



National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 1041
SESSION 2012-13

13 MARCH 2013

Cabinet Office and HM Treasury

Integration across government

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.