



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 683
SESSION 2012-13

31 JANUARY 2013

Cross-government

Early action: landscape review

Key facts

£12bn

estimated spend on early action interventions in health and social policy, 2011-12

£377bn

estimated social spending, including benefits and pensions, 2011-12

5.3m

estimated number of adults in the UK suffering multiple disadvantage

- 19** early interventions (out of hundreds) the Allen review assessed as meeting the most robust evidence standards for impact and cost-effectiveness
- 59 per cent** of children assessed as having a good level of development at age five in 2011, compared with 49 per cent in 2008
- £170 million** estimated annual savings through earlier detection and better management of diabetes-related complications
- 40 per cent** of newly sentenced prisoners report they were permanently excluded from school
- £8.5 billion to £11 billion** estimated annual cost of a cohort of young offenders in 2009

Summary

Background

1 Early action involves providing public services to address causes rather than symptoms. It is where government departments, local authorities or other organisations use resources to prevent cases reaching a more serious or costly state. It can apply to individuals, groups and whole areas of policy, and is often contrasted with ‘reactive’ interventions, like acute healthcare. There is no standard definition, and departments use their own interpretation. The line between early action and reactive interventions is not always clear-cut and can be contested. However, early action can be grouped into three broad types:

- Prevention (upstream): preventing, or minimising the risk, of problems arising – usually through universal policies like health promotion.
- Early intervention (midstream): targeting individuals or groups at high risk or showing early signs of a particular problem to try to stop it occurring.
- Early remedial treatment (downstream): intervening once there is a problem, to stop it getting worse and redress the situation.

2 In principle, early action can provide positive social and economic outcomes and reduce overall public spending by preventing problems becoming embedded. A shift from reactive to preventative spending could improve value for money from public spending, although the political and practical challenges are considerable.

Scope

3 Our report focuses on early action in social policy, encompassing health, education and reducing youth crime. It is a landscape review, intended to inform Parliament about this agenda. We examine evidence on the potential of early action to deliver value for money and reduce public spending over the long term. We identify challenges to expanding early action where it could be used effectively, and discuss progress in addressing them.

Key findings

4 The government recognises the principle that early action is important in providing public services, but does not plan a significant shift in resources. It has stated that early action is at the heart of its work on social justice. The Department of Health, Department for Education, Home Office and Ministry of Justice refer to early action in their high-level objectives and are implementing policies or programmes that contain elements of early action. Yet the amount they spend on specific early action programmes, between them, has remained fairly constant at around £12 billion a year, approximately 6 per cent of their combined spending. Much of this spending is now devolved to local level (paragraphs 1.5 to 1.8).

5 Deficit reduction and localism are a challenge and an opportunity for early action. Departments face significant budget cuts. They are under pressure to preserve high-profile spending, such as hospitals and policing, much of which is acute or reactive. At the same time, many early action programmes are being decentralised. Some local commissioners may discontinue some inherited schemes. But some local authorities are increasing their efforts to join up services and innovate. Over the last year, 40 have declared interest in being ‘early intervention’ areas, and are reshaping many services around early action (paragraphs 1.9 to 1.10 and paragraph 3.17).

6 Early action’s potential to achieve positive benefits for society is unclear. Strong evidence of early action’s impact and cost-effectiveness is thin on the ground. The Allen review¹ found 19 of the hundreds of early action schemes it scrutinised met the very highest evidence standards, and of those only eight were available in the UK. The best examples suggest that, over the long term, returns on investment of up to 4 to 1 can be reasonably expected. However, much uncertainty remains, particularly on whether savings are cashable. Patchy information on costs and activities within most departments increases the difficulty of forecasting potential long-term spending reduction (paragraphs 2.6 to 2.14).

7 We have identified four key challenges that, if addressed, could help design and implement early action more effectively. The government’s response to these shows some positive signs, but there remains room for improvement:

- **Better understanding of what works.** Generating robust evidence is particularly challenging for early action because most programmes are long term and outcomes are difficult to attribute to specific interventions. To date, the majority of UK early action programmes have not properly addressed this problem, which has deterred potential public and private investors. The Cabinet Office, Department for Education, Youth Justice Board and other bodies are working to address the lack of a standard set of evidence requirements and methodology to compare the costs and benefits of different interventions. It remains to be seen whether government can effectively collate and use the potential evidence about what works from the early action initiatives underway (paragraphs 3.3 to 3.12).

¹ Graham Allen MP, *Early Intervention: The Next Steps. An Independent Report to Her Majesty’s Government*, January 2011.

- **Overcoming short-term bias.** Electoral cycles focus the attention of politicians on short-term results. The Cabinet Office, through its work on the social investment market and ‘what works’ centres, is showing leadership in encouraging longer-term planning. The Department of Health and the Department for Work and Pensions are placing more strategic priority on early action in some policy areas. But most departments and their officials remain cautious. Some local authorities seem more determined to use a longer-term approach, but central and local government need to do more to incentivise practitioners to exploit early action potential (paragraphs 3.13 to 3.21).
- **Improving coordination and accountability.** Early action attempts to tackle multifaceted social problems. Therefore bodies must coordinate interventions in the right sequence to maximise success. Aligning goals, working together, careful targeting and sharing data all help achieve this. However, we found little evidence of effective cross-government coordination of early action, either in consistent definition and measurement, or in adequate support structures. We found a mixed picture of bilateral department working, with some good practice, for example strategically in the preventative elements of the drugs strategy and operationally in the Work Programme. More work is needed to find the right balance between clear accountability and local freedom. Locally there are promising signs of breaking down traditional service boundaries and pooling budgets (paragraphs 3.22 to 3.32).
- **Increasing capacity to deliver.** The complex nature of early action interventions requires a combination of skills and capabilities, among them strong project management, good partnership working and a highly skilled delivery workforce. Departments are working to address capacity issues in the frontline delivery workforce, especially in children’s services and youth justice. The Cabinet Office’s work on the social investment market is increasing funding opportunities, but it is too early to assess success. Departments need more capacity to innovate and take bold long-term decisions (paragraphs 3.33 to 3.37).

Conclusion

8 A concerted shift away from reactive spending towards early action can result in better outcomes and greater value for money. The government has signalled its commitment to early action as a principle, and taken some tentative steps towards realising that ambition. We have identified four areas where more can be done: evidence on what works can be gathered more consistently and robustly, and better used; more can be done to identify cashable savings and other benefits; and barriers to organisations joining up, and capability requirements, can be better addressed.

Recommendations

For government

- a** **Government departments and local bodies should agree a consistent definition for early action to ensure comparability of early action activity and spending.** One way forward may be to agree a definition based on the three types of early action we have identified in the report.

For HM Treasury

- b** **HM Treasury should undertake, or commission, an exercise to quantify early action's potential** to reduce public spending, increase economic growth and positive individual and societal outcomes, to inform departmental strategic priorities.
- c** **In ensuring the government's budgetary system supports and incentivises departments to achieve value for money in allocating resources over the medium to long term:**
 - require departments' budgetary submissions to state what level of service and value will be delivered and how performance will be measured on early action projects; and
 - in developing an approach to prioritising spending on the basis of value, work with departments to forecast accurately the monetised and non-monetised benefits of their early action work.

For Cabinet Office

- d** **Ensure there is sufficient capacity at the centre of government to support early action.** The Cabinet Office should review current cross-government structures to consider whether they provide sufficient support and guidance for early action work, and help build capacity where gaps are identified.
- e** **In setting up 'what works' centres, ensure their methodologies use robust cost-effectiveness measures and established ways to calculate and report cashable savings** when applied to early action.
- f** **In driving the social investment market, give delivery bodies guidance on how to link impacts to cost-effectiveness and cashable savings.**

For departments and commissioners

- g** Before the next spending review, consider how early action could reduce long-term service demand, for example by considering which individuals or groups could be best targeted for intervention.
- h** Examine current early action projects in a rigorous and consistent way, using best practice evaluation criteria on cost–benefit analysis and outcome attribution. Compare results to current service and activity costs to inform future priorities, identify opportunities for more early action, and stop or modify those projects producing poor investment returns.