National Audit Office

Achieving innovation in central government organisations: Detailed research findings

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 1447-II Session 2005-2006 | 25 July 2006

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This volume has been published alongside a volume comprising of
Achieving innovation in central government organisations: HC 1447-I, Session 2005-2006

LONDON: The Stationery Office
£10.75

Ordered by the
House of Commons
to be printed on 20 July 2006

This report has been prepared under Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

John Bourn
Comptroller and Auditor General
National Audit Office

19 July 2006

The report was produced on behalf of the National Audit Office by a team from the LSE Public Policy Group at the London School of Economics and Politcal Science, led by Professor Patrick Dunleavy and Professor Helen Margetts (Oxford University), together with Simon Bastow, Jane Tinkler, Oliver Pearce and Patricia Bartholomeou. The project was overseen by Leon Bardot and Jeremy Lonsdale from the National Audit Office.

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PART ONE

Why innovation is important in central government organisations

1.1 Departments, agencies and non-departmental bodies at the United Kingdom and England levels (hereafter 'central government organisations') directly undertake spending of 15 per cent of total final consumption expenditure. **Figure 1** shows that the sum involved is some £151 billion a year. In addition departments supervise considerable spending by other organisations including local authorities and NHS bodies in England. The Government has assigned a high priority to modernising public services, securing improvements in the efficiency of service delivery and increasing effectiveness in outcome terms. This report looks at how far innovations within central government organisations currently contribute to attaining these government goals and explores whether the rate of innovation could be improved.

1.2 There is no widely accepted or common definition of what counts as 'innovation'. However, there is a fair measure of agreement in the academic and practitioner literatures that an innovation should involve two elements:

a An organisation does something that is new for it, something that it has not previously done. This change does not have to be something that is new to the world as a whole. Innovation is a far broader process than first inventing something or first implementing something. (On the other hand, an organisation picking up on something that is already very widely adopted in its sector or industry probably should not count as innovative.)

b The change is intended to improve the organisation's performance in some aspect, and has a clear chance of doing so. At root, a set of innovations must predominantly work, although a certain failure rate is probably inherent in developing a whole stream of innovations.

1.3 In this Part we consider three introductory issues about the role of innovations within government:

- conventional arguments that government organisations are less innovative than private sector firms;
- the treatment of productivity change in the government sector and the role of innovations; and
- the methods used in the current research to study government innovation.

Government organisations are widely seen as less innovative than private sector firms

1.4 For private sector firms, innovation is acknowledged to be a critical determinant of competitiveness, investment, profitability and overall market positioning. A great deal of thought and investigation has gone into securing organisational structures and cultures within large corporations that will support continuous business processes of fostering and rolling out innovations. The business practices of firms that have achieved a reputation for continuous innovation (such as Cisco or Tesco) have been intensively studied. But in the public sector the role of organisational innovations has been much less researched.

1 The breakdown of total final consumption expenditure in the UK, 2004

		Percentage of total UK figure			
		Private		Government	
	Total UK £m	Household Per cent	Companies Per cent	General Per cent	*of which Central Per cent*
Gross disposable income	**1,179,631**	65	15	20	11
Less savings	**172,477**	20	87	(7)	(9)
Gives: Total final consumption expenditure	**1,007,173**	76		24	15
of which:					
Individual consumption	**912,306**	83		17	10
Collective consumption	**94,867**			100	65

Source: United Kingdom Economic Accounts 2004 (Second Quarter edition)

1.5 Indeed much of both the public discussion and the research literature about government organisations conveys a clear overall message that rates of innovation will necessarily be lower and slower in government than in the private sector, for several reasons:

- Private sector organisations operate in a competitive environment with clear, bottom-line criteria for success or failure, so they are under continuous pressure to innovate. There is no equivalent pressure in the public sector, although political scrutiny by Ministers and Parliament, along with interest group surveillance and media coverage, provide countervailing stimuli for improving efficiency in the Civil Service and in agencies.
- In many areas of the private sector there are numerous 'deaths' and 'births' of firms every year, as well as mergers and transfers of control. So strong 'organisational selection' processes have ample scope to operate quickly. Failing organisations are sifted out by these processes and the overall level of organisational effectiveness in some industries may grow over time. By contrast, public sector organisations usually have long life-spans, and their major functional units and roles tend to survive periodic reorganisations, prompting analysts to ask if they are 'immortal'.
- Managers and employees in private firms have stronger and more immediate incentives to promote innovations that add to profitability or market share than the incentives for innovation operating within government organisations. Civil Servants and agency staff are widely seen as more risk-averse than private sector personnel. Government organisations' business processes are seen as more conservative and orientated towards a range of other values (such as treating people equitably, reliability or avoiding political embarrassment), rather than towards entrepreneurial innovation. Very strong characterisations on these lines are rejected by some Civil Servants as negative stereotyping of the Civil Service, but it is not denied that there is some difference between public and private sectors.
- Civil Service and wider public sector personnel systems traditionally operated on a 'life-long' career model, where staff would enter in their 20s and rise to more senior positions within the public sector in their 50s. Previous promotion systems were seen as assigning most weight to continuous work-experience, compliance with accepted norms of behaviour and sure-footedness in avoiding mistakes, rather than to post-graduate or professional training, expertise or secondments. This once-traditional approach again had few incentives for staff to positively demonstrate that they are innovative.
- The scale of operations for central government organisations is characteristically large. Even after devolution to Scotland, Wales and London, some departments still deliver 'nationalised' services to many millions of people across the UK. Large organisations in both the public and private sectors are seen as inherently slower-moving than small or medium-sized firms can be.

1.6 However, this traditional pattern of differences between the public and private sectors has been called into question by changes in central departments and agencies. Senior Civil Servants interviewed for this study point out that:

- The UK Civil Service has transformed its business processes in the last two decades. There has been an exceptionally rapid pace of policy change, responding to the priorities of differing government parties since the mid 1980s. UK central government is widely seen internationally as amongst the most dynamic and reform-orientated of all government services.
- In 2004-05 some 30 per cent of new entrants to the Senior Civil Service (SCS) came from non-civil service backgrounds, from the private sector, local government and the NHS, reflecting a shift towards a more diverse SCS that has been ongoing for some years. There are grounds to expect the organisational culture of the Civil Service to change towards a more dynamic model.
- Other important developments in wider Civil Service organisation potentially relevant for increasing innovation rates include: a new 'professional skills' agenda for civil servants, strengthening the focus on operational and on procurement skills, and explicitly encouraging innovation; new IT policy directions in the November 2005 Cabinet Office document *Transformational Government*[1]; new Departmental Capability Reviews (announced in June 2005); and now well-established practices to encourage Civil Servants to broaden their experience via secondments to private firms or voluntary sector organisations.

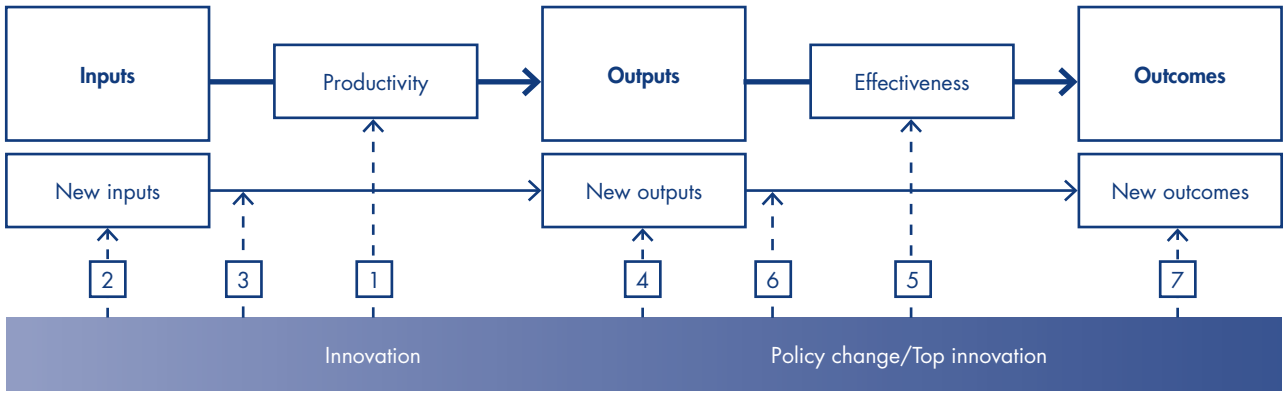
Innovation's key role is to boost productivity, but this specific theme has not been prominent within the government sector

1.7 One key role of innovations is in enhancing the productivity of an organisation, defined as the ratio of the volume of its outputs divided by the volume of its inputs. At any given time most productivity improvements will involve reorganising already existing inputs in incremental or more radical ways so as to produce existing outputs more efficiently. Producing the same outputs with fewer inputs may be especially important within more stable government organisations. **Figure 2** shows that organisational innovations critically influence this process by opening up new ways of working not previously attainable (impact 1). At any given time innovation processes in governmental organisations can also produce a minority of new inputs (impact 2) and increase productivity using these new inputs (impact 3). Innovation can also allow departments and agencies to develop new outputs (impact 4). A contemporary example is the development of e-government information and transaction services.

1.8 Beyond helping to boost productivity, innovation in central government organisations may also play an important role in improving the effectiveness of outputs, their contribution to achieving desired social and policy outcomes (shown on the right-hand side of Figure 2). However, it is important to point out that effectiveness can also be improved through policy decisions made by the government and Parliament – for instance, via the reorganisation or modernisation of public services. Hence it becomes much more difficult here to separate out the role played by innovation from that played by policy change. It is for this reason that in this study we mainly focus on smaller-scale organisational innovations affecting productivity. Increases in effectiveness achieved via organisational innovation will most commonly involve adjusting or re-directing existing outputs so as to better meet current targets (impact 5 in Figure 2). But using the minority of new outputs so as to improve the effectiveness of new or existing outcomes can also be important (impact 6). Finally innovation can also help to produce new outcomes, for instance, through the development of new policy targets (impact 7).

1 *Transformational Government: Enabled by technology,* Cabinet Office, Cm 6683, 2005.

2 How innovation influences productivity, effectiveness and the introduction of new inputs, outputs and outcomes in central government organisations



Types of innovation impacts:

1 improving the productivity of existing inputs;
2 introducing new inputs;
3 improving productivity using new inputs;
4 introducing new outputs;
5 improving the effectiveness of existing outputs;
6 increasing policy effectiveness via new outputs;
7 introducing new outcomes.

Source: LSE Public Policy Group

1.9 In successful private businesses, innovations play a central role in improving productivity. Both the Treasury and the Department of Trade and Industry have long pursued policies to help stimulate greater productivity growth in private manufacturing and services and to rectify the 'productivity gap' between the UK and the US. The importance of productivity gains in the private sector is an accepted part of government discourse and enjoys wide support from stakeholders.

1.10 But there has been no equivalent focus on improving productivity in the public sector. Indeed the conventional method for calculating the amount of outputs in the public sector has always been to use input costs. This practice assumes that government sector productivity is flat (since outputs measured by input costs, divided by the same input costs, must always equal 1). It has been appreciated for some time that where the public sector accounts for a large part of final consumption (in the UK's case 24 per cent) this simplification will disguise important aspects of national competitiveness and performance.

1.11 However, the flat productivity assumption also means that there has been no discourse of productivity growth in the public sector in the UK. As a result the main focus of central government organisations' efforts at improvement has been on 'efficiency' and 'value for money'. These two concepts are reasonably close in their meaning to 'productivity' and 'effectiveness' in Figure 2. But they are not the same. Greater efficiency can be (and has been) pursued without government organisations having any clear or measurable concept of their outputs and without there being any strong or explicit link to innovation. Efficiency measures can also sometimes appear to managers and staff as simply involving doing less or cutting outputs – especially when they are linked to headcount targets. The more positive aim of 'producing more with less' implied by explicit productivity goals is hence not necessarily present in efficiency drives. New methods for analysing operational processes to remove wasted time and ineffective procedures from delivery processes, and for sustaining any impetus gained (such as the LEAN Thinking approach) could have a role to play here, as the Office of Government Commerce has recognised. 'Value for money' (VFM) also differs from improving effectiveness because it is a very inclusive, broad-brush and comparative concept. Again VFM may be pursued without organisations having clear measures of their outputs. And the VFM concept has no strong or regular association with innovation, unlike improving effectiveness.

1.12 Recent research work (conducted by the LSE and McKinsey) on the results of different management practices across firms suggests that whether managers effectively communicate their goals, targets and productivity ambitions to their whole workforce can have a substantial effect on productivity. In recent years the practices of central departments and agencies in UK government have assigned more weight to communicating government policy goals and targets to staff. But these are chiefly stated in terms of outcomes (as with Public Service Agreement targets). Outcomes targets frequently reflect multiple agencies' activities. And they are often strongly affected by external causal processes remote from government policy. As a result, it may be difficult for middle- and bottom-level staff in central government organisations to see how they can contribute in their individual work to attaining broad outcome goals. Without an explicit discourse of improving productivity in government, the central role that innovations can play in delivering continuous organisational improvements may be less obvious to managers and staff.

1.13 Some recent developments in government policy now assign more weight to measuring and improving productivity in the public sector. Since 1998, the Office for National Statistics has departed from the flat productivity convention for the majority of public services, instead using indicators to measure the output directly. The Atkinson Review, which reported in January 2005, strongly endorsed this change and proposed a set of principles and detailed recommendations to guide the future direction of this work. The Office for National Statistics has initiated a series of 'Public Sector Productivity Articles'. Those to date have covered productivity in Health, Education and Adult Social Services.

1.14 Government policy on modernising public services has also explicitly assigned weight to improving buildings, facilities and infrastructures in a process of 'capital-deepening' – that is, where the amount of capital investment supporting each public sector worker increases over time. For example, UK investment in public sector IT projects (much of it undertaken by central government organisations) has run at high levels for the last five years. The e-Government Unit estimates total public sector IT expenditure in the UK at £14 billion, just under ten per cent of all government consumption of goods and services and nearly two per cent of total final consumption. In 2004, estimates by the analysis firm Kable suggest that the UK on its own accounted for over a quarter of expenditure on government IT across the 25 countries of the European Union. Major capital investment projects will often facilitate and be associated with wider programmes of innovation in public services. This is especially true of IT systems, which are central to modern productivity growth in many organisations, in the public and private sectors alike.

1.15 If it was possible to achieve even small increases in government sector productivity continuously over a period of years then potentially large-scale improvements might be obtained in the resources available for public services. A McKinsey study in 2004 estimated that for the UK the gains over ten years would be $16 billion if government sector productivity grew by five per cent in that period, and $47 billion if it grew by 15 per cent.[2]

2 Thomas Dohrmann and Lenny T. Mendonca (2004) *Boosting Government Productivity*, The McKinsey Quarterly, Number 4.

We surveyed central departments and major agencies about recent innovations and supplemented the resulting dataset with a range of other methods

1.16 Internationally the study of innovations within central governments is still in its early stages of development and not much is known about the subject. An earlier National Audit Office VFM study focused on the management of risk by departments and agencies (HC 1078 Session 2003-04, *Managing Risks to Improve Public Services*). The resulting Public Accounts Committee report had a considerable impact in stimulating a clarification of risk registers and procedures in ministerial departments. It also encouraged the creation of a risk improvement management (RIM) network that now spans 43 departments and agencies. However, our focus here is more on the creativity or new solutions aspects of innovation. There has been little prior work on this subject in the UK.

1.17 Our research centred around a survey sent to the 126 largest central government organisations – chiefly ministerial and non-ministerial departments, large 'Next Steps' agencies and larger non-departmental public bodies with major executive responsibilities. We asked each organisation to nominate either three, two or one innovations, depending on their budget and staff sizes and scale of operations. The questionnaire form sought details on the nature, costs and timing of each innovation. It also asked organisations to rank the importance of a number of different factors in triggering the innovation, and providing an internal or external origin for change, or facilitating the development and roll out of the change. Appendix 1 gives brief details of the survey. The full questionnaire and quantitative responses can be downloaded from www.nao.gov.uk. In addition, we went back to departments and agencies to clarify information about each of the 125 innovations received, and produced a more detailed qualitative dataset and account of each of them (which can also be accessed online at www.nao.gov.uk). We used these accounts to enhance the richness of our quantitative dataset and to get an evaluation by National Audit Office experts of the innovativeness of each nomination.

1.18 In addition we used a number of supplementary methods to help evaluate the findings from the main dataset:

- We undertook a programme of interviews focusing on innovations issues with 25 senior officials and staff involved with innovations across ministerial departments, main agencies and private consultants.
- We ran seven focus groups to get reactions from different types of people to the main dataset findings, including: three levels of civil servants; private sector managers and executives; management consultants; government IT contractors; and local authority chief executives and senior policy-makers.
- We undertook short comparator studies of policies encouraging innovations within the central governments of two overseas countries (the Netherlands and Denmark), two large UK local authorities (Kent County Council and the Greater London Authority), and a private sector company (Tesco). We also looked at the use of innovation centres in the Netherlands, Denmark and UK government. Lastly, we looked at one transport innovation (the Oystercard).

We are grateful to all those people who kindly gave us their views of the organisational innovation processes in government and outside.

1.19 The rest of the report outlines:

- the main types of innovation nominated in our survey (Part 2);
- the costs and timescales of the nominated innovations (Part 3);
- the main influences upon the origins and development of innovations (Part 4);
- the main barriers to, and impacts of, innovations (Part 5); and
- the challenges facing central government in improving the rate of successful innovations and the potential gains from doing so (Conclusion).

PART TWO

The main types of innovations nominated by departments and agencies

2.1 The main element in our research was a survey sent to the Finance Directors of all the ministerial and non-ministerial departments and to Chief Executives of executive agencies and non-departmental public bodies. In this Part we show how these organisations responded. The innovation survey went to Finance Directors in departments and Chief Executives in agencies, because these are the accepted channels of communication from the National Audit Office. But the survey also provided guidance on which staff might be judged the most appropriate to complete the survey form. Some organisations made decisions about what to submit through nominations from the top or in their management boards. Other organisations delegated returning nominations to less senior staff, so there was some variability in the routing of responses.

Our survey defined 'innovation' in a broad and accessible way

2.2 To define what counts as 'innovation' in government our survey introduction said that:

'Innovation is having new ideas, developing the best ones and implementing them in a way that is (at least) likely to improve the way in which your organisation operates.'

The accompanying text made clear that both large and small innovations and innovations of very different kinds could be nominated. A key objective of our research was to find out how departments and agencies see organisational innovations.

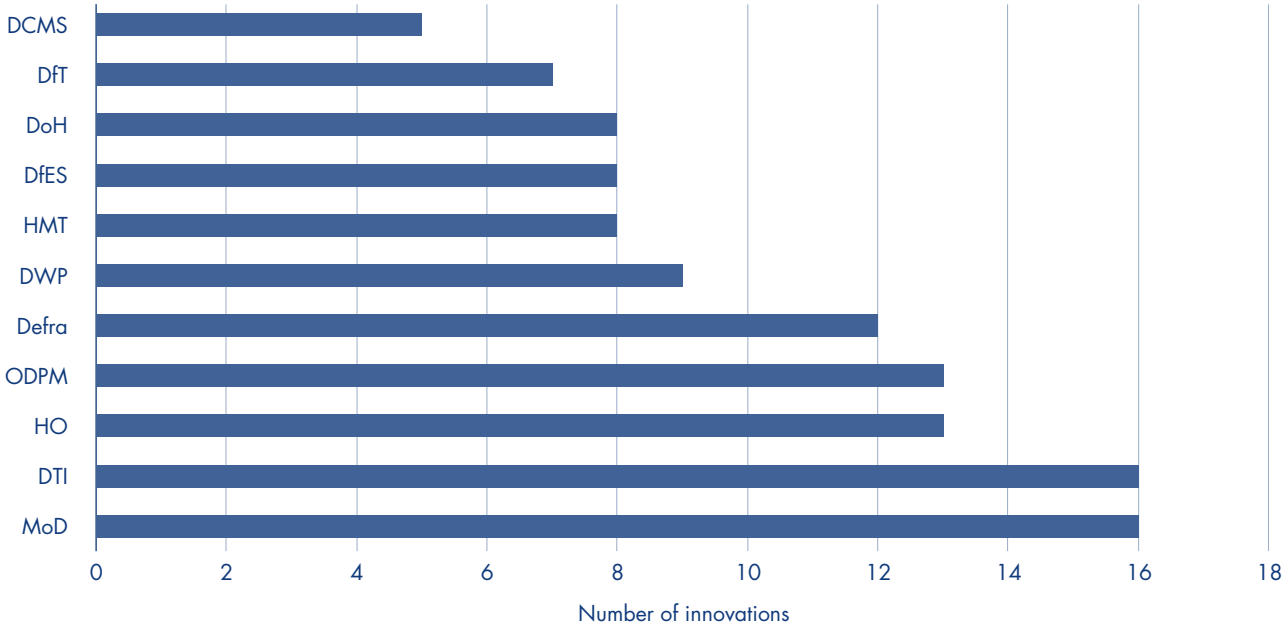
Some central government organisations had difficulties in nominating innovations

2.3 We asked 126 organisations to nominate one, two or three recent innovations, according to their budget and staff sizes and scale of operations. Some agencies replied that 'we do not do innovations' and others felt that to find and research an innovation sufficiently for them to fill out our survey form could be too time-consuming or was not a priority. In many cases our researchers contacted an organisation up to six times before securing a response. Even some ministerial departments appeared to have difficulty in identifying an innovation to submit. For instance, one major policy department for a long time returned none of the three nominations asked for. Eventually it sent in one nomination – its own Innovation Unit. In all 41 bodies produced no nominations. As a result, while we initially hoped to acquire information on up to 250 innovations we finally secured only 125 completed returns from 85 departments and agencies. **Figure 3** shows that the pattern of responses varied considerably across the main 'departmental groups' in Whitehall (that is the cluster of a main department with its agencies), with some departmental groups (notably

the Ministry of Defence and Department of Trade and Industry) submitting three times as many nominations as others. **Figure 4** shows that executive agencies submitted half of the innovations in our survey, with departments a distant second and NDPBs third. There is a close match between this pattern and the distribution of central government staff numbers across different types of organisations – for instance, executive agencies currently account for 55 per cent of civil service personnel.

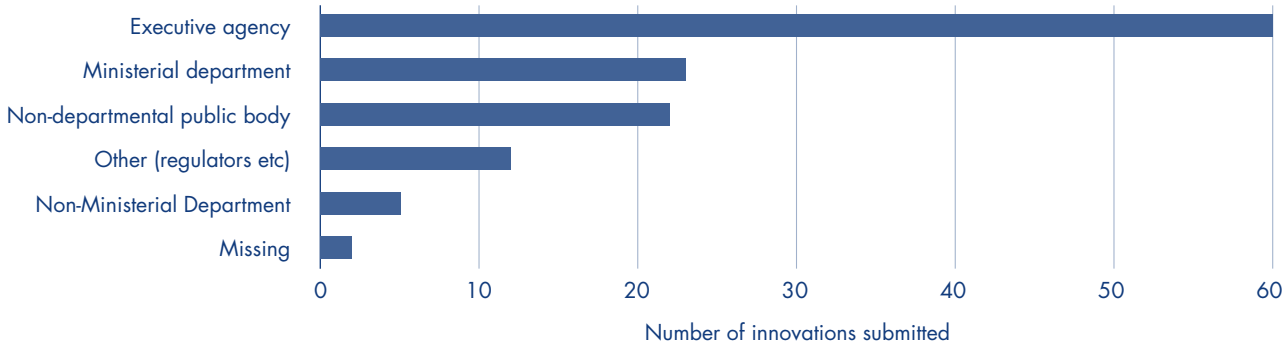
2.4 Analysis of response patterns across organisation types shows that ministerial departments supplied half of the innovations requested, executive agencies sent back three fifths and a group of regulatory bodies performed best, returning 80 per cent of the responses asked for. By contrast, non-departmental public bodies and non-ministerial departments sent back only a third of the innovation nominations requested.

3 The number of innovations submitted by main department groups



Source: National Audit Office survey of central departments and agencies

4 The types of organisations submitting innovation returns



Source: National Audit Office survey of central departments and agencies

The innovations submitted were primarily organisational changes, and there were no nominations of large-scale, policy changes

2.5 Despite the open scope of our definition of innovation, none of the responses received included any large-scale modernisation or policy changes directly attributable to Ministers or to major political interventions. Civil Service respondents clearly interpreted the survey so as to exclude any political or policy-level changes and instead focused on organisational changes in the implementation of government policy. In terms of Figure 2 above, the survey responses cluster strongly in the left-hand part of the bottom 'innovation' box.

The pattern of innovations returned can be interpreted in three main ways

2.6 In our discussions with Civil Service and outside interviewees, and in the focus groups about the survey results, some people expressed surprise that large-scale and more policy-level aspects of the government's modernisation programme for public services were not put forward as nominations by the organisations responsible for implementing them. They felt that in some cases only smaller-scale or secondary aspects had been returned by departments or agencies. Three main interpretations were suggested by interviewees and focus group participants.

2.7 Most senior Civil Servants interviewed, together with some consultants and middle-level Civil Servants in our focus groups, felt that the pattern of responses in the survey primarily reflected the familiar and accepted relationships between departments and the National Audit Office, whose brief focuses on the implementation of policy. Hence in deciding their response, departments and agencies nominated 'innovations' that fell within NAO's regular purview. In this view, although the survey returns are separate submissions from a wide range of the largest central government organisations, they give only a partial picture of patterns of change and innovation within the contemporary Civil Service. On this **sceptical view**, the survey returns are of only partial value and they need to be considered alongside the background of rapid and radical top-level policy changes and public service modernisation going on at the current time.

2.8 A second group of private sector, Civil Service and academic respondents felt that what matters most for the long-term efficacy of central government is the extent to which a better-functioning Civil Service machine is being built by a process of continuous organisational innovation. In this view, extensive policy change and top-level restructuring of the public sector is now a constant (and not an unusual or exceptional) factor in central government operations – although each successive government will naturally tend to view its own changes as more important and decisive than those of its predecessors. There will inevitably be a degree of continuous competition for managerial time and resources between the short-term demands of Ministers and Parliament for immediate policy changes that meet current political priorities, and the long-term need for departments and agencies to improve their core operations and capabilities, invest in new technologies and business processes and innovate more incrementally or administratively in service delivery. On this **long-termist view** the survey returns reflect an understandable and deep-seated Civil Service preoccupation with developing the permanent capacity of the government machine.

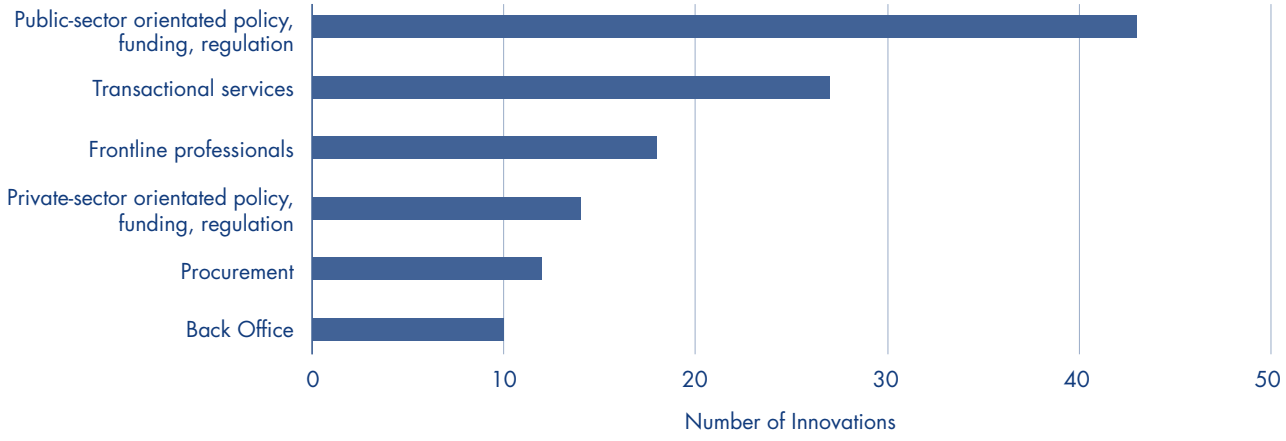
2.9 The third and smaller group of academic and private sector interviewees suggested that the survey returns showed that Civil Servants no longer consider that their organisations genuinely 'own' the major policy changes that they carry out, a theme that also cropped up in one focus group. In this interpretation, officials now see this top level of change as belonging solely to Ministers, special advisors and outside stakeholders. Departments and agencies are now disillusioned about, and have given up on trying to regain, their previous capacity to influence or affect policy changes. So they now conceive of their own contribution just in terms of medium-level service delivery issues and the internal organisation of government. On this **'disengagement' view** the survey returns again illuminate well what is going on within a wide range of central government organisations at 'official' rather than policy levels. Readers should bear in mind these three possible interpretations of the broad pattern of survey responses in what follows.

The innovations submitted range widely across types of activity

2.10 Departments and agencies nominated a wide range of innovations. **Figure 5** shows how they were distributed across the categories used in the Gershon efficiency review. Over half concerned policy-making functions, or funding or supervision of other public sector agencies, with an additional smaller element undertaking policy, regulatory or funding activities orientated to the private sector. Innovations relating to transactional services and to front-line professional work came second and third, reflecting the fact that many central government organisations are not directly involved in service provision. **Figure 6** shows how the innovations submitted were distributed across three broader categories of activity. Performance and administration account for over two-fifths of innovations while two categories related to key themes in the *Modernising Government* (1999) agenda account for the remainder - joining-up initiatives and measures to improve the end-user, customer or citizen experience. We asked departments and agencies to cite recent innovations but with some substantial implementation and the returns show that many organisations have been working on carrying through the major changes in central administration called for in that White Paper. By contrast more recent themes of government policy were not well represented. For instance, only one of the 125 innovations in our dataset focused on improving environmental sustainability.

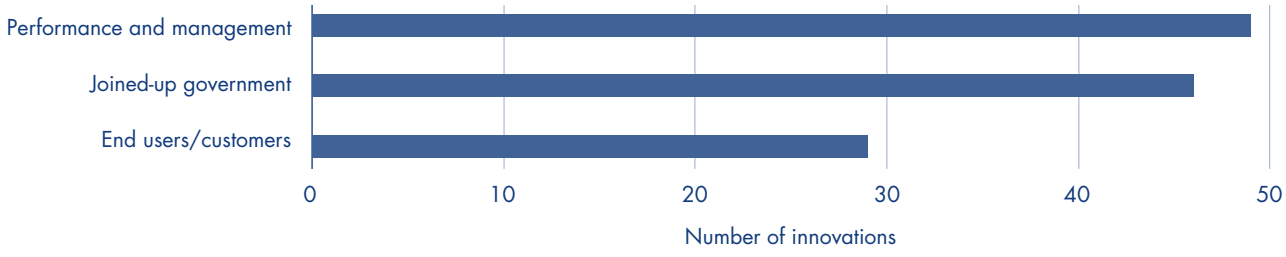
2.11 In the private sector many innovations derive from either physical technology changes or information and communication technology (ICT) changes. **Figure 7 overleaf** shows that physical technology changes were involved in less than a sixth of the innovations. But web/internet changes and broader information systems changes were much more important, accounting for two-fifths of innovations in all. The largest single group of innovations were organisational ones, however, and did not involve any technology developments.

5 The distribution of innovations submitted across the Gershon review categories of activity



Source: National Audit Office survey of central departments and agencies

6 The distribution of innovations submitted across broader types of activity



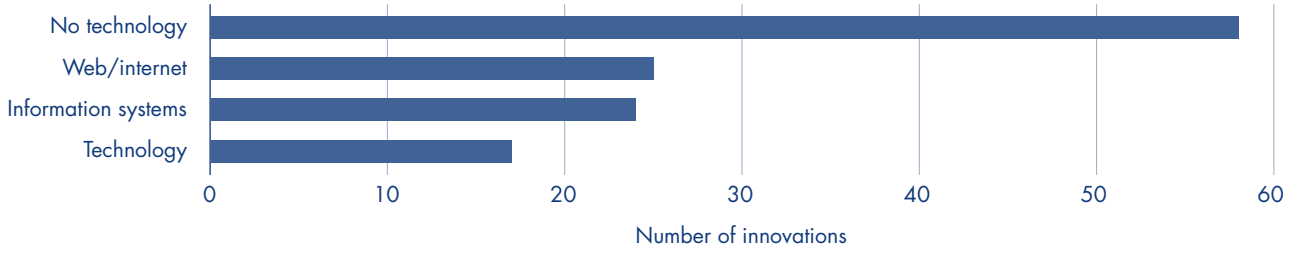
Source: National Audit Office survey of central departments and agencies

2.12 In the private sector the companies best-known for achieving innovations emphasize developing the capacity to make serial improvements and changes. **Figure 8** shows that from the qualitative information gathered on the nominated innovations, around a third were clearly stand-alone or one-off changes. And less than a sixth were clearly and explicitly part of a serial change process. The remaining innovations (the middle bar in Figure 8) are implicitly part of a broader modernisation or improvement process but this was not directly cued or suggested in the descriptions provided by the nominating department or agency.

2.13 Looking at whether innovations are one-off or part of a wider process by the Gershon types of workstream, **Figure 9** shows that in procurement most innovations fell into the middle group. The proportion of stand-alone innovations was highest (at two-fifths) in transaction services and was just under a third in the main policy stream. Looking at integration by the type of innovation, **Figure 10** shows that around a third are stand alone projects in most categories. The proportion is higher in the physical technology projects, but the number of cases here is small. Administrative systems innovations were the most explicitly part of a wider process of change.

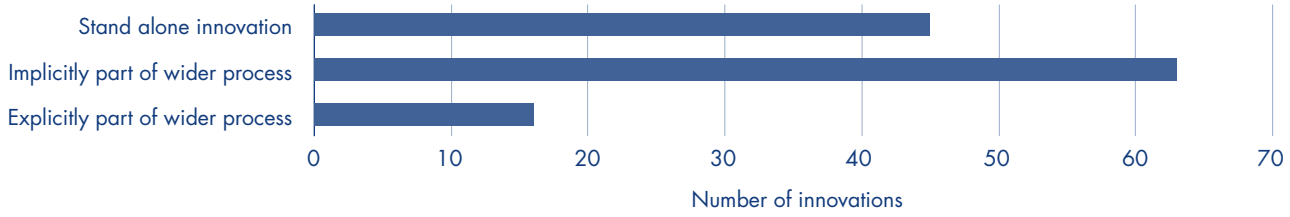
2.14 The apparent difficulties that central government organisations had in nominating innovations, and the fact that three times as many of the innovations nominated are classified as stand alone rather than forming part of a serial process, generated quite a lot of comment in interviews and focus groups. The clear majority view of outsiders and insiders is that the Civil Service is still in transition between two patterns of work organisation. The older pattern is one where departments are organised primarily to look after separate, individual and permanent fiefdoms, between which staff rotate jobs regularly. Managers without previous experience may serve as Senior Responsible Officer (SRO) for a project in their division's area, but then often will not go on to run another similar project. Projects here are either run by conventional committees or, where project 'teams' exist, they do not work in a closely co-ordinated,

7 The technology background of innovations submitted



Source: National Audit Office survey of central departments and agencies

8 Whether nominated innovations are stand-alone or part of a wider process



Source: National Audit Office survey of central departments and agencies

multi-disciplinary way. Here innovations are made only episodically – for example, in response to a change in the external policy environment or political stimuli; or because an opportunity comes up to make changes, such as an old IT system needing to be renewed.

2.15 The newer Civil Service pattern is one where departments or agencies are organised primarily in changing project teams, project management techniques are applied where projects are tightly managed by professionals, with serial projects the norm for team members. This pattern is best developed in procurement areas. We did not find any central organisation working in an equivalent way to a management consultancy, for example, having solely project team positions and operating a 'bench' for people waiting allocation to new project teams. Senior Civil Servants identified creating more genuine project teams as a challenge, along with developing and making more consistent use of talented and experienced project managers. For project management to help foster innovative work, the project controls need to be defined to give room for innovation.

2.16 Recent work on programme management in the civil service, especially the Office of Government Commerce's 'Managing Successful Programmes' approach, might well provide a framework for fostering innovative approaches to delivery. A blueprint is defined which links the vision or business case for a programme of change to a model of the business or organisation, its working practices and processes, plus the information the change programme requires and the technology that will be needed to deliver it.

9 Innovations by their integration in a wider process and Gershon workstream

	Is the innovation part of a wider process?			
Type of Gershon workstream	Yes, explicitly so	Implicitly so	No, one-off or stand alone	Total
Policy (public)	7	22	14	43
Transactional services	1	15	11	27
Frontline services	4	6	9	19
Policy (private)	3	5	6	14
Procurement	1	10	1	12
Back office	0	6	4	10
Total	**16**	**64**	**45**	**125**

Source: National Audit Office survey of central departments and agencies

10 Innovations by their integration in a wider process and type of innovation

	Is the innovation part of a wider process?			
Type of innovation	Yes, explicitly so	Implicitly so	No, one-off or stand alone	Total
Administrative systems	11	27	19	57
IS systems and ICTs	1	15	7	23
Web or internet	2	12	9	23
Technology	2	6	8	16
Human resources	0	4	2	6
Total	**16**	**64**	**45**	**125**

Source: National Audit Office survey of central departments and agencies

PART THREE

The costs and timescales of innovations

3.1 Some of the most important issues about innovations in any set of organisations relate to how large or wide-scale they are and how long they take to 'come to market' in the private sector or to be implemented and 'rolled out' in a large-scale way in the government sector. We asked departments and agencies to estimate how much the innovations they nominated cost to develop and implement. (Most of the innovations submitted have at least begun implementation.) We also gathered data on how many staff were involved in innovations and how long they took to implement from initial idea to widespread rollout.

The financial costs of the innovations submitted ranged widely from a few thousand pounds to nearly £1 billion, with a median cost of £900,000

3.2 Departments and agencies were asked for information on the different stages of first developing and then implementing innovations, and to separate out current or administrative costs from capital costs (see Main Report, paragraphs 2.9 and 2.10). However, a fifth of organisations could not provide total costs information for their nominated innovation, increasing to around a third for capital costs.

3.3 The distribution of innovations nominated by departments and agencies is bottom-weighted, with an upwards straggle of larger projects (see Main Report, paragraphs 2.9 and 2.10). A fifth of the changes submitted cost less than £100,000. This is a very low level indeed and may raise issues about how innovative the changes submitted actually are. Some low cost projects nominated seemed insubstantial to the study team and NAO experts. But some other low cost changes delivered substantial costs savings and showed ingenuity in changing working methods. Two fifths of innovations cost less than £0.5 million. At the other end of the spectrum, a fifth of all innovations cost more than £6 million each. The three largest projects nominated are exceptionally large compared to the rest, costing £940 million, £330 million and £150 million respectively: all involved major capital investments in IT systems and administrative processes, affecting very large volumes of transactions.

3.4 Looking at variations across different types of innovation, **Figure 11** shows that the median costs of innovations in three Gershon workstreams were much smaller than the mean costs. For three workstreams (back office work, policy making (public) and front-line services) the median innovations cost between £300,000 and £850,000. For the other three streams (procurement, transactional services and policy making (private)) the median level was appreciably higher, at over £1 million.

3.5 Breaking down innovations by types of activity **Figure 12** shows that the median cost of administrative systems, information systems and physical technology innovations was between £0.45 million and £1.6 million. Those for web innovations were appreciably larger.

3.6 In deciding which innovations to submit we expected departments and agencies to 'give it their best shot' and to choose those innovations which cast their organisation in its best light. Comparing the costs of the innovations submitted to their total annual running costs should therefore cast a little light on how much central government organisations wish to present themselves as being innovative. This exercise shows a wide variation. At one end of the spectrum one fairly small and recently established central agency submitted one of its core operating processes over its first four years as an innovation. In contrast, some organisations with multi-million pound running costs submitted changes that cost only a few tens of thousands of pounds, perhaps suggesting that they saw organisational innovations as a relatively small part of their activities.

11 The costs of innovations (in £000s) included in the survey, broken down by Gershon workstream

Costs	Back office	Procurement	Transactional services	Policy, funding (public)	Policy, funding (private)	Frontline services
Maximum	113,000	150,000	940,000	129,000	70,000	6,250
75 per cent less than	3,000	106,000	9,500	1,350	6,000	2,200
Mean total cost	**14,541**	**42,333**	**57,746**	**6,106**	**11,016**	**1,836**
Median total cost	**300**	**1,190**	**1,600**	**500**	**2,325**	**850**
25 per cent less than	145	235	215	100	223	50
Minimum	3	2	14	4	15	0

Source: National Audit Office survey of central departments and agencies

12 The costs of innovations (in £000s) included in the survey, broken down by type of activity

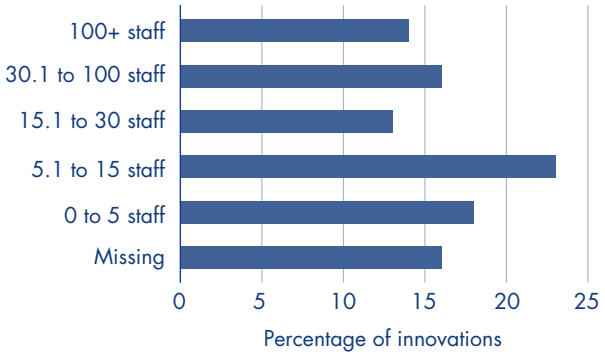
Costs	Tech	Admin systems	Info systems	Web	Human resources
Maximum	21,000	940,000	113,000	310,000	150,000
75 per cent less than	1,500	5,500	1,350	16,000	6,250
Mean total cost	**2,559**	**33,398**	**13,022**	**27,888**	**26,129**
Median total cost	**450**	**1,600**	**880**	**2,750**	**50**
25 per cent less than	260	203	145	146	5
Minimum	100	4	3	2	0

Source: National Audit Office survey of central departments and agencies

The number of staff involved in developing innovations is harder to assess, but the median innovation involves between 15 and 30 staff

3.7 We also asked departments and agencies for information on the staff numbers involved in developing innovations, expressed in terms of full-time equivalent staff numbers to take account of cases where staff work only partly on an innovation. **Figure 13** shows that there was a wide range of responses here also, with one-sixth of projects involving five or fewer staff and a similar proportion involving over 100 staff. The median innovation for which staff numbers were provided involved between 15 and 30 staff. No information on staffing was available for a sixth of the innovations nominated. The biggest innovations were those in transactional services and procurement, while the smallest projects were in the back office workstream. Analysis shows that staff numbers were most often provided for procurement, front-line professional and transactional services innovations. Staff numbers were hardest to provide for policy workstream innovation and for back-office projects.

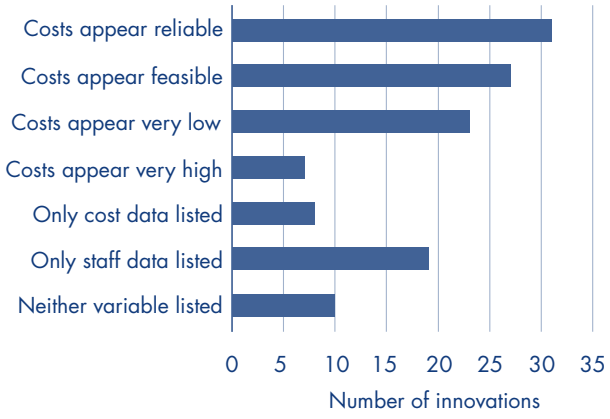
13 The distribution of innovations submitted across bands for the number of staff involved in developing and implementing innovations (in full-time equivalents)



Source: National Audit Office survey of central departments and agencies

3.8 One possible explanation of the low cost number noted above is that departments and agencies could be under-costing the innovations they submit, because not all costs are included in the estimates. In many administrative organisations we can expect that staff costs will constitute the bulk of spending for those innovations that are developed and implemented in-house. We can also expect that some other costs (for accommodation, equipment and services) will vary in a relatively predictable way in relation to staff numbers. We therefore looked together at the cost and staff numbers submitted by department and agencies to assess whether they seemed to be consistent with each other, and also considered the detailed qualitative picture of each innovation built up from organisations' descriptions of what was done. Our detailed analysis suggests that the staff numbers were harder for central government organisations to estimate and so they are in general somewhat less reliable and useful than the cost numbers supplied. **Figure 14** shows the research team's evaluation of the quality of the costs and staffing information provided. Just under half the innovations have good quality cost data (that we judged 'reliable', meaning detailed and precise; or 'feasible' meaning less detailed but plausible). Around one in five innovations appear to be under-costed and a handful are perhaps over-costed. Around a fifth of innovations lack information on either costs or staff numbers. A tenth of returns included neither of these details.

14 How the research team evaluated the quality of costs and staffing data



Source: National Audit Office survey of central departments and agencies

The median innovation in our dataset took 24 months to develop and implement, but there is a wide variation in the size of innovations

3.9 The time taken to progress innovations from an early ideas stage through development and piloting to implementation (or at least widespread rollout for very large organisations) is of critical significance for the success of innovations. We noted above in Part 1 that the academic view of government organisations and more conventional stereotypes suggest that they will take longer than private sector firms who have strong competitive incentives for keeping down the 'time to market' for their innovations. But these views have never been supported by any studies using systematic data.

3.10 For the median innovation in the dataset the total time taken to develop and implement the innovation was 24 months (see Main Report, paragraph 2.11). There was some variation in timings across innovations, with one fifth taking less than a year from first design to implementation and over a quarter taking more than three years. But these data are more compact than for other variables considered so far, suggesting that the time taken for innovations is a key variable that is closely managed. However, it is also important to bear in mind that departments and agencies themselves selected the innovations here and so they can generally be expected to be the best and most successful innovations across government.

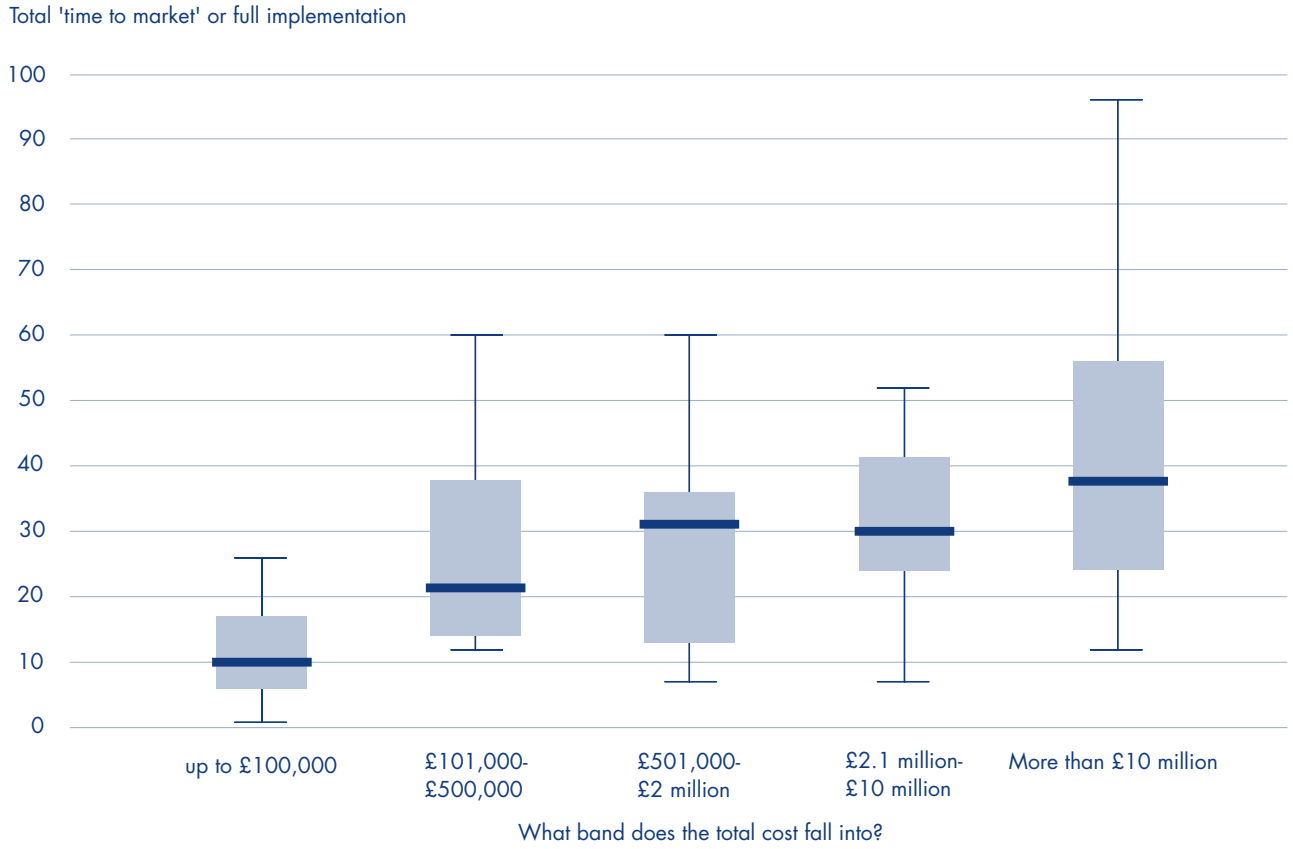
3.11 The variable that explains most of the differences in the time scales for innovations is the scale of the change, which we measure by looking at the financial costs involved. **Figure 15 overleaf** shows that in general the more expensive projects are the longer they take to develop and implement. Thus the median innovation costing under £100,000 takes 10 months to implement, while the median innovation costing over £10 million takes 37 months to complete. The Figure also shows that almost no projects costing over £100,000 are completed within a year. The relationship is not a smooth one, however. Innovations in the £101,000-£500,000 range straggle upwards, with some taking far longer than the median to implement, while innovations in the band from £0.5 million to £2 million straggle down, with many implemented much more quickly than the median.

3.12 In addition to size there are some minor variations in time-scales for innovations for other reasons. The median project time is very consistent across all the Gershon workstreams except procurement, where it is noticeably longer. A quarter of all procurement innovations take more than 50 months. In terms of workstream categories, timescales are again fairly consistent but information system changes take least time while physical technology innovations are more protracted. However, these smaller effects also reflect some variations across departmental groups, shown in **Figure 16 overleaf**. For almost all departments the median time for an innovation to be developed and implemented falls between 24 and 34 months. In the Ministry of Defence and the Department of Health groups the average time taken is much longer. This is mainly for scale reasons in MoD but may also reflect some postponements due to the re-prioritisation of expenditure. It is unclear which factors explain the longer time-scales in the Department of Health group. Innovations in the Department for Culture, Media and Sport are faster than average, but they are also much smaller than average.

3.13 By looking at the allocations of months between the beginning, middle and end of the projects we were also able to analyse the time-patterns of the 125 innovations submitted. **Figure 17 overleaf** shows that over a third of innovations were end-loaded, with most time spent on the closing, implementation stages of projects – twice as many as projects with long gestation periods at their start, the next most common pattern. The remaining half of innovations showed varied patterns.

3.14 We discussed the data on timescales extensively with our focus groups and interviewees and a number of different perspectives emerged. Many civil servants felt that the 24 month median timescale for innovations shows a reasonable degree of agility by central government organisations, refuting stereotypes of the public service as being slow-moving. This position got a degree of support from the IT consultants focus group and from local authority chief executives.

15 The relationship between the costs of innovations and the time taken to develop and implement them



Source: National Audit Office survey of central departments and agencies

NOTE

This chart is called a 'box and whisker' plot. The horizontal axis shows a set of different costs bands for innovations, and the vertical axis shows the timescale for those innovations. In each bar the thick black band shows the median timescale taken for projects in that cost band. The shaded box shows the middle 50 per cent of projects: the top of the box is the upper quartile (three-quarters of the data fall below this level) and the bottom of the box is the lower quartile (a quarter of the data fall below this level). The 'whiskers' above and below the box show the spread of the unusual observations, those that are especially high or low in their timescales.

3.15 Some private sector focus group participants and some interviewees with whom we discussed the findings took a more critical view. They pointed out that the dataset does not represent all innovations in central government, but only a selection made by departments and agencies of their own top one to three 'best practice' innovations. If these take 24 months, they reasoned, others will take longer. Private sector people also identified the quarter of all innovations taking more than three years to put into practice as a problem. One large retail company manager interviewed said that they never begin any smaller scale product project that will take more than two years in total to come to fruition. Interviewees from other large firms took a more relaxed view, arguing that with big projects a phased roll-out can make sense. But they doubted that innovations of the scale nominated here would fall into this category.

3.16 All the Civil Servants we interviewed who had moved to their current posts from the private sector, and some consultants and contractors with a lot of government experience, complained of a lack of urgency in central government organisations' innovations. They attributed this to:

- overly lengthy, over-scaled, or open-ended evaluation processes;
- too great a reliance on a consensual approval style that could be blocked by small objections; and
- a pervasive failure to factor into decision-making processes the opportunity costs of delays in making innovations (for instance, a delay in the arrival of a new service or in achieving cost savings).

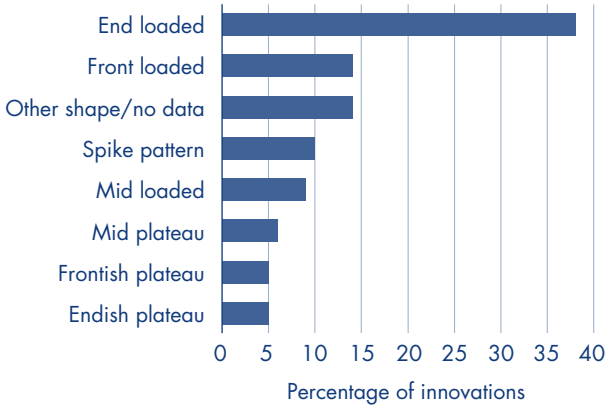
Some senior Civil Servants interviewed felt that this picture was indeed still too prevalent in central government. But others felt that this pattern no longer applied to top-level processes in departments and agencies, and that if it persisted lower down organisations it would be tackled relatively soon as part of general modernisation and cultural-change processes.

16 The mean time taken by innovations across the main departmental groups

Departmental group	Mean time for innovations in months
Department of Health	53
Ministry of Defence	44
Department for Transport	34
Department for Education and Skills	34
Average	**31**
Department for Communities and Local Government	28
Department of Trade and Industry	27
Department for Environment, Food and Rural Affairs	26
HM Treasury	25
Home Office	24
Department for Work and Pensions	15
Department for Culture, Media and Sport	14

Source: National Audit Office survey of central departments and agencies

17 The distribution of innovations across different time-profiles



Source: National Audit Office survey of central departments and agencies

NOTE

Time patterns showing a peak of months spent on the closing stage of an innovation are end-loaded; those with a peak at the start are front-loaded; and those with a peak in the middle are mid-loaded. Patterns with a 'plateau' have no single peak but two or more stages taking the most time.

PART FOUR

Key influences on the origins and development of innovations

4.1 We asked departments and agencies for brief details about how their nominated innovations came to be developed and implemented. Some survey questions asked organisations to pick from pre-coded lists of possible factors that in their case served as triggers for introducing changes, the origins of the innovation, and the internal and external factors that helped the innovation to progress through to implementation. We also asked organisations responding to briefly tell us the qualitative story of each innovation and received very interesting replies, summarised in the web descriptions of each project (see www.nao.gov.uk). In this Part we summarise what organisations said were the key influences on the success of their innovations.

The main triggers for innovations are split fairly evenly between internal organisational factors, political or policy factors and efficiency drives

4.2 The survey of departments and agencies said: 'Here are some factors that have been suggested as triggering innovations in the public sector … Thinking about your nominated innovation, please select primary reasons, secondary reasons and other reasons for its emergence'. Thirteen possible specific triggers were listed (that were defined by initial interviews and piloting of the survey) and organisations could also write in their own factors. Organisations could nominate two primary and two secondary reasons, and most did so. In addition up to two more factors could be nominated as 'other' triggers, but these were rarely used. In all 361 triggers were cited as important across the 125 innovations in our dataset, an average of 2.9 each.

4.3 **Figure 18** shows the trigger factors clustered into three broader categories. The most cites were for internal organisational factors, followed by external political or policy factors, and then efficiency drives or crises putting pressure on organisations to make changes. Internal triggers were evenly cited as primary and secondary triggers, but political factors and efficiency drives were much more often cited as primary factors than as secondary factors. The relative weighting that organisations assigned to primary and secondary factors in completing the survey is not known, but we can assume that primary factors are more important. The final column shows a rudimentary re-weighting, the '2 + 1' score which counts primary triggers as twice as important as secondary factors: the precise numbers are not important here so much as whether this level of strong re-weighting produces any alteration of the ranking of factors compared with the 'total cites' column. In this case it is clear that it does not, and hence that the ranking of broad types of factors here is resilient.

4.4 In general Figure 18 strongly suggests that at any given time central government organisations will have a considerable range of possibilities open to them to make innovations, but that these opportunities are not developed for purely internal reasons in only about a third of cases. Instead possible innovations often seem to remain latent until and unless they are activated by external pressures – either a ministerial intervention or policy development necessitating changes; or an efficiency drive forcing the organisation to save money or a crisis in implementation or creating pressures to change. Even where internal factors trigger the launching of an innovation it is often important that the change chimes with ministerial or political priorities of the moment, or can contribute to an ongoing efficiency drive.

18 The broad categories of triggers cited for the 125 innovations submitted

Type of trigger:	Cites as primary trigger	Cites as secondary trigger	All cites as a trigger	'2+1' Score
Internal factors: peers/new tech/resources/spin offs	71	85	156	227
Political/Ministerial/policy factors	69	42	111	180
Efficiency drives/crises in organisation	59	35	94	153

Source: National Audit Office survey of central departments and agencies

NOTE

The '2+1' score weights 'primary' triggers as twice as important as 'secondary' triggers.

4.5 Looking at the responses here un-clustered and in more detail, **Figure 19 overleaf** shows that efficiency drives were the single most important trigger factor, cited as primary or secondary in 37 cases, three in ten of all the nominated innovations. However, changes in either government or ministerial priorities were cited in 46 cases, over a third of all cases. About a fifth of nominations also cited crises as primary or secondary triggers, and if cites for non-crisis changes in the policy environment are added in, this kind of external pressure on organisations is present in a third of the nominated innovations. Changes in technology and working with peer organisations are the only other well-cited triggers, but more commonly as a secondary trigger than as a primary factor. **Figure 20 on page 25** provides a further take on how central government organisations see triggers by looking just at the most important triggers cited. The big four factors are again efficiency drives which came just top in one in six cases, plus (at much the same level of salience as each other) responses to crises, new government priorities and new ministerial policies.

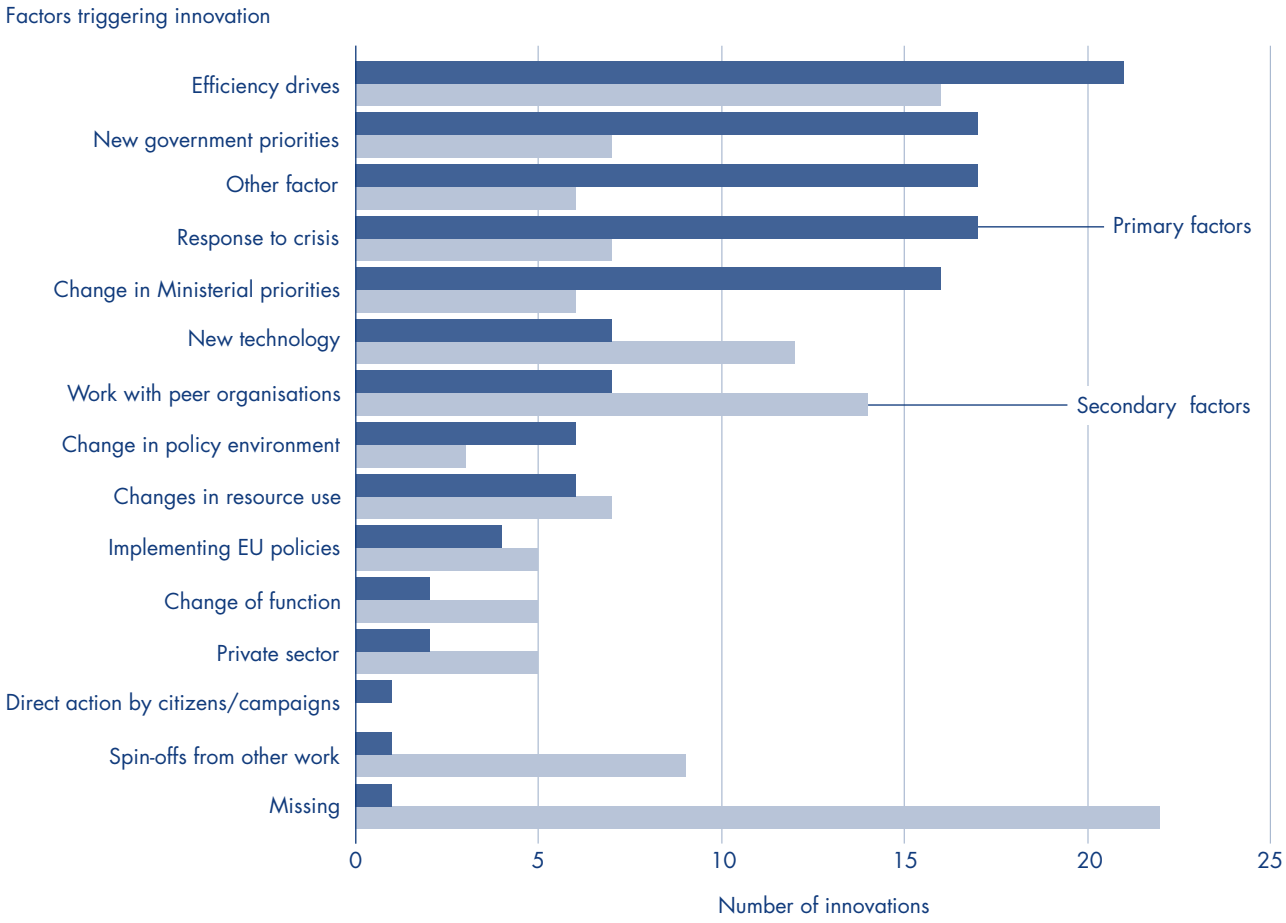
4.6 The importance of efficiency drives is under-scored by how frequently the Gershon report was mentioned as a key stimulus forcing current innovations by respondents in our focus groups and by interviewees. Central civil servants feel that the efficiency review sets very demanding targets for major department groups to achieve. Some senior and middle managers believe that extensive and difficult re-arrangements of their business processes and staffing will be needed to achieve their targets. But there was less specific concern about the efficiency review amongst respondents from agencies and NDPBs, who already feel closer to the 'front-line'. Senior local authority respondents did not believe that the Gershon targets are particularly demanding, either for themselves or for central departments. They point out that many public sector organisations outside Whitehall are used to making regular 'efficiency dividends' each year under previous policy regimes. Private sector respondents and interviewees likewise felt that the targets are a fairly normal organisational discipline. But contractors felt that central departments could struggle to reach the levels of headcount reductions required on current trends.

4.7 There was very wide agreement in our focus groups and interviews with the conclusion in paragraph 4.4 above, that innovations may remain latent in central government organisations unless activated by a political or efficiency drive trigger. Three key possible reasons were cited:

- The normal 'resting' state of central government organisations is still to run on stable processes unchanged, rather than maintaining a proactive search for improvement. External triggers here help jolt the organisation from its resting state.
- Pushing forward an innovation against resistance or inertial drag is costly and difficult. So people within the organisation orientated towards a possible change will not start lobbying for it until there are enough other favourable factors in the organisational context to help overcome these barriers. Approaches such as 'soft systems' analysis may be helpful here. External triggers provide encouragement and collateral support for potential innovators.
- Developing innovations is risky and uncertain, especially because of audit costs and failure risks. So senior managers are rarely keen to launch new initiatives until it becomes clear either that current arrangements cannot be continued for some reason (such as, an IT system or equipment becoming worn out and needing replacement) or that the status quo may no longer be acceptable. External triggers here signal that the opportunity costs of inaction are rising.

These effects are not exclusive, so that one, two or three of them may apply at the same time within a department or agency.

19 More detailed factors involved as triggers of innovations

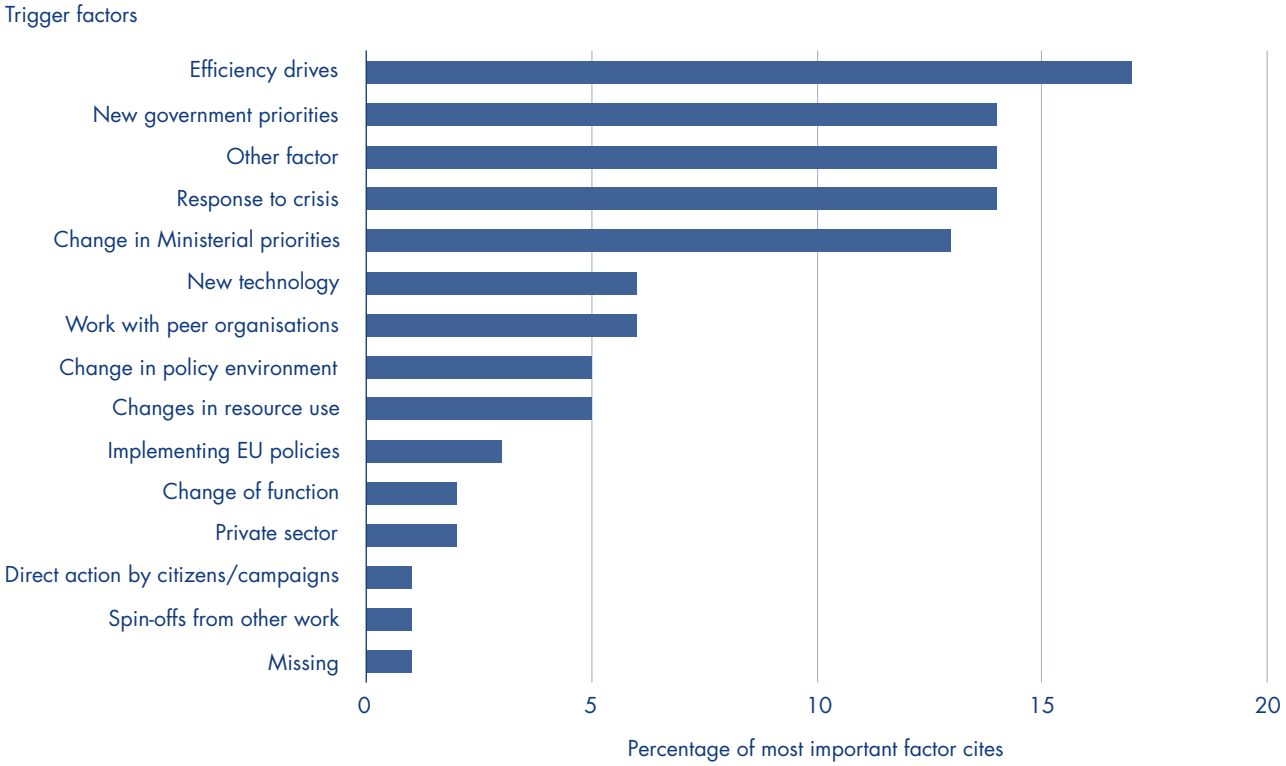


Source: National Audit Office survey of central departments and agencies

The senior managers of organisations are the main originators of innovations, showing a top-down process where front-line staff are little involved

4.8 Triggers are about what gets innovations into play, whereas the origins concern the specific sources that innovation ideas, proposals and initiatives come from, whether inside or outside the organisation. The survey asked: 'Here are some factors that have been suggested as where an innovation might first originate... Thinking about your nominated innovation, please pinpoint primary origins, secondary origins and other origins'. Eleven possible specific origins were listed, in an order running generally downwards in scale from the European Union at the top, through the central government core executive, ministers, three different levels of staff in the organisation, and partner bodies elsewhere in the public or private sectors. The options offered derived from preliminary interviewing work and piloting of the survey, but organisations could also write in their own origins ideas, as well as provide text explaining in more detail how the combination of origins worked in their case. Organisations were asked for four origins but could cite up to six if needed. A total of 336 specific origins were cited, an average of 2.7 per innovation.

20 The percentage of all cites for the most important trigger factor in innovations

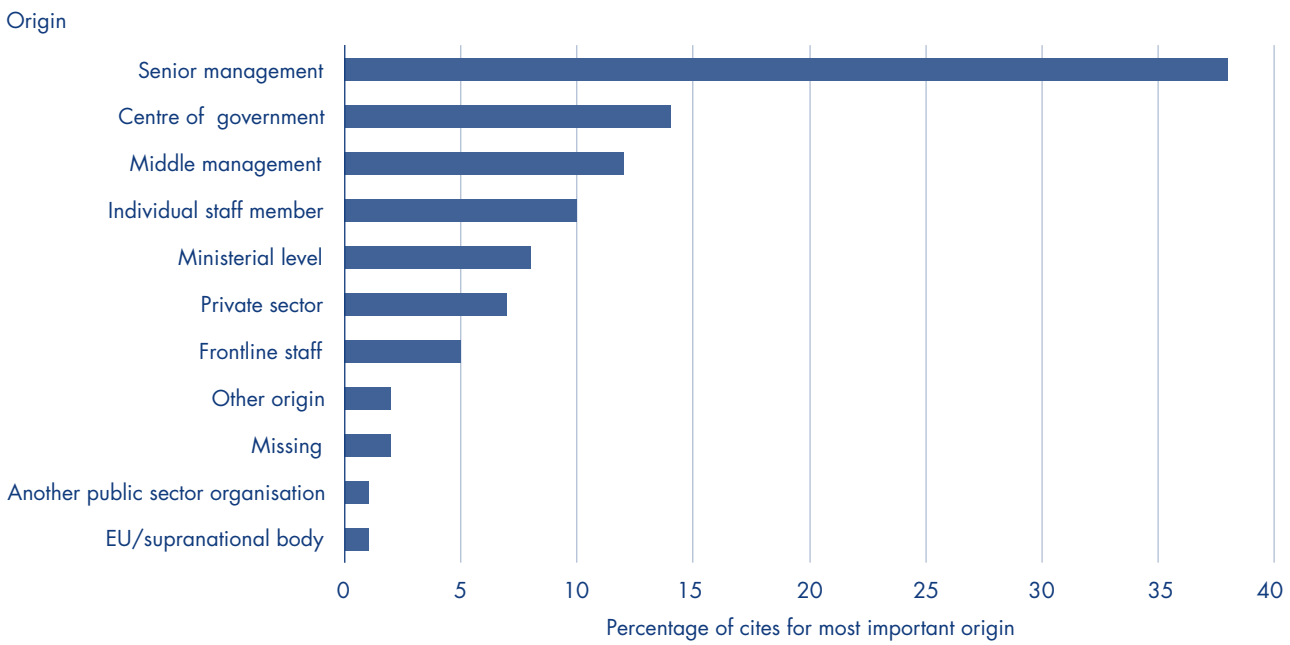


Source: National Audit Office survey of central departments and agencies

4.9 Almost half (46 per cent) of all cites of origins were to senior managers or middle managers in the department or agency originating the innovation, followed by other organisations worked with (public or private partners and stakeholder organisations), with ministers or the centre of government (such as Number 10 or the Treasury) running third (see Main Report, paragraph 2.13). Front-line staff are included in the origins of innovations in only one in eleven cites, but there are a few front-line staff inputs also in the 'individual member of staff' category. (However, the text accompanying organisation's nominations of 'individual' members of staff as influential origins often makes clear that this category includes very senior staff members, including the heads of department divisions or chief executives of agencies in some cases.) An option for customers or clients as the origin of innovations was not included in the main list of responses because piloting showed that it would be too rarely used. But organisations could write it in under the 'other' heading: in only three cases did they do so.

4.10 **Figure 21 overleaf** shows just the most important origins of innovations cited by responding organisations. The top down nature of the innovations process emerges even more clearly here, with senior managers accounting for nearly two in five citations, followed most closely by the centre of government in one in seven cases. Middle managers and individual members of staff (some very senior) are important in about one in ten cases. Ministers come well down this listing, cited as the most important origin of organisational innovations in only about one in 12 cases. (In interpreting this particular number, it is important to bear in mind the general point in Part 1 above that central government organisations generally avoided nominating political or policy changes as innovations in their responses.) Front-line staff are cited in only one in 20 innovations, somewhat less often than private sector contractors or stakeholder organisations.

21 The most important origin cited for nominated innovations



Source: National Audit Office survey of central departments and agencies

4.11 Some interviewees did suggest that because the survey forms went initially to Finance Directors or to agency chief executives there was a danger that they returned responses slanted towards senior management because that was how they saw the processes of their nominated innovations. On this view the selection of respondents may have biased the picture of origins being given.

4.12 However, a wide range of other evidence from both the focus groups and interviews strongly supported the picture of innovations being a top-down process within most central government organisations. In two of our focus groups (with project manager level and middle manager civil servants respectively) reviewing the origins data led to a vigorous discussion amongst participants of the problems of 'gradism' within the civil service. Gradism denotes a very strong or exaggerated reliance on the established hierarchy of ranks to structure how communication occurs inside and between central government organisations. Key gradist practices complained of were people not being allowed to communicate directly with more senior ranked people in other divisions or other organisations, but having instead to route communication upwards to someone in their own division of the same rank as the 'target' person to be contacted. In extreme cases, people could not communicate with other officials of the same rank as themselves in other divisions or organisations without communication being routed up to a superior within their own organisation, then across to the other organisation at this more senior level, and then down inside the counterpart organisation. Clearly any such practices will tend to inhibit the development of project teams based on expertise and close involvement. Participants also complained strongly of being introduced to other civil servants and outsiders in terms of their rank, rather than in terms of their specific job roles, a practice perceived as demeaning. These problems were widely confirmed in interviews as a factor inhibiting bottom-up processes of surfacing innovations within central government organisations. Gradism seemed to be especially acute within ministerial and non-ministerial departments and to be somewhat less severe within agencies and NDPBs, where middle and lower levels staffs often have fairly focused skills or experience to draw on.

BOX 1

How far do public sector organisations generate intellectual property rights (IPRs)?

As part of our research into the patterns of innovations we sought data from the Patent Office on the number of IPR applications coming from government sector organisations. Unfortunately the Office is not currently able to compile this data because (under Better Regulation Executive procedures) its forms are not allowed to include questions about the characteristics of organisations originating IPR applications. As a result its IPR databases only allow the identification of patents etc. as public sector where the patentholder is identified as the Secretary of State or some other clearly identifiable official. (For the same reason the Patent Office cannot say how many IPR applications or grants come from different sizes or types of firm.) As a result only a highly imperfect and impressionistic picture of IPR activity by public sector organisations is available. Even after allowing for data difficulties, they seem to account for either a small or very small proportion of IPR activity, certainly less than 10 per cent.

Under the Wider Markets Initiative the Treasury has taken some steps to encourage the development of marketable innovations with commercial significance. Partnerships UK (which has a 44.6 per cent Treasury shareholding with 4.4 per cent of shares held by Scottish Ministers) has taken stakes in some offshoot firms developing public sector projects with commercial potential. (See the National Audit Office report, *The Wider Markets Initiative*, HC 799 in Session 2005-06, for further details.) A specific company has also been formed within the National Health Service, Zoobiotic, to bring a promising medical innovation to market.

4.13 Interviewees also repeatedly indicated that although their department or agency ran a staff suggestion scheme it was in most cases done as a matter of form and was neither well-used nor a source of useful ideas. Most schemes seem to have been founded many years ago and to have received no recent management attention. There is little active communication to staff that the scheme is important, is valued by senior managers or will produce tangible rewards or recognition for staff making good suggestions. A brief sift through main department and agency web sites, and searches on the main www.direct.gov site (and on the alternative search site at www.directionlessgov.com) also show that staff suggestion schemes and other innovation-producing initiatives aimed at front-line staff are almost completely invisible in current departmental or agency web communication strategies. (They may be more visible on internal intranet sites, however.) There were one or two exceptions to this general pattern, with several interviewees citing Ministry of Defence staff suggestion schemes as better run. Also cited as good practice were the incentives schemes in some government laboratories and research establishments for staff to produce innovations that may result in Intellectual Property Rights (IPRs, such as patents, trademarks and copyrights). Interviewees were in general vague about what constituted good practice in encouraging 'bottom up' innovations or about where they could find out about or get ideas for better practice.

4.14 This relative neglect contrasted with the practices pursued in some major private sector firms and in large local authorities. Firms assign considerable importance to surfacing information from front-line staff and ensuring that staff suggestions are assigned managerial attention in a systematic way and sifted carefully for useful ideas – especially where they may have large-scale application. For instance, Tesco highlighted to us a suggestion from checkout employees that the bar codes for sandwiches should be included on the front of packaging next to the price, rather than on the back side – a tiny change that none the less translates into measurable and appreciable time and cost savings for the company as a whole when implemented across all its shops. Companies did not in general stress financial rewards for suggestions, but instead having a scheme that is well publicised, simple and attractive to contribute to, and one where contributions are reliably recognised and acknowledged by management (including explaining to staff why their suggestions are not taken up) was felt to be important.

4.15 Two local authorities we visited (Kent County Council and the Greater London Authority) made very similar points. They believe that being proactive on staff suggestions can play a small but significant part in a wider strategy for encouraging better staff morale and staff retention. In our focus groups, the local authority chief executives and senior policy staff also felt that the pattern of top down innovations shown in the dataset was somewhat disturbing and that central departments and agencies could be losing useful ideas through overly hierarchical arrangements.

The single most important internal process influencing the development of innovations is funding for new work approaches. But cumulatively several different ways of actively searching for innovations are more important

4.16 Many bright ideas are thought up in central government organisations but never progress to first base consideration. A minority of ideas are tabled for discussion and preliminary evaluation; and a minority of them in turn cause change projects to be launched. Many innovations will be abandoned mid way, if their costs or difficulties mount, or if their initial results are disappointing. The innovations nominated for our dataset are by definition relatively successful and long-lasting ones, those that survived winnowing in the ideas mill and have progressed to implementation surmounting any difficulties in their realisation. Our survey asked: 'Here are some factors internal to organisations that have been suggested as potentially important in developing innovations from first ideas' and then gave ten pre-coded choices plus a write-in capability for organisations to select 'key processes' and 'other useful processes' involved in their innovation's development. These options were those emerging as most important in preliminary interviews and in piloting of the survey. In all, organisations could cite up to four options as key processes and two more as 'also useful' processes. In all 386 cites were made, an average of 3.1 for each innovation.

4.17 Because our question included quite a lot of options, with some processes that are quite similar to each other, **Figure 22** shows a broad clustering of the main responses designated as either key or useful. Although finance for new ways of working was the single most important response, putting together a number of closely related options also chosen shows that the organisation looking actively for innovations was actually the broadest cluster. (This heading involves three things - a central business development or innovations unit doing cross-cutting work; practical experimenting and trial and error; and looking actively for spin-offs.) A second cluster of 'creating space for new thinking' involves just three very simple elements (brainstorming, away-days and using web sites) but is almost as important as regular internal reviews and audit processes in helping innovations to develop. **Figure 23** then shows how often the options were rated as the most important processes in developing innovations. Funding is clearly ahead of other factors here.

22 The internal factors cited as either 'key processes' or 'useful processes' in the development of the 125 innovations submitted

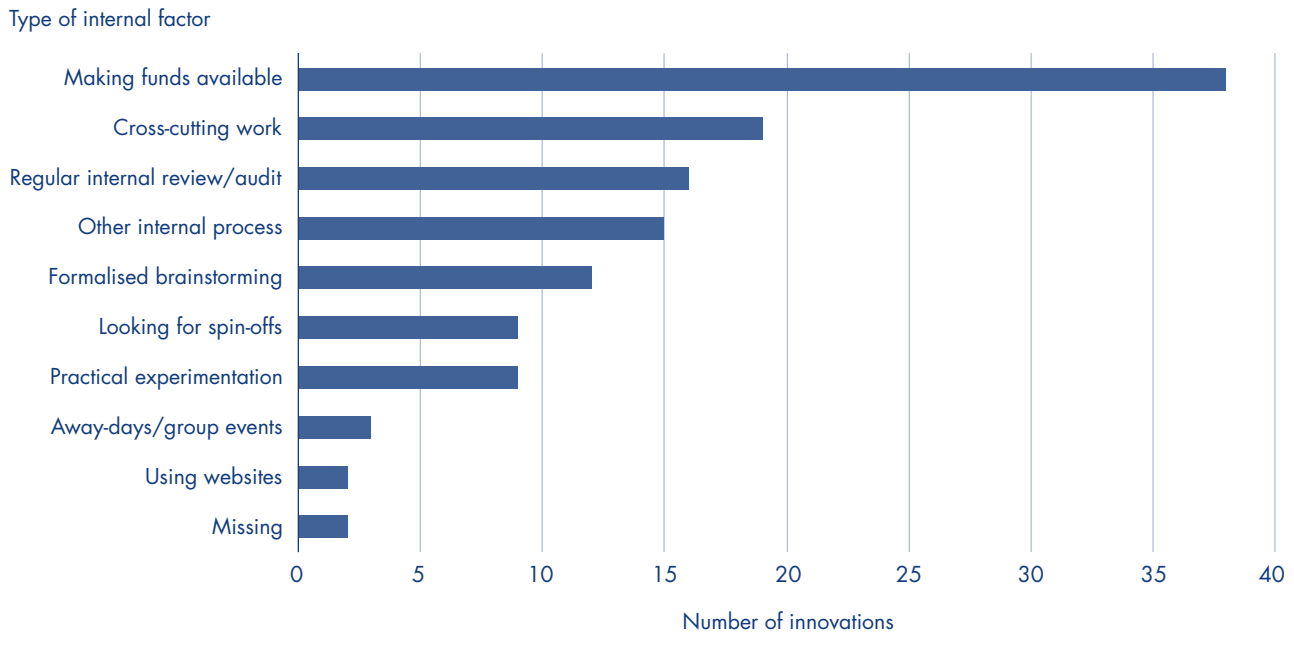
Internal factor cluster	Key process	Another process	Total	'2+1' Score
Linking and integrating	58	33	91	149
Funding for new ways of working	56	23	79	135
Practical work	33	42	75	108
Creating space	39	21	60	99
Other internal factor	23	6	29	52

Source: National Audit Office survey of central departments and agencies

The most important external factor influencing the development of nominated innovations is working with other government organisations

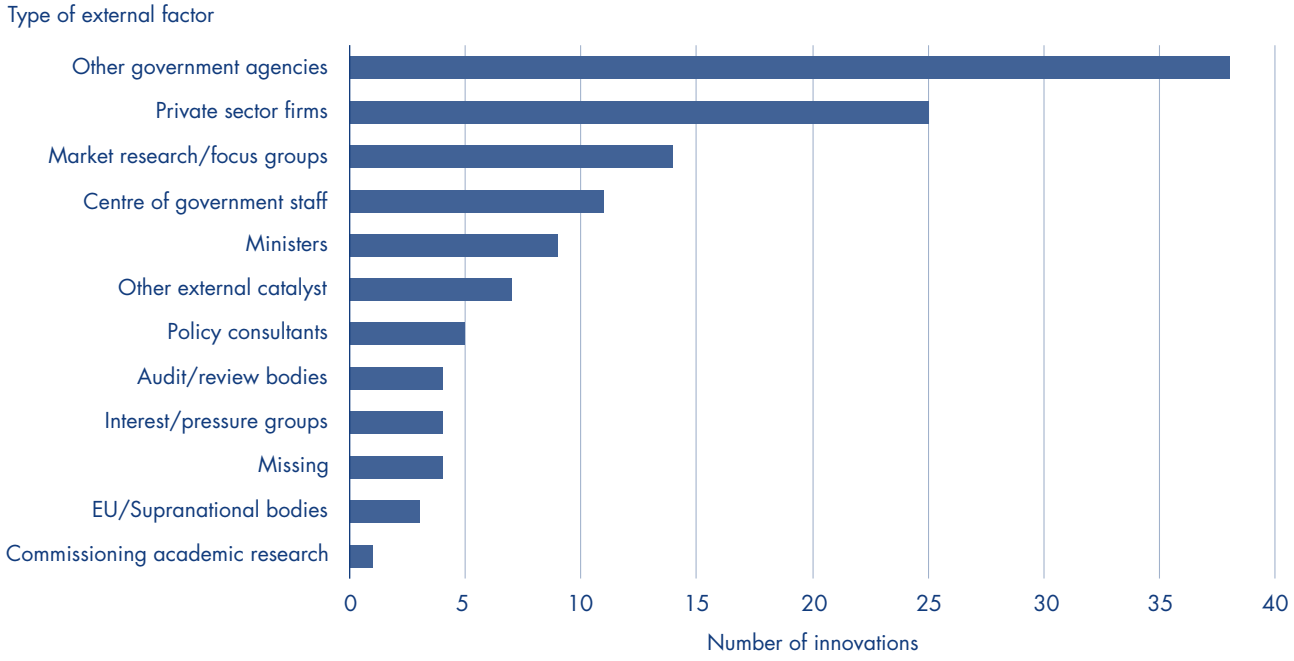
4.18 In the same way the survey asked central government organisations to indicate which of a list of external factors, shown in **Figure 24**, influenced the development of their nominated innovation. The most important factor, cited by just under a third of organisations is working with other agencies, certainly reflecting the importance of joining-up innovations in the dataset. Second in these stakes, however, was 'developing solutions with private sector firms', nominated as key in a fifth of cases. Working closely with central government executive staff (such as the Treasury, Cabinet Office or other central units) was the third most cited external factor, slightly ahead of working closely with ministers on this question. Again the list of pre-set options reflected preliminary interviews and piloting of the survey, but in the slot for 'some other external catalyst' 12 agencies wrote in clients or end users as useful factors in the development of their innovations.

23 The most important internal factors influencing the development of nominated innovations



Source: National Audit Office survey of central departments and agencies

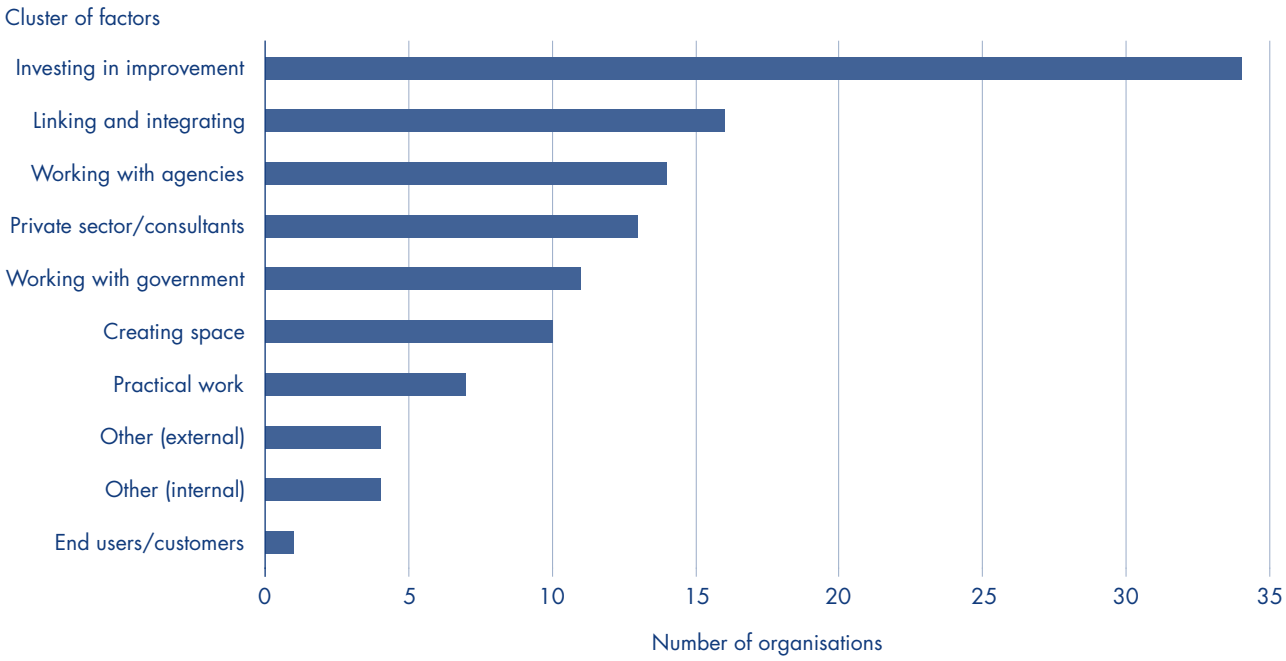
24 The most important external factors influencing the development of nominated innovations



Source: National Audit Office survey of central departments and agencies

4.19 Lastly under influence, we asked central government organisations to look across the whole range of internal and external factors and choose 'critical factors without which your innovation would never have happened'. The first response was labelled 'Without this factor our innovation would definitely never have happened' and **Figure 25** shows the responses clustered into larger groups so as to make patterns more visible. The top six sets of factors are fairly comparable here and between them account for the bulk of the critical influences.

25 Clusters or internal and external factors listed as 'critical' for the development of nominated innovations, by 85 responding organisations



Source: National Audit Office survey of central departments and agencies

PART FIVE

The main barriers to change and the impacts of innovations

5.1 Any change process inevitably confronts some difficulties and we examine first the main barriers that departments and agencies say impeded the development of their nominated innovations. We next consider the impacts of innovations as rated by the organisations themselves.

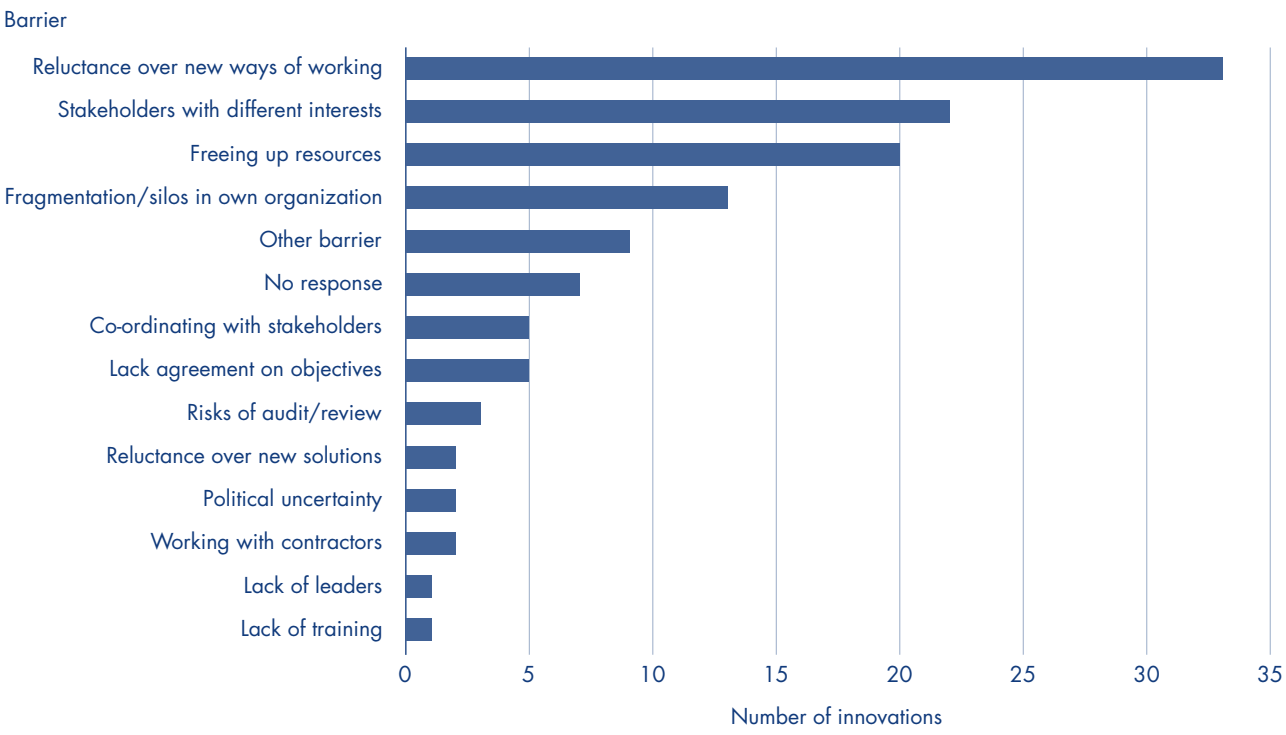
The key barrier to innovation is a generalised reluctance to embrace new ways of working

5.2 We asked responding organisations to choose from a list of 12 pre-set options (developed from preliminary interviews and the survey piloting) the main barriers, and other barriers, that they encountered with their nominated innovation. In total 357 barriers were nominated, or 2.9 per innovation. There were three important clusters, discussed in the Main Report (paragraph 2.21 and Figure 9) – first, difficulties in working with stakeholders with different interests, plus difficulties in working with private contractors reported in fewer cases; second, reluctance inside their own organisation to embrace new ways of working, plus a smaller number of organisations reported reluctance to experiment with new solutions; and third, fragmentation and silos inside organisations, plus a few organisations reporting lack of agreement on objectives. Difficulties in freeing up resources rated fourth in this clustered table. **Figure 26 overleaf** shows a more detailed picture of the factors cited as the most important barriers to innovation. It shows that reluctance to embrace new ways of working was the most important response item taken on its own, cited in more than a quarter of cases, while working with stakeholders with different interests and freeing up resources are each mentioned by a fifth of responding organisations.

The impacts claimed for innovations are mainly 'soft' benefits and data on their impacts is scarce. Departments and agencies claim least success for innovations aiming to reduce core costs and improve the work-life of staff

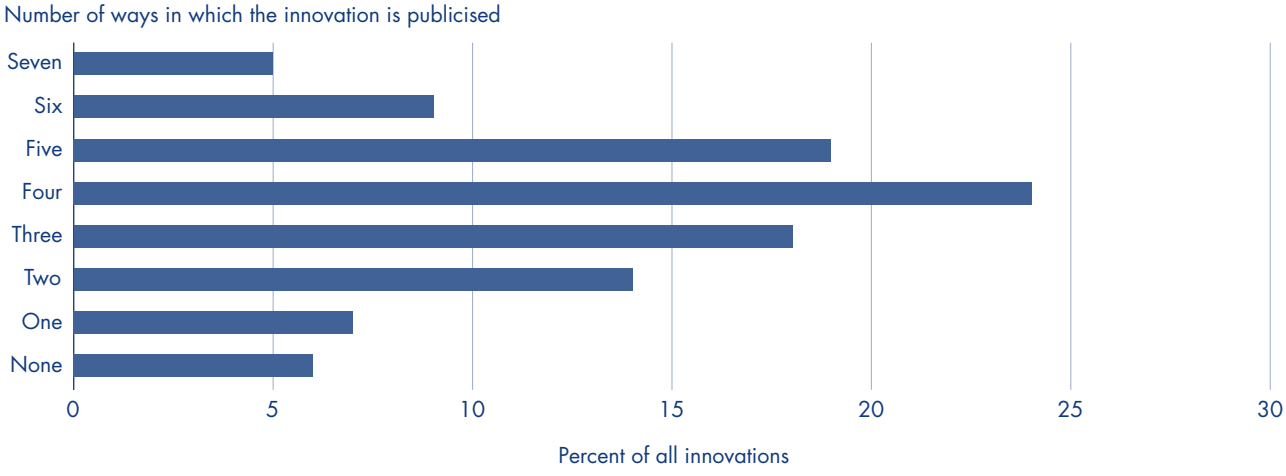
5.3 Turning to the impacts of the changes made, we first wanted to see if departments and agencies publicised their innovations. This both provides some indication of achieving a degree of success with the change made, and it could be an important influence both on the ability of other central government organisations to learn lessons about feasible innovations in their turn and for front-line staff and managers to learn of innovation processes inside their own organisation. **Figure 27 overleaf** shows that the median innovation was publicised in four ways, with some innovations being highly publicised and others only in one or two ways. The most ticked publicity options were issuing a press release, posting details on the department or agency web site, circulating details in internal news or on an intranet, and outlining the innovation at a relevant conference.

26 Individual factors cited as the most important barrier to nominated innovations



Source: National Audit Office survey of central departments and agencies

27 The number of ways in which central government organisations publicise innovations



Source: National Audit Office survey of central departments and agencies

5.4 We asked organisations to self-rate the impact of their innovation on a series of seven-point scales scored from 1 (low impact) to 7 (high impact). **Figure 28** shows the results. Around three-quarters to four-fifths of organisations claimed high impacts on four criteria – 'improving the way we deliver services to customers or end users'; 'improving our organisation's flexibility and responsiveness'; 'creating new resources or making more effective use of existing resources'; and 'offering new or extended services to our customers or end users'. On the first three criteria hardly any organisations claimed a low impact, although this rose to around a sixth for new services. On three other criteria far fewer organisations claimed high impacts and far more self-rated their innovations as having a low impact: 'improving the way we evaluate our performance as an organisation'; 'reducing the costs of carrying out our core business'; and 'improving the work life of our staff'. Figure 28 computes a 'success ratio' for the innovations on each criterion, defined as the proportion of self-rated high impacts (a 6 or 7 score) divided by the proportion of self rated low impacts (a score of only 1 or 2). This rate is very strong and positive at the top of the Figure. But at the bottom of the listing innovations are about as likely to have low impacts as high ones and the success rate is accordingly low – and indeed less than 1 for improving the work life of staff. **Figure 29 overleaf** shows the same pattern in a less dramatic way by looking at the mean impact scores claimed by departments and agencies for their nominated innovations across the seven criteria. Because mean averages move in only small ways the effect may look less dramatic but the pattern is strongly supportive of the ranking of impacts in Figure 28.

5.5 The large majority of central government organisations (covering 92 per cent of the nominated innovations) are able to provide a full slate of impact scores. But our survey also included boxes where departments and agencies were asked to enter supplementary information about their nominated innovation. **Figure 30 overleaf** shows that the supplementary information provided to support impact claims was rather sparse for about half of the responding organisations. Four-fifths also provided no quantitative statistics or costs data at all to support the impact claims, and only a tiny fraction could furnish quantitative information on more than a single dimension of the impacts claimed.

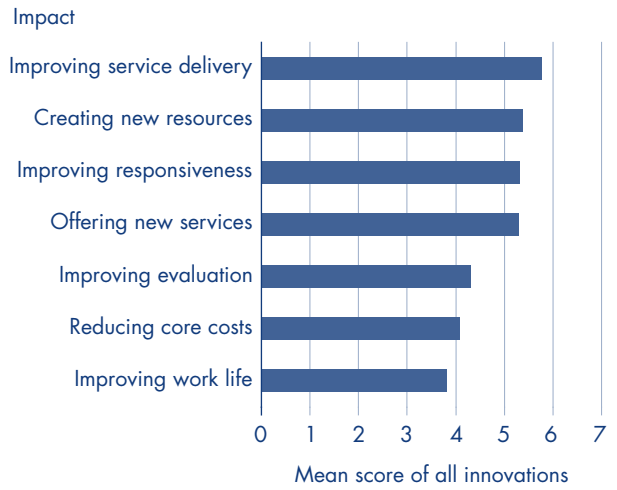
5.6 The data on impacts elicited different reactions from focus groups. The three Civil Service focus groups felt that they accurately reflected the considerable difficulties of achieving reductions in core costs within central government. In their view many innovations may actually raise demands on government and expectations from citizens and enterprises, so that establishing a net cost saving after a service quality extension is usually difficult. Similarly smaller innovations may not result in a cost saving since the gains involved do not commute into a reduced need for staff or facilities. Some Civil Service managers also argued that improving the work life of staff is never going to be feasible with modernisation innovations or a push for more efficiency, since these measures necessarily involve asking people to work harder or at least give up established ways of working. Interviewees in the Civil Service felt that there was some evidence of departments and agencies opting for 'soft' benefits as impacts but pointed out that some nominated innovations do claim serious savings, albeit a minority.

28 The success rates for nominated innovations on seven criteria (per cent)

Impacts	Innovations score 'high' or 'very high' (1)	Innovations score 'low' or 'very low' (2)	Success rate Columns (1/(2))
Improving service delivery	88	5	18
Improving responsiveness	65	6	11
Creating new resources	77	7	11
New/extended services	71	15	5
Improving evaluation	33	21	1.6
Reducing core costs	45	34	1.3
Improving work life of staff	23	30	0.8

Source: National Audit Office survey of central departments and agencies

29 The mean impact scores for different types of impacts



Source: National Audit Office survey of central departments and agencies

5.7 Private sector participants in the focus groups and those interviewed felt that the impact claims made are disappointing and perhaps suggest that worthwhile cost savings were rarely being achieved. They viewed the fact that many impacts were not quantified as a sign of poor management information. In private firms when changes are pushed through it is common for a specific effort to be made to measure benefits and to check carefully that the gains forecast in the business case for investments or new products were in fact being delivered. The poor impacts in improving the worklife of staff and improving evaluation of performance were also seen as disappointing, and potentially ominous since failing to carry staff along with changes could cause them to 'dig in their heels' against further innovations. The strong impacts claimed for improving flexibility and responsiveness were seen as 'mushy' and hard to evaluate as significant. Local authority participants in one focus group also felt that the apparent lack of success in improving the work life for staff was a cause for concern and that better information might be expected on cost savings, especially for large projects.

30 How extensively organisations nominating innovations provided supplementary information on the seven possible impacts asked about and also financial information for innovations

Number provided	Innovations providing supplementary information (/7 total)	Innovations providing statistical data (/7 total)	Total number of boxes filled in (/7 total)	Percentage for total column
None	20	97	20	16
One	7	21	5	4
Two	9	6	9	7
Three	16	0	16	13
Four	11	0	9	7
Five	9	0	6	5
Six	21	0	12	10
Seven	32	0	48	38

Source: National Audit Office survey of central departments and agencies

CONCLUSION

The overall picture of innovations in central government given here is mixed. On the one hand, departments and agencies are far from being the static and unchanging organisations of popular stereotype. There is a clear perception by top management of the importance of modernisation and a recognition that this process entails continuous change. However, the main focus of efforts has been primarily on top-level policy change and the encouragement of organisational and administrative innovations has been less systematic. Central government organisations are processing innovations in a reasonable timescale taken as a whole. But this achievement needs to be set against both the small scale of many nominated innovations and the fact that organisations are selecting their own submissions – so that our dataset is not a sample of all recent innovations but only of the best ones. There are also indications that innovations are seemingly not plentiful in central government; that even where nominations are made the quantitative and costs information available about them is relatively sparse; and that their impacts are not well documented in most cases. These findings need to be taken together with the near unanimity amongst interviewees and focus group participants about the poor incentives for individual staff or managers to push ahead with innovations in many central government organisations. There are therefore grounds for believing that much more still needs to be done to enable central government organisations to realise more of their potential innovations, to develop serial innovations in a continuous way and to consistently improve productivity in a sustained and systematic fashion.

APPENDIX ONE

Methodology

1 This is the first systematic attempt to study government innovations in the UK and we used a range of methods to tackle different aspects of the problem and to bring together and compare a wide range of views about how greater levels of innovation might be encouraged, including a survey of departments and agencies; seven focus groups discussing the findings with different stakeholders; a programme of general interviews across the civil service, and specific interviews with innovation units within main departments; and a small set of comparator studies conducted overseas and in local government and private sector organisations.

Survey of Innovations and Analysis

2 We developed and piloted a survey which was sent to 126 departments, executive agencies and some major non-departmental public bodies, seeking up to 250 nominations. During the survey process we operated a helpline for departments and agencies. We contacted each organisation that had been asked to respond to answer questions and to urge completion, normally several times. An eventual response rate of 125 completed nominations (somewhat over 50 per cent once allowance is made for appropriateness) was achieved, from 85 organisations. In some cases contact with the organisation showed that a response was not appropriate – for instance, for agencies that were newly established. Some 41 appropriate organisations declined to put forward nominations citing a range of reasons including workload and difficulty in identifying an innovation. Appendix A of the main Report lists all the completed nominations and a summary of each response is given at the National Audit Office website, www.nao.gov.uk linked to the electronic publication of this report.

3 The survey included a set of quantitative questions and extensive space for organisations to give qualitative details or enter descriptions and comments. The complete survey questionnaire together with the numbers responding to quantitative items is available at www.nao.gov.uk. We analysed the quantitative elements and also post-coded some items, including assessments of the quality of the innovation nominated and an assessment of the quality of the costs and staffing information provided. We tested the associations between various features reported above in this volume. We also compiled a one-page qualitative description of each innovation nominated and used this to discuss the quality of the innovations in depth with NAO policy sector experts and to undertake qualitative analyses.

Focus groups

4 We produced a summary of the main quantitative findings from the survey and presented this in turn to seven focus groups of between 6 and 9 people, from whom we sought detailed feedback on the core tables presented and a discussion drawing on their experiences. The groups covered were:

- Three civil service groups covering project managers and programme staff, middle managers and senior managers.
- Three private sector groups covering private businesses generally, and IT contractors and management consultants with experience of working in government.
- One group of local government chief executives and senior policy staff.

Programme of Interviews

5 We conducted a range of interviews and brief visits across the civil service, using a 'cascade' method to look at innovation units, units fostering creative thinking or staff setting central policy for helping to improve government sector productivity. With later interviews and more senior staff we also discussed the main findings from the survey. The personnel involved ranged from middle to top managers.

Comparator studies

6 We visited or interviewed personnel from a small range of other organisations that had interesting approaches to innovation, including the major UK retailer Tesco, a transport innovation (Oystercard), central government innovation centres (in the Netherlands, Denmark and the UK), two major UK local authorities (the Greater London Authority and Kent County Council) and two European governments (the Netherlands and Denmark).

Literature review and other methods

7 We undertook a review both of the very small current literature on government innovations and on the wider literature on innovations in private sector organisations. We looked at related studies on risk management in UK central government and surveyed UK innovation awards in the government sector, which are covered in more detail in Appendix Two. We sought comments on the draft report from two senior academics in public management.

List of study contacts

We are very grateful to the people listed below, who met with us or attended a focus group during the course of the study. The 'Role' column shows how people were involved:

C = Comparator case study; EP = Expert Panel; FG = Focus Group; I = Interview; NAO = National Audit Office policy sector expert.

Name	Organisation	Role
Adam Wolf	Ministry of Finance, Denmark	C
Aileen Murphie	National Audit Office	NAO
Amarjit Atkar	Department for Transport	I
Andrew Slight	Tesco	I
Angela Fox	Office of Gas and Electricity Markets	FG
Angela Hands	National Audit Office	NAO
Anne McMeel	Greater London Authority	C
Ben Chesson	Innovation Group, Department of Trade and Industry	I
Berit Didriksen	Ministry of Finance, Denmark	C
Betina Hagerup	Danish Commerce and Companies Agency	C
Bob Simpson	Health and Safety Executive	FG
Brian Kogan	Office of Rail Regulation	FG
Brian Wilson	Countryside Agency	FG
Bryan Dennis	National School of Government	I
Caroline Season	Department for Environment, Food and Rural Affairs	FG
Caroline Tapster	Hertfordshire County Council	FG
Charlotte Dodden	HM Prison Service	FG
Chris Duffield	Corporation of London Council	FG
Christopher Pollitt	Centre for Public Management, Erasmus University Rotterdam	EP

Name	Organisation	Role
Clive Margetts	futurefocus@dti	I
Colin Wilcox	National Audit Office	NAO
Craig Keeley	Quintus Public Affairs	FG
Craig Wilson	EDS	FG
David Corner	National Audit Office	NAO
David Petford	Maidstone Borough Council	FG
Dimah Roddick	Department for Environment, Food and Rural Affairs	FG
Edmund Hughes	HM Treasury	I
Erik Hammer	Agency for Governmental Management, Denmark	C
Fiona Pethick	Office of Water Services	FG
Geoff Carruth	Office of Government Commerce	FG
Gerry Stoker	University of Manchester	EP
Gill Bull	Greater London Authority	C
Graham Telling	Innovation Group, Department of Trade and Industry	I
Helen Dixon	National Audit Office	NAO
Herman Scholten	Andere Overheid, Netherlands	C
Howard Smith	CSC	FG
Ian Bradbury	IBM	FG
Indra Morris	Accenture	FG
James Stewart	Partnerships UK	I
Jim Meik	Defence Estates	FG
Jim Norton	Institute of Directors	FG
Joe Cavanagh	National Audit Office	NAO
John F Kootstra	Ministry of the Interior and Kingdom Relations, Netherlands	C
John Kingman	Enterprise and Innovation Unit, HM Treasury	I
John Oughton	Office of Government Commerce	I
John Thorpe	National Audit Office	NAO
John Tizard	Capita	FG
Julian Hynd	National Savings and Investments	FG
Jur Kosterbok	Het Buitenhuis, Netherlands	C
Karen Taylor	National Audit Office	NAO
Keith Holden	National Audit Office	NAO
Mandy Mayer	Innovation Group, Department of Trade and Industry	I
Marion Furr	Department of Health	FG
Mark Andrews	National Audit Office	NAO
Martin Sawer	APCO UK Consulting	FG
Mette Abrahamsen	Mind Lab, Ministry of Economics and Business Affairs, Denmark	C
Michael Barber	Prime Minister's Delivery Unit, Cabinet Office	I
Michael Day	Teacher Training Agency	FG
Mike Gibbons	Department for Education and Skills	I
Mike Kelly	LLM Communication	FG

Name	Organisation	Role
Nick Illsley	Department for Transport	FG
Nick Kalisperas	Intellect UK	I
Nick Penston	Cisco Systems	FG
Nigel Gale	National Audit Office	NAO
Oonagh Aitken	IDeA	I
Pablo Lloyd	Ufi	I
Pat Boshell	The Parole Board	FG
Paul Rigg	Innovation Forum	FG
Paul Sanderson	Valuation Office Agency	FG
Paul Smith	Immigration and Nationality Directorate	FG
Pelle Øby Andersen	Danish Commerce and Companies Agency	C
Peter Bole	Kent County Council	C
Peter Gilroy OBE	Kent County Council	C
Peter Gray	National Audit Office	NAO
Peter Hutchinson	Fujitsu	FG
Peter Kane	Office of Public Services Reform	I
Peter van der Gaast	Ministry of Kingdom and Interior Relations, Netherlands	C
Peter Whicher	Transport for London	I
Peter Wrench	Strategy and Innovation Unit, Home Office	I
Richard Winson	Innovation Group, Department of Trade and Industry	I
Ron Marchant	Patent Office	I
Ruth Kaufman	Export Credits Guarantee Department	FG
Simon Allison	Sainsburys	FG
Simon Baugh	AS Biss & Co	FG
Simon Less	HM Treasury	I
Stephen Aldridge	Strategy Unit, Cabinet Office	I
Stephen Darvill	Logica CMG	FG
Stephen Kane	Chichester District Council	FG
Steve Ardron	National Audit Office	NAO
Steve John	DLA Upstream	FG
Steve Young	BT Worldwide Consulting	FG
Terri Clements	HM Revenue & Customs	FG
Tim Banfield	National Audit Office	NAO
Tine Vedel Kruse	Ministry of Finance, Denmark	C
Tom Prior	Partnerships UK	I
Tom Startup	Deloitte Research UK	FG
Torben Jorgenson	University of Copenhagen	C
Valerie Hannon	Department for Education and Skills	FG
William Heath	Kable	FG
William Perrin	Office of the E-Envoy	I
Zoe Hammill	Disability and Carers Service	FG

APPENDIX TWO

Current awards schemes for government innovations and the 2005 winners

Name of award:	Government Computing BT Awards for Innovation
Organiser/Sponsor:	Government Computing magazine (Kable)/BT
Description:	Set up to recognise the creative use of technology in improving public services, open to projects from central or local government, education, healthcare, the emergency services or any other part of the public sector, and from organisations large and small.
Awarded for:	Public sector IT projects. Has six categories.
2005 Winners:	a) Government to government winner – XHIBIT (Department for Constitutional Affairs) (www.hmcourts-service.gov.uk/onlineservices/xhibit/) uses internet technology to modernise the hearing process in Crown courts. b) Government to citizen winner – Occupational Therapy Direct (Hampshire County Council) improved the system for managing occupational therapy services in the county. c) Government to business winner – Compensation Recovery Unit (Department for Work and Pensions) which is a scheme to improve communication with the insurance industry on compensation payments. d) Best project within organisation winner – ArmyNet (Ministry of Defence) is a secure knowledge management and information portal for UK military personnel stationed around the world. e) Best partnership project winner – e-Supply innovation (NHS Logistics Authority) is a programme to improve the health service supply chain through online ordering and stock management. f) Government Computing and BT achievement winner – Geoff Young (Woking Borough Council) and Chris Eele (Citizens Advice Bureaux) acknowledged CAB as a trusted intermediary and gave CAB staff access to the Woking Council's back office systems.

Name of award:	New Statesman New Media Awards
Organiser/Sponsor:	New Statesman/Atos Origin
Description:	The judges look for evidence of delivery of benefits, innovation, modernisation and efficiency. They focus on those that have really achieved something good for society both at school and at home as well as within the body politic: government, local authorities, health, education, social services, and the Civil Service.
Awarded for:	Advances in New Media. Has seven categories.
2005 Winners:	a) Community and information winner – They Work for You (www.theyworkforyou.com/) is a volunteer-run website with an online tool that enables people to search Hansard more easily. It is possible to link to and annotate individual comments. b) Modernising Government winner – Vehicle Licensing Online (www.vehiclelicence.gov.uk/EvlPortalApp/) allows the public to renew their tax disks online in a simple, specific, and easily understood way. c) Elected Representative winner – No award given as those shortlisted did not fully meet the criteria d) Innovation winner – Noise Mapping (www.noisemapping.org) aims to gather information on the ambient noise climate in England, determining the number of people affected by different levels of the noise, the source of that noise and the locations of the people affected by it. e) Accessibility winner – PhoneAnything (www.phoneanything.com) provides UK land line and mobile phone users with voice access to standard internet pages, mobile internet content, internet radio and e-mail. f) Education winner – 24 Hour Museum City Heritage Guides (www.24hourmuseum.org.uk/cityheritage) is the UK's National Virtual Museum, promoting publicly funded UK museums, galleries and heritage attractions. The City Heritage Guides provide a wealth of cultural information, bringing together news, local history, and local museum listings. g) Advocacy winner – PressureWorks (www.pressureworks.org) provides tools and tips on how to campaign for peace, economic justice, the root causes of poverty and basic rights for all.

Name of award:	Guardian Public Services Awards
Organiser/Sponsor:	Guardian/Hays Public Services
Description:	The awards were set up to recognise the outstanding job that is done by those delivering the vast array of public services. Judges look for evidence of delivery of benefits, innovation, modernisation and efficiency. The awards cover central government, local authorities, health, education, social services, and the civil service.
Awarded for:	14 categories across four sections: innovation and progress; service delivery; good employer and public servant of the year.
2005 Winners:	a) Overall winner – XHIBIT (Department for Constitutional Affairs) (www.hmcourts-service.gov.uk/onlineservices/xhibit/) uses internet technology to modernise the hearing process in Crown courts. b) Recruitment and retention winner – RBT Connect, a collaboration between Rotherham Borough Council and BT, for its home-working scheme. c) Technology winner – London Borough of Sutton library service for introducing a new self-service system for users. d) Customer service winner – East Ayrshire council for bringing to Scotland its first sustainable school meals delivery service. e) Joined-up government winner – XHIBIT (Department for Constitutional Affairs) (www.hmcourts-service.gov.uk/onlineservices/xhibit/) uses internet technology to modernise the hearing process in Crown courts. f) Diversity and equality winner – Merseyside Fire and Rescue Service for its groundbreaking programme targeting the socially excluded. g) Finance winner – Bury Law Centre for securing funding to continue providing legal advice for at least another three years.

APPENDIX THREE

Insights from Comparator Cases

1 To illuminate alternative routes for seeking innovation, we visited two other European Union countries, Denmark and the Netherlands, to see how central departments and agencies fostered innovations, and we compared some aspects of these with a Department of Trade and Industry body called futurefocus@dti. We also looked within the UK at two large local authorities with good reputations for innovation, the Greater London Authority (including the Oystercard innovation for which GLA now sets policy) and Kent County Council.

Innovation in Danish Government

2 Like other Scandinavian countries, Denmark's government has a reputation for being innovative. The most significant initiatives are in e-government. The government has a long history of using IT successfully, the tax administration has been a front runner in dealing with citizens electronically and now e-government is seen as a 'catalyst for innovation' more generally.

Administrative Culture

3 The overall climate of Danish public administration seems helpful for innovation. Trust in all government institutions is high, and there are high levels of customer satisfaction with government services. The Danish economy is in a healthy state, with low unemployment and inflation. One interviewee suggested that the inherent security that came from a high standard of living made for an administrative culture more likely to take risks. Internet penetration is around 90 per cent, which greatly aids any internet based innovation. The formal structure of government is hierarchical and clearly interviewees can only give their personal view of administrative culture. However, one official suggested that there is an administrative culture where you can 'jump out' of hierarchical lines and 'talk to your boss'. There are high levels of stability of government administration, which a couple of officials suggested was a good climate for innovation. Two others suggested that civil servants have a 'long tradition of working together', something that is encouraged in the Danish education system. Another official described it as the 'most decentralised public sector' in the world. Another was shocked by a visit to the Department of Trade and Industry in the UK and described it as like 'something out of Kafka' in comparison with the equivalent ministry in Denmark.

Central Initiatives

4 The *Ministry of Finance* has played the biggest role in public sector innovation in Denmark, acting as 'the driving force behind change, changing incentives, changing regulations and goals for departments', while also 'motivating and bringing out the message that they should modernise'. It has long played a role in modernisation, reinvention and cross-sectoral co-ordination of policy issues. Indeed, a recent academic analysis (Lotte Jensen) has described the ministry's role as distinctive. While in other countries the Ministry of Finance is often known as the 'Ministry that says no', in Denmark it has two important roles in addition to the traditional budgeting one. First the role of co-ordinator, perhaps the most important and second, a creative role, in terms of modernisation, in setting a new agenda for public policy, putting out books and analysis to create public debate and influence policy. Unlike in the United States' Office of Management and Budget, staff are not separated between the roles. As one official put it, 'my job is budget and policy'. The Prime Minister's office in the Danish government is very small, so they will often ask the Ministry for help in co-ordination and policy analysis. The Ministry have been known to use its financial muscle to push through innovations. For example, a current initiative is the Nem Konto (Easy Account), under which all citizens will have an account number relating to a digital account, even if they do not have a bank account. The idea came from one employee in the Ministry of Finance. The system will lead to big savings; agencies had to give up the savings predicted from the system from their annual budgets before it was implemented.

5 The Ministry of Finance has played a role in pushing forward *e-government*, for which Denmark is rapidly gaining an international reputation for success. Usage figures are indeed impressive, with 45 per cent of the population having used e-government in the last month and 76 per cent in the last twelve months (compared with 24 per cent in the UK). The initiative has been taken forward by the Digital Task Force, a team of 20 officials seconded from central and local government, with the aim that 'the spirit of e-government must float in every manager's mind'. Officials considered that the Task Force was 'special' because 'in contrast to other countries' it brings central, regional, and local government together in a 'consensus project' with a common Board, but with the power of its continuing link to the Ministry of Finance.

6 The team have instigated two 'e-Days' across government, the first where all public sector bodies had the right to expect to be able to communicate electronically with other public sector bodies. eDay1 (again, the idea of one employee, the head of IT in one ministry) was such a success that eDay2 took place on 5 February 2005 where all citizens had the right to be able to expect the same. For both days, all public sector bodies had to get their stamp of approval saying that they were 'eDay ready'. Reporters and journalists were invited to launches and to 'name and shame' laggards and there was a dynamic advertising campaign.

7 Digital certificates are being offered free to all citizens; 450,000 had one by September with a target of 750,000 for the end of 2005. In September 2005, a new health portal was launched on which any Danish citizen can look at all their health records back to 1977 (it crashed on the first day because there were so many users). Doctors (99.5 per cent of whom have access to the internet) can look at their own patients' records with a digital signature (although they are legally prohibited from those of anyone else). Fifty per cent of doctors do email consultations; the other half do not because they think it is wrong (not because they cannot).

8 Another example of innovation offered by officials is in the area of civil service training. Seven years ago, quality management for civil servants was brought together in a Centre for Quality Management and Competence Development (www.sckk.dk) to end the previous arrangement whereby it was handled by a 'jumble of different institutions'. These institutions were merged, collaboratively with the trade unions, and financed so that 50 per cent of the Centre was paid for out of salary costs on the personnel side, and the other 50 per cent from the employers' side. The Centre was given a Board, which was also 50:50, with a rotating chairmanship between trade union and employers, and a Secretariat. The Centre became a driving force in setting up education for the civil service and supporting change processes across departments and agencies, promoting the business excellence model. It was not a huge project (around 20 people work at the Centre), but it works very efficiently and to do such a thing with the full support (also financial) of the unions is distinctive. The Ministry of Finance negotiates wage increases for civil servants with the trade unions, who agreed that they would set aside some of that money for running this Centre.

9 *The Globalisation Council* was created after the election in February 2005, when the current Prime Minister made it a big issue to deal with globalisation. The Council consisted of five key ministers, with a secretariat of five full time deputy permanent secretaries, was chaired by the Prime Minister and met for two full days every week (the PM sent a 'strong signal' to Ministers that they must attend). It listened to evidence from experts and digested analysis from the Ministry of Finance on key issues and themes. The Ministry of Education, the Ministry of Economic and Business Affairs and the Ministry of Science, Technology and Innovation were also heavily involved in this process. In April 2006, it reported with 350 recommendations, for which £1 billion had been set aside. The Prime Minister is 'intent on major change' – the Council was his idea, although a more modest idea was tried in Finland, with a Cabinet evening school once a month.

10 An organization called *MindLab* (www.mind-lab.org) was founded in 2002 by the Ministry of Economic and Business Affairs. It is based on the idea that if the creative industries were more businesslike, business might become more creative and innovative. It is a separate space within the Ministry, to bring home to those who visit that they are now 'working in another way'. All its customers are internal and they are charged for the service; although MindLab gets so many requests from other departments within the government they have to refuse them (partly because there is no mechanism for one central government department to charge another and no central government agency is allowed to compete with private sector companies). MindLab became well known when Denmark held the EU Presidency in 2002; civil servants were not working well together and came to MindLab.

11 MindLab responds to requests from agencies to work on a particular project and will offer a two day workshop or whatever staff feel are most appropriate. They undertake about 70 projects a year. The Ministry has around 2,000 staff, 150 of whom are in the central department. MindLab has four facilitators (the director has a background in Danish literature, and information science, the planner and policy coach both have a background in social science and the innovation coach has a background as furniture designer) and a secretary. It is viewed as important to 'keep the strangeness' of going there, which is largely symbolic. For example, MindLab has its own stationary distinct from the ministry.

12 MindLab has been involved in a huge range of projects and can cite several examples of which they are particularly proud. One example is in the development of 'user-driven policy', by bringing businesses and citizens together with the ministry. They use scenario building and encourage agencies to think about the future. The ideas about project development are based on ideas from industry about product development. They start with a 'problem', identify the 'needs', the 'time scenario' and the 'ambitions' of those involved. They then start working out the design principles ('the alternative is chaos').

13 MindLab plays a much stronger role in the Ministry of Economics and Business Affairs now and has influenced the way the Ministry allocates resources. Every year the Ministry of Economics and Business Affairs considers around 40 proposals for new projects that it will fund. Traditionally, those that will be funded are selected by the Directors of the Board, considered purely in financial terms (that is, which ones will break up the available resources in the most appropriate way). Now there is a Board of Screening, consisting of the Head of Division from each agency, with two days to discuss the projects. For the first day, they do not talk about resources. The Board of Screening was the idea of the Director of MindLab and the unit facilitates the event. The Director of MindLab, was phoned by the Prime Minister's Office just after the Globalisation Council was announced, asking for help in setting it up.

Innovation in Dutch Government

14 The Futures Centre in Den Haag is called the Country House (het Buitenhuis) and was founded in 2004. It was founded by four departments: Economic Affairs, Interior and Kingdom Relations (the key driver), Finance and Spatial, Housing and Environment. It can be used by any department (not private sector organisations) in the Netherlands, and they must pay for its services. In one and a half years the Country House facilitated more than 150 sessions for 2,500 civil servants. The Country House offers three main ways to help civil servants be innovative:

- professional facilitation;
- methods and technique; and
- conducive surroundings.

There are five staff with a variety of backgrounds: psychology, history, business economics, filming.

15 Departments or divisions wishing to come will explain in one or more briefing interviews the particular topic which they feel requires an innovative approach. The challenge of interactive policy-making such as internal safety, coastal defences, pandemic or innovation programmes, shared services, and the need to get quality solutions in less time are particularly 'hot' topics for many departments at the moment. The staff decide whether they can help (after one and a half years, they know that there are some topics which are not appropriate for a future centre approach). If they can help, the department or agency will send a group of (interdepartmental) staff to the Country House for a session, which may last from three hours to several days. Groups of fifteen to twenty-five may be accommodated there; for much larger groups they hire other spaces.

16 One example is the creation of shared services for Human Resources within the Ministry of the Interior, which involves the transfer of several hundred staff from other departments to a human resources facility in the Ministry. The personnel responsible for the change asked the Country House to help with a business plan for implementation. Staff were invited from several departments concerned, as well as the project leaders from the Ministry. The sessions involved getting the staff to know each other, disseminating information about the project, getting the civil servants to realise they would have to co-operate with the project managers and define together a strategy of building these shared services, dividing work and responsibility and making plans of action. The business plan has now been created, with a special thanks to the Country House.

17 Another example is the plan to have 'one telephone number' (or at least one way to get in contact with civil servants) for every part of the civil service in the Netherlands. Some of the larger cities are planning to do this, and the Department of Interior wants to seek out ways of doing this together, by sharing information and knowledge. A group of both local and central actors met to discuss, with central government selling the co-ordinated approach idea to local officials.

18 Another example of a Country House project is SafeCoast. Within the scope of this project, the Ministry of Transport, Public Works and Water Management has organised a one and a half day workshop about coastal flood risks in the North Sea region in relation to climate change and spatial planning. For this workshop 24 experts were invited from the countries along the North Sea: United Kingdom, the Netherlands, Germany, Denmark, Belgium and France. The workshop took place in and was facilitated by The Country House. The workshop helped to improve the quality and completeness of the information on climate change and spatial planning provided before the workshop. It also helped to create a dialogue between experts.

19 The over-riding ethos of the Country House (and the other futures centres in the Netherlands) is 'Getting People Together' – as a way of creating and sharing knowledge which leads to innovation. The aim of the sessions is to have a common understanding of the problems or the goals to be reached. They are 'high-touch' rather than 'high-tech', although they do use video conferencing and group-systems techniques, where participants type responses to questions simultaneously and anonymously and they are visible to all, generating large amounts of content and a good venue for discussion. Digital methods like these are limited to not more than three hours per group and are interspersed with 'analogue' activities such as working out, scenario-, stakeholders-, risk- and SWOT analyses, mind-mapping, storyboards, rapid prototyping, matching competencies with activities and also going out into the street to take photographs to illustrate topics as a way of presentation. Participants are encouraged to get used to the idea that 'there is no hierarchy here' and they are not given an outline of the day or any kind of agenda (there are sometimes complaints about this). Managers are not allowed to make speeches and are told to dress casually and turn off mobile phones. Every session is tailored and the emphasis is on 'combining playfulness and hard work'. They expand their range of techniques and tools, including new forms of lighting, cameras and use of space. Sometimes participants are encouraged to think into the future – imagine it is 2015, and then to work back from there to plan what is needed to get that required future.

20 There are four other futures centres in the Netherlands. The difference with the Country House is the focus of these centres, namely a specific part of policymaking. One is for the tax agency, one for social affairs (with 3-4 facilitators), one for agriculture and food (which has a castle as its location) and one for the water management staff in the Netherlands (who are building a new future centre with 3,300 square metres of space). There is a network of the centres which brings the facilitators together and the Country House are looking at how collaboration and co-ordination can go still further.

futurefocus@dti

21 The Department of Trade and Industry's (DTI) purpose built futurefocus@dti facility is distinctive from other innovation units in British government, although it has some similarities with both Mindlab and the Country House. It was founded five years ago in space provided by DTI, but with technology and staff initially provided by ICL/Fujitsu. It is now wholly run by the DTI. The focus is on issues that will impact upon DTI in the future both internally and in the outside world. The aim is to 'future proof' policy, strategy and ways of working, by helping participants think through the implications of change and how they should respond to best achieve future objectives. The relative longevity of futurefocus@dti could be said to be one indicator of its success because it has constantly adapted to change itself and introduced new ways of working and new offerings to suit changing times and needs. futurefocus@dti can work across government and even outside government with business, but external users pay whereas DTI and associated agencies can use it for free. Around 70 per cent of their work is from the DTI and the facility is used by all DTI Groups and ministerial staff from all levels.

22 At the time of its establishment, the talk was of creating 'space that was different', but now it is about 'people', understanding their needs and providing a flexible space and process to support the facilitator in achieving the objectives. There are nine professional facilitators contracted to work for futurefocus@dti and they incorporate a wide range of expertise including two scientists who are useful for the more scientific agencies and knowledge transfer specialists. All their offerings are 'tailor made' for managers who come with 'some kind of problem'. They do around 300 events in

a year, with around 4,000 people passing through (their facility normally handles groups of up to 20; if more, they find alternative surroundings). These events can range from issues to do with the negotiation of nuclear non-proliferation or joint government policy initiatives through to creative and fun events like team away-days. Everything is treated in a confidential, anonymous and neutral way. A lot of the work is done before the event takes place in identifying the real issues and helping push the event owner to stretch their thinking and possibilities. Events vary from two hours to two days. The facility includes a theatre, two creativity labs and breakout rooms with floor to ceiling white boards all the way round. They make some films of their own and use group systems technology to encourage creative and open thinking.

23 futurefocus@dti has no senior champion in government and has had to develop its own reputation. The DTI rebranded their websites at which point futurefocus@dti lost their distinctive external site which made publicising their work even harder. But they have built a strong reputation based on their success and they have increased business year on year although the DTI customer base has declined. They recently commissioned an independent academic evaluation from two universities and scored very highly. The evaluation showed the facilitation process saves time and money and improves the outcomes compared to traditional processes. A major high street retailer now wants to use the facility to think about innovation in product design, having heard about it by word of mouth. There are no similar facilities in this country, so the director looks to other countries (Denmark and the Netherlands in particular). The unit considers that there is a lot that could be done with cross government working if a senior champion were to get behind the idea.

24 The strength of futurefocus@dti is that participating helps remove some of the traditional barriers to innovation, in particular, the fear of making the wrong decision, which might lead to poor outcomes, bad press or the blunting of career prospects. Bringing collective minds around decisions reduces risks and improves outcomes. The anonymity of the process frees thinking and prevents one individual dominating the results and leads to a shared understanding between members of the DTI, or DTI and other government departments and business of what needs to be done to bring about the right sort of change. Resulting actions are more likely to be fit for purpose and successful as a result.

25 From our visit we believe that more government agencies could usefully both contribute to and use futurefocus@dti rather than it being confined to DTI. The gross annual costs are around £400,000, while activities earn around £100,000, so that the net costs of the facility are relatively small, especially if shared amongst a wider range of departments. The evaluation showed the cost benefits to participants saves them eight times the cost of the time spent in futurefocus@dti and the outcomes were far more likely to be successfully implemented compared to alternative processes so the benefits are clear.

The Greater London Authority

26 The Greater London Authority (GLA) group of public bodies is an example of a 'unique model of governance' which has spawned several well-regarded innovations. The GLA is a strategic authority heading up a group of functional bodies running key London-wide services: the Metropolitan Police Authority, Transport for London, the London Fire and Emergency Planning Authority and the London Development Agency. The GLA has no direct operational authority over the functional bodies; rather, it works to provide 'the glue that holds them together', with around 670 staff, including support staff. As one official put it, 'We're here to get people to work together'. It is a 'very young organisation': the average age of staff is 39.

27 The total budget of all the organisations in the GLA group together is £8 billion (2005-06), but the budget of the GLA itself is only £80 million (2005-06), around one per cent of the total budget. A key way in which the GLA influences the other organisations is through the budget. The Mayor sets a top line budget for each functional body, which must then work with the GLA, to show how the mayor's priorities for that service will be achieved. Failure to do so will 'inform the budget for next year'. This strategy was developed to ensure that the functional bodies were incentivised to further key policy aims, rather than relying on liaison groups and 'talking shops' to maintain the relationship and drive the policy agenda.

28 Under the direction of the Mayor's Office, a key means of driving the agenda forward is through the Finance and Performance directorate which includes some 40 staff in four performance teams who work with the functional bodies. The culture of the GLA is 'of changing things', coming partly from the leadership of the mayor. Officials from the directorate suggested that before 2000, the transitional team were rather unsuccessfully experimenting with liaison groups to work with the functional bodies. But after the first elections of 2000, people were brought in with a 'clearer agenda of how relationships might work'. Appointments were vital to this process. Across the Authority small specialist teams have

been created who work with external agencies to deliver the Mayor's strategies and policies. They are very small but 'punch well above their weight'. As a small authority, it aims to add value at a strategic level by identifying opportunities and bringing the relevant parties together to achieve delivery. The Mayor is keen to make changes and take risks and his particular style is important. Staff clearly felt that with a weaker mayor, the organisational environment might have been less innovative.

29 Examples of innovations are as follows:

- Transport for London (TfL) has funded a transport policing unit, paid for by TfL (about £50 million a year) and delivered by the Metropolitan Police Service (MPS). This arrangement means that the policing of the transport networks, always a 'poor cousin' of mainstream policing, is now prioritised under the agreement signed by both parties and has moved up the policy agenda. As part of the arrangement, the MPS and TfL have identified hotspots for policing and for transport and seen quite a high overlap, enabling them to concentrate resources on key areas.
- Greatly improved joint working between TfL and London Development Agency (LDA) has been achieved on regeneration, co-ordinating transport issues with regeneration projects in Wembley, Thames Gateway and Arsenal for example. The more integrated approach has been facilitated by the GLA, which has one head of service for their Economic and Transport policy and performance teams and has been able to identify opportunities for joint working which would not have been identified before the GLA was created. TfL and LDA have also worked together with the GLA to form GLA Economics, to produce economic data for London – a new type of shared service which also benefits agencies outside the GLA group.
- Other innovations have come in transport, particularly the development of the Oyster Card (see below) and the Congestion Charge. The Mayor brought in a number of high calibre professionals from America, notably Bob Kiley, with the clear idea of importing ideas from transport systems abroad. The first remit was to 'make one organisation' from the 14 predecessor authorities (Transport for London), to improve co-ordination, for example, with the development of shared services for human resources and finance.
- GLA has also developed processes to progress the Mayor's equality and sustainability agendas into service delivery and HR policies across the GLA group, e.g. through procurement by requiring successful tenders for contractors to be sustainable and support equalities. The equalities team is actually a performance team, rather than being based in Human Resources, in order to push equality through the functional bodies and the budgetary process in the same way as other priorities.

The Oyster Card

30 The Oyster card is a leading London innovation, a transport smartcard used to upgrade the ticketing system for transport across London. The card is touched onto a card reader in a ticket gate or on a bus. The system makes possible new ticketing options such as the ability to mix a season ticket with pre-paid value on a single card, or to cap daily fares at a maximum cost. Introduction of the card involved renewal of virtually all ticketing equipment on the underground and buses in London and major new IT systems. The project was developed to time and to budget and has won several awards, such as the New Statesman Modernising Government Award (2004), the MCA award for Technology Innovation and the PFI best transport award. The innovation may be categorised as both an information system and – due to the high levels of capital equipment involved – a technology-based innovation.

31 The project was developed by London Transport in the mid-1990s (predating the creation of the Mayor and Assembly and the functional bodies such as Transport for London in 2000), in response to growing realisation that the ticketing system was out of date, particularly in the light of major new challenges presented by deregulation of the buses (necessitating new methods for allocating revenue across companies) and a need to reduce ticket-less travel, particularly on London Underground.

32 The focus of the project was to improve key performance indicators of customer satisfaction (particularly journey time and ticket buying time) and to fulfil the dream of 'seamless travel' between different transport modes. What pulled it together was the idea of a 'smartcard' ticket. The idea of tickets with stored value for ticketing had been around for many years, having been introduced in Hong Kong in the 1980s, but the TfL version had an electronic chip instead of a magnetic strip on the card, enabling the card to be much more versatile and store a greater quantity of information.

33 Revenue saving alone could not have justified the business case for the card, but when social benefits and passenger benefits were added, it made a strong business case. At the time however, no one organisation had the money for the project. London Transport was on an annual funding model working against long term projects and in any case, most of the capital grant had been spent on the new Jubilee line and safety improvements following the Kings Cross fire, leaving no resources available for less vital projects, as ticketing was considered. However, senior managers were attracted by the increasing popularity at the time of the Private Finance Initiative (PFI) as a possible mode of funding and eventually a project was conceived. The contract was won by Transys (a special purpose company formed for the project), with EDS and the incumbent Cubic Transportation Systems taking 37.5 per cent each, supported by Fujitsu and WS Atkins, with Bank of America as the main lender. The contract was let in October 1998.

34 The first Oyster cards for public use were introduced in 2003, meaning that the time to market from early concept trials was almost ten years. Expenditure is expected to be £1.2 billion over the 17 year life of the PFI contract, which embraces design, delivery, operation and maintenance of the new ticketing systems including new machinery (around 20,000 ticket reading devices) back office systems and a major organisational change programme. An extensive training programme for operational staff on LU, Buses and DLR (30,000 frontline operatives) was undertaken as well as extensive customer communications and information. The Oystercard was piloted on TfL staff, whose staff passes were replaced with Oyster card in early 2003. There was a staged roll out to different categories of customers by ticket product (for example, Freedom pass, annuals, monthly, weekly etc.) meaning that each stage was 'never bigger than could be reversed out of', in line with the risk averse approach adopted by TfL. This approach was considered a major factor in the project's success.

35 The project was taken forward by senior management in response to business needs, with key triggers being customer focussed performance criteria (such as customer satisfaction indices, queuing times and journey times), and the opportunity created by PFI as a mode of funding. It was initially perceived as a PFI of the construction/equipment type, as the scale of IT changes at the time were not fully appreciated at the outset. One of the leaders of the project saw the PFI procurement route as a benefit because it promoted long term commitment and internal disciplines from the client organisations.

36 Managers consider that a major factor in the success of the project was that – in contrast to other major IT projects in the UK – the basic requirement specification was never departed from. The technology of smart cards has changed dramatically during the course of the project, but even so the basic technical specification of the project remained the same, with just increased scale (for example, the addition of Docklands Light Railway and National Rail stations in London). The only things that were added were things which would either not impact on the programme of the project or which would improve the customer experience. An example was the web-based system for off-system sales, a much smaller project, which could be developed in parallel and did not interfere with the main project programme. Another example of TfL's determination to avoid changes that would jeopardise timely delivery of the project is illustrated by the emergence of a government sponsored national standard for travel smartcards (ITSO), quite different from the technical specification on which Oyster is based. The ITSO standard was developed after the start of the Oystercard project. While ITSO may have merits, its adoption at the time would have delayed Oystercard delivery by years. A decision was taken by TfL not to adopt the standard then, but to defer possible convergence until after the Oystercard had been delivered.

37 TfL were sensitive to barriers that may have impacted on the project. For example, in employment relations, there was a fear of job losses arising from the automation of the ticketing system. This was dispelled early on by making it clear that there would be redeployment to customer facing activities, rather than redundancies. TfL was particularly mindful of the need to communicate effectively with its customers (the travelling public) and stakeholder groups such as User organisations.

38 TfL undertook business benefits studies to investigate whether the benefit expected from the project at each stage was in fact being delivered. Early work indicated that ticket-less travel was significantly reduced as a result of new equipment and systems installed. There has also been a material improvement for customers in terms of ease of ticket purchase, measured by reduced queuing times, boarding time for buses, and improved availability of vending outlets. However, it can often be difficult to make direct comparisons with the original business case because they are masked by changes in policy and operational practice.

39 Relationships between the PFI Contractor and key client (TfL) have been relatively smooth, with a stable management regime on both sides. A key determinant of the success of the project has been the personal involvement of top management from both client and contractor organisations in sponsoring the project. Cubic have a long history of association with London Underground, having installed the legacy ticketing system in the 1980s. EDS was newer to London Underground, and took over management of the relationship of the pass retail outlet (a network of 2-3,000 small shopkeepers who sell cards and tickets on behalf of TfL). In general terms, EDS have operated the service side of the project while CTS have managed the systems development and hard assets.

Kent County Council

40 Kent County Council is geographically the largest authority in the UK, has 46,561 staff (March 2006 figure, which includes all schools staff) and covers a population of 1.3 million. It has the reputation nationally and internationally for being innovative. The Chief Executive, Peter Gilroy, puts emphasis on four main areas, the customers of the Council (the public), the Council's staff, political leadership and the culture of the Council.

Staff

41 The Chief Executive is passionate about staff feeling part of a Council 'family'. He encourages this in a number of ways. Early on, he decided that resources and attention needed to be put into the issue of competence and staff care. He did this through transforming personnel policies. Staff are able to take up flexible working options, working from home or at weekends and numerous other opportunities. The emphasis is on quality and outcomes rather than process. Resources were put into staff training at a time when priorities made spending difficult. The Council is devolved with a high degree of delegation. This means that more responsibility is given to more of the staff to encourage them to think as active members of the organisation. This spirit of trust has paid dividends across the council and consequently in outcomes for the customers.

42 Staff are also encouraged to feel part of the wider community. Each staff member has the opportunity to take a week out from the Council to do voluntary work, 'as a norm'. Another aspect of the commitment to staff is allowing them time and resources to travel internationally in order to learn from other organisations. This is also reciprocated, with for example, American public sector workers visiting Kent for a month at a time. Practitioners who have visited other organisations feed back to the whole authority on policy lessons. The Chief Executive believes an essential part of creating an entrepreneurial feel to the organisation is helping the staff feel empowered: 'In regard to behaviour, to ensure that staff are competent and focused on outcomes in efficiency and customer care. We are very driven here. It is a busy place. Busy and in the main happy.'

Culture

43 The Chief Executive believes that innovation starts with the leadership of an organisation showing a vision and purpose, capturing the hearts and minds of staff and through continuity of relationships. He believes a culture of innovation cannot be created without legitimising failure, and being obsessed about the customer and tomorrow's challenges. This vision should lead to a creative organisational culture. For Peter Gilroy, this culture should involve a bit of healthy chaos and means that anyone in the organisation has direct access to senior managers if they have a good idea. Chief Officers and the Chief Executive hold front-end meetings whereby they meet with hundreds of staff in one place and talk together at venues around the county. Nobody is excluded. Ideas are encouraged from the whole organisation. A chaotic environment also legitimises the risk taking by staff and managers if it leads to an improvement in services for the Council's customers. 'Life is about risks and we cannot move forward without taking the plunge from time to time'.

44 The Council is always looking for new ideas or ways of working. For example, whilst on a mystery shopping visit to the call centre, Peter Gilroy noticed that 20 per cent of the staff were graduates who were not planning to stay and therefore could not be expected to know much about the organisation and its services. So, the idea was to employ the over-65s. Kent also has 'blue-sky partnerships' with Microsoft, and a sub-partnership with IBM and another with Anite. He feels that the Council should be always evolving. This re-invention also re-energises the staff's imagination: 'Capturing hearts and minds again as though we were a brand new organisation – we should never think we are the best we can be, there are always ways to improve services'.

Customer-focus

45 This emphasis on staff and culture is balanced by a focus on the outcomes for the Council's customers, concentrating on the quality of the outcome rather than the quantity: 'It is no good having a wonderful call centre, and saying we respond in 3 seconds, if you get classical music and it takes three days to talk to a human being.' This focus leads the Council to try to incentivise its customers to engage with it to improve public services and to take control of the services they are receiving. For example, customers can now visit the Kent website and self-assess their public service needs without a need for a home visit. 'Do the simple things well – first time'.

46 Another example of this is a public access project, based on a retail module that the Council is currently working on. They have launched multi-agency services in a shopping mall in Ashford. It is a single, ultra modern ICT based retail facility called the Gateway with a reception area and floorwalkers. From there, the customer can go in and access over 16 public services (including national government departments) and numerous partners nationally and locally, including the private and voluntary sector and health service, who have also taken space in the facility. The first floor of the space is given over to the business community with boardrooms and conference facilities. It has been open for six months and whilst there are more partners to engage and things still to improve, the feedback has been impressive. The number of people visiting the Gateway increased by 70 per cent in the second quarter after its opening and there are numerous success stories. KCC are not stopping there either. 'We spoke to a number of international retailers and asked why can't you start thinking about giving us floor space?' The advantage to the customer is a seamless approach to service access. The Council believes customers do not care which organisation provides the service, they just want to get information and have access to it. Putting services in retail areas where people go anyway is a key part of increasing access and giving a positive message about services.

Awards

47 In order to encourage both staff and customers, Kent have launched a new award scheme for customers to nominate public sector officials who, they felt, had 'gone the extra mile', the Quality Service Awards. These are now in their eighth year. The awards are high profile with local media involved. They have had great success with members of the public being supportive of the Awards, and by extension Council staff. 'It is a symbolic recognition of public sector contribution, instead of diminishing it and rubbishing it. Politicians across the parties celebrate these individuals, and you hear the public articulate how these people have changed their lives. It is a very emotional event.' The winner of winners gets a week's scholarship looking at a service area of their choice anywhere in the world. It is always linked back to a service. The staff member returns to the Council and reports back on what they have learned. The Council's Awards are about celebrating what they do well and recognising that there are a lot of dedicated individuals committed to providing the best possible services, doing the simple things well the first time. The County Council has an outward looking policy, which is global, with partnerships across Europe and in the US. Exchange programmes and economic ties all add to the continuity and confidence of staff. The overall staff care strategy profoundly reduced the vacancy levels, improved competence, confidence and mutual learning.

Printed in the UK for the Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
5399698 07/06 65536