structured around individual departments which do not have a history of working together effectively to develop policies and coordinate their activities. As a consequence, policies can have unforeseen effects on other parts of the Government and in some cases may even work against each other.⁸

5. The Head of the Civil Service and the Treasury agreed with this diagnosis, citing as one example reforms to housing benefit that may lead to spending pressures elsewhere to deal with homelessness. The Treasury told us that it had 350 people in its spending teams who could do more systems-based analysis, so that the Government can be made aware of “knock-on” policy effects and costs when a new reform or policy is introduced. The Treasury also said it was looking to identify big areas, such as health and social care integration, where it needed to do more work on making services and transfer payments join up in a better way.⁹

6. The Government’s June 2012 *Civil Service Reform Plan* recognised the lack of collaborative working in the civil service. However, of the 18 high-level actions in the Plan against which the Government is reporting progress, none are directed at improving collaboration. The Plan contained some additional proposals to promote coordinated working, such as having cross-departmental teams to develop policy, but it is not clear what priority these proposals have or whether the Cabinet Office is implementing them.¹⁰

Role of the centre of Government

7. The Cabinet Office and the Treasury are the departments at the centre of the Government best placed to lead integration, given their respective corporate roles to coordinate strategy and finance in the Government. However, we do not consider that they are leading it effectively¹¹. Neither department has clearly defined responsibilities to encourage coordinated working or tackle barriers to integration. Furthermore, the Cabinet Office and the Treasury both fail to mention integration in their respective departmental business plans.¹²

8. The Permanent Secretary of the Cabinet Office told us that “getting the Government to join up, work better and make a difference on the ground is what the Cabinet Office does”.¹³ It does this in part by coordinating key management mechanisms which departments are required to have in place, such as departmental business plans and

7 Qq 134-135; C&AG’s Report, *Integration across government*, para 2.9

8 Qq 117, 127-129, 174-175

9 Qq 174-175

10 HM Government, *The Civil Service Reform Plan*, pp 5, 9; C&AG’s Report, *Memorandum on the 2012 Civil Service Reform Plan*, Session 2012-13, HC 915, 24 January 2013, para 2.26

11 Qq 88-90, 121

12 Qq 84-88

13 Q 90

permanent secretaries' objectives. The Head of the Civil Service acknowledged that such mechanisms could be improved and undertook to strengthen guidance on collaborative working for the next round of business plans.¹⁴ He also told us that, in future, permanent secretaries' objectives would include a requirement to look at cross-departmental initiatives to deliver change; and that this would also form part of the approach to how civil servants below permanent secretary level are rewarded.¹⁵

9. Several of the recommendations in the Comptroller and Auditor General's report on *Integration across government* relate to the centre of the Government. In response to our charge that the centre was failing to provide adequate strategic leadership on integration, the Cabinet Office and the Treasury indicated they were broadly happy with these recommendations.¹⁶ The relevant recommendations are set out in full below.

Figure 1: Centre of the Government recommendations from C&AG's Report on Integration across the Government

The Cabinet Office and HM Treasury should improve their 'sponsorship' of integration efforts across the Government. The centre of the Government should more strongly lead integration efforts, address any lack of coherence and send a clear signal about the importance of integration. This could involve adapting existing mechanisms to embed a commitment to integrated working rather than establishing new structures or units:

- *Identify integration opportunities:* The Cabinet Office could use intelligence from its Economic and Domestic Affairs Secretariat's policy coordination work and departmental business plans to identify areas for better coordination across Whitehall. HM Treasury could commission cross-cutting policy reviews to inform the Spending Review process, and more actively encourage departments to submit joint funding bids.
- *Implement integration programmes:* The Cabinet Office's Implementation Unit and Major Projects Authority could give priority to monitoring and supporting implementation of key programmes or projects that specifically involve integration. The Cabinet Office could also develop the cross-departmental policy teams proposed in the *Civil Service Reform Plan*.
- *Monitor integration savings:* HM Treasury could explicitly monitor savings from integrating services and programmes as part of its remit to monitor cost savings across the Government; and the Efficiency and Reform Group could do the same for its monitoring of savings from back-office efficiencies.
- *Take 'strategic' integration measures:* HM Treasury could strengthen references in *Managing Public Money* to departments working together to improve value for

14 Q 185

15 Q 107

16 Q 186

money; and permanent secretaries' objectives could reinforce more strongly their responsibilities to promote integrated working.

Source: C&AG's Report, Integration across government, p 9

Whole-Place Community Budgets: moving towards implementation

10. Witnesses from Manchester City Council and Essex County Council provided examples of innovative ways in which they are integrating frontline services such as health and social care.¹⁷ The Department for Communities and Local Government (the Department) has also provided support to the programme by, for example, helping to develop local area proposals, and coordinating secondments of civil servants to the four areas to provide policy and analytical expertise.¹⁸ However, much of the evidence we heard concerned “plans and process” rather than actual changes on the ground and many of the proposals set out in local area plans are only now starting to be implemented.¹⁹

11. Manchester City Council told us that if local areas are to deliver their expected savings, they will need to stop or decommission existing services. For example, the council expects to decommission some expensive additional support in primary schools which would no longer be needed, and to lower the usage of hospital beds for people with long-term conditions.²⁰

12. The Head of the Civil Service, who is also Permanent Secretary of the Department, outlined his vision of where he wanted the programme to be by the end of the current Spending Review. He told us he would like to see more proven examples of integrated models that work and a large number of local public sector bodies taking up integrated ways of working.²¹ He also told us that the Department's role in the programme was not to direct it from the top, but rather to encourage people to collaborate and create networks to share knowledge locally. In addition, he said that peer pressure can be a powerful driver of change, stating that “if one area has collaborated and delivered better outcomes through what they are doing, the places next door sooner or later get the point”.²²

13. To succeed, Whole-Place Community Budgets also require collaboration with central government departments responsible for the policy areas relevant to local services - such as the Departments for Health, Education and Work and Pensions. The local authority witnesses told us that, while this is happening in some areas, more progress is required in others, such as working with the Department for Business, Innovation and Skills to ensure local skills and training provision best support plans to boost economic growth.²³

17 Qq 21-22, 106, 181

18 Qq 54, 161

19 Qq 4-5, 12-16

20 Qq 17-18

21 Qq 198-200

22 Q 183

23 Qq 59, 63-65 70

14. It will be important to disseminate lessons from the four local areas as they are learned. The Department told us that, to help with this, it plans to establish a £1.5 million Public Service Transformation Network involving central and local government to promote wider learning from the four Whole-Place Community Budget areas.²⁴ The Head of the Civil Service told us that in his view there were three key lessons: the need to focus on high-cost services where underlying problems were not being tackled effectively; the importance of having a strong evidence base to assess integration initiatives; and the recognition that solutions will often involve reconfiguring services rather than having single, combined budgets.²⁵

24 Q 179; Ev 28

25 Q 161

2 Barriers to effective integration

Evidence base for integration

15. In general, the Government lacks good information and evidence to determine where services or programmes could be integrated more effectively and improve value for money. Spending Reviews are a significant opportunity for the Government to identify where its activities could be better coordinated and aligned. However, our report on *Managing budgeting in government* found that the current Spending Review process does little to encourage or facilitate cross-government working. We concluded that the process is too focused on individual departments, so that departments are not encouraged or incentivised to work together.²⁶

16. The Treasury acknowledged that the 2010 Spending Review was “too departmentally siloed”, and said that for this year’s spending round it was explicitly asking departments to look at how better integration could save money and protect services.²⁷ The Treasury could do more to send a clear signal to departments about the importance of integration, such as requiring them to identify specific opportunities and then considering these opportunities when making funding allocation decisions. This would help meet our recommendation in *Managing budgeting in government* that the budgetary system must create the right incentives for departments to pursue proposals which cross existing organisational boundaries.²⁸

17. The Whole-Place Community Budgets programme illustrates how a strong evidence base for greater integration can start to be developed. The Chief Executive of Manchester City Council told that in preparing their proposals, they have produced evidence of the costs and benefits of integrated services.²⁹ Manchester City Council explained to us that this has allowed it to make the case for integrated services, because the data on costs and benefits provides firm evidence of the potential for improved taxpayer value and better service outcomes for local people.³⁰ The Department told us that the ‘What Works’ institutes, which are intended to provide evidence to support policy making and implementation, also have a role to play in promoting integration and focusing on outcomes.³¹

26 Committee of Public Accounts, Thirty-fourth Report of Session 2012-13, *Managing Budgeting in Government*, HC 661, para 12

27 Q 88

28 Committee of Public Accounts, Thirty-fourth Report of Session 2012-13, *Managing Budgeting in Government*, pp 5-6, conclusion 4

29 Q 10

30 Qq 14, 19

31 Qq 107, 182

Funding arrangements

18. Local authority witnesses described how local bodies are subject to different funding agreements with their sponsoring departments and agencies, and that shorter, one and two year funding arrangements— such as the one-year arrangement for clinical commissioning groups—can inhibit longer-term planning by reducing the certainty that local public bodies have about receiving a return on their up-front investment.³² The Department of Health told us that it is looking at whether clinical commissioning groups could be funded over longer time periods, and noted that in the past, primary care trusts have had multi-year flexibilities over funding.³³

19. The local authority witnesses also referred to the risk that, in some cases, the financial benefits of improving services flow back to central government, with little or no return on investment for local public bodies.³⁴ We have previously highlighted the importance of incentives for making integration work: our report *Improving the efficiency of central government office property* examined the lack of incentive for departments to share office space if the resulting savings go to other departments.³⁵ Essex County Council told us it would like to see “place-based” financial settlements where, if savings are achieved, they are not all clawed back by the Department, but are retained for spending in the local area.³⁶

20. The Head of the Civil Service told us that the role of the centre of government was to remove barriers to national bodies “moving money around”, in order to create local incentives for integration. He told us that one way in which the Government could do this was by giving as much flexibility and certainty as possible to national bodies. He acknowledged, however, that in some policy areas, like justice, it was more complex and there was more work to do on how savings are captured in, for example, the prison service, and how those savings are retained locally.³⁷ The Treasury explained that, to address these issues, it was looking at potentially holding back a proportion of money from future budgets, with departments’ access to this pot dependent on cross-government collaboration and sponsorship of locally integrated services.³⁸

Accountability for integrated services

21. Integrated working has important implications for accountability. Where several bodies combine resources to deliver an integrated service, it remains important for Parliament and the public to determine who is accountable for what.³⁹ When the Government introduces new forms of integrated service delivery, it needs to ensure that

32 Q 19

33 Qq 142-143

34 Qq 32, 51-52

35 Qq 110-115; Committee of Public Accounts, Eleventh Report of Session 2012-13, *Improving the efficiency of central government office property*, HC 288, p 5, conclusion 2

36 Q 51

37 Q 130

38 Qq 133 - 136

39 Qq 34-35, 70-71, 138-139

accountability arrangements are clear and supported by data that allow effective evaluation and scrutiny.⁴⁰

22. The Whole-Place Community Budgets programme may offer lessons for future accountability arrangements. As part of their work on estimating the costs and benefits of integrated service proposals, the four areas have estimated how these costs and benefits fall to individual public agencies.⁴¹ Manchester City Council told us that having a clear approach of “following the money” also helps to make the case for integration during negotiations with other bodies⁴².

40 Q 170

41 Qq 10, 16, 17, 30, 52, 122, 165

42 Qq 9, 10, 16, 30

Formal Minutes

Monday 24 June 2013

Members present:

Mrs Margaret Hodge, in the Chair

Mr Richard Bacon
Guto Bebb
Jackie Doyle-Price
Chris Heaton-Harris
Meg Hillier

Mr Stewart Jackson
Fiona Mactaggart
Nick Smith
Justin Tomlinson

Draft Report (*Integration across government and Whole-Place Community Budgets*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 22 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

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

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Monday 1 July at 3.00 pm]

Witnesses

Wednesday 24 April 2013

Page

Joanna Killian, Chief Executive, Essex County Council and **Geoff Little**, Deputy Chief Executive (Performance), Manchester City Council

Ev 1

Richard Heaton, Permanent Secretary, Cabinet Office, **Sharon White**, Director General Public Spending, HM Treasury, **Sir Bob Kerslake**, Permanent Secretary, Department for Communities and Local Government and **Jon Rouse**, Director General, Social Care, Department of Health

Ev 10

List of printed written evidence

1	West Cheshire Public Services Board	Ev 26
2	Department of Health	Ev 28
3	Department for Communities and Local Government	Ev 28;Ev31
4	Essex County Council	Ev 30

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2013–14

First Report	Ministry of Defence: Equipment Plan 2012-2022 and Major Projects Report 2012	HC 53
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Oral evidence

Taken before the Committee of Public Accounts on Wednesday 24 April 2013

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Jackie Doyle-Price
Fiona Mactaggart

Austin Mitchell
Nick Smith
Ian Swales
Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, National Audit Office, **Gabrielle Cohen**, Assistant Auditor General, NAO, **Keith Davis**, Director, NAO, **Angela Hands**, Director, NAO, **Paula Diggle**, Treasury Officer of Accounts and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

REPORTS BY THE COMPTROLLER AND AUDITOR GENERAL

Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets (HC 1040)

Integration across government (HC 1041)

Examination of Witnesses

Witnesses: **Joanna Killian**, Chief Executive, Essex County Council, and **Geoff Little**, Deputy Chief Executive (Performance), Manchester City Council, gave evidence.

Q1 Chair: Apologies for starting late. Geoff Little, thank you for standing in.

I think we need to start with you both to get some understanding. We are looking at the wider issue of integration, and yours are two of the pilot areas. I just want to get an understanding of where you think you are at, what you have learnt, whether you are doing anything, whether you are achieving anything, and barriers. It is really for you to help us to inform what we then ask the officials we see after you.

Joanna Killian: My name is Joanna Killian, and I am chief executive of Essex county council. Essex is a big geography: we serve about 1.6 million residents and businesses. It is a very complex public sector environment, with 12 districts, five clinical commissioning groups, two unitaries, police and fire services. It is complicated, and I think that the Audit Commission and others have recognised that complexity over a number of years.

For us, participating in whole-place community budgets was a genuine opportunity for us to think about how we could rewire public service. It was genuinely about changing outcomes for our citizens and our business—how we could drive growth and, I think, reduce demand in these times for public service. So we set off with very strong ambition.

I have worked in local government for 20 years, and the compelling features of this programme, the elements that made it so different, were some very talented and able civil servants joining us in our place, together with 60 colleagues from across the public sector in Essex, to design together a different system to deliver public service in the midst of some sovereign bodies in our place. Genuinely, it really has felt like something truly different. The civil servants,

empowered and as passionate as we were about changing—

Q2 Chair: So what has changed? What is the difference?

Joanna Killian: What has changed for us is that we have five CCGs, and with them we now have five integrated plans that have accelerated our ambition to join up health and social care. We have—

Q3 Chair: What is the incentive for a CCG to work with you?

Joanna Killian: To save money; to push down demand. We accept—

Q4 Chair: Are you saving money? Have you actually started? I did not get that from any of these things; they are still all plans and process. Has anything happened on the ground? Local government is very good at being really good and innovative in these new ways, but what are we beginning to learn from it?

Joanna Killian: We are getting to a point with new bodies formed through the health reforms where we have agreed that we are going to deliver services differently—

Q5 Chair: So you are still processing.

Joanna Killian: No. We have put staff into those organisations. We have started working with residents on really reforming the pathways. This has gone beyond the planning stage into us absolutely—

Q6 Chair: So what can we see? If I was a resident in Essex, what would I see that is different, and what do you, as the chief executive of the county council,

see? What is different? It all sounds very theoretical to me so far.

Joanna Killian: Some of it is theory. The plans went in only in October and it is now April—

Q7 Chair: So it is still at the planning stage.

Joanna Killian: But what I would be able to tell my residents is that we can keep council tax lower—

Q8 Chair: How? Show me where? Where have you saved money?

Joanna Killian: We will be able to save money, absolutely, into the future—

Q9 Chair: Where?

Joanna Killian: In our adult social care budgets in particular. My colleague, the police commissioner, will I hope be able to demonstrate absolutely that the costs of crime management in our place are lower. If you are asking me whether I can point to this particular activity in this particular stream, I cannot do so now, but I am absolutely confident that this is a different way of working that over time will deliver change.

This is one of the challenges for us and for Government: changing systems and thinking about we deliver services differently. It cannot change overnight, but there is enough traction now with some colleagues in Government, so I feel more confident than I have in 20 years that some things will be different for our customers.

Geoff Little: The work with community budgets has been central to our public service reform programme for Greater Manchester, which has a population of 2.7 million with an economy worth £48 billion in gross value added, so it is a major part of the country. What we are trying to do is show how it is part of producing the opportunity for economic growth in Greater Manchester. We have made great strides on that in the last four or five years through our city deal, our investment in transport and our investment in skills. The community budget enables us to bring up alongside that a real focus on the people side of the agenda: getting our people to be more productive, concentrating too—

Q10 Chair: But what has changed? What are you doing differently? Where has the change come? It may not be efficiency; perhaps services are just more effective, and that's fine, but where are we beginning to demonstrate the impact of this work?

Geoff Little: I think the difference now is that we are following the money very closely and we are now producing real evidence of who will benefit from investment in the public sector and, critically, over what period and how that will reduce the amount for the most expensive—

Q11 Chair: You could have done that in Manchester city council.

Geoff Little: We cannot do it on our own; we have to do it for all the public services. For example, in our work on troubled families, we have done a randomised controlled trial with 480 families, half in

the control group. We have real evidence on a controlled basis that shows that—

Q12 Chair: I am going to cut you short, because we are going to come back to troubled families as a Committee. The Government established a DCLG programme that, in a way, shoves money for troubled families to you. I hope to goodness that it is having an impact, and I am glad to hear it is. What I am trying to get out of this session is something different. Joanna Killian is very enthusiastic, but I have to say it is all promises for the future at the moment. I hear them, and I hope this time it works in a way that it has not for the last 20 years. What I want out of you is what has changed, what has integrated and how that is changing your outcomes, hopefully in terms of better value, either through effectiveness or through saving money.

Geoff Little: We can show across early years how we are able to reduce the proportion of children who end up at school not ready to learn.

Q13 Chair: You could have done that in Manchester city council before. What has changed?

Geoff Little: The ability to get the health service and local government together across all 10 councils in Greater Manchester—

Q14 Chair: You had that before with Every Child Matters.

Geoff Little: Yes, but we had not been able to really focus down on those individual parents and families that most needed targeted interventions at the right time, or follow the investment in doing that into reduced demand and capture some of the benefit for reuse going forwards. We now have evidence that shows that, admittedly, at a small scale at this point, but nevertheless real, hard evidence for the first time in my career.

Q15 Chair: Who are you working with that you were not working with before, or in a way that you were not working before?

Geoff Little: I do not think it is so much a matter of who we are working with that we haven't worked with before; it is about working with them in a different way.

Q16 Chair: What is different?

Geoff Little: It is the absolute focus on following the money from the investment into reduced demand and how we can decommission services to release some investment, not just to make savings but to scale this up. You asked before what the barriers are. I think the big barrier for me now is how we get from this relatively small-scale piloting work with good evidence to the sort of scale that is going to have a real impact. Our savings from the programme are estimated at £270 million over a five-year period. That is a tiny amount compared with the £21 billion of public money that Greater Manchester is spending year in and year out. It is about getting from here to the scale that will really matter, but at least now we have hard, tangible evidence that is open, transparent

24 April 2013 Essex County Council and Manchester City Council

and auditable that we can use to do deals locally to start moving the money.

Q17 Chair: Who have you done deals with?

Geoff Little: We have heads of terms with, for example, our police service, some of our Work programme private contractors and our local college that say they understand how this can work. It is not only about efficiency. When you get a really focused use of evidence in interventions delivered in a very integrated way around individuals and on the basis of families, not just people in isolation, those factors add real value and enable different agencies around the place to see how they can decommission services in future. So they are starting to see—

Q18 Fiona Mactaggart: What do you expect to decommission?

Geoff Little: We would want to see decommissioned some of the expensive additional support in primary schools because more children do not need it, or some of the expensive use of hospital beds for people with long-term conditions who would be better out of hospital and closer to home. All that needs investment to go from one place in the system to another. Those are just two examples of where we need to see the money moving from A to B.

Q19 Justin Tomlinson: I understand how the troubled families system works and its potential. In other words, it might be that housing, police and the school truancy or antisocial behaviour team were all doing something, in effect passing them from one to another, each time costing their respective department money. Ultimately now, you all come together and come up with a plan. I also understand that with the troubled families, a relatively small number can generate a huge percentage of the outgoings. I get that. I am particularly interested in the challenges you face that need unblocking to allow you to do lots more of those things and other things, not just troubled families, that the DCLG identified? Also, what opportunities are there?

Geoff Little: The biggest barrier for me is the fact that most local agencies get at best two-year, normally one-year financial settlements. If a place, on the basis of hard evidence of business cases, were able to be given a financial settlement for a three to five-year period, in no way different from Government Departments and with the same caveat of, “If things change, the settlement will change,” if we had that certainty then local public service leaders would be much more able to take a calculated managed risk to invest their money, for which they are accountable, because they would be able to see how that could come back over the medium term. What we are talking about here is changing people’s lives and behaviours; this is not the sort of thing that is achieved within a single year. For example, CCGs have a one-year accounting period: they are not allowed to carry money forward at scale from one year to the next. If we are serious about moving money from the acute sector into the community sector, that needs to change.

Q20 Justin Tomlinson: So the first thing would obviously be having those long-term settlements—I get that.

I spent 10 years as a councillor, and we would often come in with ideas and enthusiasm, having been elected to do X, Y and Z, but the chief executive would say, “Well, the problem is we have Government inspections and key performance indicators, and we have got to spend a certain amount of our budget on meeting those.” Is that still a problem? Often, some of the stuff that you will be doing might not tick the boxes.

Joanna Killian: Some of those inspection regimes still exist; many have disappeared. One of the great things about this process has been to agree as a group of public sector partners what the five or six key outcomes we want are, and to design the system for that. It is light years away from experiences we all must have had five or 10 years ago; those conversations have been better and more mature. There are inspection regimes that drive different behaviours, but there has been an absolute change in that culture.

Q21 Justin Tomlinson: Obviously you have to co-ordinate different agencies, but it is also about within the council. I represented a new-build ward, and it always amazed me that the planning department would sign things off for aesthetic reasons and so on, but they did not see that at all. For example, they would not necessarily remember to put in rubbish bins, so the street-cleaning team had to spend a lot more money coming by every few months to go and clean everything up; or they would design the houses so that the wheelie bin and the recycling boxes did not fit, so the council would then have to use an alternative, more expensive system, again costing the taxpayers money; or the green space was laid out so that they could not maintain it properly, and it was more expensive to do; or there was not sufficient open space, leading to childhood obesity—another department. Are you also looking internally to make sure that your own departments are talking to each other?

Geoff Little: In Manchester, we are operating what we call an investment fund across all of our adult and children’s social care services, so we are moving money around our own barriers. For example, we have just set a budget that has a £10 million gap in it, which we have set on a legal basis because we believe that we can reduce demand to that extent over the next two-year period. That joining up that you talk about—at a level of place we are connecting economic, social and physical realities on the ground—can happen much more readily when the money can be joined up, but it has to be followed; we have to account for this money back to Whitehall and to Parliament, so we have to have the evidence.

Q22 Nick Smith: All power to your elbow—we really want you to do a great job on this. I have some questions related to your evidence earlier on. Ms Killian, you talked about transferring staff on to new objectives and work plans. What is the scale of this? How big is it? Are the staff now part of a different

organisation, or are they all still part of the council? Can we have a bit more detail on that?

Joanna Killian: We want to integrate health and social care in how we commission services together—hospital places and community places. We also want to make sure absolutely that on the ground elderly people do not have a social worker, physiotherapist and OT coming in 12 times. Our goal is to put some of our principal commissioners—five or six people—into each of the CCGs. The numbers sound small, but they carry significant resources with them. It is about recognising that my colleagues in health with council officers can say that they will spend £500 million over the next year on these services. It has not been done before in this way. I know it sounds odd that that has not been the case, but in reality there have been barriers to that. The numbers are small, but it is about the delegations they have with their resources to make a difference.

Q23 Nick Smith: So do you have unified workstreams so that, for example, the OT and the social worker are not at a pensioner's or elderly person's home on the same day, but there is still proper oversight and care for them? How granular is this?

Joanna Killian: I hope we will get to that granular position. The ideal would be to have, where appropriate, a single work force for some of our most vulnerable older people. That is important, but actually some of the strategic commissioning we do is vital to make sure that money is not being wasted on hospital beds when the cash funding hospital beds should be in the community. Those are some of the system reforms that we are keen to bring about through this process.

To go back to Geoff's point, it is very difficult to do that when health colleagues are funded on an annual basis and we are funded on a longer-term stream. There are technical accounting barriers that make this difficult.

Q24 Chair: What are they? Just take us through that.

Joanna Killian: Geoff mentioned that CCGs have annual funding streams that make it very difficult for them to carry resources forward.

Q25 Chair: It makes it difficult to carry forward underspend, but they can budget to spend £10 million this year and £10 million next year. I understand that they cannot carry forward underspend, which is one of the ways the Department of Health decided to try to cope with the cuts it must find. It seems pretty logical to me that they can decide to put £10 million into the elderly in year one and £10 million in year two.

Joanna Killian: But all the pilots would like to get to the position of having a long-term agreement with our partners—

Q26 Chair: No CCG will end up with no money next year. They may end up with 3%, 4% or 5% less or more, depending on the circumstances, and they are not allowed to carry forward underspends, and I understand the reason for that. I am just wondering

whether this is a real barrier to sharing budgets or an invented one. They just have to decide that they are going to put this amount of money each year into services for the elderly in the community.

Geoff Little: I think it is a real barrier.

Q27 Chair: Why?

Geoff Little: Because the CCG as a commissioning body now needs to say to the acute sector, "We are going to, in a planned way, start moving money out of hospitals and into integrated services in the community." They need to do that in a planned way over two or three years; they also have to do it on a significant scale. We were doing that in Manchester and we thought we were doing a good job, but when we had an external challenge to ourselves, we found that we were doing it exactly as this Member said, but in small pockets of about 1% of the population. We found that that was not going to work financially; over a five-year period, it would just about break even. When you get to 20%, analysis based on evidence, particularly from west London, tells us that that makes significant savings in the system which can then be brought back into funding the improvements we need out of hospital.

Q28 Ian Swales: You are describing a managerial problem, not a budgeting problem. You are describing the need to do something dramatic from a managerial point of view. It would not make any difference if you knew that the budget was 1% up or 2% down; you would still have exactly the issue that you described.

Geoff Little: You would need to put money from year one—as you are making savings, not reusing it—into planning, and fund scaled-up improvements in years two and three, so you do need to move money across financial years.

Q29 Ian Swales: But if you are saving money in year one, are you suggesting that, somehow, you will not be saving in years two and three?

Geoff Little: You will; you will start ramping up. All I am saying is that if you have to spend the money that you saved in year one in that year, that is a significant inhibitor.

Ian Swales: I do not get it.

Chair: I do not get it either. Nick, you are going to have to have another go at it.

Q30 Nick Smith: Mr Little, you gave us some information, and you used the evocative phrase "following the money", but I was not sure what it meant. Have you got a whole bunch of accountants and others who forensically challenge what goes on in your different work streams and then see what is delivered on the ground? Just help us to understand that a bit more.

Geoff Little: Sure. What we have been doing is defining particular cohorts of people who are, in these various ways, making the most use of expensive product services. Having defined the cohort, we designed a new delivery model based on the principles of integration, an evidence-based approach and a family-based approach. Then we modelled the cost-benefit of that while housing it at a scale

24 April 2013 Essex County Council and Manchester City Council

commensurate with risk. That produces real cost-benefit data, and it is those real data that allow you to do the deals with partners about moving the money around the system.

You can have all the discussions you like with accounting officers where you say, "It would be good to do this, wouldn't it?" but if they cannot see the impact on their bottom line and their outcomes, they will not do the deal. It is about getting those nuggets of really important, actual data from cost-benefit analysis.

Q31 Nick Smith: Who does this deal making?

Geoff Little: It comes down to those who are accountable for the money, so it is the commissioners and the leaders of the organisations locally, but we absolutely recognise that many of those are accountable not to the place but, through Government Departments, to Parliament, so we need to make sure that we are transparent and accountable upwards, as well as horizontally.

Q32 Nick Smith: Have you got agreed data across all these different organisations and deal makers?

Geoff Little: We are getting much better. Because of all this work, we now have an evidence base which is growing all the time. One of the things that I would really hope to see going forward is that in public service we keep focusing on building that evidential base, because it will serve us all well as we go into the fairly challenging fiscal times that we have got coming over the horizon.

Amyas Morse: As a budgeteer myself, I want to try to see if I can give a helpful suggestion. It may not be right, but please correct me. Now we are going to spend more in social care, so as to spend less in health. I can understand that if you are the person with the social care budget, you want to be pretty sure that you will not end up at the wrong end of the pipe with that, and you are more likely to feel confident about that if you have a multiple-period deal; then you know you will get something back, and you will have confidence that you will not find the rules changing in some way, so that you lose the money that you thought you were going to get. I am just trying to interpret it in practical management terms.

Geoff Little: That is very helpful, because if people locally think that if they make some progress and demand reduces, and that is redistributed through national systems to places that have not reformed so much, where is the incentive? That stops things.

To give you a very small example, in a part of Manchester, we have reduced the need for police officers by about seven officers. That is tiny, I know, but the chief constable recognises that if he simply reallocates those officers to somewhere else in the conurbation, the work that they are doing locally in concert with others just stops, if we all do the same.

Q33 Chair: I thought that the whole thing with community budgets is that you pool the budget together.

Geoff Little: No. We found that pooling budgets becomes a discussion about who loses what. What we are asking people to do is retain their existing

accountability, but exercise that accountability in more far-sighted and integrated ways.

Chair: The way around all these controls is to pool your budget, isn't it?

Amyas Morse: What I like about this is that it is based on an understanding of human nature as it is, not as it should be.

Q34 Austin Mitchell: Like the BBC, I want to go to Manchester, city of my dreams. You have got 10 boroughs or local authorities stretching eastwards from the west, toward civilisation on the other side of the Pennines. You are saying that you can anticipate £270 million-worth of savings over five years. That comes from integrating what services? Where they are integrated, how is the money channelled to them? Is it channelled through different councils, or is it channelled into a silo just for them? How are they kept accountable? If I am a councillor or an elector in Rochdale, how is the integrated service going to be accountable to me when it is established?

Geoff Little: First of all, the accountability will have to be on the basis of real outcomes in people's lives. Rather than accounting on the basis of narrow organisational performance indicators, are we reducing worklessness? Are we improving skills? Are we improving school readiness? Are we reducing the proportion of people who, for example, die in hospital rather than at home? What are those outcomes? Are they improving? And are we doing that not just by becoming ever more efficient? We can become more efficient, but given that we have been working on efficiency for so long now, the scale of the financial challenges we face means that in some areas we have to reduce demand. I think the accountability has to be about whether you are reducing demand because you are improving people's lives—that is, are we spending less because we need less? That is the acid test of accountability locally, but it also has to go up to this level as well.

Q35 Austin Mitchell: How is it kept accountable, and who does the money go to? How is it channelled?

Geoff Little: Fortunately, in Greater Manchester we have something called a combined authority that has statutory accountability, so we have a basis for doing some of the deals at that level of 10 councils at once, but it is really important that we do not see this just as local government. Local government provides leadership, sure, but actually it is about the health service, the police and commissioners. It is about the Skills Funding Agency, skills providers and Jobcentre Plus, and getting all those agencies in place to actually use their money—not for everything, but where it is about these very difficult, intractable, complex problems—in integrated ways. They have to show what the outcomes are for that resource.

Q36 Stephen Barclay: How many millions from your usable reserves have you used to fund the step change in transformation on integration?

Geoff Little: We have used reserves as much as we can. We have not been shy about moving our own money into this work. For example, in 2010–11, when

we were making budget cuts, we put £36 million-worth of our council money into an investment fund to make this work move forward. I cannot claim that that was all from reserves. Some of it has been treated as reserved to keep this work moving forward. We have used our own money; that is my answer.

Q37 Stephen Barclay: Can I ask that question again? How much from reserves have you used?

Geoff Little: I cannot tell you now exactly how much of our reserves. I am happy to let you have a note on that.

Q38 Stephen Barclay: Okay. Is it the case that in usable reserves this year you have £33.5 million?

Geoff Little: I apologise; I do not have that detail with me, but I am happy to supply it.

Q39 Stephen Barclay: It is just that listening to your evidence to the Committee, one of the constraints on delivering the step change was budget uncertainty. If I understand it correctly, one of the outcomes of integration is to deliver costs down the line. I was a little surprised that, as I understand it, council tax in Manchester went up 3.7% and 800 jobs were cut, and yet you had £33.5 million in reserves. I am interested to learn what opportunity there might be to use those reserves better.

Geoff Little: As you would expect, the use of our reserves has come under intense scrutiny locally, as well as nationally. We are satisfied that the reserves that we have got are properly earmarked for real purposes. There is not money available to use as investment at scale for this sort of work. If there is, we will certainly use it, and we are using our money as best we can to make this radical reform work.

Q40 Stephen Barclay: You say you are using it as best you can, but you cannot say what the figure is. How have you changed the remuneration of your senior management team to incentivise the right behaviours around the integration of services?

Geoff Little: Well, remuneration has broadly stayed static, and the size of the top team has reduced over the last four years. The incentive for our leaders within the management team is their commitment to achieving better lives for Manchester people. They are striving to find ever more creative and imaginative ways of doing that. We could just sit back and deal with the budget reductions, cut services and just accept that there will be ever more damaging consequences for our residents. We will get more efficiencies.

Q41 Stephen Barclay: With respect, that is a totally different answer. Just saying, “We could sit back and cut services” is not the point. The whole point, as I understand it, of this Report is to say that by integrating services we can deliver more for less. That is its whole *raison d’être*. That requires changes in behaviour. What I am interested to learn is whether you see the remuneration of your senior management team as divorced from that change of behaviour.

Geoff Little: No, I do not see remuneration of the top team as being the main driver of their behaviours.

Q42 Stephen Barclay: It may not be the main driver, but would it not be a driver of behaviour? If you are asking people to do things differently would you not, as part of their appraisal system, assess the extent to which they have done different things differently as part of their objectives?

Geoff Little: If I can give you an example, we have changed the duties of our top team, so that whereas before we had strategic directors for children’s services and a separate one for adult social care, we have done away with that and those two officers now, without any more money in their remuneration, have responsibilities for integrated delivery across both adult and children’s services in one case, and in the other case they have responsibility for integrated commissioning. We are changing not by giving people more money, but by changing what people are tasked with doing. We are moving them very squarely into this integrated way of working, so that we treat this as a mainstream task, not something that we do as a nice, frothy bit of work on the top. This is about the mainstream use of council resources.

Q43 Stephen Barclay: Ms Killian, your remuneration has obviously been a subject of public debate in the past; could you tell the Committee what your total remuneration was in 2010 and what it is today?

Joanna Killian: My core salary was £240,000. It is now £200,000, as I have volunteered reductions.

Q44 Stephen Barclay: When you say your core salary was £240,000, are there any things that are not included in core salary?

Joanna Killian: Clearly my pension is on top of that.

Q45 Stephen Barclay: So, with respect, the question was about total remuneration. Could we have a go at the question?

Joanna Killian: My recollection is that it was £289,000, but I will need to confirm that to you.

Q46 Stephen Barclay: So your remuneration was £289,000, and total remuneration today is £210,000?

Joanna Killian: In that ballpark, yes.

Q47 Stephen Barclay: Do you think your performance has changed, improved, or diminished during that time?

Joanna Killian: Over the last four years, I have delivered £365 million-worth of savings and efficiencies for Essex county council. That has been without cutting services. For the last three years, there has been no council tax rise.

Q48 Stephen Barclay: I am not disputing that. For the record, as a Conservative MP, I point out that it is a Conservative council. It is their decision what they pay you. That was not my question. What I am interested in is to what extent the remuneration has been related to what has been delivered—the

24 April 2013 Essex County Council and Manchester City Council

performance. Do you think it has improved, stayed the same or been diminished?

Joanna Killian: I believe the performance of the council and its efficiency has increased. I know that to be the case.

Q49 Stephen Barclay: So at a time when your remuneration has come down £79,000 a year, the performance has improved?

Joanna Killian: Yes.

Stephen Barclay: Thank you.

Mr Bacon: There is a moral there somewhere. I feel a recommendation coming on: £79,000 pay cuts all around. Unfortunately, we would then be working for nothing.

Fiona Mactaggart: That teaches some members of this Committee something about the public service ethos.

Mr Bacon: Since you mentioned it, we already knew about that; otherwise we would not be here.

Q50 Fiona Mactaggart: You referred earlier to savings and cashable savings. Is any action required from Government for you to realise those savings, and if so, what is it?

Joanna Killian: In Essex, we estimated £400 million-worth of savings from a slug of activity—about £2 billion-worth.

Q51 Chair: £2 billion?

Fiona Mactaggart: From £2 billion-worth of activity, you saved £400 million?

Joanna Killian: Yes, and £127 million of that is cashable; the rest is non-cashable. This goes back to the heart of the argument. I am sorry if it sounded horribly techie, but many of us would like to get to a place where the Government would offer place-based settlement, and we could have an investment agreement, not only with our local partners but with Government, that says that if we deliver this level of benefit, instead of it being clawed back, we could spend it again in our local place.

The non-cashable benefits, which we will never see, are reductions in benefit payments and reductions in older people attending hospital, so they are quite significant non-cashable savings. For us, how do we have the debate across Government that allows us to keep some of that benefit? It is significant. I do not know whether it is worth talking about the scale of the savings, but significant savings could be achieved.

Q52 Ian Swales: So what do you want to do with the money? You want this money that you see being saved.

Joanna Killian: In Essex, just for the county council, the reality is that we know we have to save another £250 million from an annual budget of £1 billion. That is a huge saving, based on our extrapolations of Treasury activity. Just keeping an element of that would allow us to keep core services running, and to reinvest in this activity, which absolutely—demonstrably, for us—saves money and can improve outcomes.

Geoff Little: If you look at our spending, in Greater Manchester, it is £21 billion per year—that is the

count we did last year, in 2012. We did the same count in 2009—it was £21 billion then. Nothing has actually fundamentally moved in total. What has moved are the proportions within that £21 billion. Local government spending has gone down substantially, but spending by DWP, which is benefits—also pensions, but benefits are in there—has gone up substantially, so we are not spending less as a conurbation. We are spending the same amount of money, but more on failure and less on success. If we can do different deals with different places on economic growth, as we have done with city deals, why not do different deals with different places at scale for the people side of the equation—so, for example, in Great Manchester we could get that surplus over a five-year period?

We are not saying that we want to keep the money when we have made these big reductions in demand—there should be a reutilisation across the country at that point—but one year does not do it. Three to five years might. If we could do that, what we might see in Greater Manchester is that our £21 billion could start to come down—it isn't happening now—and our £17 billion of tax take could start to go up, because people become productive rather than dependent. The two narratives start to come together, and at some point we may become a contributor, and not a cost, to the nation.

Q53 Chair: Are you allowed at the moment to keep any of the benefit savings?

Geoff Little: Very, very little.

Chair: It is 10% or something? Not even that? Nothing?

Fiona Mactaggart: It is only what comes into your own budgets, presumably, not anything that comes into anybody else's budgets.

Q54 Chair: That is a very helpful explanation. Fiona's question was: what are the other barriers from central Government?

Geoff Little: There are those technical barriers that Joanna and I have talked about. There are also some cultural issues—not barriers, but areas where we need to strengthen. The work that was done through the pilot of having senior civil servants—I have to say that we were very pleasantly surprised at the quality of people that were given to Greater Manchester—

Fiona Mactaggart: There are some senior civil servants behind you who were laughing at that.

Geoff Little: Their boss is up next, then.

Q55 Chair: Have your plans been approved, Mr Little? Has your plan, which you submitted last October, been approved?

Geoff Little: Yes.

Mr Bacon: Have you not read this morning's paper, about the reopening of certain settlements? No? I would take a look at it, if I were you.

Q56 Chair: So the plans that each of you submitted have been approved?

Joanna Killian: They are, in that we designed them together, so they are in—

Q57 Chair: But I thought they need central Government sign-off. Have you got central Government sign-off for them? No.

Joanna Killian: We have, in that the Prime Minister has, I think—

Q58 Chair: Have the Departments signed off your plans? You are getting on with it anyway—I understand that—but have they signed off your plans? No.

Joanna Killian: We are getting on with it anyway. The majority have, but there are still some discussions to be had—and we are confident, actually—through the spending round.

Q59 Chair: Who hasn't?

Joanna Killian: BIS, for example, and the Department for Education. We have a proposition to change the schools offer in Essex. We do not have detailed sign-off of that, but I am expecting and hope, with advice, to get that through the spending review.

Q60 Chair: Through the spending review?

Joanna Killian: Through the spending round and through, I hope, implementation of some of the Heseltine decisions.

Q61 Chair: What about you? We have got a rather depressing Report about how central Government is responding to all this stuff.

Geoff Little: We are in the early stages. I think we have got good engagement with all the main Departments of State.

Q62 Chair: You are being very positive. Who has failed from last October to give you the okay or to reach an agreement with you?

Geoff Little: I would say there has been less progress in some places because of problems not only in Whitehall but locally. For example, we have not made as much progress as we want to on worklessness and low skills, but that is partly because those problems are the most difficult in people's lives to move forward on, and getting the money moving around is most difficult. I would not put the blame squarely on a single Whitehall Department; it lies with us as well. We have to make progress on the basis of the work we did last year.

Q63 Chair: Which one are you talking about?

Geoff Little: DWP and BIS, I think, in relation to skills. We need to do much more work with those two Departments in particular to get to the heart of this link between growth and dependency. It is getting people skilled up and into the labour market—that is the sustainable change in people's lives that we need. I am absolutely certain that they are with us in trying to make this work.

Q64 Chair: But you have been waiting since last October. Presumably, you did not dream these plans up out of thin air; you talked to them before you submitted.

Geoff Little: We did. It is an iterative process, so we are now in the next phase of trying to get what we call investable propositions in place by this autumn.

Q65 Chair: One final question from me before we move on: what is the incentive for an academy school to co-operate with you?

Geoff Little: I would have thought the same as most other schools: if they collaborate, they should be able to reduce the proportion of children who are not attending—

Q66 Chair: Are they collaborating with you?

Geoff Little: Yes, they are.

Q67 Chair: Budgets? Money?

Geoff Little: I would say they are definitely co-operating at the moment on operational integration. They are not yet spending their own money on this, but I think they will do.

Q68 Mr Bacon: When you say that they will, in due course, be spending their own money, do you mean that academies will be buying in integrated services, so they might be buying in HR from a provider that is providing to lots of other people, including local authority bodies? What did you mean by that?

Geoff Little: I was thinking less about back-office services and more about, say, the services of people who work with families—social workers, for example. Schools will start to want to buy these services. What we have got to do is say, "Before you do, let's make sure that we are not duplicating, and let's make sure that together we are buying the right services, through integrating in the right way, for our families." I think we will bring our budgets closer together.

Q69 Mr Bacon: There is, presumably, a lot of talking about that going on already. I talked to a head teacher just a few months ago, who said that in the new school where she now is, she has more looked-after children cases or child protection cases in a week than she did in her previous school in a year. Presumably, that dialogue with social services is happening anyway, isn't it? One would hope so.

Geoff Little: It is, and we can show that we are getting less children on our child protection register now because of our integrated way of working.

Mr Bacon: I cannot resist saying "fewer", Mr Little. It is the English teacher in me, I am afraid—some would say the pedant.

Geoff Little: I do apologise. My English may not be perfect, but the maths is there, so we can show the numbers. We have reduced the numbers of children on the register and the cost of that. We are bringing that money back in with the schools to keep it going, and that is the difference. In the past, we would have stopped and waited for the next initiative, but this is actually getting the mainstream money decommissioned and reused.

Q70 Mr Bacon: I have two very quick questions for Joanna Killian. When you are talking about the reshaping of the skills offer in your county and how you are negotiating with BIS and DFE jointly, I am

24 April 2013 Essex County Council and Manchester City Council

sure you will not be able to tell me how much money is involved yet, because you are negotiating, and it will come out of the spending round, but when x comes out—whatever x in total is, which is DFE plus BIS together—how is it divided between the two, and who is accountable for it?

Joanna Killian: I do not understand.

Mr Bacon: As far as you are concerned, at central Government level, it is two different Departments putting money into a pot. They will each know how much each of them has put in, and they will each be accountable for that amount.

Joanna Killian: Sadly, there are more than two pots in the skills environment, so we want it to be simplified. We get some benefit and the Departments get some benefit. I could not tell you at this moment precise pounds, but I am happy—

Q71 Mr Bacon: The pots come from many different bodies, but ultimately either they report to BIS or they report to DFE, don't they?

Joanna Killian: Yes.

Mr Bacon: Thank you.

Q72 Chair: Is there anything else that you think we should focus on?

Joanna Killian: I do not think I have made it clear enough how important this project is for us as a locality. The level of cuts that are coming means that if we cannot deliver this, we will be left delivering the most minimum core service, and we would not be alone across the country in doing this. For us, this is not frothy stuff. This is a very technically sound, well evidenced investment proposition that must deliver some savings.

Q73 Mr Bacon: And is going to produce better results?

Joanna Killian: And will produce much better results.

Q74 Mr Bacon: That does prompt the question of why it was not done years ago.

Chair: Well, they have tried for the past 20 years.

Geoff Little: Part of the answer to why it was not done years ago is that local project service leaders on the ground were never faced with the amount of pressure that they face now, as regards budget cuts. They have not got anywhere else to go. They could either keep cutting or start to work out together how to reduce the demand for their services. That is difficult long-term work, but the money has to be at the heart of it. We are finding local leaders on the ground starting to come to us and wanting to do these deals, but the system within which they can operate has to allow them to do those deals in the medium term.

Mr Bacon: They have to see a carrot and be poked in the back with a stick.

Q75 Jackie Doyle-Price: I have a quick question for Joanna. I represent an Essex constituency, but there is a unitary authority that is very close to London. Sometimes the synergies are not always there. From

your perspective, is this process strengthening the cohesiveness of the whole of Essex? In that context, is it helpful to make those relationships between the two unitaries in Essex stronger? Should they not really be looking to do deals with Barking and Dagenham, for example?

Joanna Killian: Partnership working in Essex is better than it has ever been because of this process. Genuinely, the behaviours are different. I agree that working should be and is strong with Southend and Thurrock. It could always be stronger. There is a lot to do across all our partners.

Jackie Doyle-Price: Thank you.

Austin Mitchell: Who is the most helpful and who is a laggard in central Government?

Chair: We have tried to find that out.

Q76 Austin Mitchell: Who is most helpful? Which Department? Which is the greatest laggard in helping you?

Joanna Killian: The most helpful have been the Department for Communities and Local Government, the Treasury and the Department of Health. They have gone out of their way to support and help us. That is because we chose those areas of spend, particularly health. That is the biggest area of demand and pressure. It has been more difficult to make progress in other areas at this point.

Chair: That's DWP.

Nick Smith: Is DWP letting you down? Is that what you are saying?

Fiona Mactaggart: She is very carefully not saying that.

Mr Bacon: Don't bite the hand that might feed you; that is good advice.

Q77 Austin Mitchell: Spit it out. Just tell us.

Joanna Killian: We chose projects that did not involve a huge amount of DWP work.

Q78 Chair: But I think DfE is also interesting.

Geoff Little: I would suggest that DfE on the early years side have been absolutely at the heart of this. The rest of that Department, in terms of schools function, maybe less so. DWP have agreed to put Jobcentre Plus workers into those integrated teams, though that is not about troubled families. That is a big step forward for us. We have got to do an evaluation and get the money flowing now. DWP have come a long way in the past year.

Q79 Nick Smith: What about training providers? Are they integrated?

Geoff Little: I think they would like to be, but we are not there yet with the Schools Funding Agency, the providers, the colleges or the private sector.

Q80 Chair: A final point: what about the agencies? I was thinking of the Environment Agency, for example. What about integrated working with them on, say, flood defences?

Joanna Killian: For us, that was just not within the remit of the project.

24 April 2013 Essex County Council and Manchester City Council

Q81 Chair: What is in the remit? Any of the agencies? Perhaps I should not have chosen the Environment Agency; that was just the one that came to mind.

Geoff Little: I would say, Chair, that the part we have not yet tackled sufficiently in Greater Manchester is the way that this focus on people who are dependent and the economy needs to link to the regeneration of physical places, including both social housing areas

and private sector rented areas. If we get this right and reduce the demand attached to people, but the people simply move to other areas, only to be replaced by equally dependent people, the place will cost the same. People will benefit, but the place in Greater Manchester will not cost any less.

Chair: Come to Gascoigne school in my constituency, as some Members did; that is the answer to that. Thank you very much indeed. That was very helpful and interesting.

Examination of Witnesses

Witnesses: **Richard Heaton**, Permanent Secretary, Cabinet Office, **Sharon White**, Director General, Public Spending, HM Treasury, **Sir Bob Kerslake**, Permanent Secretary, Department for Communities and Local Government, and **Jon Rouse**, Director General, Social Care, Department of Health, gave evidence.

Q82 Chair: Thank you and apologies—are we very late? We probably are. May I just apologise on behalf of the Committee to Sharon, because we had to put off our sitting? We are going to try to re-fix it—it was the voting, although in the end we did not actually vote. That’s life in the House of Commons—apologies for that.

I want to get a feel for this. Sir Bob, you are probably going to have to answer this on behalf of them all—are you committed to this agenda?

Sir Bob Kerslake: Yes. Not only do we think that it is an important agenda—

Q83 Chair: Not the local government agenda; the integrated working. Of course you are committed to the local government agenda, and there is a lot of enthusiasm out there. In a way, I am now taking that as an example to put into the context of integration across Government, because we are looking at two things. So without your DCLG or local government hat on, but with your central Government hat on—that is, responsibility for the whole of Government—do you think the Government are committed?

Sir Bob Kerslake: I took your question to be about the whole of Government, Chair. I believe that we are absolutely committed to the integration agenda for a number of reasons. First, we know that we are facing some very big financial challenges in this country, which is going to involve reductions in costs. Secondly, as I think you have heard from local government, there are also some significant pressures on services, which need to be addressed. Thirdly, we believe that there is potential in integration to deliver better outcomes for the same or, indeed, less money. So from a Government point of view, there is a lot of potential in integration. That is why there has been not just CLG but whole-of-Government support for community budgets, for example.

Q84 Chair: Okay. I think that we agree, right? We think that this is hugely important if you are going to be able to cope in the best way possible with the financial cuts that are facing you. So I have to say that I found the second Report deeply, deeply depressing. It is difficult to know what to read out, but let us take paragraph 2.12 on page 22. It says, “the current structure of governmental responsibilities means no

department is in charge of supporting integrated working, especially for frontline service delivery. Given the absence of a government-wide initiative or central unit to promote integration, there is a risk of incoherence in how government does integration.”

Sir Bob Kerslake: I would say that every Government Department has a responsibility for promoting integration if it will deliver better outcomes for less or the same money. The two Departments that specifically support the process of integration are the Treasury and the Cabinet Office—

Q85 Chair: Neither of whom had any project for integration in their business plans.

Sir Bob Kerslake: They have a lot of projects that involve greater co-ordination and greater integration.

Q86 Chair: Neither had a project. Either business plans are hopeless or integration does not matter.

Sir Bob Kerslake: I do not think that that is true and I could give you many examples. I am sure that my colleagues will—

Q87 Chair: Then why was it not in their business plans? If it is so important, why, Sharon or Richard, was it not in your business plan?

Sir Bob Kerslake: Sharon, do you want perhaps to just deal with spending?

Sharon White: I would probably look less at the business plan for the Treasury and more at the guidance that we send across Departments.

Q88 Chair: But you are leading on it. How often do we say to you, if only you really did your finance function well and looked at integration across the piece? We do think that the two of you should be leading on it, and we do actually think that good stuff is going on in local government—there always is. However, the depressing thing is that this Committee is sometimes accused of resisting radical transformation, but we are keen on it, because we think it is a way of getting more effective services at less cost. Yet the two key Departments may be talking the talk but you are not walking the walk.

Sharon White: I think that we do recognise that. When we have been before the Committee before, a fair criticism that was made of the last spending

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

review was that from the Treasury's point of view, partly because of speed coming out of the election, the review took too departmentally siloed a position. That was reflected in a very helpful report from the NAO. Certainly when we are thinking about this year's spending round, although it is for a single year—2015–16—one of the things we are explicitly asking Departments to look at is how better integration can be a means of saving money and protecting services. We are also asking them to look at whether changes in the activities of other Departments will lead to savings in their own Department.

Sir Bob Kerslake: May I add to what Sharon said, Chair? You raised a good question about the business plans, but look at the action that has happened. There are lots of hard, tangible examples of integration, whether it is to do with back office services; whether it is to do with gov.uk; whether it is to do with health and care, which Jon can talk about; whether it is to do with things such as commissioning, where we have formed a single commissioning academy. There are many examples in the business plans of things that are essentially about integration.

Q89 Chair: You sign off this report between you—I don't know which Department actually signs it off—and it does say that nobody is in charge.

Richard Heaton: May I answer for the Cabinet Office?

Q90 Chair: Because if you are trying to kill the silos, people have got to bang their heads together.

Richard Heaton: Speaking for the Cabinet Office, that is a fair comment on the business plan. I looked at the business plan before this hearing, and yes, it is a slightly sluggish document. I hope next year's will be better. In a sense, you are noticing the absence of something that is labelled "PSA delivery unit", or whatever it was called under the last Government, and there is clearly nothing like that. But getting government to join up, work better and make a difference on the ground is what the Cabinet Office does. That is in our DNA; we have no other purpose but that. We feel passionately about a unified civil service.

The really, really strong narrative behind all the ERG reforms that you have spoken to Francis about is about government doing things better, singly, driving out money, waste and friction between Departments. On the one hand, we are all about that—it is mostly back office, but it involves some front office. The other thing is the evidence. We are about what actually works on the ground. We represent the PM's and the DPM's writ within Whitehall. They are passionately concerned about whether houses are being built and whether people are getting back into work. If lack of integration is an obstacle, we will come down really hard on integration. But we are about providing evidence of what actually works on the ground, letting Departments see it and holding them to it. That is what the Cabinet Office does.

Q91 Chair: Okay. All I can say is you are accused in this Report of incoherence. The two key Departments, for whatever reason, although you say that they have it in their action, do not have it in their business plans. Yet you ask us as a Committee to take those business plans seriously, which we do, so we would expect to see it there. If I may say so, one of the parts of this that is so depressing is that if you look at integration at a central government level—whether you look at figure 2 on page 14, or figure 10 on page 26—the record is pretty abysmal. It is really important stuff: we cannot get back office in. I know there is always this intent. We looked at hospital trusts; we looked at shared services, which cost more than they saved; we have looked at the use of office space, which never seems logical; we had the disaster of the fire and rescue services, which we hope to come back to; we have looked at the NHS IT systems. All these things are integration projects, and all they have done is cost us money and got us worse services.

Sir Bob Kerslake: There have been some pretty poor examples.

Q92 Chair: Give me one example—actually, give me three examples—of really good stuff that you have done on the integration agenda to cheer us up.

Sir Bob Kerslake: Just to prove what quick learners we are, I will give you more than one example. I referred to one earlier: the commissioning academy that we have established, which is exactly an example of integration.

Q93 Chair: The commissioning of what?

Sir Bob Kerslake: The commissioning academy, which is about ensuring we have good quality commissioning across the public sector. It is not one Department's initiative; it works across the whole of government. It also includes local government and other public services. It is a single commissioning academy to train staff to be good at commissioning and take an integrated approach.

Q94 Mr Bacon: Where does this new academy sit?

Sir Bob Kerslake: It is located in the Cabinet Office, but it—

Q95 Chair: This is a training capacity?

Sir Bob Kerslake: It is a very important training capacity, but it is not just about training; it is about strengthening skills. That is the first example. Secondly, Jon will very happily talk to you about the initiatives that are going on in health and care. In terms of integration, some very strong, positive work is being done there.

Thirdly, there is the work we have done on back office services. We have actually signed the contract for the first integrated shared service centre. We have a clear programme of bringing Departments into that model. Fourthly, I would pick out the work that we have done on some of the other expert support services. We are moving, for example, to a single legal service for the whole of Government. It is the first time that that has happened. These things are not promised or possible;

24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health

they are things that are happening now and they are very tangible examples of integration.

Q96 Mr Bacon: You said that you had a single legal service for the whole of Government. Does that mean that the Revenue and Customs Prosecutions Office will be abolished?

Sir Bob Kerslake: No. We would have a single legal service that advises Departments. Staff would be located within that legal service. Very specialist services in relation to HMRC would stay as they are now but, for every other Department—for example, CLG—our legal service would now form part of a Government-wide service and our team would be located in CLG.

Richard Heaton: On Mr Bacon's particular question, I think that the Prosecutions Office is already within the Crown Prosecution Service.

Q97 Mr Bacon: Well, it was hived off from HMRC to become a separate body with its own accounting officer.

Richard Heaton: It is now part of the Crown Prosecution Service.

Mr Bacon: Is it now?

Q98 Chair: What was the date used for our shared services report? How out of date was that?

Keith Davis: It is from about a year ago.

Q99 Chair: Where it showed all this investment and very little saving.

Richard Heaton: I know that you did not mean to include the ERG savings in your description of what has not worked, because the Committee and the NAO have given ERG credit for the numbers and for validation of the numbers on procurement savings, controls and contract spend. So there is some seriously good news on ERG saving money across Government.

Q100 Chair: I think our criticism of the ERG is always that you are good at saving within the Cabinet Office budget. Right? You have done a little bit of work around consultants and a little bit of work around IT, but on the whole your ability to force other Departments to work collectively is limited.

Richard Heaton: But the £5.5 billion savings, which were validated by the NAO, are across-Government savings for 2011–12.

Sir Bob Kerslake: On that point, we already have three agreed strategies. One is on the transaction services, the finance services. There is agreement by Departments to join those shared services. Secondly, we have the legal service that I spoke of, and thirdly, we have agreed a model on the procurement services that would involve shared services. Those are not things to be agreed; they have been agreed and are being implemented.

Amyas Morse: Listening to your testimony when talking about the civil service—

Chair: Can you speak up a bit?

Amyas Morse: Listening to your testimony on civil service reform, Sir Bob, I was very impressed by your vision of how you are going to change the structure

of central Government and the way that it is all going. I do not mean, could you think of things you want to do, but do you actually have a critical pathway that says what is going to happen, on roughly what time scales? Will you tell us how you are going to drive this integration through, so that we can have some expectation of what will happen and roughly when?

Sir Bob Kerslake: The short answer is yes, on those services where we have agreed an integrated model. We can tell you the pathway for the transactional services. We can tell you for legal services. We can tell you for procurement. We can tell you for internal audit. All of those are clear, agreed pathways.

The piece of work that I touched on at the last PAC was, "Where does this take us? What is the future operating model for the civil service?" We are very interested in exploring whether we should have a group-based model of functions, as suggested by Lord Browne in his major projects review. I have no decisions on that, but that is the piece of work that we need to do next, which is, "Where do the individual integrations take us by way of the future operating models?"

Amyas Morse: So the next big step in integration will be in that spot.

Q101 Chair: It is worth quoting from that, Sir Bob. What we said is, "Departments, historically, have assumed that they have to have every service—a finance, IT, personnel, and purchasing function. They have to have an internal audit. That world has gone, in my view."

Sir Bob Kerslake: That is absolutely my view, and the clear path that we are going down fits with that.

Q102 Chair: And you could let us see that path.

Sir Bob Kerslake: Yes.

Q103 Chair: With milestones on it.

Sir Bob Kerslake: For those we have agreed integration on, yes.

Q104 Mr Bacon: So there will be one internal audit function for HMG, for example.

Sir Bob Kerslake: We are moving towards one internal audit function. There may be some bigger Departments who retain their own, because of their size and scale and complexity, but we already have a group audit function, which I think now covers 10 Departments—is that right?—of that order.

Q105 Mr Bacon: So the ones that might be outside that would be the MODs and DWPs?

Sir Bob Kerslake: The very big ones, yes. And even they may come in in due course.

Q106 Ian Swales: I would like to commend the previous witnesses for some of the innovative work that seems to be going on, and I draw a distinction between what they were saying about integrating the real frontline delivery of things and a lot of what we are talking about here, which is integration of support services. The key difference is that integration of support services does not affect managerial control or

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

the effect of silos or anything like that. It provides a common underpinning, but the silos can still exist.

If I may hang my concern on a particular example, it is the mandated integration, if you like, that the Government have asked for on universal credit. Anecdotally, that sounds as though it is not going to deliver as originally promised, on budget, scope or whatever. What we hear about, again anecdotally, is turf wars between the two key Departments concerned. So will you say something, not so much about support services, but about the combination required at managerial level to drive the front end? Universal credit is a classic example.

Sir Bob Kerslake: I agree entirely that the back office is important, but it is by no means the whole story. I gave some examples of front office change as well, and I would be keen for Jon to talk about the health and care work, because that is absolutely front office change. But if I may finish the point: what we found from the community budgets initiative, which came from the CLG as you know, is that, to use the phrase the Chair often uses, in moving integration forward we need to follow the money: we need to go to the high cost, low volume services, where we know from the work that came out on community budgets that there is immense potential for change.

As your previous witnesses have said, this is very complex and difficult and you have to overcome exactly the sort of thing you talk about—the barriers between institutions. But the prizes, in terms of both better service and savings, are huge. I would quote one example, which I am sure you will come on to so I did not mention it earlier, which is troubled families, where we know that what we have done for many decades is treat the symptoms of the problems rather than the underlying causes. So I am absolutely with you on the frontline service: it is not easy, you do get barriers building up, and part of the skill of leadership on the ground, and leadership in Departments, is to try to overcome them.

Q107 Ian Swales: How are you, as the person in a sense responsible for the leadership of the Civil Service, ensuring there is “something in it” for those at Permanent Secretary level to work together to deliver some joint outcome that may undermine part of the empire of one of them? How are you making people do that?

Sir Bob Kerslake: In a number of ways. First, as I think Geoff said at the end of his contribution, the sheer financial challenge we face itself drives us towards greater integration, but that is not enough. The other way we do it is, as Sharon said, to make it very clear in guidance to departments on the coming spending round that we expect them to have looked at the options for better coordination and integration to deliver savings. It will be part of Permanent Secretaries’ objectives to look at cross-departmental initiatives that will deliver change, and it will go below Permanent Secretary level too, forming part of the model of reward. Richard might say a bit about that. We have done quite a lot of work to explain how we could provide support to the policy functions of departments to get them to be better at integration,

based on a good evidence base, which is a key of it. The What Works Institutes are not just about evidence; they are about integration and improving outcomes.

Ian Swales: What you say sounds good, but I have one comment: the evidence from the chief executive of Essex, who is right in my eyeline behind you, was that it was such a financial imperative—it was, “Do this or die.” Does it feel like that in Whitehall?

Sir Bob Kerslake: Certainly those involved in this work, particularly on community budgets, are absolutely seized of the imperative of rising adult costs, rising children’s care costs and the falling budgets and therefore the essential need to do this. So I think that is true, and I know it is true of the key Departments.

Q108 Chair: So are you driving it? Are you the guy we hold accountable for driving it across Government?

Sir Bob Kerslake: I think as far as community budgets are concerned, absolutely.

Q109 Chair: No, wider.

Sir Bob Kerslake: More widely, it won’t be just down to me. As I said earlier, my job is to create a system of incentives towards integration. The leadership will depend on the area you are trying to integrate. Let’s take the Foreign Office, for example. One of the things the Foreign Office has done is create a common platform where other Departments can join them in their overseas embassies That has saved money. That is clearly a lead for the FCO; it is not my lead, but clearly I or Jeremy would in the review of objectives recognise that and reward it in the performance of the relevant objective.

Q110 Stephen Barclay: Could you just clarify on that point, Sir Bob? At a previous hearing it was found that the Treasury rules disincentivised Departments to consolidate their property estate. Could I just check that those Treasury rules have now been changed?

Sharon White: May I add a couple of things? On that particular point, it is one of the things that we are looking at in the spending round for all Departments and where public agencies have said, “Actually, we could get closer to saving money but there are x number of barriers or inflexibilities.” We are trying much more systematically to look through all this—

Q111 Stephen Barclay: We went through all that in detail in the hearing. We had clear evidence from the Departments that there was little benefit to them to move into another Department because the Treasury rules did not incentivise that. The very essence of integration is sharing an office. That was many months ago—I cannot remember exactly how many, but it is certainly some considerable time. I just want to get it confirmed that, as of today, those rules have not been changed?

Sharon White: That is right. From the Treasury’s position, we are offering as many incentives to encourage and incentivise Departments to shed their estates as quickly as they can.

24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health

Q112 Stephen Barclay: Sure, but we went through how they weren't working. There was a clear and specific point which the NAO very perceptively picked up, and the Departments' Permanent Secretaries gave evidence as one. As of today has it changed or not? It is a simple yes or no.

Sir Bob Kerslake: I understand the question. I think we should come back. What I can say—

Q113 Chair: I think Sharon actually said no, it hasn't.

Stephen Barclay: I just want that on the record.

Sharon White: There are different points here. For some Departments there are issues: for example, for those who have entered PFI contracts, there are issues about how easy it is for the Treasury to allow buy-back. That is different from where we are incentivising Departments through additional budget flexibility in order to keep back some of the savings from their estates.

Q114 Stephen Barclay: You are quite right about PFI because PFI contracts are underwritten by the Treasury, but that was not the point that I was making.

Richard Heaton: Look at what is happening on the ground: DCLG is going to move office, the Northern Ireland Office have moved into the Treasury building and DCMS have moved into the Treasury building. In the last two years, Government has vacated 14% of its office space—something like six times the office space in the Shard.

Q115 Stephen Barclay: That is really frustrating. Of course there is some consolidation, but the whole point of the hearing was first that the control had been largely retrospective; it had been about when leases came up for renewal rather than proactively looking at the estate, looking at the future need and mapping that proactively. So yes of course there have been moves. It was quite some time ago, but as I recall it one of the key findings was that it was retrospective. The second key finding was that there was a huge opportunity cost, because although some savings had been made, they were a fraction of the potential savings. Again, a common theme of this hearing is the "Groundhog Day" element of making recommendations and them not being acted on. It was a really simple point which goes to the heart of integration—getting two Departments to move into the same building where there is wasted space. I was just trying to clarify—I think we have clarified this—whether our recommendation was adopted.

Richard Heaton: I did not mean to cross swords. I was just observing that it is actually happening on the ground to a greater extent.

Stephen Barclay: Yes, it was then.

Q116 Ian Swales: If I could finish with one further example, my memory may be playing tricks—I should have checked *Hansard* before I came—but I think that shortly after the last election the Chancellor announced that there was going to be a serious look at the integration of national insurance and income tax. To me, that would be a classic example of where

you have two Departments with huge vested interests and vast numbers of people, yet it must be as plain as a pikestaff that you could do some integration there, even leaving aside the policy matters. Has that work started and, if so, what do we learn from it?

Sharon White: It started, and there is progress. One of the things that we are grappling with, as you would expect, is how to do this in a way that minimises the cost for business. One of the big issues we had when we launched the consultation was actually doing this in a way that minimises the regulatory impact on business, but it is an area that we are keen to make further progress on.

Q117 Ian Swales: Just to clarify, is there a joint HMRC-DWP team looking at this and is there some idea of what would happen organisationally should it be done, or are they likely to want to protect their existing empires? It is all about incentives and culture, really.

Sharon White: It is. There is work that the Treasury is very involved in, particularly with HMRC. The issue is less about whether there are cultural barriers over turf, and much more about how you practically implement this in a way that is not costly for business, while saving the taxpayer money by running one system. That has been the biggest issue.

Q118 Nick Smith: Sir Bob, to go back to an earlier question from the Chair, you were asked about practical examples of integration that have already taken place in Government. You gave a couple, and the first one was the commissioning skills centre, which sounds fantastic and a great initiative, but I am more interested in the integration and shared services centres. What are your projected budget savings for, say, the next two years? How many staff involved? What is the attrition going to be like over the next two years? I am also interested in the accountability: how are you going to manage this big change and then roll it out across Government?

Sir Bob Kerslake: If we deal with the back-office functions, the sort of savings that have been talked about have been in the order of £400 million to £600 million per year if all Departments perform at the upper quartile in terms of back-office functions. There is a significant saving to be made here; this is not small money.

Q119 Nick Smith: On that, are you projected to meet those savings?

Sir Bob Kerslake: It is early days on the second shared services centre, but, on the first, the prospects look good. There are two shared services centres here. There is more work to be done on the second one; they are in the process of procuring a partner now.

In terms of who is responsible, the lead for moving forward the back-office services lies with the Cabinet Office. Stephen Kelly is the senior responsible officer for that particular initiative, and he then works with all the Departments. As I said earlier, for the first time I think, we actually have a signed-up set of Departments joining the shared support centres.

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

You are absolutely right to be sceptical. When I first joined as a non-exec on the board of the ODPM, they were talking about shared services, and that was a decade ago. But I think that this time round we have absolutely got the buy-in and resourcing behind delivering this.

Q120 Nick Smith: Have all the Departments signed up for this?

Sir Bob Kerslake: All those Departments who have joined the shared services have signed up to it. As I said earlier, we are keeping some of the very big Departments—

Q121 Chair: MoD, as I recall, was the biggest spender here, though, wasn't it?

Sir Bob Kerslake: What we have essentially got, if you read the shared services plan, is that individual Departments that are very big, such as MoD and HMRC, will keep their own existing shared services functions and then we will merge the smaller Departments into these two centres. I am happy to give you a full note on this, if you want.

Richard Heaton: On why it happened this time but not 10 years ago, I think it was partly that the cost imperative felt much bigger this time and partly some pretty relentless leadership from the Minister and from Bob. That is why it happened: it requires leadership, because there is inertia involved when Departments are asked to move services—

Chair: But there is not leadership on this agenda.

Q122 Nick Smith: People are using this phrase “follow the money” a lot—a couple of you have—so what is the projection or the estimate of whether or not you are going to make the savings you said you'll make?

Sir Bob Kerslake: We have given you the estimates. On what we know now, we are confident that we can deliver that scale of saving.

Q123 Chair: An article on Monday on Jeremy Heywood—this goes to the leadership issue—said: “the four most senior members of the Cabinet all champion different projects and policies”.

Sir Bob Kerslake: As you will understand, Chair, I could not comment on what was a second-hand story.

Q124 Chair: Well, do the four all champion this?

Sir Bob Kerslake: I think that all the Government understand the importance of delivering greater efficiency in Government.

Q125 Chair: Do they champion integrating the services?

Sir Bob Kerslake: Yes, they do, and if you look at the announcements in relation to the Budget, you will see explicit reference to the community budgets initiative.

Q126 Chair: That is only four pilots. It is tiny.

Sir Bob Kerslake: The four pilots are to prove the concept. The principle of greater integration embodied in those is a very big deal indeed.

Sharon White: Can I make a comment on the financial backdrop? Over the course of this Parliament, it has been possible for most Departments essentially to make the numbers add up through a combination of back-office efficiency, some cross-cutting issues, such as pay and pensions restraint, and some very big individual, specific reforms, such as the higher education changes with the move to tuition fees. The big difference is that now that we are projecting that the period of deficit reduction is going to go on for double the time, we are moving from a situation where many Departments and agencies were basically doing the same but trimming at the sides, to looking at the numbers that are implied in the continuation of the cuts; so you have to rethink much more radically how, and indeed whether, you are producing the service.

I have been in conversations probably for 20 years about integrating central Government. The difference is that people who care about their services are looking at the numbers and saying for the first time, “Actually, we really do need to join up.” Central Government is part of the story, but as we heard in the previous session, this is principally a story about local agencies driving this—without central Government getting in the way—with the local exigencies in mind.

Chair: We will no doubt come to Mr Rouse and the problems he creates.

Q127 Fiona Mactaggart: I have been inspired by a question that Mr Swales asked to ask something slightly different from what I thought I would. It is about the universal credit proposals. When we heard from local government, it was about using different experiences, understanding and knowledge of different bits of what they do to end up with something better. On Friday night, I was speaking to a group of senior police officers, who were talking about what they thought would be a consequence of universal credit, in terms of domestic violence and other forms of disorder. It struck me when I came here that that conversation on Friday night actually ought to be a fundamental part of the conversation about the devising of universal credit and how it operates. I have not seen any evidence that developing that kind of a plan has actually used insight from within Government about the consequences of putting the money down one hole, into a man's pocket, in the poorest families in our neighbourhoods. Everybody who has close connections with them is frightened of what is going to happen as a result of that. Have there been any conversations across Government about the consequences of all of that, and whether there need to be some changes in the plan?

Sir Bob Kerslake: There has been a lot of discussion going on around how universal credit is implemented, and how we learn from the pilot, which is starting next week, as you know. To give you some specifics on that, CLG has its own dedicated team that works on welfare reform and links in with local authorities, and then links back into DWP, so in CLG we have very close links with local authorities and their partners on the issues raised. Secondly, DWP

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

themselves have been working very closely with local authorities, particularly on the pilot in Ashton-under-Lyne.

Thirdly, what we have also done is to put people into the structures of implementing universal credit. There has been a local authority chief executive on the programme board for the implementation of universal credit, so there has been quite close linkage between local government and the universal credit team implementing it, but it is a big, complex change. One of the reasons why the DWP is taking it in stages through a pilot that starts next week is so that we can learn exactly how the new system works and what the implications are. It is often perceived as an IT project, but it is not, of course; it is mainly about how we work with people. We will learn a lot from the pilot, and local authorities and their partners are closely involved in that feedback.

Q128 Fiona Mactaggart: One of the things that I hear, listening to the local authority chief executives we were speaking to earlier, is that local authorities can do this kind of thing in a way that is more fleet of foot, which is more flexible in practice—although they welcome the shared approach, which has made it more flexible—than central Government, who have a whole load of ego landed in this working in a particular way. I cannot see it being radically changed after some of the things that Mr Duncan Smith has said about it.

Sir Bob Kerslake: All I can say to you is that there has been close involvement with local government. As somebody who has worked in both local and central Government, I absolutely understand the point you make about local flexibility, which is what we want to harness through things like the community budgets initiative. I can say that on universal credit there has been local government involvement.

Q129 Fiona Mactaggart: And has there been police involvement?

Sir Bob Kerslake: I do not know specifically on the police, but I am sure that police have fed in through their local partnerships to the local authorities.

Q130 Fiona Mactaggart: Let us get back to community place budgets. That is what I was going to ask you most about, because it is the thing that I am particularly interested in. We heard that a lot of the savings that are being made here are not actually coming back into being able to be reinvested by the people who are driving this process. What could you do, or what are you planning to do, to incentivise more people to do this by enabling them to reach that money?

Sir Bob Kerslake: I will say a few things, and I would really like—just so he has not completely wasted his afternoon—to let Jon come in and say a few things. He is much closer to the details.

Chair: Don't worry; I have got some questions for him.

Sir Bob Kerslake: Let me make a few points on this. I think the issue is a valid one that the efforts of one agency may accrue to another agency. For some of the

changes—let us take health and care—the financial flows happen within a local area, and it is perfectly possible for the individual agencies to work collaboratively, as they are doing in the tri-boroughs and as they are doing in Greater Manchester, to move those funds around to recognise the impact.

The role of central Government is to see what it can do to help that process happen. For example, one of the issues I know that Geoff will have raised with you is that the more confidence clinical commissioning groups and hospitals have about their future funding, the more they can say, “If you do x, we can redistribute the benefits to y.” What we can do is to give as much flexibility and as much certainty as possible to the national agencies working in that area in order for them to play as full a role as they possibly can in the process of moving the money around. That is the key thing, I think. There will be different vehicles for doing that. Some might go for a joint vehicle, and some will do it just through a co-operative agreement. Our job at central Government level is to remove the potential barriers.

In other areas such as justice it is more complex. If you can reduce offending rates, for example, the potential savings might come through to the justice system and to the potential demands on the prison system, but it is less straightforward to say that you can then take savings out from the process. It does vary from initiative to initiative. Some can be done locally and it is about us helping them. On others, I think we have got more work to do to ask how we capture the saving—say, in the prisons service—and reflect that in savings locally.

Q131 Fiona Mactaggart: Say, for example, that you were investing in early intervention, which meant that you had to do less special needs support in schools. Isn't it the case that the way that we are doing schools funding at the moment makes that really hard for you ever to realise?

Sir Bob Kerslake: To make it work there, you have to have the schools at the local level persuaded that it is worth them being party to this.

Q132 Fiona Mactaggart: They might think it is worth being party to this, but they want to hang on to their budgets. Of course they blasted well do. If they do not get more glory, power or anything, they are not going to give it away. They might find having children able to speak, learn and so on such a reward that they will gift their money, but I do not expect that to happen.

Sir Bob Kerslake: You are right to say that the instincts of all agencies—schools, hospitals, CCGs or local authorities—is to say, “We'll hang on to our money.” In the end, if they do that, they are all likely to lose out, because they won't be making the changes that will drive benefits that will come to them all over time.

Q133 Chair: Can I ask Sharon a question arising from that, Fiona? What are the financial incentives that you are looking to bring in to enable that change in behaviour? What are you doing? We always talk a

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

little bit about the future. How are budgets going to be different? Are we going to get the end-year flexibility in health? Where are you going to do it?

Sharon White: It is very hard to talk concretely, because we have started the formal process around the spending round. I can say that we are actively looking. Treasury tools are blunt and distant and very centralised, but we are looking at whether there are ways in which we can devote budgets, and at where the pots of money go that can help to support this agenda.

Q134 Chair: You have had things in the past. We did have attempts; PSAs were one of those.

Sharon White: We have had PSAs. We have had pooled budgets—

Q135 Chair: We had all that sort of stuff going on. That has all gone, so there has to be a new mechanism. You have got to find a new mechanism.

Sharon White: People have fed to us a range of ideas.

Q136 Chair: Like what?

Sharon White: Should the Treasury hold back a pot of money, for example, labelled “community budgets”, so that unless the various agencies at central Government level co-operate, they get less money? That is an area that we are looking at. It has pros and cons.

Q137 Chair: Very difficult if you have got less money.

Sharon White: You get into very difficult complications, which I am sure that Jon will start getting very nervous about, to do with protected budgets on schools but not the rest of schools and health. We are looking, with the instruments that we have, at whether there are any ways in which we set budgets that can support the things that Fiona mentioned.

Q138 Ian Swales: Is it not more fundamental than that? It is not just the money; it is the accountability structure. For example, with universal credit, you cannot divide the money any more between HMRC and DWP. You have to have something new that covers it, don't you?

Sharon White: The accountability for universal credit, when fully in place, will very much be with the accounting officer for DWP. You have tax credits, which used to sit in DWP, moved to HMRC—essentially back to their previous home Department.

Q139 Ian Swales: If you try to graft the whole agenda on to exactly the same silos and accountability structure, we are going to keep running into problems, aren't we?

Sir Bob Kerlake: Your point is well made. The issue for me is how to create the right incentives with authorities at a local level. Health and Wellbeing boards are a crucial part of that. Their funding is linked to how well they approach integration. We have moved away from ring-fenced budgets, so you give local authorities more flexibility about the funding

they have. Clearly you can, through the mandate you give to, say, the NHS Commissioning Board, give them a clear steer.

Q140 Chair: So is Mr Rouse going to release the money to Essex or Winchester? I cannot remember which.

Jon Rouse: We are on a journey at the moment. We started by putting in—

Chair: I think we are all on a journey.

Ian Swales: When does it end?

Mr Bacon: Doesn't it inexorably remind you of British Rail's slogan, “We're getting there”?

Chair: Just tell us what you are actually doing.

Jon Rouse: We started in 2010 with the beginning of the health reforms. We have now put in place the legislative underpinnings, which include placing a duty to integrate within the health system on NHS England and CCGs.

Q141 Chair: You heard the evidence: the evidence from the two guys on the ground who are trying really hard to make this work and get more effective and efficient services is that they want more flexibility. They want the CCGs to be able to hang on to their money to give them that flexibility. Are you going to allow that?

Jon Rouse: I listened to the previous session and I thought that the point that you made back was, “What is stopping you?”

Q142 Chair: So you are not going to allow it?

Jon Rouse: It is an issue that we are looking at. Interestingly, PCTs have had multi-year flexibilities before, and it is a question that remains open. Actually, integration is happening now in many places across the country.

Q143 Chair: But they are saying that it is inhibited by the way in which they can play around with budgets over time. That was the evidence, and you either believe it or you don't. I can completely understand if you are going to say to us—this is all I am really asking—“With the current constraints, where we have to find our £20 billion on this, we are not prepared to do that.” I just really wanted a straight answer to that. If you are not going to do that, what else are you going to do?

Jon Rouse: We are not doing it now, but it is a question that remains open.

Q144 Chair: So you will not do it in this spending review and you will not do it in the last year—the one year.

Sir Bob Kerlake: We cannot prejudge either the spending round or what the Commissioning Board will do. The critical point about why this is different this time—the danger is we say, “You never make progress”—is that we had a joint exercise between national and local, we evidence-based it, and we assessed the savings. That gives a very strong argument for why we should change the way systems work.

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

Jon Rouse: There are a number of things that we can do at national Government level, but they are actually about removing barriers. Next month, NHS England, Monitor, the Local Government Association, the Association of Directors of Adult Social Services and we will publish a single framework that is all about an invitation to localities, through health and wellbeing boards, to say, “We want you to integrate and do that on a whole-system basis. You tell us what is getting in the way, and we will look at whether we can remove that.”

Q145 Chair: They have told you.

Jon Rouse: That is one issue, but those issues can cover other things as well. Work force and development, information sharing, bringing together technology systems, using the NHS—

Q146 Chair: I do understand your constraints, believe me, but we have had two people giving evidence, and when you asked them what was really holding this up, that is what they said. If it is not going to be a runner, you are going to have to think of something else.

Jon Rouse: I heard what they said, and I heard what you said in response. My view is that it is by no means the only issue, or even the biggest issue. I think there is enough evidence of what is going on in a whole number of localities, including Tower Hamlets, Greenwich, Leeds, North-East Lincolnshire, and Dudley. They are moving to a whole-system integration model for joining together health and social care that shows that you can make a heck of a lot of progress without the need for multi-year allocations.

Q147 Stephen Barclay: Sir Bob, may I first pick up a point from our last hearing? You gave an undertaking to come back to the Committee on when all Departments will produce unit costs. The deadline passed two days ago, and I understand that we have not had that update. Could you update us now, please?

Sir Bob Kerslake: I cannot today, but I will give it to you as soon as I can.

Q148 Stephen Barclay: It is just that at our last hearing I also raised the fact that there was a set of Treasury minutes in which you had given an undertaking to do something, and in reply to Question 58 you said that yes, you did promise to do that and no, you had not done it. You promised the Committee in the Treasury minutes that you would do something, and you had not done it. At the same meeting, you gave us an undertaking to give us a note, and we have not had the note. I am just trying to understand why that might be.

Sir Bob Kerslake: I think the first one was not me, but I have committed at the last meeting, and I said that I would come back to you on it.

Q149 Stephen Barclay: Well, the first one was. I asked, “Did you publish what you promised?” and then the transcript reads: “Sir Bob Kerslake: The answer is no.”

Sir Bob Kerslake: That is absolutely right. I have said I will come back to you, and we will do as soon we can.

Q150 Stephen Barclay: Right. It is just that the deadline for the note has passed, so perhaps we can have that fairly soon. Can I ask why the Government do not share fraud that they have identified with the private sector on a reciprocal basis?

Richard Heaton: I do not know the answer, so I say this with some caution. Jon mentioned information sharing, and that could be one of the barriers. I wanted to raise this anyway—it may be the lawyer in me—because the law, practice, culture, caution and inertia around information sharing is a real problem. If you are a public body and you want to share information for data matching or fraud purposes, you are up against the Data Protection Act, your statutory framework, and gateways, which are miniscule bits of legislation.

We have found it really hard to cut through this. The last attempt by a Department to bring something to Parliament to make the law a bit easier failed in 2009–10. Frankly, I would love to bring something back to Parliament. I hope parliamentarians will bear in mind that this is potentially a really big barrier to the easy flow of information. Perhaps some of the cultural resistance to allowing information to be shared—big data, data state; all that stuff—is lessened these days because you can do the data matching and then immediately destroy the information, immediately give it back to its sender. Information sharing and the problems with it are a real problem. Some of it is legal and some of it is cultural, because people are just scared of the law and do not really understand it. That may be the answer to your question; I don’t know for certain.

Q151 Stephen Barclay: You are absolutely right. Sometimes the issue may be: does the law allow it? Sometimes it may be the risk-averse nature of legal advisers. But in answer to your response, actually Parliament has addressed it in part. Section 68 of the Serious Crime Act, for example, gives a specific carve-out to CIFAS, a non-profit-making body. I raised this two years ago with Ian Watmore at the Cabinet Office. He agreed to take it away. I am just interested in what update there has been in terms of sharing data on a reciprocal basis with this not-for-profit organisation used by some public sector non-departmental bodies and a load of multinational companies.

Richard Heaton: My general answer was a general answer and obviously didn’t meet that point. “I don’t know” is the answer to that. I will happily take that rather than Sir Bob.

Q152 Mr Bacon: On that point, may I add a supplementary question? I don’t want to take up too much of Steve’s time, but I had a very interesting meeting with the Information Commissioner a while ago about a specific matter and, in passing, I asked him, “Don’t you get annoyed when people, in answer to questions about whether someone can have

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

information, reply, ‘No, you can’t—data protection’?” He said, “Yes, I do. I get particularly annoyed when they say it to me. I feel the urge to say—although I don’t—‘Don’t you know who I am?’” What I want to know is: what are you doing about the cultural problem? Plainly, Mr Barclay is right. If there is a legal problem, there is a problem that needs to be dealt with legally, but I suspect that mostly this is cultural, so what are you doing about that?

Richard Heaton: The Information Commissioner is right. It is a bit like health and safety. The law is surrounded by a penumbra of fear and suspicion.

Q153 Mr Bacon: He himself has said to me that he gets frustrated by this.

Richard Heaton: Absolutely. The Ministry of Justice lead on this. They have just commissioned the Law Commission to do a short piece of work, and they should report, I hope, by the end of this year. It will say how much of this is legal, how much of it is cultural and how much of it involves a connection between the two—would a simpler gateway system provide the answer to both? That is where it is at the moment. It is something we all desperately want to fix. It is with the Law Commission, and there may be an opportunity to legislate, if we need to, at the tail end of the third or the fourth Session.

Q154 Stephen Barclay: That is very welcome, but in the main there isn’t a need to legislate. Particularly around fraud and criminal activity, there are invariably carve-outs in the legislation. What I am driving at is what assessment the centre has made, in terms of integration, of the potential savings, because the urgency flows from identifying the scale of the savings. Has any assessment been made?

Richard Heaton: I don’t know. We have people who do data matching on fraud as a matter of urgency—we have a whole team on it—but I’m afraid I don’t have the figures with me.

Q155 Stephen Barclay: Well, they don’t share it with people who also have data. The whole essence of data matching is that you share it with someone else.

Richard Heaton: Yes, and data matching is going on at the moment. Civil servants’ payroll data for the first time is being shared with investigative bodies for precisely that reason, so there is a programme, but I can’t give you chapter and verse.

Q156 Stephen Barclay: Well, the national fraud office recommended it some time ago, so it has been well documented. Could I come on now, Sir Bob, to something that is more your area? Are there any perverse incentives for councils in relation to tackling fraud?

Sir Bob Kerslake: I am thinking hard about that. I can’t think of any reasons why it would not be in their interest to tackle fraud. A lot of really good work goes on there. Indeed, there is a national initiative involving local government to promote activity on this. It is almost always in their interest to tackle fraud, and a lot of work has been done to cross-match data across systems to support that.

Q157 Stephen Barclay: So if we took, for example, housing benefit fraud and recovery there, where does the legal risk of recovery sit between the council and central Government?

Sir Bob Kerslake: I again don’t have the details of where the risks lie. I think the risk lies predominantly with the local authorities, but I can’t give you the detail on that, Mr Barclay.

Q158 Stephen Barclay: My understanding is that we expect the councils to identify the fraud, but then central Government reclaim the money and it is the council who then have to bear the legal risk of recovering their liability. Therefore, there is a disincentive for councils to identify fraud. No one has ever raised that with you.

Sir Bob Kerslake: Not recently, no.

Q159 Stephen Barclay: You say “Not recently”. Have they raised it in the past?

Sir Bob Kerslake: Not in my capacity as permanent secretary at CLG.

Q160 Stephen Barclay: What about in any other capacity?

Sir Bob Kerslake: No.

Q161 Stephen Barclay: Because obviously you have a local government background. So no one has ever raised it with you.

Sir Bob Kerslake: It hasn’t been raised as a disincentive with me, but if there were perceived to be a disincentive, obviously we would need to look at it.

Amyas Morse: I guess my question is primarily for Sir Bob, but it could be for others as well. I have been listening to the initiatives, and I think they are very well planned. A lot of credit goes to central Government participation in how the local budget initiatives have been done. I heard what you said, Mr Rouse, about work force planning, total information and a whole-system view. Do you really believe that you are in a position to do that in central Government? You were able to devise this approach, and say clearly what should happen. This is on a smaller scale, I admit. I feel it is your ambition to do it for central Government, but when we hear what is happening, the mood music does not always quite fit. What is needed to let you take the same approach with central Government?

Sir Bob Kerslake: It is important to say that the community budgets issue came through central Government. It was an invitation to local authorities. How we delivered it was a collaborative process.

Amyas Morse: I am asking about central Government.

Sir Bob Kerslake: I will come on to that in a minute. What were the things that we learned about that model that could be used in central Government? That is the question. The first thing we learned is that it makes sense to invest in those processes and services where we are incurring high costs and not tackling the underlying problem. That was what we learned first of all from the initiative.

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

Secondly—this is critical—the really important bit to demonstrating the power of this was to have an evidence base, and a technical advisory group across Government to assess what was possible in the initiatives. The third thing was to move away from a view that the answer was single budgets, when it was about reconfiguration of services. I do not think that we cannot apply those lessons to other parts of Government. It is perfectly possible to do it now. If there is a barrier to it, it is us identifying where we think that kind of approach has the best benefit, and where we think those opportunities best lie in Government. We will not do it everywhere. We need, potentially as part of the spending round, to see where more opportunities for a collaborative integrated approach could reap dividends.

Q162 Austin Mitchell: I am not struck with the impression that you are pressing ahead with these integration schemes, locally and nationally, with the sense of urgency that I might have expected in time of austerity and cuts. That is not my question; I just wanted to make that remark. I have a Yorkshireman's question. The two local authorities we saw are very keen and enthusiastic. In the case of Greater Manchester, savings of £270 million were prophesied over five years. I hope that you can guarantee, as an incentive, that when it makes those savings, it will be allowed to keep them and not have them snatched back by the Treasury.

Sir Bob Kerslake: You did not ask it as a question, but we are pursuing this with a high level of urgency. The pilots were done in pretty short order. On your specific question, it is important to be clear that this is not about finding more savings or taking the money away from local authorities.

Q163 Austin Mitchell: That is a vital purpose.

Sir Bob Kerslake: No, this is about how those public services manage in a world where money is already being taken away. We are not looking to take more money away for community budgets—absolutely not. Community budgets are how we maintain services and deliver the things we need to in a world where there is less money already.

Q164 Chair: Sir Bob, on the examples that were given, one was health, which we have been through; they are obviously not going to get that budget. The other one was the police. I cannot remember the figure, but I think Manchester said that it needed nine fewer police officers because it had reduced crime or something, and they would be taken away. They do take them away. It may not be your DCLG community budget, but the budget in the community, bringing in the totality, gets reduced if there is success.

Q165 Austin Mitchell: And they want a guarantee as an incentive.

Sir Bob Kerslake: I want to come back to my point that to make community budgets work on the ground, the key local agencies, whether those are the police and crime commissioners, the health services—the trusts—or local authorities, come together and form

an agreement that if they take a set of actions that cost somebody money and save somebody else money, there will be a redistribution of their funding. That can happen only at a local level. It is not something we can dictate at central Government level. All we can do is remove the barriers that get in the way of that happening. On the ground, it has to be a deal between the key local agencies that says, "If we do x that saves you money, you need to recognise that and reflect it in the funding or the services you provide us as an agency." That is the way it needs to work.

Q166 Chair: Let me deal with integration within a Department, which brings in Jon Rouse. We have talked about integration across Departments, which we are keen on and you say you are keen on, but we want to see more evidence of that. Thinking back on a couple of hearings that we have had here, we did one on supplies of ordinary little things. When I would have to give a speech as Chair of this Committee, I often quoted the fact that the NAO looked at 61 trusts and found that they had bought 1,751 different cannulas. There needs to be a little bit of integration around the purchase of these basic items. I cannot remember the figures on A4 paper and gloves.

Mr Bacon: Rubber gloves was about 670.

Q167 Chair: It was bonkers. Where is the integration there? Let's start with the very basics that would save us money.

Jon Rouse: I think those are very fair points, and we have been looking at what has been achieved in the quality improvement programme to date. There is a lot of work to do on procurement.

Chair: You are on a journey.

Jon Rouse: Another one.

Q168 Mr Bacon: Putting aside the Chair's distaste for the word "journey" and the fact that you are on it, can you say why it is so slow? We looked at NHS supply ages ago, and there was a thing called the NHS Purchasing and Supply Agency. It has gone on and on, and nothing changes. What is the "it" that is not changing?

Jon Rouse: Well, clearly there has been some progress in terms of procurement savings, but the one big advantage that we have under the new system since 1 April is that there is clear and straightforward accountability between NHS England and the Department. In other words, we mandate them in terms of what we want to see achieved, and they need to achieve it. Obviously they have got the business services element that needs to focus heavily on procurement.

Chair: What does all that mean?

Q169 Mr Bacon: That was not an answer to my question. My question was about why so little has been achieved, and you answered a completely different question.

Jon Rouse: Sorry. Maybe I should have said something before I said what I said. The reason is fragmentation. The 1 April reforms bring much more

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

clarity on who is accountable for delivering those procurement savings.

Q170 Stephen Barclay: You cannot have accountability without some sort of standardisation or transparency. The idea of accountability with Sir David Nicholson is a bit of a misnomer anyway. The NHS IT programme et al.—where would you stop? We have looked at the point repeatedly on the Committee. There are countless examples of the process costing more than it saved. There are endless examples. What is interesting is that to drive accountability, there needs to be transparency on the outliers. What is still unclear is to what extent you are going to be able to give, even with the Cabinet Office and Treasury, the clarity to be able to challenge the outliers, which are often accountable to Parliament in their own right, if they are foundation trusts. You talk about the accountability structures, but when are we going to have the data that allow us to interrogate outliers?

Jon Rouse: That is a fair question. I do not have an answer, so the best thing I can do is provide you with a note on that.

Q171 Stephen Barclay: Will that note include a forward date, so that we can say, “We will have that by this date”? One of the recurring themes of the Committee is the reluctance of officials to commit to a future date. In the note, can we have a date and what will be delivered by that date?

Jon Rouse: Okay. I hear the request, and I will take it away.

Chair: On buying the gloves and the cannulas, rather than you just saying, “There’s a new accountability structure,” will you say when they are all actually going to save the money? The other thing on integration in health—I know health is a complex issue, but it came out of our hearing earlier this week—was that it was absolutely clear that where you have a contracted-out out-of-hours service, as you have in Cornwall, the incentive for them is to minimise their expenditure, by dealing with people on the phone or sending doctors out in cars to visit people, and to maximise the number of people they send to A and E. In my constituency—I was saying this just before we came in—every time I go to A and E, a third of the people there are always there because they tried to ring their GP in the morning, or tried to ring the previous night and were told to ring back in the morning, but they find they are engaged, so they end up in A and E. This is such simple integration, which would stop some of these horrible cuts that we are now having to have in services, and would really save money. I would quite like a bit of integration in health, even before we start talking about how you are going to co-operate with local government.

Ian Swales: It is also a story of perverse incentives, that one.

Q172 Mr Bacon: It is amazing how you manage to spend money to make things worse. You pay the GPs an absolute fortune. I have to say that when GPs wrote to us complaining about their pensions, my sympathy

rapidly declined when I realised their pension was higher than a Member of Parliament’s salary, but that is a side issue. Isn’t it amazing that you have managed to create a situation where you are paying a heck of a lot more to get something that is palpably worse? A third of entry to A and E is because of this problem. Isn’t the answer just to start making GPs work for a living on Saturdays?

Jon Rouse: We are very seized of the fact that the reform of primary care is essential to successful integration.

Mr Bacon: Good.

Q173 Chair: And out-of-hours services? It was pretty shocking. The out-of-hours service was a contract.

Jon Rouse: I am including out-of-hours services within that.

Mr Bacon: Why not just scrap the idea of out-of-hours and have people work longer? I went to school on Saturday for 10 years, and it did not do me any harm.

Q174 Ian Swales: If I might come back to an interesting point that Mr Little, a previous witness, made, he used an expression that will live with me for a long time: “We are spending on failure, not success”. That comes back to the integration point that Fiona raised earlier, and the CAG as well. What is the systems thinking that is going on around the various ways in which public money is spent? How high-level is it? Growth that creates jobs takes money out of the benefits system, for example; as Fiona said, the ways that universal credit might work might cause more spending in some other area; the way we have done the out-of-hours contract appears to have increased spending in A and E. Do the Government have enough work going on centrally to think about how these things interrelate? You hear it so often as you go around the public sector: “Why don’t they just do this thing, because they’d save a fortune?”—but then it is a different pot of money. Is that kind of work actually going on?

Sir Bob Kerlake: I think it is going on, but there is more to be done, and the community budget pilots have told us there is more to go after there. Your analysis is exactly right. If I give you an example, what we learned from the troubled families initiative and from community budgets is that in the way the services work, there is a huge amount of activity that does not move on the circumstances of the individual. Therefore, what you see—you can see it if you track the interactions of a troubled family with the different agencies—is that there are hundreds, if not thousands, of interactions, but the basic problem is not resolved. We are very seized of the opportunity. There are some good examples; with troubled families, we put £480 million into trying that new approach. There is a lot going on in health and care in relation to both community budgets and the pathfinders. I agree with you, and I am saying that there is more that we can do on this. There are areas we have not touched on.

Q175 Ian Swales: You are right that they are two good initiatives. I could give another example: the cost of chronic alcoholics to the public services when you start adding it up. There is a whole raft of these things. But beyond those initiatives that we know about, is there a unit or people actually thinking about a systems view of public spending?

Sharon White: As we have heard previously, Treasury resources are limited but we absolutely see it as a core part of our spending team's job. There are 350 people in the Treasury who are covering £750 billion of spending. They could do a bit more of that systematic analysis. At one end of the spectrum, it could be to try to ensure that, when the Government introduce a new reform or policy, we are aware of potential perverse incentives that may lead to knock-on costs elsewhere.

The classic example is reforms to housing benefit that may lead to pressures elsewhere in terms of homelessness spend. Partly in response to Amyas's Report we are looking at whether there are two or three big areas—health and social care integration is an obvious one and how that relates to security spend in those areas—where we need to do a bit more work about how both services and transfer payments join up in a better way.

Sir Bob Kerslake: The other two areas we have touched on are the justice system and work and benefits.

Jon Rouse: May I add a couple more examples? In saying this, I am making the point that Departments are talking to one another and generating new ideas. One of the current conversations is between DH and DWP about getting people with mental health issues back into employment or helping them to stay in employment by having specialist employment support within psychological therapy units, so that the two things go hand in hand.

Another very recent example is the commitment from us and DfE around single education, health and care plans for children with special educational needs, with CCGs commissioning for that group.

Q176 Chair: May I just ask a question on that? What is going to be different about the way that you deal with mental health to cut the DWP budget? What are you doing that is different, because I can remember those conversations from 10 or 15 years ago, as undoubtedly other Members can, too? What is going to be different?

Jon Rouse: May I explain with an example? Wandsworth IAPT, the access to psychological therapies unit, has specialist employment advisers who are part and parcel of the team. If somebody is referred from the JCP or from a Work programme provider—

Q177 Mr Bacon: JCP?

Jon Rouse: Jobcentre Plus. Or from a Work programme provider, or through a GP. They come into that unit and work is seen as something very positive. It can become symbiotic. If you can get them back into work it helps the mental health issues and so on.

Chair: To be absolutely blunt with you, we have had that happening. There was a project in Kentish Town—I can't remember how many years ago—where Jobcentre Plus with Tomorrow's People were putting people into GPs' surgeries to pick them up early to stop them going on to benefits. This is not new stuff. There is a general point coming out of this. You have four brilliant pilots emerging; we never learn from those little lessons into the generality.

Q178 Ian Swales: If I may finish this, because I hear what you are saying about the work going on? I wonder how much back pressure you then put on to both the departmental management and politicians about what you find. For example, short prison sentences. There is definitely a systems view and a financial view that says that short prison sentences are the wrong thing to do. Are you giving the Ministry of Justice a financial idea of what that means? Is that the kind of work that you do?

Sharon White: If the Treasury is working well, our job is not just to ensure that the numbers add up at the end of the day. Our job is to ensure that, for the shrunken budgets that we have, the Government are able to deliver their priorities around public service reform. That means that part of our job is to flush through evidence that may not always be welcome from a value-for-money point of view, but then we have a shared evidence base with the Department about what works—Bob talked about the institutes—to make that more systematic.

Q179 Ian Swales: So, with my example, would Chris Grayling know what a policy of putting people in prison for six months or less actually costs against the systems view of not doing that? Would he know that?

Sharon White: Certainly, that is information that we share and is fully understood between the Treasury and the Department. How Ministers respond is clearly their prerogative.

Sir Bob Kerslake: May I add two quick points? In terms of your comment about how we learn the lessons, Chair, one of the reasons why we have funded the new network between central and local government with £1.5 million is precisely to transfer learning beyond the pilots to the wider group. You are absolutely right that that is a crucial issue so that we do not just do a pilot, find something interesting and do nothing with it.

My second point is that, in terms of making the arguments with Departments, having invested in the strong analytical evidence base is crucial. There is a resistance to change on things, and if you have the evidence of what works, that makes a huge impact.

Q180 Stephen Barclay: Could I just ask something? You said something very interesting about picking up pilots that have worked and then socialising that more widely. Can you expand on that a bit?

Sir Bob Kerslake: The problem that you often find with pilots is that one is done somewhere, a group of enthusiasts has worked on it and feel that it has been very valuable and useful, but then it does not get transferred on. That is one of the reasons why we

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

changed the model away from Total Place and the other initiatives. Our belief is that one of the reasons we do not transfer on the learning is that we do not properly evaluate what we have done and invest in a proper technical evaluation. For the community budget pilots, we did. That is why we have such clear numbers about the savings—we actually did a proper business case analysis.

Q181 Stephen Barclay: That is brilliant to hear. We saw it with youth offending, for example, where despite 3,000 items of information going in through the Ministry of Justice, they did not know why there were massively different outputs between North Somerset and Somerset for drug rehabilitation. There were all sorts of different results. How many people are going to be working on this assessment of best-in-class pilots and how can we get them out more widely to other areas of the country? How many people in your Department are going to be working on that full time?

Sir Bob Kerslake: I cannot give you the number today, but I will come back to you with it.

Q182 Stephen Barclay: If you would. We know from a previous hearing that tax simplification is something that Governments of all colours say that they are committed to. However, when it was looked at, there were only six people working on it, which seemed very much at odds with the amount of political discussion of the issue. It is brilliant to hear that it is being looked at for one area, but my question would be why are we not doing that in a much more systematic way? Why are we not saying, “What is the best in class? Where are the innovators? How are we spreading that more widely?” It is not clear from today’s evidence how much impetus there is behind it.

Sir Bob Kerslake: I think that there is definitely impetus on the community budgets, and as Richard has said, we are establishing the What Works Institute, which will do exactly that job.

Richard Heaton: Can I just add one more thing? I was going to mention What Works—one of them is in tackling crime and another is aging better, a subject I used to do at DWP. There is one other thing, which may be small, but it relates to a bigger thing, and that is the pressure on Departments to do social impact bonds. The reason I mention that is because for a social impact bond to work, first, you get money from social investment as well as public money, which helps, but it also needs to be investment-ready and monetisable. You need to be able to see what the return is to the public purse. So you get a single commissioner who is prepared to say, “I am going to pay for this person not to be reoffending,” or, “I am going to pay for this person not to go to hospital.” If that works, he is repaid, so it requires the whole system to have to monetise what is currently an intuition. We are stimulating it a bit at the moment with a £20 million investment fund, just to get it going, but if that starts picking up, it will build the evidence and there can be an investment base.

Q183 Jackie Doyle-Price: This is really a question for Sir Bob about the community budgets. We heard some very compelling evidence from the earlier witnesses about how they had really stepped up to the plate and risen to the challenge in terms of developing the vision of it. However, bearing in mind that we have heard the difficulties of driving things through central Government, when you are looking at local authorities they are of course very parochial. Joanna Killian explained that although they had Essex county council and the unitary authorities, Southend and Thurrock, there was more buy-in from Southend than from Thurrock. There is a good reason for that. One is that it is the only Labour authority in the whole of Essex. Secondly, it is adjacent to London and in many ways looks to London rather than Essex. At the same time, there is a move for sharing services with the London borough of Barking and Dagenham. What are your reflections? We have had the four pilots, which have been reasonably successful, but as you roll out the methodology with more complicated political tensions, what have you learned so far?

Sir Bob Kerslake: Another very good question. I can’t give you a simple answer, but I can give examples. A parallel to this has been creating the local enterprise partnerships, where the economic geography of some places was much easier to see and a history of collaboration was much stronger in some places than others. We found that we had to move at the pace that people were ready to move at. It took a year to get the full structure up and running and it was a combination of places that were ready to go straight away—great; for others, where they had not got that, we had a mixture of cajoling and local support, sometimes through direct links with the council and sometimes through MPs. It was about providing encouragement to move to a more collaborative model where it was not happening.

The second thing we have learnt is that peer pressure is very powerful. If one area has collaborated and delivered better outcomes through what they are doing, the places next door sooner or later get the point, because their Members are saying, “Look over here; they’ve managed to save money and do things differently and better.” So in my experience peer pressure is quite a big driver of change.

The third thing is that we need to invest in a network to share knowledge across local government, because of its intrinsically parochial nature. That is the reason why, jointly with the LGA and others, we are creating the network. So those are the three lessons. It rarely works for us to direct it from the top—that is the other thing I would say—however tempting it might be in places where nothing is happening.

Q184 Jackie Doyle-Price: Yes, but essentially, would it be fair to say that your message to local authorities that were not getting with the programme is: you are the ones who are going to be suffering if you do not, because this is the financial situation and this is the way we are doing it?

Sir Bob Kerslake: I think so. The evidence is that the vast number of authorities do collaborate and see the importance of it and are now doing some very creative

and innovative things, so I do not think we should see this as an overwhelming problem across Government. There are specific places and areas where—through history and through politics, if you like, as you have described—it proves harder to do than others. It is about direct communication sometimes. If they come to us and say, “We are really struggling”, one of our responses is to say, “Have you looked at X and Y?” That is part of the deal.

Q185 Chair: I have three final questions. I want you to look at figure 4 on page 19 at the business plans. I do not understand whether you are taking them seriously. There are 27 examples—my wonderful researcher checked them for me—of joint action working referred to by the authoring department, but not in the other department. What does that tell you about the success of integrated working?

Sir Bob Kerlake: We do take them seriously and it tells us we have to work harder on the business plans. We will strengthen the guidance for the next round of business plans on collaborative working. That is the honest answer.

Q186 Chair: The next question relates to page 9: the recommendations from the NAO Report. It is for the Cabinet Office and Treasury. There seem to be a load of sensible propositions for stuff that you could do, which would make us feel more confident that you meant it. I don’t know whether that question is for Sharon or Richard.

Sharon White: We are broadly happy with how this has come out.

Richard Heaton: I do not disagree with much of this. You said earlier that we don’t walk the walk. Possibly we walk the walk and we don’t talk the talk. I think we are doing more than we are telling people about, frankly, so maybe there is a lesson for us about how we communicate.

Q187 Chair: Okay. We look forward to seeing that in place. Interestingly—I always like it when the NAO do this Report—the NAO looked at what the Government Accountability Office is doing in America, which is on page 21, figure 6. It looks like the GAO have been successful. When we went to the States we were not always convinced about everything they did, it is fair to say, but this looks to me—

Mr Bacon: You liked the number of assistants on the House Committee on Oversight and Government Reform

Q188 Chair: Yes, 180. Again, what lessons are you learning? It looks to me that every now and then you get some good example from the States.

Sharon White: My director of public services, Tamara Finkelstein, and I were at the GAO, I think the week after you. Among other things, we were quite interested in talking to them, but also to the Department for Education, because they are doing some of the integration very successfully, particularly between very local and state level. We are, bizarrely, in touch with various people in the States on this.

Q189 Ian Swales: Your point about overlap is interesting. In my area there are 11 different programmes for the unemployed.

Sharon White: Obviously the States is a continent, so is not directly comparable, but there is some powerful data when you start to track money flows between the Federal and very local level. There’s been great work on this, but even more mapping to provide some of the evaluation of evidence that we have talked through speaks volumes.

Richard Heaton: First, I agree with Sharon. Having transparency of management information and data is absolutely important. Secondly, the bit I pick up from the States, though not in this report, is the Washington State Institute stuff about the social return on investment and working out whether you are delivering a return for your dollar. That has inspired a lot of the “What Works” institute. .

Q190 Stephen Barclay: Just on that, a plea: first the Prime Minister wrote to all Departments in May 2010 about publishing organograms. I do not know if you tried to go on; it is a very expensive system that has been bought, but it is totally un-user friendly. What you are really after is a view, by Department section, of how many staff are in each team and who they report to, so you have the overview and can baseline changes against two years’ time. It is impossible to do that on this system. It is even more difficult if you try to do it with the BBC—it would be impossible. So could I flag that? That is one point. The second is annual reports. When you look at those and try to do comparative analysis between Departments, it is extremely difficult. So trying to assist the Treasury and push in some of the areas where the Treasury is, it is very difficult for Members. You look at Departments and the data are not in a comparable format, so we have some work to be done on that.

Sharon White: I do not know if we have gone public on this, but once we are through the spending round we are certainly thinking about whether there is some work we can do to streamline annual reports, which is partly a means to help the comparability.

Sir Bob Kerlake: The point on organograms is well-made. They are not easy to access and we need to improve them.

Q191 Mr Bacon: I had a conversation a long time ago with a Cabinet Minister, who said to me: “It is extraordinarily difficult to find how the money is spent in the directorates and how people are deployed”. One would have hoped that this would be a relatively simple thing to find out, but it speaks exactly to what Mr Barclay was just talking about: the difficulty in getting some accurate line in the sand against which we can baseline in future. Because of what you have just described, are you saying that in future this will become much easier?

Sir Bob Kerlake: There are two questions. One is about the organograms. As Sharon said, simplifying the annual reports should help on this. The other thing I would say specifically about the costs of running Departments, as opposed to their programmes, is that

**24 April 2013 Cabinet Office, HM Treasury, Department for Communities and Local Government
and Department of Health**

we have now developed a pretty strong set of cross-departmental management information, which will give much greater transparency.

Q192 Mr Bacon: Yes, but it is only on administrative costs. Part of this is about where people are deployed, what they are doing and how much that costs—which is the bigger chunk, as you know.

Sir Bob Kerslake: Indeed.

Q193 Stephen Barclay: What I am really after, which goes exactly to Mr Bacon's point, is to be able to look by division, by department and by team at how many people there are. You don't need the names, there is no data protection issue, but within that team there are five people at grades 6, 7, 8 or 9, you can put an average salary cost to that and therefore you can work out that the communications team spend is this and so on. That goes to the heart of when, if, for example, the BBC says in the same sentence that it is cutting 2,000 posts and then 2,000 jobs, it is not clear to us that these are roles which are vacant and to what extent these are roles that are filled. With that information, you have got some sort of baseline to assess that change programme.

Sir Bob Kerslake: It is a fair question to ask. The information certainly exists in Departments. We will have to go away and consider how we could do this in a simple and more transparent way.

Q194 Mr Bacon: You have agreed that it is absolutely fundamental. One of the things Sir Richard Mottram said—either to the Public Administration Committee or to the House of Lords Constitution Committee, I can't remember—was that one of the things Government finds most difficult to do is develop a set of priorities and then allocate resources against its strategy, so that they align. Having this information is essential to enable you to do that, isn't it? If you were to say, "Right, we only have a certain amount of cake, and the cake is not going to grow, in fact it is probably going to get smaller". If we want to reallocate in a particular way we need this information.

Sir Bob Kerslake: I think there are two different points here. Do Departments have that information? I think the answer is, for the best, yes. Is it available in a way in which you can access it? I think the answer is probably no.

Q195 Mr Bacon: This question may be for Sharon White. One of the issues about the GAO is the difference between us and here which, as in this example in figure 6, is based on a statutory

requirement. Now, I am not one for laws; I think we have far too many. But do you think it might help if we introduced what in the slightly different context of the press laws somebody—I think it was Harriet Harman—referred to as just a little law? Shall we have a little law here to encourage you?

Sharon White: Despite people believing that the Treasury has a very Stalinist approach to financial management, we prefer to work in a collaborative way with Departments rather than have to resort to legislation.

Q196 Chair: My very final question is to Sir Bob. I saw an article by Stephen Hughes, chief exec of Birmingham City Council, in which he says that the idea of community budgets "tops my own list of powerful good ideas" to save money, "but ... has massively under-delivered against its potential". Where would you want it to be, lets say by the end of this spending review?

Sir Bob Kerslake: I don't know if Steve was talking about the current community budgets or the previous ones, but I agree that we have promised—

Q197 Chair: The current ones. The article was published on 14 March 2013.

Sir Bob Kerslake: Where would I want to be by, sorry—

Q198 Chair: The end of this spending review, a year before the end of this Parliament.

Sir Bob Kerslake: First of all, I want to take the pilot into more depth. While we have proof of concept at the moment, we want to move it towards implementation. Secondly, I want to involve more local authorities.

Q199 Chair: What is your ambition?

Sir Bob Kerslake: Let me just finish the point. Under this process, by the next spending round we will be in a position where we know, and have proven examples of more integrated models that have worked, and we will have a large number of local authorities taking that on board in how they deliver services.

Q200 Chair: And you won't put a figure on that?

Sir Bob Kerslake: The number of authorities? No, because it is going to be down to the sort of issues we talked about earlier—their appetite and willingness to do it—but I think we should see quite a lot of greater depth of understanding and greater breadth of engagement by local authorities.

Chair: Thanks very much indeed.

Written evidence from the West Cheshire Public Services Board

This response is submitted by the Chair of the West Cheshire Public Services Board. The findings of the NAO report particularly in relation to taking an evidence based approach to the integration of public services are accurate, and the recommendations relating to Government's role in supporting this approach are welcomed. The following note outlines the West Cheshire experience as a Whole Place Community Budget pilot and also presents some recommendations to embed community budgets across the country.

THE WEST CHESHIRE APPROACH

In 2012, a multi-agency team including secondees from Whitehall Departments produced six business plans. Each plan outlined a critique of existing service provision, current customer journeys, a new delivery model, a cost-benefit analysis and an implementation plan. The six plans covered the following issues:

- *Families Together*: The West Cheshire approach to supporting troubled families, estimated to avoid future costs and release savings of £2 million (net) over the next five-years.
- *Early Support*: Designing integrated early intervention services for 0–19 year olds, estimated to save approximately £1.5 million (net) over the next four-years.
- *Work Ready Individuals*: Integrated models to support 22,000 individuals claiming out-of-work benefits, estimated to result in a total saving of £18.6 million (from a reduction in benefit spend—ie Annually Managed Expenditure) over five-years.
- *Safer Communities*: An integrated approach to supporting domestic violence victims and perpetrators estimated to release savings and avoid future costs to public services of around £7.6 million (net) over five-years.
- *Ageing Well*: Shifting resources to community based support across health, social care and other key agencies to reduce demand on acute and residential care, resulting in net costs being reduced by £26.1 million over five-years.
- *Integrated Assets*: Managing public sector assets as a local partnership rather than taking an organisational approach. Using a Government Property Unit financial modelling tool, a potential reduction in building running costs of £1.7 million (net) per annum was mapped on the basis of adopting a collaborative approach.

Early on in the programme partners decided that pursuing a single budget approach would not drive the reform of services needed to reduce demand and costs. The approach taken was to select projects on the basis that they focused on:

- A shared priority for local public services with clearly articulated outcomes;
- A significant and/or increasing demand on public services;
- An issue that is inherently complex and cannot be addressed by any one single agency;
- An area wherein current funding arrangements do not incentivise integration, prevention and early intervention.

TAKING AN EVIDENCE-BASED APPROACH

In line with the findings of NAO report, West Cheshire sought to ensure that each project was informed by the best available evidence base. This was achieved by:

- (i) *Engaging with all available local and national evidence*: The plans included evidence drawn from local metrics, detailed analysis of interventions currently delivered to 50 troubled families, customer journey mapping, the views of service users, and the views of practitioners. Customer journey maps were completed for troubled families and older people with long term conditions. These showed how customers with complex needs often don't receive the support they required due to the fragmentation of services often resulting in delay, duplication and waste. In addition a point-prevalence study was completed for the ageing well project involving surveying the clinical needs of older people in hospital and residential care in West Cheshire on one given day. This revealed that 25% of adults in hospital care and 15% in residential care could be better supported within the community rather than requiring a more costly acute service. This local evidence base was supplemented by qualitative and quantitative evidence in major national studies. For example, the Graham Allen (2011) report on early intervention informed many of the assumptions in relation to Early Support project. The Walby (2004) study on domestic violence informed the development on the costs and benefits of a new delivery model. The Kings Fund (2011) have also compiled the existing evidence base on health and social integration.
- (ii) *Working collaboratively with other pilot areas and Whitehall*: The benefit of working closely with the other three pilot areas was the ability to share the approach to building a robust evidence base. For example; all areas used a version of the Greater Manchester cost-benefit-analysis tool, key metrics relating to unit costs were shared across the four areas, and any local studies on the effectiveness of new delivery models were made available. In addition, West

Cheshire benefited from the co-design approach with Whitehall including advice on financial modelling provided by the Technical Advisory Group (TAG). The TAG involved analysts across Whitehall and the four areas meeting on three occasions to discuss the basis of the financial models, to challenge assumptions and to signpost to any available national evidence. This process enhanced the credibility of the financial modelling both at the local and national level. In addition specialist support was provided by Government Property Unit and discussions with policy officials across Departments.

- (iii) *Acknowledging gaps in the evidence base:* It has to be acknowledged that the evidence base for integration continues to develop. For example; whilst there is evidence that certain interventions will reduce demand on more costly services over time, very little evidence exist to outline the impact of joining-up services. Firstly such gaps were addressed by first adopting a prudent approach to financial modelling which applied high levels of optimism bias if the evidence base was not considered robust. Secondly, as the NAO report emphasises, all projects have built in a robust approach to evaluation. This will enable implementation to be scaled up over five years and informed by a robust local evidence base. Key tools such as randomised control trials will be introduced for some projects to understand the impact; academic evaluation will be commissioned locally to capture key lessons, and a sample of certain cohorts will be tracked to understand the impact of a new delivery model over a 12 months period. In addition, Finance Directors across the partnership will continue to meet a regular basis to monitor the financial impact of the proposals. This approach will create a stronger local evidence base regarding service delivery, informing investment decisions, and contributing to national learning.
- (iv) *From plans to delivery:* Since October 2012, partners have shifted the focus towards a phased implementation. For example, in April 2013 a new delivery model covering troubled families, domestic violence, worklessness and early intervention has been introduced. At a cost of around £8 million in 2013–14 this demonstrates that through a robust but realistic approach to evidence-based design it is possible through local leadership to make change happen on the ground.

EMBEDDING AN EVIDENCE-BASED APPROACH AT A NATIONAL LEVEL

Building on the lessons learned from the pilot in West Cheshire and the NAO report, the Committee may wish to consider local thinking on Government's role in the national roll-out of the community budget approach:

1. *Mobilising the Public Service Transformation Network to generate and share learning:* Since the submission of the business plans West Cheshire has continued its strong relationship with Whitehall. It is essential that the newly established Network continues to engage with existing and new local areas pursuing a community budget approach in order to evaluate the impact of their proposals and to share the learning across the wider sector. West Cheshire has shared its thinking with Whitehall in a positive spirit of co-design on how the network should operate including:
 - Providing direct support to areas seeking to pursue this agenda, including advice on governance and data sharing, whilst also acting as a single point of contact with Whitehall on policy issues;
 - A strong focus on encouraging a consistent cost-benefit methodology. This will aid comparison across areas and avoid abortive work;
 - Collation of qualitative and quantitative evidence resulting from integrated delivery models. This would be gathered across national Departments, academic institutions, think-tanks, and from localities.
2. *Using financial incentives:* In the medium to long-term, Government could also consider how it can use financial incentives to embed an evidence based approach to integration. This could take at least three forms all of which could be introduced within current resources:
 - (i) A cross-departmental approach to payment by results could be designed. This would set out the outcomes that Government would want to achieve through the introduction of integrated services and areas would receive a greater share of their funding on the basis of demonstrating clear results. This would incentivise the collation of a robust evidence base at the local level, ensure risk is managed at the appropriate level, and would drive a cross-Departmental approach to policy development.
 - (ii) Another approach would be to apply a small top-slice to Government departments to create a central fund for integrated services. The fund would be net of CSR savings to ensure reductions were realised. Local areas would bid into the fund on a competitive basis if they could demonstrate a sound business case for integrated services based on available evidence, match funding from local resources, and a clear mechanism to evaluate impact and share learning.
 - (iii) A small number of areas could be given a place-based settlement where all funding was allocated on a multi-year basis to localities. This is not about a single budget pot for a locality but involves providing greater visibility of resources and multi-year certainty for

local partners to invest resources in new delivery models. Again, areas would be able to move to this model if they could demonstrate a sound business case for integrated services based on available evidence and a clear mechanism to evaluate impact and share learning.

It is advised that these proposals are considered and co-designed with local areas.

Steve Robinson

Chair of the West Cheshire Public Services Board and Chief Executive of Cheshire West and Chester Council

23 April 2013

Written evidence from the Department of Health

I promised you a note on procurement issues at the hearing on 24 April.

As you pointed out, the NAO's report on the procurement of consumables by the NHS, which your Committee took in May 2011, found there were shortfalls with regard to excessive variation in prices paid for the same product, lack of standardisation of products as well as limited aggregation of spend across the system was highlighted.

In response the department published "NHS Procurement: Raising our Game (RoG)" in May 2012, which describes the actions that the department and trusts should take to improve NHS procurement. RoG is aimed at improving transparency, and data sharing in the NHS, and sets out recommendations on greater transparency on prices being paid to suppliers by individual trusts.

Since then, we have continued to work with the NHS to demonstrate that data sharing and transparency will bring better value for money, along with more standardisation and better aggregation on demand. Our principal partners in delivering this are NHS Supply Chain.

Since the contract was signed, savings provided to the NHS have come to over £175 million. We have recently set up a capital fund specifically to allow aggregation of demand and bulk buying. This works by NHS SC using DH capital to forward purchase capital items such as MRIs, Linear Accelerators, and X-ray machines at savings that average 14% over normal procurement methods. These savings are passed back to the NHS.

Jon Rouse

Director General
Social Care, Local Government and Care Partnerships

3 May 2013

Written evidence from the Department for Communities and Local Government

At the PAC hearing on Wednesday 24 April on integration across government and Community Budgets I committed to send you a number of pieces of additional information. Following the hearing Stephen Barclay MP also sent me a letter which helpfully expands on two issues that were discussed at the hearing. I am taking the opportunity of this reply to respond to both the questions from the hearing and the points raised in Mr Barclay's letter.

I know that Richard Heaton and Jon Rouse are also writing to you and I hope that together our responses address all of your questions.

1. PUBLIC SERVICE TRANSFORMATION NETWORK

The government announced its intention to establish a new multi-agency Public Service Transformation Network at Budget 2013. The network will spread innovation from the Whole-Place Community Budget pilots and What Works Centres to support other places at key stages to provide advice and support on co-designing local public service transformation.

The Committee asked about the number of people working on the Network. The Network is currently being established. Even at this early stage it has, or is in the process of seconding, around 20 staff from Whitehall and local government. The Network is also able to draw on support from a similar number of leaders and experts from the pilots as well as other organisations, such as the police, NHS, probation, and think tanks. In addition, Whitehall Departments (Treasury, DCLG, Cabinet-Office, Department of Health) have also made specific commitments to volunteer time and resources to support the Networks objectives.

2. SHARED SERVICES

As I explained at the hearing, we have made good progress in implementing shared services in the areas of legal, transactional, procurement and internal audit services. The Committee asked to see critical pathways and

so I have attached plans setting out the milestones on legal, transactional and procurement services. I can reassure the Committee that similar thinking is being done on internal audit.

3. CONSOLIDATING PROPERTY ESTATE

Mr Barclay asked whether the Treasury had yet changed the rules that disincentivised departments to consolidate their property estate.

Although Sharon White indicated at the hearing that the guidance had not been changed, for the sake of clarity, I thought it would be helpful to draw the Committee's attention to the Government's response contained in a Treasury Minute (Cm 8534—January 2013) on this point. The Committee had recommended in its Eleventh Report (Session 2012–13) on “Improving the efficiency of central government office property” that “the Treasury should incentivise departments to deliver savings in the interests of the Exchequer as a whole” and put in place such arrangements in the next spending review. The Government disagreed with that recommendation. For ease of reference, I have repeated below the Government's actual response to Recommendation 2 of that report:

- 2.1 *The Government disagrees with the Committee's recommendation.*
- 2.2 *Since May 2010, where the business case for a property move has demonstrated a compelling overall financial benefit to the Exchequer, it has been possible in every case to resolve matters without additional financial incentives, through Cabinet Office engaging with the Treasury and relevant departments to agree sharing of costs, risks and benefits for accelerated or complex move chains on a case-by-case basis.*
- 2.3 *Furthermore, providing subsidies to incentivise good practice would undermine accounting officers' duty to deliver good value for money for the public sector as a whole as set out in Managing Public Money. However, the Cabinet Office will issue further commercial guidance to encourage departments to adopt a cooperative approach to managing their departmental estates, reminding those making property decisions of their overriding obligation to act in the interests of the Exchequer.*
- 2.4 *Treasury and Cabinet Office will use the next spending review to ensure that departmental settlements reflect the financial challenges of rationalising the Government estate, whilst securing best value for the Exchequer as a whole. This will be a critical principle of delivery in the next spending review.*

I hope that this usefully clarifies the Government's position on providing incentives for government property consolidation.

3. TACKLING HOUSING BENEFIT FRAUD

Mr Barclay's letter of 25 April asked me to consider whether local government could be better incentivised to tackle fraud, in particular housing benefit fraud.

Under the Department for Work and Pensions' (DWP) Housing Benefit (HB) subsidy arrangements, HB claims paid correctly by a local authority are reimbursed at 100% by the Department. However, where any claim has been subject to fraud, the amount of subsidy reimbursed is set at 40%. The Department does incentivise local authorities to pursue recovery of the full amount of the fraudulent claim, as any such recovery is kept in full by the authority (and not the Department) in addition to the 40% subsidy already received. It is the reduced rate of subsidy that is often misconceived as a disincentive, but when considered in conjunction with a local authority's ability to recover and retain the fraudulently paid benefit—this is certainly an incentive for local authorities to tackle fraudulent claims.

Where local authorities request, DWP can recover overpaid HB that local authorities have identified through making deductions at source from certain prescribed on-going benefits paid to the claimant. The recovered amounts are paid directly to the local authorities.

4. DATA SHARING

[Cabinet Office to provide a line on this.]

Sir Bob Kerslake
Permanent Secretary

1 May 2013

Written evidence from Essex County Council

Thank you for the recent opportunity to give evidence to the Public Accounts Committee on Essex partners' Community Budgets programme. I am writing to emphasise the importance of this programme to the future of public services across Essex, and to the people they serve.

In December 2011, public service partners across Essex submitted a successful expression of interest to become one of four Whole Place Community Budget pilots. Undertaking this pilot meant mobilising a wide range of partners from a standing start, working closely with Whitehall departments, and developing programme governance arrangements to ensure that a range of partners could come together to take decisions over the programme. Above all, it meant adopting a new approach to public service redesign, "co-producing" proposals for change with civil servants and local partners.

Across Essex, partners adopted a pragmatic approach to defining and developing proposals for change. After analysing local spending patterns, local partners decided to focus on securing improved outcomes and cost reductions, rather than on the mechanics of pooled budgets. Local partners focused on themes where the cost of providing services was high and where a more cost-effective response would require greater collaboration across public bodies. We established robust business cases supporting reforms across established organisational boundaries. These business cases touched on £2 billion of the £12 billion of public spending in Essex and emphasised a stronger role for communities in service provision, enhanced early intervention, and integration across partner organisations. They aimed to improve outcomes by:

- Reducing reoffending;
- Reducing domestic abuse;
- Integrating commissioning across health and social care;
- Supporting Families with complex needs; and
- Enhancing skills for growth.

After a pilot phase lasting only nine months, partners had developed proposals that will deliver net benefits worth £388 million to 2019–20, and of which £118 million will be direct cashable savings. In March 2013 resources were committed to support detailed implementation plans to deliver these proposals and develop further opportunities.

Delivering this programme through a nine month pilot was challenging. The short timescale and the complexity of the programme required significant investment of resource, managerial discipline and engagement from partners. Nevertheless, local partners are convinced that Community Budgets have the potential to bring about wholesale system-change in public services. They have the potential to save money by streamlining processes, joining-up and coordinating services, whilst improving citizens' experiences. Since the end of the pilot phase, local partners have established an Essex Partnership Board to provide leadership, and to shape the strategic direction of local public services, holding partners to account where necessary. This board will oversee the delivery of existing Community Budget projects and provide a mechanism to support the identification, development and delivery of further system change.

If we are to exploit the full potential of the Community Budget model—in Essex and across the country—it is vital that both local and national partners play their part. There are three key things that Ministers might do to strengthen and sustain the Community Budget model. They should look to:

- *Sustain their focus on Community Budgets:* Without sustained focus from government, or new mechanisms to strengthen collaboration, there is a risk that the benefits of the Community Budget model may not be fully realised. As public spending reduces further, partners may struggle to dedicate capacity towards supporting long-term, whole-system change rather short-term savings opportunities.
- *Avoid limiting Community Budgets:* Focusing proposals on social outcomes is not enough—economic outcomes are equally important. Community budgets have the potential to bring central and local partners together around a set of mutual commitments to unlock economic growth in locations across England. Despite encouraging Whole Place pilots to develop proposals to unlock economic growth, DCLG have since focused local negotiations exclusively through their city-deals programme. This risks limiting growth opportunities outside city areas and restricting the potential for national growth.
- *Avoid limiting local innovation:* The long-term value of Community Budgets lies in the potential for local innovation. But Essex partners' experience of the Community Budget programme suggests that this innovation can be crowded-out by Departmental interests keen to protect the status quo and retain their current operating practices. If Community Budgets are to support meaningful cultural change, we would need to see:
 - (a) greater transparency, particularly in areas where policy is so closely linked with delivery practice that any freedom to innovate is removed; and ideally, and
 - (b) a commitment that government policy frameworks should not extend to prescribe the form taken by local delivery models.

The Community Budget model remains in its infancy, but it has the potential to deliver radical improvements in services that have previously cut across, or worse, fallen between public agencies. As public resources diminish further, Community Budgets could be an important tool in reducing the system-wide cost pressures that extend beyond the scope of individual public bodies. It is vital that government at all levels actively supports the continued development and roll-out of the model and I hope that the forthcoming Spending Round and subsequent Spending Review will find ways to incentivise this approach.

Thank you, once again for the opportunity to give evidence. I hope this letter provides a useful supplement to our discussion.

Joanna Killian
Chief Executive

21 May 2013

Supplementary written evidence from the Department for Communities and Local Government

TACKLING HOUSING BENEFIT FRAUD

You asked me to consider whether local government could be better incentivised to tackle housing benefit fraud.

Under the Department for Work and Pensions' (DWP) Housing Benefit (HB) subsidy arrangements, HB claims paid correctly by a local authority are reimbursed at 100% by the Department. However, where any claim has been subject to fraud, the amount of subsidy reimbursed is set at 40%. The Department does incentivise local authorities to pursue recovery of the full amount of the fraudulent claim, as any such recovery is kept in full by the authority (and not the Department) in addition to the 40% subsidy already received. It is the reduced rate of subsidy that is often misconceived as a disincentive, but when considered in conjunction with a local authority's ability to recover and retain the fraudulently paid benefit—this is certainly an incentive for local authorities to tackle fraudulent claims.

Where local authorities request, DWP can recover overpaid HB that local authorities have identified through making deductions at source from certain prescribed on-going benefits paid to the claimant. The recovered amounts are paid directly to the local authorities.

DATA SHARING WITHIN AND BEYOND WHITEHALL

The Government continues to work to improve the scope and ability to share data both across government and with the private sector where that is of benefit. The Information Sharing Task Force, established under the National Fraud Authority, brings together some 25 public and private sector organisations to engage them on developing the cross-sector response to fraud and on improving the sharing of information and intelligence for fraud prevention purposes. More broadly government is building upon data sharing initiatives such as Operation Amberhill (an initiative led by the Metropolitan Police service to collect and disseminate information on false identities documents with financial institutions to help identify and prevent identity-related frauds) and the National Fraud Initiative to actively share data and data matching services, bringing together data from the public sector with data from the private sector to successfully combat fraud.

In February 2009 the Government announced that the National Fraud Authority and Cabinet Office would set out the design for the counter fraud checking service (CFCS), as the first step to improving our intelligence sharing architecture and for the first time join up fraud data across the public and private sector. Work has started on the pilot of the CFCS which has been established to substantiate the economic value in sharing fraud data between the public and private sectors. If this pilot is successful Government will review the most appropriate way to develop and implement such a joint service.

Where suitable sharing powers and processes exist across government and the private sector for fraud detection, Government is faced with considerations about how data is shared and used for fraud prevention. In the private sector, companies involved in data gathering and use (such as banks and credit card providers) are not required to offer a service to the public, nor are the public for their general business required to gain services from a supplier. A customer is free to agree to a supplier's contractual requirement that the customer accepts that their data be used for other purposes, or seek another supplier. In the public sector such choices are less possible, there are therefore occasionally more necessary constraints upon how the public sector may share data and who with. Through the provision of any public service this "right to consent" has to be balanced with the Government's duty to the public ensure that there is minimum opportunity for fraud to take place. Moving forward, it will be important that we get the balance between these two forces right.

In considering specifically work with the Specified Anti-Fraud Organisations (SAFOs) identified in the Serious Crime Act 2007 (of which CIFAS is one), all of these groups require funding from their members in some form and there are therefore direct and indirect costs to Government in sharing data and working with them. Evidenced, value for money decisions have to be taken about how to proceed.

In conclusion, we are constantly assessing the way the civil service works and are always looking for ways to do things better. The specific issue of data sharing is addressed on a regular basis at the Fraud Error and Debt taskforce which is chaired by the Minister for the Cabinet Office, and I am of the view that an additional taskforce would not necessarily be beneficial to improving data sharing within and beyond Whitehall. However, I am considering with Cabinet Office colleagues whether a letter from myself to departments could be a useful tool at this juncture, or in the near future, to reiterate how colleagues can contribute to and benefit from the good work that is being done.

Sir Bob Kerlake
Permanent Secretary

May 2013

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