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COMPTROLLER AND
AUDITOR GENERAL

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Cabinet Office and HM Treasury

Integration across government

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National Audit Office

Cabinet Office and HM Treasury

Integration across government

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

8 March 2013

Integration in government refers to the coordination of working arrangements where multiple departments or public sector organisations are involved in delivering a public service or programme. This report examines how well government identifies and implements opportunities to integrate public services or other programmes.

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Key facts

24%

of actions in 2012
departmental business plans
mention joint working with
other departments

Six

departments self-assessed
as relatively weak at
integrated working, 2011-12

£650m

potential annual savings
by 2020 from better
integrated use of central
government property

£9 billion estimated annual public spending on the 120,000 families included in the Troubled Families programme, which is intended to better integrate services to meet these families' complex needs

£2.2 billion expected savings from integrating benefits under Universal Credit coming from reductions in fraud, error and overpayments, and making the system more sensitive to changes in beneficiaries' income

£500 million potential annual savings by better integrating procurement of NHS medical supplies

£104 million potential savings from reduced use of hospital care by cancer patients as a result of better coordination of end-of-life health and social care

Summary

1 Integration in government refers to the coordination of working arrangements where multiple departments or public sector organisations are involved in providing a public service or programme. Integration includes:

- **'horizontal' integration** of activities between bodies involved or interested in a service or programme, or with a shared interest in a particular client group;
- **'vertical' integration** through increased coordination of the delivery chain for a service or programme;
- **'back-office' integration** of functions or management processes which support frontline services or programmes; and
- **'strategic' integration** measures which encourage integration or seek to apply a coordinated approach across government.

2 This report examines how well government identifies and implements opportunities to integrate public services or other programmes.

Key findings

3 **Integration of public services and programmes offers government the potential for substantial cost savings and service improvements.** Previous National Audit Office reports have identified significant scope for integration to deliver major value-for-money benefits, in the form of financial savings or improved services to citizens. Integration of government back-office functions clearly demonstrates the cost reduction potential: for example, collaborative purchasing of medical supplies by NHS hospital trusts could save at least £500 million annually, while central government property costs could be cut by £650 million per year by 2020 through more efficient and better coordinated use of office space. Integration offers significant promise for frontline services also: better coordinated primary, acute and social care has already led to cost savings and better services for patients in some local areas. Our reports on major trauma and rheumatoid arthritis found better integrated healthcare could save hundreds of lives each year and improve patients' quality of life (paragraph 1.7 and Figure 2).

4 Poor integration can prevent effective delivery of existing services or programmes. Integration is equally relevant to the delivery of existing services and programmes because a lack of coordination can undermine implementation and lead to increased costs or reduced service quality. Our reports identified cases where poor integration had caused service delivery failures or programme objectives to be missed. For example, a 2009 NAO report found poor joint working among the bodies responsible for administering Guaranteed Minimum Pension payments, which resulted in overpayments of £90 million being made to 85,000 people (paragraph 2.6 and Figure 5).

5 Government does not currently have a good evidence base for identifying integration opportunities or assessing integration costs and benefits. Information on the extent of integration across government is limited. We faced difficulties in assembling consistent information on areas where integration could improve value for money, as very few areas had quantified or monetised estimates of potential benefits from improved integration. Furthermore, analysis of our reports indicates that costs and benefits of integration initiatives are not always specified rigorously: for example, our report on the Streamlined Process for preparing criminal prosecution files found that the costs and benefits of rolling out this initiative nationally were unknown. Government is addressing the wider need for better information; for instance, through implementing the recommendations of a 2012 review on improving management information in government. Good information would enable government to more systematically identify where value for money could be improved through better integration, and allow it to prioritise potential integration initiatives (paragraphs 1.5 and 2.5).

6 Where government has integrated services or programmes, benefits have sometimes not been realised because of difficulties in implementation. In some areas, government has identified the need to coordinate services or programmes and introduced integrating measures. However, government has sometimes underestimated the challenge. For example, despite persistent government efforts, integration of back-office functions through shared service centres has not yet achieved expected savings. Similarly, frontline integration initiatives face difficulties in achieving the expected benefits. For example, the Student Loans Company's first year of administering centralised student finance saw unacceptably low performance, with only 46 per cent of applications processed by the start of term, which reflected weaknesses in risk management and oversight. However, the Company subsequently improved its performance and some of the expected benefits are now being realised (paragraph 3.2 and Figure 10).

7 Integration requires strong commitment on the part of all implementation bodies to realise the potential benefits. Analysis of our reports identified several factors which help explain the success or failure of integration efforts. Strong leadership and commitment is often crucial to driving the integration initiative through, as the Cabinet Office's Efficiency and Reform Group has shown in developing its coordinated approach to reducing the cost of government back-office functions. Implementing bodies need to be committed to a shared vision for integrated working, since a lack of buy-in risks those bodies failing to incorporate the integration solution into their working operations. Examples of this are the delivery of detailed electronic care records under the National Programme for IT in the NHS, and the smaller Streamlined Process initiative relating to preparation of criminal prosecution files. Inadequate incentives for bodies to work collaboratively can prevent wider savings to the public purse: for example, departments could use government property more efficiently by sharing office space, but there can be a lack of incentive for departments to undertake property moves where savings would fall to other departments (paragraphs 3.8 to 3.13 and Figure 12).

8 Departments vary in their commitment to integrated working and their ability to work collaboratively. Analysis of departmental business plans suggests there are varying degrees of collaborative working among departments. In the 17 business plans published in May 2012, 24 per cent of the 444 actions referred to joint working with other departments. Some departments appeared to give a higher priority to collaborative working, while others included less joint working in their plans than we expected. In the most recent capability reviews published in 2011 and 2012, six departments assessed themselves as relatively weak at working collaboratively, including some of those responsible for implementing major integration initiatives (paragraphs 2.3 to 2.4, 3.14 and Figure 4).

9 The centre of government does not have clearly defined responsibilities to support or encourage frontline integration across government. Until 2010, there were coordinating mechanisms such as cross-cutting public service agreements, but these disappeared as government priorities changed. Since then, while some parts of the centre of government have an interest in integration, none of them has explicit responsibility for supporting integrated working, particularly for frontline services. The centre has recognised the importance of integration, with the recent *Civil Service Reform Plan* calling for the civil service to work more collaboratively (paragraphs 2.9 and 2.11).

Conclusion on value for money

10 Government tends to operate in a silo-based way, which can lead to poorly coordinated services or programmes. This can create inefficiencies and poor service outcomes for citizens. There is scope to improve overall value for money across government by integrating services and programmes further. National Audit Office reports have highlighted significant potential for integration to generate new opportunities for financial savings and service improvements, as well as ensuring the effectiveness of existing services and programme delivery. While these potential benefits are most clearly articulated for back-office functions, the principle also applies to frontline services. Given the imperative for further cost reduction in government and the need for innovative ways of increasing efficiency, integration has an important role to play in reducing costs while limiting effects on service levels.

11 Government recognises the need to integrate some services and has implemented integration programmes accordingly. However, implementation of these programmes can be more complex and challenging, and consequently some of these programmes have not so far delivered the expected level of benefits. Failure to realise benefits can stem from a prior failure to ensure a strong case for integration to begin with, based on robust assessment of costs and benefits; or it could arise from poor implementation. Our analysis indicates that the degree of commitment and buy-in among implementing bodies is often crucial to the success of integration. Strong leadership, a shared vision and appropriate incentives for joint working are important conditions for integrated working to succeed and fulfil its value-for-money potential.

Recommendations

For departments and other public sector organisations

- a** **Departments and other public sector organisations must work together to identify the most promising areas for integration.** Public sector organisations should work together to systematically map areas within their remits where integration could generate the greatest benefits. This should occur within wider departmental planning and budgeting processes. Accounting officers should give a strong lead to these exercises, as part of their duty to gain the most value from public resources.
- b** **Public sector organisations should prepare comprehensive and convincing information on the costs and benefits of proposals to integrate services or programmes.** Organisations need a strong rationale for integration initiatives, which clearly demonstrates how the expected benefits exceed the costs. This would improve the evidence base for integration and provide clear benchmarks to assess the success of individual integration efforts.

- c Public sector organisations must improve how they implement integration programmes.** Successful implementation requires strong commitment and capability from the bodies involved. Departments and other bodies should establish the right conditions for integration, focusing in particular on shared vision, effective leadership and incentives for integrated working. They should apply lessons from the experiences – good and bad – of other integration programmes.

For the Cabinet Office and HM Treasury

- d The Cabinet Office and HM Treasury should improve their ‘sponsorship’ of integration efforts across government.** The centre of government should more strongly lead integration efforts, address any lack of coherence and send a clear signal about the importance of integration. This could involve adapting existing mechanisms to embed a commitment to integrated working rather than establishing new structures or units:
- **Identify integration opportunities:** The Cabinet Office could use intelligence from its Economic and Domestic Affairs Secretariat’s policy coordination work and departmental business plans to identify areas for better coordination across Whitehall. HM Treasury could commission cross-cutting policy reviews to inform the Spending Review process, and more actively encourage departments to submit joint funding bids.
 - **Implement integration programmes:** The Cabinet Office’s Implementation Unit and Major Projects Authority could give priority to monitoring and supporting implementation of key programmes or projects that specifically involve integration. The Cabinet Office could also develop the cross-departmental policy teams proposed in the *Civil Service Reform Plan*.
 - **Monitor integration savings:** HM Treasury could explicitly monitor savings from integrating services and programmes as part of its remit to monitor cost savings across government; and the Efficiency and Reform Group could do the same for its monitoring of savings from back-office efficiencies.
 - **Take ‘strategic’ integration measures:** HM Treasury could strengthen references in *Managing Public Money* to departments working together to improve value for money; and permanent secretaries’ objectives could reinforce more strongly their responsibilities to promote integrated working.

Part One

Value-for-money potential of integration

1.1 This part of the report examines the extent to which increasing integration of public services and other government programmes could improve value for money.

What is integration?

1.2 In this report, we adopt a broad definition of 'integration' in relation to public services and government activities. Integration in government refers to the coordination of working arrangements where multiple departments or public sector organisations are involved in delivering a public service or programme, rather than bodies operating solely in traditional 'silos' created by organisational boundaries. Integration includes:

- **'Horizontal' integration** of activities between organisations involved in a service or programme, or with a shared interest in a particular client group such as the elderly;
- **'Vertical' integration** through coordination of the delivery chain for a service or programme, for example administration of student finance payments;
- **'Back-office' integration** of functions or management processes which support frontline services or programmes, for example shared services or procurement; and
- **'Strategic' integration** measures which encourage integration or apply a coordinated approach across government, for example cross-cutting mechanisms such as shared government-wide objectives, or central support for common functions such as recruitment. These may be important in enabling integration of services or programmes to work effectively.

Responsibilities for integration

1.3 While there is an expectation that departments should coordinate their activities if it improves value for money, no department has explicit responsibility for supporting coordinated working in government, particularly for frontline services. Parts of the Cabinet Office and HM Treasury do have functions relating to integration across government:

- The **Economic and Domestic Affairs Secretariat** (Cabinet Office) liaises with departments to coordinate economic and domestic policy proposals for Cabinet.
- The **Implementation Unit** (part of the Economic and Domestic Affairs Secretariat, within the Cabinet Office) monitors the implementation of important public programmes across government.
- The **Efficiency and Reform Group** (Cabinet Office) has an integrative function in some areas of its operations, for example by managing central procurement of common goods and services.
- The **Major Projects Authority** (part of the Efficiency and Reform Group, within the Cabinet Office) gives assurance on the implementation of large projects, many of which involve integration.
- The **Civil Service Reform Group** (Cabinet Office) is responsible for programme managing *Civil Service Reform Plan* implementation, which covers aspects of integration such as increasing collaboration in policymaking.
- HM Treasury's **Public Services Directorate** oversees major public service expenditure, including key areas such as local government and health with significant potential for integrated delivery.

Why integration is important

1.4 Integration of services and programmes matters because it offers the potential for major value-for-money benefits, in the form of increased efficiency, cost savings and improved services for citizens. This potential assumes even greater importance at a time of continued cost reduction. The government announced in December 2012 that a further £6.6 billion would be saved over the current Spending Review period from budgets for welfare, development assistance and other departmental spending.¹ Public sector organisations will need innovative ways to reduce costs now that obvious cost savings measures have been taken. Some senior civil servants consider that greater cross-departmental working offers the best chance of making further savings without simply cutting service levels.²

1.5 However, assessing the contribution integration could make to cost reduction is challenging, due to the shortage of good information on costs and benefits. We faced difficulties in compiling rigorous and consistent information on opportunities to increase integration; in particular, whether they would be justified on cost-benefit grounds and the extent of cashable savings which would release money to be spent elsewhere. The examples contained in this report were selected because they provide some evidence on the costs and benefits of integration, but in general a better information base is needed to allow government to assess the potential value of greater integration. This reflects a wider need in government to improve information underpinning decision-making, which government is taking steps to address as it builds on the conclusions of a 2012 review on improving management information in government.³

Examples of benefits from integrated working

1.6 Effective integration is emerging in some parts of local and central government, which is bringing cost savings and improvements to service or programme delivery (**Figure 1**).

¹ HM Treasury, *Autumn Statement 2012*, Cm 8480, December 2012.

² J Page, J Pearson, B Jurgeit and M Kidson, *Transforming Whitehall*, Institute for Government, November 2012.

³ Cabinet Office, *Cabinet Office Digital Strategy*, December 2012.

Figure 1

Examples of integration benefits

Sharing local authority services: In 2011, three London authorities – Westminster City Council, Royal Borough of Kensington and Chelsea, and London Borough of Hammersmith & Fulham – agreed a plan to share some frontline and back-office services and reduce management costs. The first shared ‘Tri-borough’ services – libraries, adult social care and children’s services – went live in 2012. Further services to be combined include a shared public health function and shared corporate services including ICT and facilities management. The authorities expect to save a total of £40 million by 2015-16.

Integrated health and social care in Torbay: The Torbay Care Trust was established in 2005 to integrate health and social care in the area. Pooled budgets and a single commissioning team enabled integrated teams to deliver care for older people. Supporting more people at home has reduced use of hospital beds, and residential and nursing homes. Recent NHS reforms have since separated commissioning from provision of integrated care, which is now delivered by the Torbay and Southern Devon Health and Care NHS Trust.

Olympic delivery: The staging of the 2012 Olympic Games in London was a huge logistical exercise that required collaboration across a wide range of organisations. The success of Olympic delivery depended on the various elements of a complex implementation programme being well-integrated. From 2009 onwards, the Government Olympic Executive, within the Department for Culture, Media & Sport, coordinated the programme through seven cross-cutting work streams, which included transport, security, London city operations and UK-wide operations.

Source: See Appendix Four: references 28, 32, 37, 45

Potential value-for-money returns from integration

1.7 The examples of successful integration highlight how it can cut costs and improve services. A number of further examples indicate the possible returns if integration were adopted more widely (**Figure 2** on pages 14 and 15). We cannot estimate the overall value of potential returns owing to a lack of comprehensive information and the uncertainties involved. More work would be needed to model expected costs and benefits to government from integration. However, the examples in Figure 2 focus on two areas where quantification of potential benefits is most advanced: back-office functions, and in healthcare. Some of the examples come from our reports, supplemented by analysis from the local authority and health sectors.

Figure 2

Indicative benchmarks for savings and other benefits from better integration

Back-office integration

Collaborative procurement

- Our report on NHS procurement found that **hospital trusts could save at least £500 million a year on medical supplies** from bulk purchasing across trusts, placing larger orders less frequently, and standardising product choices. This represents around 10 per cent of the £4.6 billion spent by hospital trusts on consumables annually. Savings could be higher for certain products: for example, **savings of 10 per cent to 30 per cent may be possible for cardiac and orthopaedic products.**
- In 2012, the Department of Health reported that the **NHS could save £1.2 billion over four years by ‘buying smarter’**, including through bulk purchasing of supplies and medical equipment. Total procurement spending by hospital trusts in England is over £18 billion annually. In response to our recommendations and those of the Committee of Public Accounts, the Department established a £300 million cash fund for the NHS to bulk buy large equipment items such as scanners. In May 2012, the Department reported that **£11 million had already been saved** through this fund.
- Procurement Lincolnshire is an example of collaborative procurement across eight local authorities. It reported **cumulative cashable savings of over £13 million between 2008 and 2012, with potential savings of £14 million over the next three years.** Local Government Association analysis indicated that the majority of savings related to utilities, professional services and ICT.
- Hampshire’s Capital and Assets Pathfinder, led by the County Council, assessed the potential for rationalising its property assets in two geographic areas within the county. It found that property consolidation in both areas could reduce floor space by 36 per cent for the assets in scope, resulting in **potential savings over 25 years of £63 million for one area and £26 million for the other** (savings are stated as net present values over 25 years). It also found that **scaling up the Pathfinder results to the whole of the Hampshire area had the potential to achieve savings of between £270 million and £324 million**, mostly through eliminating private sector leases and delivering more efficient and sustainable buildings through up-front investment.

Shared services

- Our report on shared services in central government examined five of the eight major shared service centres created to provide departments with back-office functions such as human resources and finance. The centres were **expected to save an estimated £159 million by the end of 2010-11.** However, our report found only one of the five centres examined could demonstrate that it had so far recovered its initial investment.
- The government responded to the issues raised in our report in its strategic plan for *Next Generation Shared Services*. The plan expects departments and arm’s-length bodies to **save £400 million to £600 million annually out of the £1.5 billion spent per year on back-office functions**, through consolidating eight government shared service centres into five and greater efficiencies in providing back-office functions.
- The Local Government Shared Services initiative has provided shared back-office, ICT and professional support services to Cambridgeshire and Northamptonshire County Councils since 2010, and has recently expanded to provide shared services to several other local councils and public sector bodies. The Local Government Association reported that the joint venture **made savings of £3.8 million in 2011-12 and expected cumulative savings to reach £9.5 million by the end of 2012-13.** It has a **minimum cumulative savings commitment of £18.8 million to the founding councils by 2015-16.**
- Our report on central government property found that better coordination of government office space could produce large savings. Our modelling of future office costs suggested scope to significantly reduce the demand for space, such that **half of leases expiring before 2020 could be exited.** The modelling indicated that the **£1.8 billion annual cost of office space could be cut by an estimated £650 million by 2020**, if departments improved their use of space and better coordinated their planning.
- In 2010, the Foreign & Commonwealth Office’s global estate included over 4,000 properties worth £1.6 billion in 279 locations. It shared this estate with other government organisations, including the UK Border Agency, Ministry of Defence and Department for International Development. Our report highlighted potential for further integration: **over 60 offices with unused space** were operating in the same locations as other government organisations but not sharing offices.

Figure 2 *continued*

Indicative benchmarks for savings and other benefits from better integration

Health sector integration**Health and social care**

Better integration of health and social care services is a key priority for the NHS and local authorities, and could improve patient outcomes and cost efficiency. Estimated total spending on adult social care services in the UK is £23 billion annually, £14.5 billion of which is publicly funded. There is no global estimate of the possible overall savings from integrated health and social care, but the following examples illustrate the potential:

- Our report on end-of-life care modelled scenarios involving reduced use of hospital care by cancer patients, for example by using home or residential care to shorten hospital stays. We estimated that caring for cancer patients in the last year of life costs the NHS and social care services £1.8 billion annually. **A 10 per cent reduction in emergency hospital admissions and a reduction of three days in the length of stay per admission could lead to a saving of £104 million** and allow patients to be supported in their preferred place of care.
- The King's Fund and Nuffield Trust reported the benefits of integrated chronic care management in Wales. Cardiff, Carmarthen and Gwynedd have a 'shared care' model of working between primary, secondary and social care for patients with multiple chronic illness. Between 2007 and 2009, **total bed days for emergency admissions for chronic illness (coronary heart disease, chronic obstructive pulmonary disease and diabetes) reduced by 32 per cent, 13 per cent and 10 per cent in these three areas** respectively.
- The social enterprise Turning Point reported that using joint teams of health and social care coordinators in Brent had reduced the costs of hospital emergency attendances and hospital bed days. After 12 months of operation, **savings from the scheme were reported to be between £48,000 and £102,200 per client per year**, with a cost of around £1,500 per person. The **annual net saving was projected to be between £1 million and £3.5 million per year** based on avoided bed days and avoided emergency attendance.
- As mentioned in Figure 1, health and social care services have been integrated in Torbay, which is reported to have reduced hospital bed use from an average of **750 occupied beds in 1998-99 to 502 in 2009-10**.

Emergency services: major trauma

- Our report on major trauma care estimated there are over 20,000 cases of major trauma in England each year involving serious and often multiple injuries, and resulting in 5,400 deaths. Successful treatment of major trauma patients often requires integrating emergency services across hospitals. However, we found that coordinated trauma systems are not in place everywhere: 64 per cent of patients requiring transfer to a more specialist facility are not transferred. **An additional 450 to 600 lives could be saved each year** from more timely and coordinated care. In January 2013, the NHS Commissioning Board announced a review of urgent and emergency services in England, which is intended to set out proposals for the best way of organising care to meet the needs of patients.

Primary and acute care: rheumatoid arthritis

- Treating rheumatoid arthritis costs the NHS around £560 million per year, with a wider cost to the economy of £1.8 billion annually from sick leave and work-related disability. Our report on services for people with rheumatoid arthritis concluded that better integrated NHS primary and acute care would result in earlier diagnosis and treatment of patients with rheumatoid arthritis. Our modelling suggested earlier treatment would increase costs to the NHS in the short run by approximately £11 million, but could ultimately result in **productivity gains to the economy of £31 million** from reduced sick leave and lost employment, as well as quality of life improvements for patients.

Source: See Appendix Four: references 1, 4, 8-11, 13, 16, 22, 31, 34, 35, 37, 38, 40, 42-47

1.8 This report draws on our extensive back catalogue of value-for-money reports to help identify how and where government could integrate services and programmes more effectively. It analyses and applies the lessons from specific cases to identify whether:

- integration opportunities are identified and acted upon (Part Two); and
- integration programmes are implemented effectively (Part Three).

Part Two

Identifying where government could integrate further

2.1 This part of the report examines whether departments and other public sector organisations have identified the opportunities for improving value for money through integration.

Efforts to increase integration

2.2 In recent years government has initiated some high-profile programmes to integrate public service delivery, three of which are set out in **Figure 3** overleaf.

Collaborative actions in departmental business plans

2.3 We analysed departmental business plans to inform us of the extent to which departments more generally have recognised the need to work jointly with others. The Cabinet Office requires all departments to publish business plans annually, setting out their most important structural reform priorities and actions for the next 12 months. Our analysis of the 17 business plans published in May 2012 showed that 106 of the 444 actions (24 per cent) in the plans referred to joint working. This was either a specific mention of working with a named other department, or a more general reference to 'working with other departments'.

2.4 We also analysed the references departments made to specified other departments in their business plans, which highlighted variations between departments in how much they referred to joint working with others (**Figure 4** on page 19). However, it should be noted that because business plans do not capture all government activity, the analysis understates the full extent of joint working between departments:

- The Ministry of Justice, Department for Business, Innovation & Skills, and Foreign & Commonwealth Office business plans each mentioned joint working with six or seven other named departments.
- There were no joint actions recorded between some departments where collaborative working might have been expected. For example, the Cabinet Office and HM Treasury business plans did not share any joint actions, despite being coordinating departments at the centre of government.

- There were no joint actions recorded between the Department for Communities & Local Government (DCLG) and particular departments including the Department for Education, Department of Health, Home Office and Ministry of Justice. This is despite all of those departments having an interest in high-profile collaborative projects led by DCLG, such as Community Budgets and Troubled Families.

Figure 3

Major integration programmes being implemented

Universal Credit involves integrating the main working age benefits such as Jobseeker's Allowance, Income Support, Working Tax Credits and Housing Benefit, worth nearly £70 billion. These are currently administered by the Department for Work & Pensions, HM Revenue & Customs and local authorities. The new single benefit payment is intended to simplify the system and to save £2.2 billion by reducing losses from fraud, error and overpayments, and making the new system more sensitive to changes in beneficiaries' income. Administration costs are expected to be cut by £0.2 billion annually. Universal Credit will require the Department for Work & Pensions' ICT system to integrate with HM Revenue & Customs' Real Time Information system, which is scheduled to be in place from April 2013. The Universal Credit pilot is due to begin in April 2013, with national roll-out planned to start in October 2013.

The **Whole-Place Community Budgets** programme brings together public sector bodies to develop new ways of delivering local services. It aims to increase efficiency and improve service outcomes through more integrated service provision across multiple agencies. Each of the four areas piloting Community Budgets has estimated its total projected savings as follows:

- West Cheshire: £56 million of net savings over five years.
- Essex: £414 million in net benefits over six years, comprising £127 million of cashable savings and £287 million of economic, fiscal and social benefits.
- Greater Manchester: £270 million of net savings over five years.
- West London Tri-borough: £70 million of net savings annually.

Consultants commissioned by the Local Government Association estimated potential net benefits of between £4.2 billion and £7.9 billion could be achieved annually if the Community Budgets pilots were rolled out across England.

The NAO report *Case study on integration: Measuring the costs and benefits of Whole-Place Community Budgets* reviewed the approach taken by local areas and central government to assessing the costs and benefits of potential public service reforms under Whole-Place Community Budgets. It highlighted the pragmatic approach taken to date and the need to continue developing measurement and analysis as the programme itself develops.

The **Troubled Families** programme is intended to encourage local services to integrate their activities to better meet the complex needs of 120,000 'troubled families' in England. These families typically face multiple problems relating to drugs, anti-social behaviour, criminality, school exclusion, truancy, domestic violence and worklessness. The programme requires local authorities to appoint a strategic coordinator to organise effective partnership working across multiple agencies working with families. It includes a 'payment by results' element to reward service providers according to their success in helping troubled families.

The Department for Communities & Local Government leads the Troubled Families programme, which has £448 million of funding over three years to achieve its objectives. The Department for Work & Pensions has a separate but related programme directed at troubled families with a history of worklessness; this scheme has £200 million of funding over three years from the European Social Fund. The government anticipates the programme will reduce the estimated £9 billion spent annually on these families.

Source: National Audit Office analysis and Appendix Four: references 6, 33, 36

Figure 4

2012 departmental business plans: references to joint working with specified other departments

	Department referred to in other department's business plan																	Number of other departments referred to
	MoJ	BIS	FCO	DCLG	HO	CO	DfE	DoH	DCMS	Defra	HMRC	HMT	DfID	DECC	DfT	DWP	MOD	
MoJ		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	7
BIS	■		■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	7
FCO	■	■		■	■	■	■	■	■	■	■	■	■	■	■	■	■	6
DCLG	■	■	■		■	■	■	■	■	■	■	■	■	■	■	■	■	5
HO	■	■	■	■		■	■	■	■	■	■	■	■	■	■	■	■	5
CO	■	■	■	■	■		■	■	■	■	■	■	■	■	■	■	■	4
DfE	■	■	■	■	■	■		■	■	■	■	■	■	■	■	■	■	4
DoH	■	■	■	■	■	■	■		■	■	■	■	■	■	■	■	■	4
DCMS	■	■	■	■	■	■	■	■		■	■	■	■	■	■	■	■	3
Defra	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	■	3
HMRC	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	3
HMT	■	■	■	■	■	■	■	■	■	■	■		■	■	■	■	■	3
DfID	■	■	■	■	■	■	■	■	■	■	■	■		■	■	■	■	3
DECC	■	■	■	■	■	■	■	■	■	■	■	■	■		■	■	■	2
DfT	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	2
DWP	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	2
MOD	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	2

Department authoring business plan

- Joint working between the two departments referred to in both departments' plans, for at least one action
- Joint working on an action referred to by the authoring department in its plan, but not in the other department's plan
- No reference to joint working with the other department in the authoring department's plan

NOTES

- 1 This figure does not include: actions within business plans which refer to working with other departments more generally; and joint working not recorded in business plans. For example, the Department for International Development works with other departments, such as BIS, DECC, Defra and HMT, to secure Official Development Assistance and on the UK's International Climate Fund.
- 2 MoJ = Ministry of Justice; BIS = Department for Business, Innovation & Skills; FCO = Foreign & Commonwealth Office; DCLG = Department for Communities & Local Government; HO = Home Office; CO = Cabinet Office; DfE = Department for Education; DoH = Department of Health; DCMS = Department for Culture, Media & Sport; Defra = Department for Environment, Food & Rural Affairs; HMRC = HM Revenue & Customs; HMT = HM Treasury; DfID = Department for International Development; DECC = Department of Energy & Climate Change; DfT = Department for Transport; DWP = Department for Work & Pensions; MOD = Ministry of Defence.

Opportunities to further integrate services and programmes

2.5 As we have seen, departments are working collaboratively in some areas and major new integration programmes are intended to make significant savings and improve services. However, government lacks a sound evidence base to help identify opportunities for better integrated services and programmes. This deficiency is important because without good information, government cannot systematically identify where it could integrate further or assess the cost-effectiveness of doing so.

2.6 Our analysis of our recent reports has identified a number of opportunities for better integration. Figure 2 on pages 14 and 15 outlined our report findings indicating that integration could lead to cost savings or other benefits in major trauma care, services for people with rheumatoid arthritis, end-of-life care, government property and NHS procurement. Our report on early action found that tackling entrenched social problems often required several departments to coordinate their efforts, but that in many cases lack of integration impaired effective early action.⁴ Other reports show that integration can be necessary for programmes to achieve their aims (Figure 5).

Figure 5

Poor coordination can undermine programme delivery or aims

Guaranteed Minimum Pension payments: A complex and fragmented system for administering these payments relied on information sharing between various bodies. However, no one body had overall responsibility for the process, resulting in poor joint working and processing errors. Up to 2009, these errors affected 85,000 people and resulted in £90 million of overpayments. The lack of controls in the administration process meant errors went undetected for years. HM Revenue & Customs (HMRC) has advised that it has now taken lead responsibility for the Guaranteed Minimum Pension and an advisory group comprising HMRC, the Department for Work & Pensions and the five pension schemes involved has been established.

Coalfield regeneration: Greater integration in the early years of three separate programmes to regenerate former coalfield areas in England could have increased the benefits. There were missed opportunities locally and in Whitehall to coordinate work on coalfield regeneration. While some areas had benefited from more job opportunities, the wider impact of the £630 million spent to date was less obvious.

Special education for 16- to 25-year-olds: Separation of funding and commissioning responsibilities for special education placements meant some local authorities did not inform the Young People's Learning Agency when students moved to a different funding band or withdrew entirely. This resulted in the Agency overpaying the providers concerned.

Streamlining farm oversight: Our *Streamlining farm oversight* report found that the fragmented nature of current arrangements for farm oversight does not optimise value for money and continues to burden compliant farmers unnecessarily. Oversight bodies miss opportunities to coordinate activity and share intelligence, which would allow them to reduce any redundant activity and unnecessary cost. During 2011-12, nine separate government bodies made at least 114,000 visits to English farms (over half of these were for disease surveillance and control purposes). The Department for Environment, Food & Rural Affairs needs better information on activity, cost, compliance and risk to identify opportunities for stronger oversight, streamlining and coordination of its arm's-length bodies and delivery partners.

Improving consumer protection: Bodies involved in providing consumer protection were very fragmented and not coordinated effectively. There were particular problems with 'cross-border' detriment to consumers, for example by rogue traders operating in more than one local authority area. This was estimated to cost consumers £4.8 billion a year. Local authorities' attempts to coordinate their activities regionally had been limited.

Source: See Appendix Four: references 15, 17, 19, 20, 23

⁴ Comptroller and Auditor General, *Early action: landscape review*, Session 2012-13, HC 683, National Audit Office, January 2013.

2.7 Other countries have recognised the need to identify opportunities to better coordinate government activity. In the United States, the Government Accountability Office identifies annually a number of federal programmes that are duplicative, overlapping or fragmented, and suggests corrective action (**Figure 6**).

Identifying and encouraging integration

2.8 Examples of missed opportunities to integrate suggest that government needs to systematically identify and encourage integration where it could cut costs, improve services, or both. We examined whether there are cross-cutting initiatives at the centre of government to promote or sponsor integration in this way. This is important because some problems of fragmented service delivery cannot be tackled by departments or other public sector bodies acting alone.

2.9 The centre of government has in the past been active in promoting and supporting coordinated working across government. The ‘joined-up government’ initiative was a key part of the ‘Modernising Government’ agenda introduced in 1999 and overseen by the Cabinet Office.⁵ Until 2010, the Cabinet Office and HM Treasury had mechanisms and structures such as cross-cutting public service agreements and the Prime Minister’s Delivery Unit (which scrutinised and assisted departments’ efforts to meet key government priorities). However, in recent years some of the coordinating mechanisms and structures have disappeared, reflecting changed priorities and reorganisations at the centre of government. Through the ‘Open Public Services’ agenda, the centre of government has instead focused on introducing measures such as localism, payment by results and social impact bonds. These are intended to empower service providers to introduce innovative approaches to delivery.⁶

Figure 6

United States: Identifying duplicative, overlapping and fragmented government programmes

The US Government Accountability Office (GAO) is required by statute to investigate potential duplication, overlap and fragmentation in federal programmes and agencies. The GAO reports its findings annually to Congress, including actions that are needed to address its findings. The GAO has so far produced two reports of this kind, in 2011 and 2012.

The GAO examines federal budget data categorised by function as part of identifying areas of potential duplication, overlap and fragmentation. In 2011 it reported 34 such areas, with some cases involving potential savings of millions of dollars annually. For example, realigning the Department of Defense’s military medical command structures and consolidating common functions could increase efficiency and make annual savings in the hundreds of millions of dollars.

By 2012, the US government had acted on 79 per cent of cases identified in the 2011 report. The GAO reported a further 32 areas of fragmented, overlapping or duplicative programmes in its 2012 report, many of which involved substantial public spending.

Source: National Audit Office analysis of Government Accountability Office reports

⁵ Cabinet Office, *Modernising Government*, White Paper, Cm 4310, March 1999.

⁶ HM Government, *Open Public Services*, White Paper, Cm 8145, July 2011.

2.10 One area at the centre of government that adopts a strongly integrative approach, specifically to delivery of back-office functions, is the Cabinet Office's Efficiency and Reform Group. Since its creation in 2010, the Group has focused on central controls, standardised procedures and collaboration to harness the collective strength of government to cut costs (**Figure 7**). The success of the Group in promoting integration for back-office functions could provide a precedent for the centre of government to adopt a broader role in encouraging integration across government more generally.

Central sponsorship for integration efforts

2.11 The *Civil Service Reform Plan*, published in June 2012, outlined the government's vision for a smaller, "sharper" civil service that works differently – including more collaboratively. Sir Bob Kerslake, Head of the Civil Service, urged the civil service to seek out "... both challenge and collaboration to improve how we develop policy and deliver services". The Reform Plan also acknowledged that the civil service had become "too siloed".⁷ Our January 2013 memorandum on the Reform Plan reiterated these conclusions and noted how lack of integration can result in poor services and poor value for money.⁸

2.12 However, as set out in Part One, the current structure of governmental responsibilities means no department is in charge of supporting integrated working, especially for frontline service delivery. Given the absence of a government-wide initiative or central unit to promote integration, there is a risk of incoherence in how government does integration. To mitigate this, we considered whether the relevant elements within the centre of government effectively fulfil a 'sponsorship' role *implicitly* as part of their existing functions.

Figure 7

The Efficiency and Reform Group: Integrated action on government back-office functions

In May 2010, the Efficiency and Reform Group was formed within the Cabinet Office to integrate many of the functions of a typical corporate headquarters in one place at the centre of government. The Group brought together expertise from across departments to work across organisational boundaries, and focus on common issues core to the government's agenda – not least cost reduction.

The Group introduced a wide range of cost reduction initiatives across government. These included applying an integrated approach across departments to freeze recruitment, pay and use of consultants and marketing, as well as using collective buying power to negotiate better procurement deals. The Cabinet Office announced £3.75 billion of savings from these initiatives in August 2011.

In the medium to long term, the Group plans to make more fundamental changes through better coordination between departments and a stronger role for the centre of government. The Group's 'tight-loose' strategy aims to balance giving the centre more levers to influence or direct departments' spending decisions, without diminishing departments' accountability and ownership.

Source: See Appendix Four: references 7, 26

7 HM Government, *The Civil Service Reform Plan*, June 2012, pp. 5, 9.

8 Comptroller and Auditor General, *Memorandum on the 2012 Civil Service Reform Plan*, Session 2012-13, HC 915, National Audit Office, January 2013.

2.13 A ‘sponsor’ role would involve the centre providing clear leadership across government, to promote integration as a key approach for departments to improve or maintain public services while reducing resources. It would require the centre of government to provide a coordinating framework for government-wide efforts to:

- **identify** where integration could improve value for money;
- **implement** integration programmes effectively; and
- **monitor** savings and other benefits from integration.

2.14 **Figure 8** sets out which parts of the centre of government could take on an enhanced role in sponsoring integration, consistent with their existing objectives and activities.

2.15 A central sponsor role need not mean creating new central structures or bodies, but would require existing bodies to reassess how they operate to embed integration into their normal operations. Existing mechanisms could be adapted to give departments appropriate incentives for integrated working. For example, the government could use the Spending Review process to commission policy reviews on key cross-cutting issues. These could help to identify areas where integration might lead to major value-for-money improvements. Further examples are given in **Figure 9** overleaf.

Figure 8

Illustration of how improved central sponsorship could be achieved within existing structures

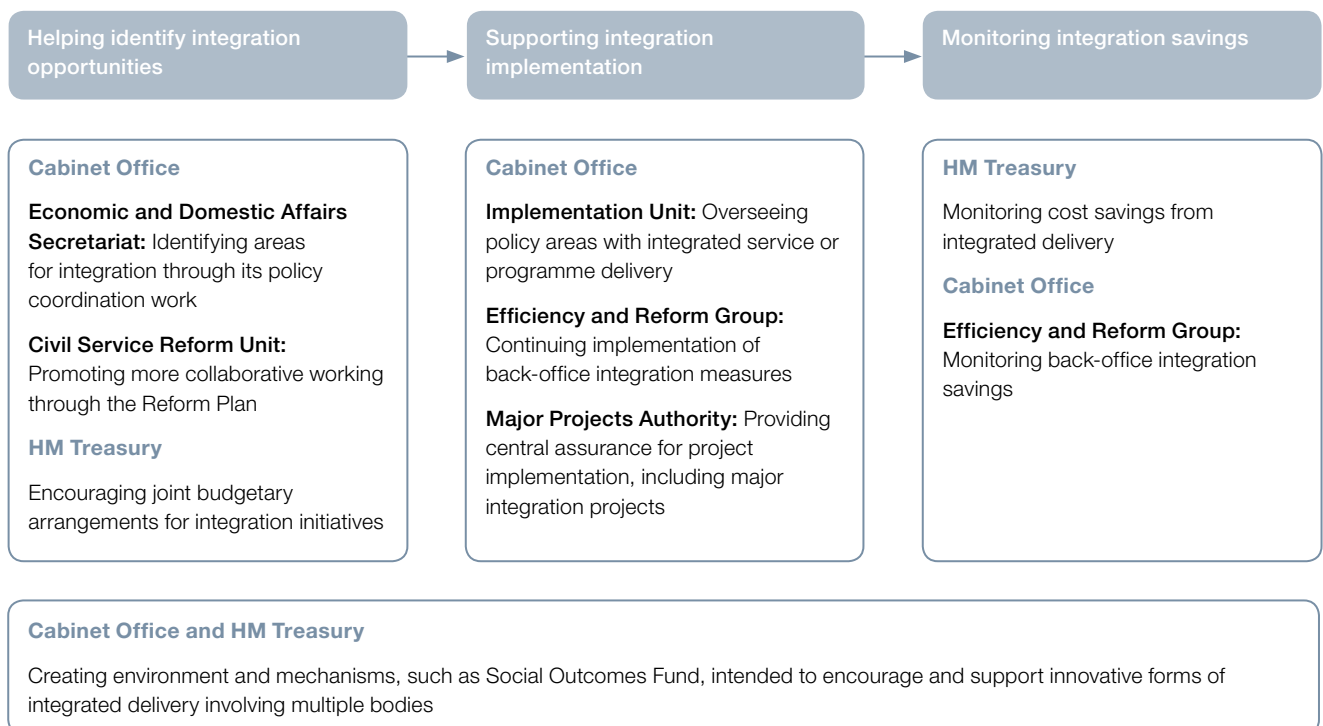


Figure 9

Adapting existing structures to support integrated working

Spending Review process: Increasing the scope for joint funding mechanisms and cross-cutting policy reviews

The 2010 Spending Review put less emphasis on cross-government working than its 2007 predecessor, which contained cross-government public service agreements. The 2010 Spending Review guidance invited departments to submit joint spending submissions. However, HM Treasury could have taken a more active role in helping coordinate spending on services between departments. It received only two joint submissions – representing only 0.2 per cent of all controllable spending settled.

The budgetary process provides the opportunity to incentivise cross-government cost reduction. However, HM Treasury did not direct departments to identify cross-departmental savings through joint working. HM Treasury and the Efficiency and Reform Group could support longer-term structured cost reduction by developing ways to challenge, intervene or give weaker departments more support.

Departmental business plans: Promoting shared vision and objectives for joint working

Government departments publish business plans to set out their most important priorities and actions for the following year. They are an important means for ensuring transparency and accountability for delivery of major government priorities. The Cabinet Office's Implementation Unit has a role in coordinating the process for updating business plans. In particular, it coordinates the development of joint actions between departments, for example by facilitating meetings between departments if necessary.

Although business plans were not explicitly designed as mechanisms to change departments' behaviour, they are used to demonstrate how departments contribute to achieving overall government priorities such as growth, social mobility and sustainable development. They could be used to promote better integrated working by helping to identify where departments need to work more collaboratively. Our analysis of the 2012 business plans (see Figure 4, page 19) found that departments had recognised the need for coordinated working in their plans through identifying joint actions with departments. Revised guidance on preparing business plans could reinforce more strongly to departments the need to consider joint working when setting out their priority actions.

Civil Service Reform Plan: Improved accountability and staffing from cross-boundary teams

The Reform Plan contained a specific proposal to create cross-boundary policy teams, drawn across organisations and sectors, whose senior responsible owners would report jointly to departments.

This proposal would enhance staffing capability and would allow different organisational perspectives to be brought to policy teams. Joint accountability may help engage multiple departments with the policy team's work, although there may be a risk of diffusing accountability rather than having clear lines of responsibility.

Government could also consider extending the cross-boundary policy team idea to delivery teams, rather than solely policy teams, to help improve the implementation of integration programmes. Our memorandum on the Reform Plan noted there are already some examples of cross-departmental teams, such as for the delivery of the 2012 Olympic and Paralympic Games, which could be replicated more widely.

Permanent secretaries' objectives: Reinforcing responsibilities for coordinated working

In December 2012, the government first published the objectives of departmental permanent secretaries, as part of efforts to increase their accountability. Some of these objectives include references to coordinated working: for example, one of the Cabinet Secretary's performance measures mentions collaborative working with departments, while the objectives of the permanent secretaries for the Cabinet Office and HM Treasury both refer to joint working between the two departments to support delivery of the 2010 Spending Review and future Spending Reviews.

During 2012-13, the Cabinet Office requested that permanent secretaries' objectives reflect the requirement to deliver mandates agreed by the Efficiency and Reform sub-committee of the Public Expenditure Cabinet Committee. The Cabinet Office intends to continue examining the best use of permanent secretary objectives to ensure collective implementation of such mandates, including integration initiatives.

Permanent secretaries' objectives could also be used to reinforce their ability as accounting officers to promote departments working together where this would improve delivery or efficiency, as set out in *Managing Public Money*.

In New Zealand, expectations relating to the performance of chief executives (who head government departments) have been set out in performance agreements for many years now. New Zealand has introduced cross-cutting government objectives to guide departments' activities, with responsibility for each cross-cutting objective assigned to a particular chief executive and reflected in their performance agreements.

Part Three

Implementing integration effectively

3.1 This part of the report examines where government has identified the need for integration and tried to implement integration initiatives. It considers in particular the conditions departments and other organisations need to establish for successful implementation.

Realising the benefits of integration

3.2 In some areas government has identified the need to integrate services and programmes, and has implemented integration measures with the potential to improve value for money. However, these efforts have often not fulfilled their full potential; **Figure 10** overleaf contains some examples.

Why benefits may not be achieved

3.3 Integration initiatives may not achieve value for money for a number of reasons. In some cases, failure may result because the case for integrating is not strong in the first place. It may be caused by the presence of external factors outside the control of implementing bodies: for example, if integration savings are based on closing facilities such as hospitals, this may prove difficult to carry out for political reasons. Poor implementation, which does not adequately take into account the added complexity that integration can bring to project implementation, may also explain why expected benefits have not been realised.

3.4 In developing an integration project, government will need to correctly identify the potential for high-value integration and, as for any project, construct a strong business case. The business case needs to provide a clear and compelling rationale for integration on cost-benefit grounds. It should include a comprehensive assessment of implementation risk, including how much risk can be mitigated and how much is beyond the control of implementing bodies. Our review of NAO reports indicated that integration programmes do not always have sound business cases of this kind. For example, our report on the Streamlined Process for preparing criminal prosecution files found that the costs and benefits of rolling out the Streamlined Process nationally were unknown.⁹

⁹ Comptroller and Auditor General, *The introduction of the Streamlined Process*, Session 2010-2012, HC 1584, National Audit Office, November 2011.

Figure 10

Integration initiatives that have yet to achieve expected benefits

Centralising administration of student finance: In the first year after this service was centralised (2009), some systems did not work as required and only 46 per cent of new applications were fully processed by the start of the academic year. Government had to provide an additional £10 million of funding to meet the Student Loans Company's operating costs. Customer experience improved in subsequent years: the Company reported 77 per cent of new applications were fully processed by the start of term in the 2011/12 academic year. The Department for Business, Innovation & Skills attributed faster processing times in part to improved coordination with other departments, including the introduction of enhanced data sharing arrangements, and it expected savings from centralising the processing of applications of £15 million per year from 2011-12.

Administering the single farm payment: Following the move to consolidate 11 farm subsidies into a single farm payment from 2006, only 15 per cent of funds were paid to farmers on time and implementation costs rose by £46 million. Some £292 million had to be set aside to cover potential EU penalties for performance problems in the first two years of the scheme. Since then, the Rural Payments Agency's performance in making payments on time has improved significantly: for example, in 2011-12, it met its target to make 95 per cent of payments on time.

Shared service centres: We found that five shared service centres created to deliver back-office functions to departments had not made the £159 million financial savings expected of them, with only one of the five having recovered its initial investment so far. Government has responded by developing a new shared services strategy to increase the efficiency of back-office service delivery.

Integrating IT systems in the NHS: The Department of Health could not fulfil its aim of creating a fully integrated electronic system for detailed NHS patient care records, with the contracted IT firms being unable to meet their obligations. We concluded the £2.7 billion spent on the programme so far had not been value for money.

Streamlining the preparation of criminal prosecution files: We found that a joint initiative by the Crown Prosecution Service and the police to reduce criminal case file paperwork in England and Wales could save £10 million of police time. However, savings were not being realised as 79 per cent of the sample of files we examined still contained a disproportionate amount of paperwork.

Implementing joint procurement for fire and rescue services: The Department for Communities & Local Government created Firebuy as a specialist procurement agency for the 46 local fire and rescue services in England. However, the £16.8 million cost of managing Firebuy's procurement contracts was nearly double the resulting savings and income combined (comprising £8.5 million in claimed savings to fire and rescue services and £1 million in income from suppliers), and would be unlikely to be recouped over time. Firebuy was subsequently abolished.

Source: See Appendix Four: references 2, 3, 8, 18, 24, 25, 27, 29

3.5 Implementation of integration initiatives is a complex task, and implementing bodies will need to ensure they do not underestimate the potential difficulties. The remainder of this part examines in detail the factors affecting the success or failure of integration implementation.

Conditions for effective implementation

3.6 Based on an extensive literature review, we have developed a model of the requirements for effective integration (**Figure 11** on page 28). The model includes four main elements of a successful integration programme:

- **identifying** where value could be gained from integrating services or programmes;

- securing **commitment** from all parties involved to work in an integrated way;
- ensuring sufficient **capability** to implement integration effectively; and
- **continuous improvement** to ensure the benefits of integration are sustained.

3.7 As we have noted, the first element – identifying the potential value from integration and building a robust business case – is essential for the integration effort to have strong foundations. The remaining three elements for successful integration relate most closely to implementation. In the following analysis of our reports, we focus on the importance of strong commitment to the integration effort, which is often vital to success or failure. We also consider how integration brings specific challenges to project implementation and how implementing bodies need to respond.

Strong leadership

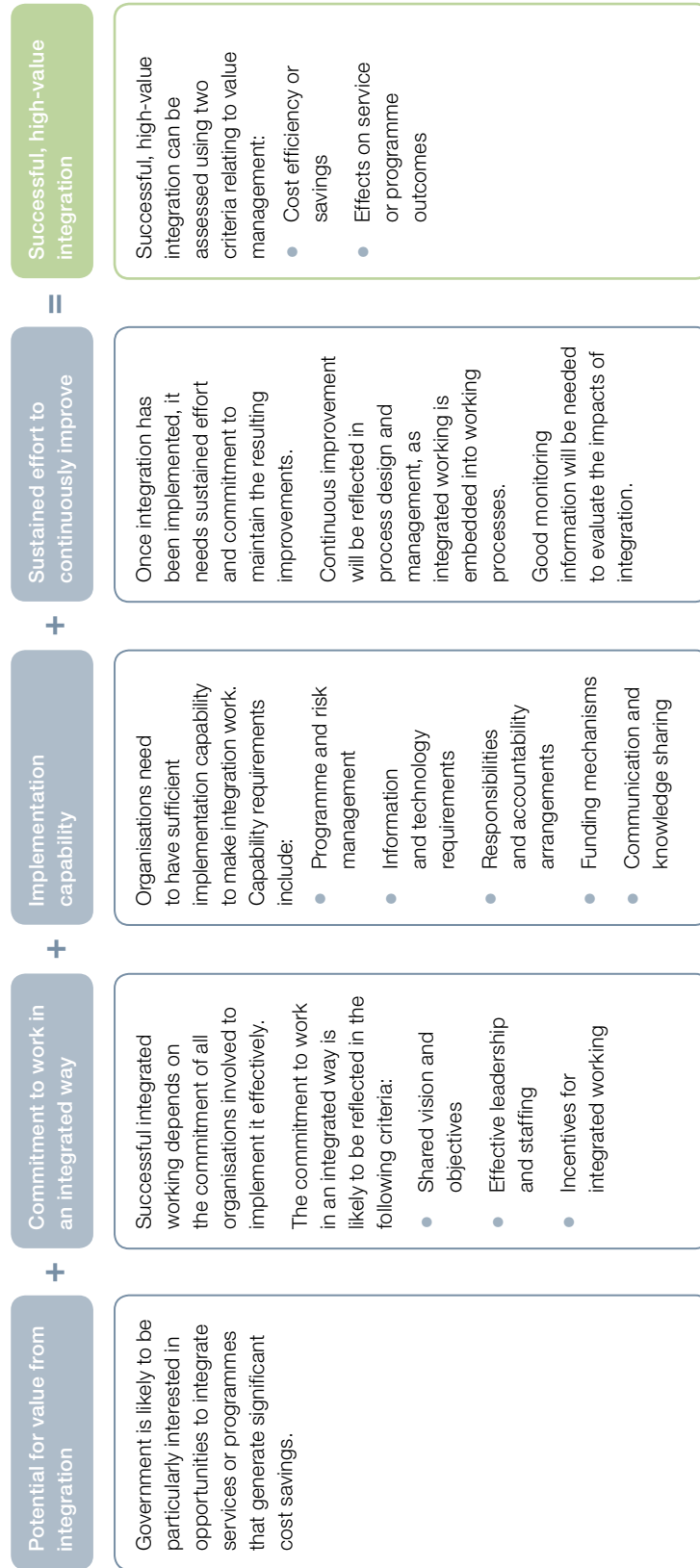
3.8 A common failing in integration projects that did not achieve expected benefits was the absence of effective leadership, necessary to develop and articulate a clear vision of the project to all stakeholders, oversee progress and overcome obstacles as they arise. For example, in the first year of the programme to centralise student finance (2009), we found serious deficiencies with leadership and oversight: the Student Loans Company's board was unaware of rising problems with the processing system, the programme board lacked appropriate expertise and the Department for Business, Innovation & Skills was too 'light touch' in its oversight of the Company.¹⁰ Management information and governance arrangements were overhauled in 2010 in response.

3.9 By contrast, the Cabinet Office's Efficiency and Reform Group demonstrated how strong leadership enabled it to formulate and drive an integrated programme across Whitehall to reduce the cost of back-office functions.¹¹ The Group's concerted focus on improving government efficiency meant that departments had little alternative but to implement the cost reduction measures. To continue progress on these initiatives, the Cabinet Office is working with departments to produce a single forward plan for the efficiency and reform agenda. The Cabinet Office intends the plan to include shared efficiency outcomes for each of its key initiatives, including those seeking to realise more integrated functions.

¹⁰ Comptroller and Auditor General, *The Customer First Programme: Delivery of student finance*, Session 2009-10, HC 296, National Audit Office, March 2010.

¹¹ Comptroller and Auditor General, *The Efficiency and Reform Group's role in improving public sector value for money*, Session 2010-11, HC 887, National Audit Office, March 2011.

Figure 11
Requirements for successful integration



Commitment to a shared vision

3.10 Implementing bodies need to be committed to a shared vision for integrated working, since a lack of buy-in risks those bodies rejecting the integration solution and failing to incorporate it into their working operations. Some of the initiatives that failed to achieve expected benefits had not gained the acceptance and participation of key stakeholders. Implementation of detailed electronic care records under the Department of Health's National Programme for IT in the NHS failed to gain buy-in from trusts and clinicians, in part because they were not involved early enough in the development of system specifications.¹² The Department accepted that the NHS was not sufficiently engaged in the delivery of local care records systems, and has undertaken to change how systems are commissioned to increase localisation of decision-making.¹³

3.11 Similarly, the Streamlined Process for preparing criminal prosecution files was not implemented consistently because the Crown Prosecution Service failed to obtain buy-in from operationally independent police forces. We concluded that the Crown Prosecution Service and Home Office need to communicate the purpose and benefits of such initiatives more clearly to police forces and other agencies in order to secure their support.¹⁴ In implementing government shared service centres, departments did not establish a common vision of the shared services to be delivered. This resulted in services overly tailored to the needs of individual departments and consequently expensive to provide.¹⁵

Incentives to work collaboratively

3.12 Inadequate incentives for bodies to work together can prevent wider benefits being achieved, such as overall savings to the public purse. For example, our report on central government property found that departments had little incentive to undertake projects or moves to share office space if the savings were to fall to other departments.¹⁶ Separately, we found weak incentives for individual local authorities to invest in prioritising working together to tackle 'cross-border' consumer protection issues affecting several authorities.¹⁷ The Department for Business, Innovation & Skills is now addressing this issue, including through allocating specific funding for consumer protection work cutting across local authority boundaries.

¹² HC Committee of Public Accounts, *The National Programme for IT in the NHS: an update on the delivery of detailed care records systems*, Forty-fifth Report of Session 2010-12, HC 1070, August 2011.

¹³ HM Treasury, *Treasury Minutes: Progress on implementing recommendations on 19 Committee of Public Accounts reports (Session 2010-12)*; 3 National Audit Office reports; 12 updates from Treasury Minute progress reports (January 2012); and a progress report on Government Cash Management, Cm 8539, February 2013, pp. 18-22.

¹⁴ See footnote 9.

¹⁵ Comptroller and Auditor General, *Efficiency and reform in government corporate functions through shared service centres*, Session 2010-2012, HC 1790, National Audit Office, March 2012.

¹⁶ Comptroller and Auditor General, *Improving the efficiency of central government office property*, Session 2010-2012, HC 1826, National Audit Office, March 2012.

¹⁷ Comptroller and Auditor General, *Protecting consumers – the system for enforcing consumer law*, Session 2010-2012, HC 1087, National Audit Office, June 2011.

3.13 Government has started to tackle the lack of incentives for joint working. For example, the Cabinet Office's recently established £20 million Social Outcomes Fund provides top-up funding for work on complex and expensive social issues involving multiple public sector bodies. The Fund is intended to support projects which might otherwise be prevented by the benefits of spending by one body falling to other parts of the public sector.¹⁸

Implementation capability

3.14 A key element of the model for successful integration in Figure 11 on page 28 is implementation capability. We analysed departmental capability reviews to get a broad sense of departments' ability to work in an integrated way.¹⁹ One of the ten criteria used to assess departments is their ability to "collaborate and build common purpose". The most recent capability reviews conducted in 2011 and 2012 show that ten departments reported strengths in collaborative working. Six departments rated themselves relatively weak at collaborative working;²⁰ all six performed worse in this respect than they had in previous reviews in 2006 and 2009. Most of the departments with relatively weak collaboration scores are responsible for implementing significant integration programmes (Department for Work & Pensions and HM Revenue & Customs) or operate in sectors where effective multi-agency working is often needed to achieve desired policy outcomes (Ministry of Justice, Department of Health, and Home Office).

3.15 Implementation capability involves factors that any project will need to ensure it gets right, such as clear responsibilities, effective programme and risk management, and good information. However, projects involving integration often bring an added level of complexity to implementation, since they involve coordinating the activities of multiple bodies. Implementing bodies need to consider how to respond to the additional challenges that integration brings to the task of implementation.

18 Press release, 'New boost to help Britain's most vulnerable young adults and the homeless', Cabinet Office, 23 November 2012. The Social Outcomes Fund is designed to facilitate use of social impact bonds, which are intended to help reform public service delivery by rewarding investors in service delivery improvements by paying for the outcomes achieved.

19 Capability reviews are available at: www.civilservice.gov.uk/about/improving/capability/reports.

20 The six departments assessed themselves 'amber-red' on collaboration; this is defined under the capability review assessment criteria as: "Has weaknesses in capability for current and future delivery and/or has not identified all weaknesses and has no clear mechanism for doing so."

3.16 Our report on Olympic and Paralympic Games delivery stressed the importance of cross-programme management of seven cross-cutting work streams, such as transport and security. An overarching programme brief helped work streams understand their position in the programme, the board for each work stream had representation from the others, and the senior responsible owners for each work stream met regularly.²¹ In contrast, in implementing the single farm payment scheme the Rural Payments Agency and Department for Environment, Food & Rural Affairs did not fully appreciate the risks and complexities of implementing the scheme, which consolidated 11 subsidies into one payment. This was due in part to a lack of common understanding of scheme requirements and likely customer behaviours across all key teams within the Department and Agency.²² More recently, to improve coordination in this area the Department has established a project to provide more integrated delivery of Common Agricultural Policy reforms expected in 2015.

Integration success factors

3.17 Our model of the broad requirements for effective integration specified nine key factors linked to successful implementation, and we have examined significant factors relating to commitment and implementation capability. All of the success factors are set out in more detail in **Figure 12** on pages 32 to 34 and Appendix Three. Each of the success factors is illustrated by examples from our reports, demonstrating how the presence or absence of the relevant factor can influence the integration outcome.

21 Comptroller and Auditor General, *The London 2012 Olympic Games and Paralympic Games: post-Games review*, Session 2012-13, HC 794, National Audit Office, December 2012.

22 Comptroller and Auditor General, *The Delays in Administering the 2005 Single Payment Scheme in England*, Session 2005-06, HC 1631, National Audit Office, October 2006.

Figure 12

Examples of how key factors affect the success of integration efforts

Shared vision and objectives

Shared service centres: A lack of common purpose and vision when developing shared service centres for government departments resulted in expensive, over-tailored systems which met individual rather than collective needs.

Streamlined Process for criminal prosecution files: A lack of buy-in from police forces meant a joint initiative with the Crown Prosecution Service to streamline the preparation of criminal prosecution files was not implemented effectively or consistently across the country.

Coalfield regeneration: There was no overall strategy to coordinate three separate coalfield regeneration programmes, and their plans, targets, reporting and accountability arrangements were not linked to overarching objectives for regeneration.

Effective leadership and staffing

Efficiency and Reform Group: Strong leadership helped the Efficiency and Reform Group apply an integrated approach to cost reduction across government, including central controls on recruitment, pay and certain types of spending.

Procurement of specialist fire and rescue equipment: Ineffective leadership and oversight of the specialist procurement body Firebuy meant centralised procurement for fire and rescue equipment was not as cost-effective as anticipated.

Services for people with neurological conditions or rheumatoid arthritis: Our separate reports on services for people with neurological conditions or rheumatoid arthritis both concluded that specialist nurses join up care effectively for patients, but insufficient staffing capacity means patients are missing out on the improved care they could provide.

Responsibilities and accountability arrangements

Guaranteed Minimum Pension payments: Significant errors in Guaranteed Minimum Pension payments resulted from a complex and fragmented delivery system – the responsibilities of the multiple bodies involved were not set out and no one body had overall responsibility for delivery.

Procurement of NHS consumables and high value equipment: Our separate reports on procurement of medical supplies and high value capital equipment in the NHS found there were dispersed responsibilities for procurement decisions, with no single clear coordinating mechanism. This made it difficult for trusts to benefit from bulk collaborative purchasing.

Incentives for integrated working

Efficient use of government property: Departments could make more efficient use of government property by sharing office space, but this can be hampered by the lack of incentives on departments to undertake property moves where the savings would fall to other departments.

Use of hospital PFIs: Our report found little evidence of partnership working between PFI contractors and trusts to drive down costs and produce mutual benefits. Trusts are not incentivised to help contractors reduce costs, because contract specifications do not provide for them to share in the resulting efficiency gains.

Consumer protection: Incentives for tackling consumer protection issues are weighted in favour of local priorities, as local authorities face high resource costs when tackling cases that cross local government boundaries.

Figure 12 *continued*

Examples of how key factors affect the success of integration efforts

Funding mechanisms

Services for people with neurological conditions: Our report questioned whether existing funding mechanisms allow the optimal configuration of care services. It noted that less than 5 per cent of NHS and social care budgets are spent through joint arrangements such as pooled budgets.

Efficient use of government property: Central financing mechanisms may be required to help departments share the costs, risks and benefits of property moves, in order to coordinate the use of government office space more efficiently.

Programme and risk management

Olympic delivery: Good programme management of interdependent work streams and effective management of risks (for example, transport disruption and security threats) contributed to the successful delivery of the Olympic Games.

National Programme for IT in the NHS: Weak project management and oversight meant the Department of Health was in a poor position to negotiate with contracted suppliers to resolve delayed deliveries of IT systems to trusts, which were needed to implement an integrated electronic system for detailed patient care records.

Student finance: Poor programme management hampered the successful centralisation of student finance administration. Key delivery risks, including coping with irregular workflow and new IT and business processes, were not handled well.

Information and technology requirements

Student finance: Poor quality and poorly coordinated management information meant the Student Loans Company, its board and the Department for Business, Innovation & Skills did not have information needed to run or oversee the newly centralised service for student finance administration effectively. The service was subject to IT problems, including overspends and the failure of a critical document scanning system which caused problems for the processing of applications.

Guaranteed Minimum Pension payments: Incomplete pension entitlement information was passed between delivery bodies, leading to errors and overpayments.

Consumer protection: Our report found that information on consumer protection cases which crossed local authority boundaries was split across two databases, which were not coordinated.

Communication and knowledge sharing

National Programme for IT in the NHS: The Department of Health could have avoided some of the problems with the specification of the electronic systems for detailed care records if it had consulted and communicated more effectively with health professionals at the outset.

Assurance for major projects: Our report found there was no formal system for capturing, analysing and sharing insights from major public projects, many of which involve a degree of integration. Without a systematic and coordinated approach to knowledge sharing, government risks missing cross-cutting trends, lessons and examples of good practice. Since our report, the Major Projects Authority has started hosting the 'Learning Legacy' website, intended to apply lessons from the success of the Olympics to other major projects.

Figure 12 *continued*

Examples of how key factors affect the success of integration efforts

Process design and management

Guaranteed Minimum Pension payments: The process for notifying pension schemes of Guaranteed Minimum Pension entitlements was complicated and fragmented, and therefore prone to error. There was a collective failure to recognise interdependencies between the bodies involved and the potential for the process to break down, as well as a failure to institute checks and controls to ensure the process for calculating and administering payments was working correctly.

Student finance: The process for deciding on student finance applications did not cope well with demand in the first year of operation, prompting the Student Loans Company to institute demand management measures to bring about sustained improvements in its administration process.

Single farm payment: Our 2006 report identified a number of errors and procedural weaknesses in the process established to make payments to farmers under the single payment scheme, many of which arose from errors in inputting data on to the computer system.

Source: See Appendix Four: references 5, 8, 10, 13, 17–22, 24–31

Appendix One

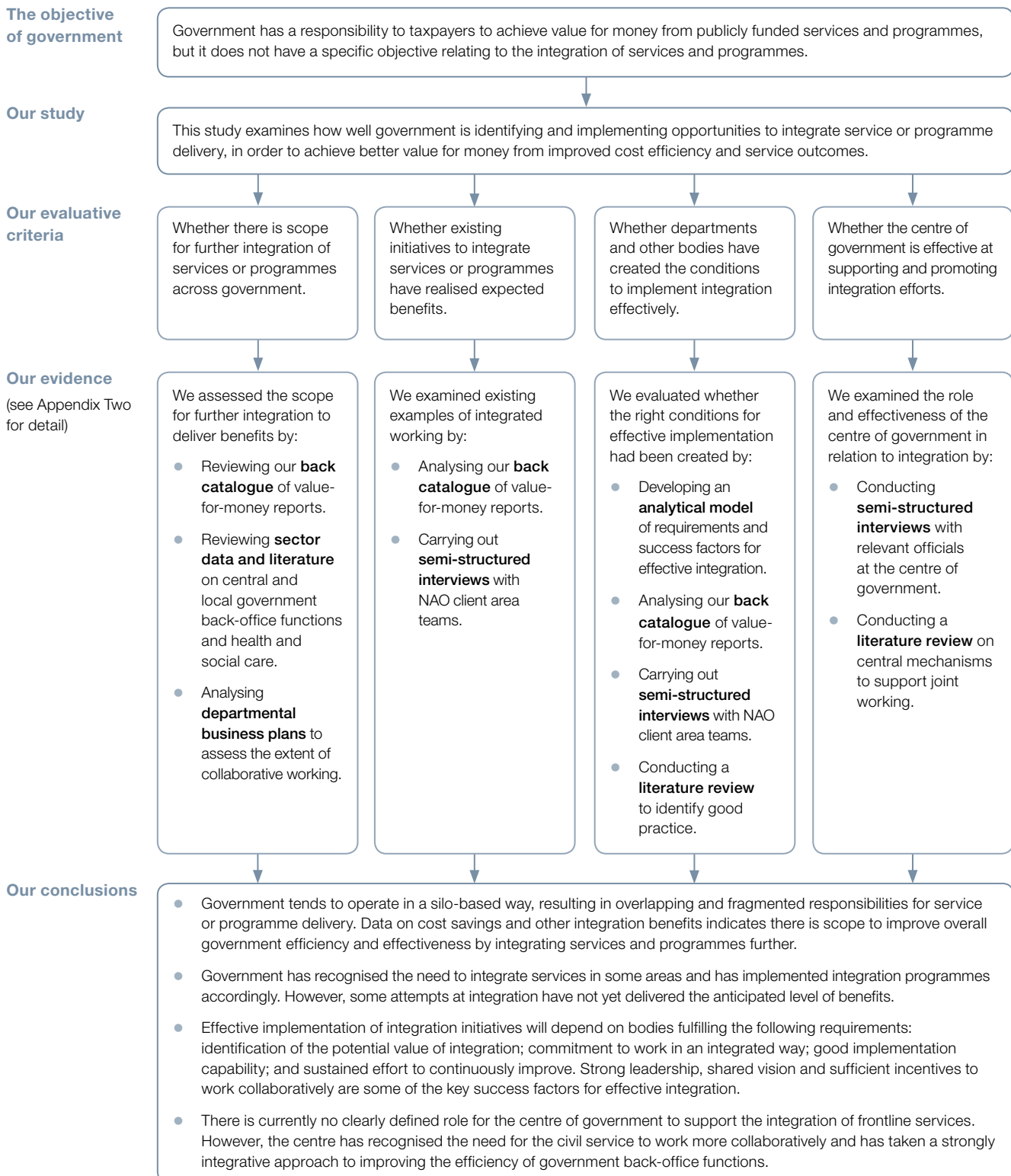
Our audit approach

1 This study examined how well government is identifying and implementing opportunities to integrate service delivery, to achieve better value for money from improved cost efficiency and service outcomes. We reviewed:

- the need to further integrate services across government;
- how well government has implemented existing integration efforts; and
- the conditions that departments and the centre of government need to put in place to make integration work effectively.

2 Our audit approach is summarised in **Figure 13** overleaf, and our evidence base is summarised in Appendix Two.

Figure 13
Our audit approach



Appendix Two

Our evidence base

- 1** We reached our conclusions on how well government is identifying and implementing opportunities for integrated working using evidence collected between July 2012 and January 2013.
- 2** We reviewed 197 National Audit Office **value-for-money reports**, most of which were published between July 2009 and January 2013, to identify case study examples of:
 - areas where government has recognised the need for integrated working and implemented integration initiatives or programmes accordingly; and
 - areas where integrated working is not evident at present, but where it could lead to financial savings and other benefits such as service improvements.
- 3** We selected around 30 reports which raised particularly significant integration issues to examine in greater detail. We followed up our review of these reports by carrying out semi-structured interviews with the relevant NAO client area teams, in order to validate the integration-related conclusions we drew from the reports; and we reviewed underlying documentation and more recent client documents where appropriate. We also examined examples of integration from our **current value-for-money studies**.
- 4** We reviewed **sector data and literature** on local government integration and integrated health and social care to supplement our review of NAO reports and studies. This provided additional data in particular on the potential benefits from integration.
- 5** Our analysis of NAO reports and current studies enabled us to develop an **analytical model** setting out our understanding of the factors required for effective, high-value integrated working (Figure 11). This model incorporates the nine success factors explained in Appendix Three.
- 6** We analysed the 17 **departmental business plans** published in May 2012 to determine the extent to which departments recognised the need for joint working to achieve their priority actions. We also analysed **capability reviews** to assess departments' ability to "collaborate and build common purpose" (one of the capability review criteria).

7 We conducted **semi-structured interviews** with key officials in the Cabinet Office's Implementation Unit and Economic and Domestic Affairs Secretariat, and HM Treasury's Public Services Directorate, to understand the role of the centre in supporting and promoting integration across government.

8 We conducted a **literature review** of academic works, research reports and other material to inform our understanding of the UK's approach to integrated working in government, identify good practice and draw comparisons with other countries' approaches to integration. Our literature review focused in particular on the role of the centre of government in supporting and promoting integration.

9 We arranged for **external expert review** to help develop and test our study scope and issues, methods and emerging conclusions.

Appendix Three

Integration success factors

Figure 14
Success factors

Factor	Description
Shared vision and objectives	A clear vision of what integrated working is intended to achieve, shared by all sponsor/policy/delivery bodies involved. Objectives and targets are specific and well defined – for the overall initiative and for individual organisations.
Effective leadership and staffing	Leaders of organisations involved in the integration effort understand the challenges of integrated working and provide strong leadership. Staff with appropriate expertise and practitioner experience are deployed and developed to provide the necessary skills for successful integrated working.
Responsibilities and accountability arrangements	Responsibilities are well-defined so that all bodies are clear about their role or function in the overall integration initiative. Shared governance arrangements and clear lines of accountability ensure proper and proportionate oversight of all bodies involved in integrated working.
Incentives for integrated working	Incentive systems address situations where there would be little or no incentive for a department or body to perform actions that benefit others rather than itself. Staff performance is managed so that the right incentives are created for people to work together across organisational boundaries.
Funding mechanisms	Funding mechanisms are designed to support integrated working, with all bodies involved having the necessary authority and flexibility over the use of funds. Effective, proportionate monitoring of spending on integrated working enables cost control and appropriate accountability for use of resources.
Programme and risk management	Implementation of the integration programme is managed effectively across all bodies involved, with costs kept under control and implementation completed on time. Risks relating to integrated working are identified and managed, with responsibilities for mitigating risks allocated to the bodies best placed to deal with them.
Information and technology requirements	Appropriate information/data sharing arrangements are in place so that all bodies have access to the information they need. Bodies have the necessary management information to assess their performance, including early identification of emerging delivery problems relating to integrated services. The integrated service or programme is supported by the right enabling technology, including using common platforms where appropriate.
Communication and knowledge sharing	There are good lines of communication between staff in bodies involved in integrated working so that all bodies can work together effectively. Knowledge and lessons learned about improving integrated working are shared with other bodies involved in integration initiatives and more widely across government.
Process design and management	Delivery processes have been integrated successfully to increase their efficiency and effectiveness, for example through greater standardisation of operating procedures. There is continuous improvement of processes to ensure integration benefits are sustained.

Source: National Audit Office

Appendix Four

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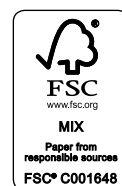
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