

Transformational Government - the continuing barriers to joined up delivery & shared services

This brief note analyses the lessons learnt from two transformational, cross cutting initiatives, that have struggled to get support within government for reasons other than their merits, in order to explore some of the barriers to Transformational Government. In particular, as the two initiatives are over 5 years apart, they also act as one indicator of the degree to which the Transformational Government strategy that has so far impacted to remove or reduce these barriers.

Your Guide

Five years ago the Government provided £25m for a pilot project called "Your Guide". The essence of the proposition was to provide a One-Stop-Shop using a trusted intermediary (the Post Office) targeted at more vulnerable consumers. The objective was demonstrate improved access and service plus reduced costs by providing a single point of joined up access for local and central government and related voluntary and private sector services.

The pilot in Leicestershire was well used and welcomed by the public, service providers and regulators. It was expected to proceed to national rollout but, following a flawed evaluation, the pilot was dropped. Worst still, because the widespread support for the service caused embarrassment, the pilot was effectively erased from history and the £25m worth of good and bad lessons learned have been effectively lost to the public sector.

The Saving from Poverty (SfP) proposition

Today another proposition that aims to improve service to vulnerable consumers is struggling to achieve support for even a full and objective evaluation at feasibility stage. SfP seeks to reduce poverty and improve social justice for the large numbers of UK consumers who are suffering the double disadvantage of not only living in poverty but of also having to paying c£1k pa more for basic goods and services because of their low income. This often creates a vicious spiral of debt, resort to doorstep lenders, higher debt, default etc that is not only catastrophic for the consumer but highly costly for the public and private sector service providers and taxpayers - in terms of both increased direct costs-to-serve and indirect costs (eg homelessness, ill health, crime).

At its most basic level, Saving from Poverty seeks to reuse, develop and share the existing Post Office Card Account (POCA) infrastructure, that over 4m mainly poorer consumers already hold, to provide the equivalent of a weekly direct debit to budget for bills and/or pay off existing debt. This will replace existing high cost and insecure budgeting mechanisms such as cash (the 'jam jar') and saving stamps plus reduce the numbers on prepayment meters (many of whom self disconnect when money is short). SfP users will attract appropriate tariff reductions from utility providers, many of whom currently charge non-direct debit consumers a premium.

The additional budgeting and debt repayment applications will be combined with holistic management across each consumer's bill/debt portfolio, so that the consumer rather than the individual bill or debt is managed and debt repayment is prioritised and allocated fairly using agreed protocols. Such an approach will stop the current debt collection 'first-come-first served, arms race' between service providers that the current unilateral trading model encourages and only exacerbates the problems of high costs for all to produce outcomes none want. In addition SfP will offer simple debt advice as a 'first stop shop' and signpost

consumers with more complex problems to relevant experts as appropriate (such as Citizens Advice Bureau, Consumer Direct, OfGem, the FSA etc).

For service providers, SfP enables both cross-government and cross-sector working, identifying common customers with common problems and moving them to a shared service with much reduced costs for all. The concept contributes to numerous govt policies including Transformational Government (including Citizen Centricity & Shared Services), the Efficiency agenda, Social Inclusion, reducing Fuel Poverty, the future of the Post Office network, social justice etc. It has therefore gained widespread support, including among utility organisations and private sector suppliers who have agreed to part fund a £200k feasibility study, subject to government agreeing to contribute a £50k share. Nevertheless, despite (perhaps because of?) its clear fit with the joined up government agenda, it has not been possible to identify a champion within Government.

Lessons learnt

Both projects depend on Government having the culture, mechanisms and capabilities in place to support the delivery of its policies and strategies, including being able and prepared to join up decision making and use shared services provided by intermediaries. Despite being 5 years apart the barriers both projects have encountered are remarkably similar and fall into the following broad categories:

1. Performance Management regimes not designed to achieve policy objectives

Govt continues to suffer from the 'humpty dumpty' syndrome ie joined up policies and budgets that cannot be put back together again once responsibilities have been fragmented across a multitude of delivery departments. Recent Capability reviews have identified a common problem of a lack of robust and holistic performance management regimes to link policy objectives with day to day activities. One key reason for this is that departments currently measure what is easier to measure rather than what matters to deliver policy outcomes.

For example, policy objectives such as "work to end poverty in all its forms" lose out in terms of priority to simpler operational objectives such minimising the silo component cost of paying benefit to those without bank accounts.

2. Reducing silo, component costs vs Maximising Public Value

Similarly current accounting and cultural practices do not allow for holistic assessments of Public Value (which includes not only the true end-to-end costs of the full 'customer journey' across different departments but also the more indirect and consequential 'customer lifetime' costs). Traditional cost accounting methods mean that Public bodies are tasked with minimising their own costs and this often means that direct and 'failure' costs that are shifted to other public bodies are ignored. The result can be that a small saving for one organisation results in a very much larger cost elsewhere.

In the case of Your Guide, each department took the stance that value should be measured in terms of a direct comparison of their own transaction costs for each component of the services (which spanned many services from 35 different bodies). Yet even such crude, silo measures proved impossible to compare accurately and fairly.

Prior to the pilot starting the departments rejected a base lining proposal using a common, best practice costing methodology, but then failed to measure many of the basic outputs (such as number pre qualified telephone applications for benefits generated as a result of Your Guide). Subsequently the government also rejected the principles agreed in the business case prior

to pilot launch (to use the pilot results to project the cost:benefits for national roll out) and instead used a 'cost per customer served during the pilot' comparison (which naturally included a high level of fixed costs and low economies of scale) to calculate that roll out would not be cost effective.

In the case of Saving from Poverty, DWP's focus on reducing its silo and component cost for paying benefits (by moving consumers from POCA to bank accounts), is blocking consideration of the significant savings that can be made by adding more consumer friendly applications (eg other inpayments, budgeting, debt repayment) and then sharing the use of the existing POCA infrastructure across 100s of other service providers across the public and private sectors who need to reach the same vulnerable consumers. This stance does not even consider the failure costs of the current system to other parts of DWP (eg in social fund loans, DWP's own debt and the cost of the debt it collects for others via direct deductions from benefits). It certainly does not take into account the high indirect costs of the current silo trading model to the UK as a whole (eg debt, poverty, homelessness, health, crime etc).

One root cause for this myopia is the general lack of understanding across the public sector of the holistic, end-to-end costs of their current processes. The scale of this problem was underlined recently by NAO who, in the absence of common baselines, benchmarks and measures, admit that they can only verify 26% of the efficiency savings claimed to date across all levels of government. It is therefore no surprise that more advanced concepts in use in the private sector, such as the 'customer journey' and 'customer life time costs', are not currently adopted – yet more holistic measures are vital to the achievement of transformational Government.

3. Leadership, Accountability & Consistency

Policy priorities often begin to unravel even at the level of leadership. Your Guide struggled for some time to find the right area and level of sponsorship within government precisely because, as a joined up proposition, it spanned so many. As a result various departments played 'pass the parcel' until eventually the pilot had to settle for DTI sponsorship - on the rationale that it is responsible for the Post Office, rather than the preferred option of Cabinet Office or Treasury who were responsible for promoting joined up working and had greater clout.

Nevertheless initially a DTI junior Minister and a senior DTI official both enthusiastically and effectively championed the project through the tortuous approvals and contracting process..... until both changed jobs in the month before pilot go live. Their successors took a completely different and less proactive approach, including not even visiting the pilot during it's 6 months of operation and overturning the agreed success criteria.

Five years on, a key problem for SfP remains the unclear accountability for a joined up, shared service, which spans not only a range of central and local govt depts but also the voluntary and private sectors. One example of the continuing 'humpty dumpty' syndrome in terms of leadership even occurs at ministerial level - although a Minister for Social Inclusion has been created, she is not responsible for financial inclusion and the latter responsibility has recently been passed from HMT to DWP...who have recently been criticised in the Capability Review for their inability to join up even across DWP.

At one stage in 2006 the creation of the Progressive Service Delivery team (a joint DWP, HMRC and LAs initiative), offered hope that a more pan government perspective would prevail. Following an drawn out application and review process, the PSD agreed to co-fund the SfP feasibility study....but were then promptly disbanded. The labyrinthine and constantly changing accountabilities within government are a major barrier and disincentive for intermediaries, who often cannot afford the costs, time or risks involved.

4. Designing services around customer needs

Both Saving from Poverty and Your Guide were designed around the well researched needs of vulnerable customers, including their preference for using trusted, non govt and non private sector intermediaries. However, despite the avowed desire of government to become more citizen centric, this very customer orientation appears to have actively counted against both. For example Your Guide suffered for its integrated, simple, common 'look and feel', multi-channel approach (which linked touch screen kiosks with phone, print and face-to-face support). The policy obsession at the time was to pursue 'e' and direct internet access in isolation for their own sake and this counted against Your Guide – even though the pilot proved that vulnerable consumers preferred and used the approach.

The absence of a govt channel strategy was, then and remains, a major 'root cause' barrier, particularly to intermediary based services.

In the case of Saving from Poverty, the current doctrine that BBAs are the only way of achieving Financial Inclusion is causing the opportunity to reuse the existing POCA infrastructure (which over 4m customers have chosen to use in preference to BBAs) more effectively and efficiently to be ignored. This despite repeated research, including by the govt itself, that clearly demonstrates that many vulnerable customers will not /cannot use banks and banks are unwilling to make the fundamental changes to their business model required to meet the needs of such customers. For example, recent research by NCC shows that many consumers, who have been compelled to use BBAs to access benefits, are not being financially included because they are either continuing to act as unbanked (by withdrawing all their cash immediately) or are worse off in terms of debt (due to bank charges, temptation into loans etc) than those who remain unbanked.

Summary

The above examples highlight the similar barriers encountered by two transformational initiatives 5 years apart and suggest that the Transformational Government strategy has yet to have a real impact in changing the culture and processes of government even at the highest levels. A reluctance to openly review and learn from the good and bad lessons from the past (such as Your Guide) is perhaps one root cause of the slow progress that is being made and as the saying goes:

"Those who fail to learn from history are doomed to repeat it"