



House of Commons  
Public Accounts Committee

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# Learning and Innovation in Government

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Forty-third Report of Session  
2008–09

*Report, together with formal minutes, oral and  
written evidence*

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## The Public Accounts Committee

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at <http://www.parliament.uk/pac>. A list of Reports of the Committee in the present Session is at the back of this volume.

### Committee staff

The current staff of the Committee is Mark Etherton (Clerk), Lorna Horton (Senior Committee Assistant), Pam Morris (Committee Assistant), Jane Lauder (Committee Assistant) and Alex Paterson (Media Officer).

### Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee’s email address is [pubaccom@parliament.uk](mailto:pubaccom@parliament.uk).

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## Summary

To find more efficient and effective ways of delivering services with reduced resources, government need to learn from past experiences, and identify and implement innovative ways of tackling problems. This is particularly important in the current economic climate. Numerous reports by the Comptroller and Auditor General and from this Committee have highlighted that government can repeat the same mistakes and fail to learn from the past. But we have also seen the successful implementation of projects such as the roll out of the Jobcentre Plus network and the ePassport, which demonstrated good learning from piloting and past experience respectively.

Innovation involves trying new things, some of which ultimately will not work. So experimentation is necessary, but with public money at stake, government needs to be able to halt ineffective activities quickly and learn lessons from them. Projects examined by the Committee have suffered from a lack of available project management skills and a failure to nurture those they do have, such as in the C-NOMIS and Bowman projects. Ways of capturing lessons have been introduced, such as the OGC's Gateway Reviews, but some of the projects subject to them have still experienced problems. Government has also paid insufficient attention to analysing the lessons from the reviews. A lack of good management information is still a hindrance in some cases, and inhibits understanding the impact of innovation.

There are a number of barriers to change in government. These include:

- a) poor sharing of knowledge across organisational boundaries;
- b) risk-averse attitudes which both stifle innovation and prevent lessons being learned;
- c) learning and innovation not being built routinely into staff appraisals and competency frameworks;
- d) too few ideas being generated from service users, suppliers and other organisations, and their own front-line staff, and
- e) many staff considering they do not have the incentives to learn or to innovate.

Government has introduced initiatives to try to tackle these barriers. The HMRC's Angels and Dragons initiative is a well resourced approach which helps staff take forward suggestions with strong senior management backing. More widely, communities of practice of people with specialist knowledge—for example, the Chief Technology Officers Council and the Change Directors' Network—are considered by departments as the most useful ways of spreading learning.

The complexity of central government means responsibility for cross-cutting issues will inevitably be distributed across different bodies. The Treasury and Cabinet Office have tried to present a more coherent and consistent message to manage the risk of giving conflicting advice, but Departments are not always clear which part of the centre is responsible for what. In 2008, the central departments established a cross-government working Compact setting out how the centre will work with departments, and they have

held joint board meetings.

On the basis of two reports by the Comptroller and Auditor General,<sup>1</sup> the Committee examined the Department for Innovation, Universities and Skills (since replaced by the Department for Business, Innovation and Skills), the Cabinet Office and the National School of Government on learning from success and failure, the barriers to learning and innovation, sharing ideas and knowledge, and the role of the centre in promoting this agenda.

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<sup>1</sup> C&AG's Report, *Helping Government Learn*, HC (2008–09) 129; C&AG's Report, *Innovation across central government*, HC (2008–09) 12

## Conclusions and recommendations

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- 1. Learning and innovation in government require the right balance of incentives and rewards, well informed understanding of risk, and determined leadership.** To be more effective at learning and innovation requires a change in the culture of central government organisations. In particular, organisations need to strike a new balance between thoroughly considering the risks associated with change, and not unnecessarily delaying the ‘time to market’ for new initiatives through over-caution. They should also spread risks by trialling different solutions to problems. In the attached Annex we recommend some key principles which public organisations should follow to help strike that balance.
- 2. Innovation cannot be driven from the centre of government but central bodies have an important role to play in spreading knowledge of what works.** Departments find the support and guidance from the centre helpful but can be confused by the range of organisations providing support and the amount of guidance. The centre should encourage learning and innovation, set priorities and measure progress. To avoid moving resources away from the frontline, the centre should be streamlined, able to justify its activities on business grounds and organised so it can demonstrate the added value it provides. The support and guidance it provides should take explicit account of what departments say they find most useful and effective.
- 3. Performance monitoring is likely to be most effective where there is transparency around the results.** Gateway reviews are an important tool, but could be made more effective at encouraging learning and innovation. This Committee has previously argued for increased transparency in respect of the Gateway reviews.<sup>2</sup> The reviews will be more effective if they are published and their conclusions shared across government, in keeping with the spirit of the United States Government’s ExpectMore.gov website. OGC should also analyse systematically the available data from previously completed reviews, in order to identify systemic lessons which should be shared more widely.
- 4. The civil service’s need to develop a more open culture which encourages learning and innovation could be encouraged further via the capability review process.** The annex to these recommendations summarises how we think the culture can be changed. The capability reviews consider issues relevant to innovation and learning under their headings of leadership, strategy and delivery. As part of the changes to the review process recommended in our report *Assessment of the Capability Review programme*, the reviews should bring this evidence together to make an explicit assessment of the capability of departments to learn and innovate.

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<sup>2</sup> Committee of Public Accounts, Twenty-seventh Report of Session 2006–07, *Delivering successful IT-enabled business change*, HC 113

5. **Assessing the success of innovation by government is crucial for making the case for change but is hindered by measurement difficulties.** Developing good data would support innovation by:
- (a) identifying where it is needed;
  - (b) demonstrating that innovative solutions are worth investing in;
  - (c) helping measure progress in developing innovation capability, and
  - (d) assessing whether an innovative activity is working or should be stopped.

The work on the measurement of innovation commissioned by the Department for Business, Innovation and Skills and the National Endowment for Science, Technology and the Arts needs to meet these objectives. This means at an organisational level, using measures developed from the NAO's survey work to track departmental progress. For individual initiatives, indicators need to be based on clear objectives for the project and allow progress to be measured early enough to make quick decisions.

6. **Bringing people with private sector experience into government can promote innovation and improve performance, but some struggle to adapt and leave.** An increasing number of officials have come from the private sector, bringing with them necessary skills and experience. Some have found it hard to get used to, or influence, the ways of working in government and leave. To counter this, departments and the centre should enhance the induction and support for new people, making use for example, of the professional networks which are in place across government.

## Annex: Principles for learning and innovation

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**Based on the reports by the Comptroller and Auditor General, as well as the Committee's experiences from its examination of past projects, we have compiled a list of key principles fundamental to learning and innovation. Departments should consider how they match up to them.**

1. Effective learning and innovation are unlikely to happen by accident; they are much more likely to occur where an organisation takes a **systematic approach** to considering what works and why, and to transforming this understanding into new ideas.
2. Learning needs to become part of an organisation's normal day-to-day practices and **culture**, and not something that only takes place following a crisis.
3. An innovative tone needs to be set at the top. **Leaders need to be role models**, setting a positive example and lending their full support to others who demonstrate such behaviours.
4. **Transparency and openness about performance** enables others to learn from an organisation's successes, and allows the organisation itself to learn how to avoid repeating its own failures. Failure should not be ignored or covered up, but should be seen as an opportunity to learn and to succeed in the future.
5. Organisations should form networks beyond their borders, pro-actively seeking to **share information** and learn from others. Similarly, within a learning organisation, individuals should be expected to share information with their peers as part of an organisation's overall knowledge management strategy.
6. Learning and innovative organisations are **responsive to outside ideas and opinions**. Seeking to learn from the experiences of service users and front line staff is of particular value when seeking to make improvements.
7. By **collaborating** more with their suppliers, rather than simply contracting with them, public organisations can make the most of their suppliers' skills, and secure the transfer of those skills both formally at the end of a project, and through informal contact during the course of the work. Outcome-based procurement, as opposed to techniques prescribing the required product, gives suppliers the scope to come up with innovative solutions to an organisation's problems.
8. Front-line staff are often best-placed to identify innovative solutions to problems. Systems are needed to draw on **front-line staff**, to enable their ideas to be heard, and to give them the support they need to develop them into prototypes which can be tested.
9. **Peer review** should be welcomed as an opportunity for learning rather than a threat. The Capability Review process, which identifies areas where Departments need to improve, has shown the potential to share knowledge across government in an open and constructive manner.

10. Organisations need good **management information** in order to identify areas where improvements are needed, and to measure the effectiveness of changes that are introduced. In an innovative organisation not all innovations will succeed so management needs information to identify and act on signs of failure early, learning lessons for the future.

11. **Incentives to learn and innovate** need to be in place to encourage staff. These can include formal reward schemes, as well as recognition through appraisal and promotion. It is important to avoid perverse incentives which could lead someone to choose not to share knowledge and understanding or to innovate.

12. Departments should **assess the skills required to manage a particular project**, and consider whether they possess them. Where they do, the department should aim to use the most qualified individuals to manage projects across the organisation in a way which enables their knowledge and skills to be transferred to others. Where they do not, they should seek external assistance (in the form of training or consultants), ensuring that learning is effectively captured and transferred as part of the contractual arrangements.

# 1 Learning from success and failure

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1. The size and complexity of Government initiatives, along with the pressures of, for example, the economic downturn, the ageing of the population and climate change, mean that the public sector's ability to learn from past experiences and to innovate are more important than ever. Departments and agencies need to find more efficient and effective ways of delivering services with reduced resources. They also need to be able to learn and adapt to changing circumstances, coming up with innovative ways of tackling problems.<sup>3</sup>

2. Numerous past reports by the Comptroller and Auditor General and this Committee have highlighted that government can repeat the same mistakes and fail to learn from past experience. For example, the implementation of the Single Payment Scheme for European Union agricultural subsidies in 2005 did not take account of the accumulated knowledge of how to implement change management programmes successfully, whilst poor project management at the National Offender Management Service led to many common mistakes being made with their single offender management IT system. Failure to learn from past experiences in these cases led to poor quality of service, considerable wasted expenditure and failed policy implementation.<sup>4</sup>

3. On the other hand, there are examples of successful learning. The roll out of the 800 office Jobcentre Plus network, one of the largest public sector projects of recent years, came in within its £2 billion budget. Critical factors in its success were the intelligent use of existing project guidance and learning from the roll out of the early offices. The project also benefited from the considerable experience that senior officials had of the organisation. The ePassport programme, which was introduced in 2006, was a success, in part because it drew on the experience of the Passport Agency crisis of 1999.<sup>5</sup>

4. Successful organisations try lots of things, some of which will not work. Some degree of failure is to be expected, but innovative organisations will have a portfolio of projects, with effective monitoring information to enable them to assess progress or lack of it, and will stop failing initiatives early and cheaply. With public money at stake, civil servants also need to be equipped with the skills and tools to enable them to select from a wide range of options, to pilot and assess projects, and to terminate them if they are not going to succeed. This will help to avoid repeating the common past mistake of persevering with initiatives which should have been terminated more quickly.<sup>6</sup>

5. One of the themes of past failed projects has been the lack of available project management skills and appropriate governance arrangements. For example, the C-NOMIS project was hampered by a consistent shortage of skilled personnel, and hence an over-reliance on contracted-in staff. Failure to put in place the right project management skills and governance affected the delivery of other projects reviewed by the Committee

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3 C&AG's Report, *Innovation across central government*, para 1

4 Qq 1–2; C&AG's Report, *Helping Government Learn*, para 1.4; C&AG's Report, *The Delays In Administering the Single Payment System*, HC (2005–06) 1631; C&AG's Report, *The National Offender Management Information System*, HC (2008–09) 292

5 *Helping Government Learn*, paras 1.5–1.6, Case A

6 Qq 5, 13; *Innovation across central government*, para 2.8

including the National Programme for IT in the NHS and the Bowman radio communication system. It is a positive sign that more expertise is being brought into government, but internal expertise needs to be built up too. Things go wrong where unsuitably skilled staff are brought in to run a contractual relationship, or where they abdicate responsibility to private sector contractors.<sup>7</sup> There is no substitute for building up the learning and experience of in-house managers so that they can manage projects and the risks associated with them, and get the best from external contractors.

6. In recent years, the Government has introduced ways of capturing knowledge of what works well and the common causes of failure. The Office of Government Commerce's Gateway process can provide an effective challenge process throughout the life a project. Some problematic initiatives such as the Child Support Agency, tax credits, and the Single Payment Scheme started as good ideas but were badly implemented, in part because they were not subject to sufficient external challenge. Introducing earlier reviews into the Gateway process should help, but the process is not without its own flaws. Projects which have been subject to reviews have still experienced problems, and there is evidence that they are not always taken seriously.<sup>8</sup> This is reinforced by a lack of transparency. Unlike the USA, where performance reports for public programmes are published on the internet, there is an unwillingness to reveal performance information. The publication of capability reviews is to be welcomed.<sup>9</sup>

7. Government has shown that it can learn from crisis. Examples include the handling of the second Foot and Mouth crisis, and the development of the Flood Warnings Direct system.<sup>10</sup> However, it is also important that departments learn routinely from day to day activity, which requires more systemic changes in the culture within an organisation. Examples of how this can happen include making staff feel able to speak openly about failure, giving staff sufficient time to learn and reflect on the way they carry out their work and how it could be done better, rewarding the generation of new ideas as well as the successful completion of projects, and ensuring that post-project reviews are routinely undertaken. The message that failure can be tolerated if difficulties are managed well, learnt from, and projects stopped once it is clear they will not work, needs to reach all staff, because risk aversion and fear of failure are major impediments to innovation.<sup>11</sup>

8. Given the importance of recognising the signs of failure, departments must be able to assess the likelihood of an initiative failing. Robust testing, piloting, and measurement help departments to make sound decisions about rolling out projects and have allowed unsuccessful initiatives to be stopped early, but lack of good management information is still a hindrance in some cases.<sup>12</sup> It is more difficult to measure success in the public sector and therefore tell what is working, whereas in the private sector, if something succeeds it sells. Departments need to be clear about the objectives for the activity at the beginning, and to set tests based on them which will allow success to be measured early. Prior to the

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7 Qq 20–21, 40–42

8 Qq 15, 36, 48–49

9 Qq 44–45

10 *Helping Government Learn, Case C; Innovation across central government, Case 4*

11 Q 7; *Helping Government Learn, Box 2; Innovation across central government, Box 3, paras 3.28–3.32*

12 Q 5; *Innovation across central government, paras 2.8, 2.12, 3.26*

recent machinery of government changes, the Department for Innovation, Universities and Skills was funding the National School of Government to develop tools to help civil servants do this, and we expect its successors will continue to do so.<sup>13</sup>

## 2 Tackling the barriers to learning and innovation

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9. A number of barriers, both structural and cultural, exist which make it more difficult for departments to learn. These include siloed organisational structures, a lack of time to take stock of lessons, and pressure to move on to the next project. There are also significant barriers to innovation within government, including organisational hierarchies, risk averse attitudes to change, staff having neither the time nor incentive to propose and develop ideas, a lack of funding for innovation, and variable quality in the management information to identify opportunities to innovate.<sup>14</sup>

10. Positive leadership can help to overcome these barriers. The ePassport programme and HMRC's Angels and Dragons schemes show the importance of clear messages from leaders about why learning and innovation are needed and what they expect from their staff. Other successful cases of government learning are often characterised by a combination of senior management engagement, support for learning from the front-line, and systems and processes which allow knowledge to be captured and shared.<sup>15</sup>

11. A similarly proactive approach is required to encourage staff to think creatively in order to generate innovative ideas. Leaders need to tackle risk aversion amongst staff and ensure that they are aware that well managed innovation is actively encouraged.<sup>16</sup> Both learning and innovation may require resources to be invested up front in order to deliver benefits later on, but it is important that departments make intelligent use of existing funding sources. The Flood Warnings Direct example shows how consideration of an innovation's transferability to other bodies assisted with securing funding for an initiative with the potential to deliver improvements to services and efficiency. The Met Office contributed funding as severe weather warnings could be issued in the same way.<sup>17</sup>

12. To become more innovative staff need opportunities for new experiences. Getting policy officials back to the front line where they can see the consequences of their policies provides both the opportunities to learn from experience and a stimulus to fresh thinking. Spending time within the private sector or on secondment is also valuable. The Whitehall Innovation Group shows there is considerable interest in sharing ideas about innovation amongst those involved in improvement programmes.<sup>18</sup>

13. Rapid successions of initiatives and movement of staff into and out of key roles prevent learning. Even in the private sector, capable people move often, but problems occur when this leaves a gap in organisational knowledge.<sup>19</sup> Departments should seek to keep key people, for example, experienced project managers, in place for the duration of projects

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14 *Helping Government Learn*, paras 2.3–2.4, 3.7–3.8; *Innovation across central government*, paras 3.16, 3.25–3.27

15 *Helping Government Learn*, paras 2.2–2.9, Cases A, G; *Innovation across central government*, Case 9

16 Q 13, *Innovation across central government*, paras 3.16, 3.20–3.24

17 Q 3; *Innovation across central government*, paras 3.28–3.29, Case 4

18 Q 12

19 Qq 16–19

and or develop robust succession planning to avoid disruption. The difficulty of building up collective experience in the civil service because of frequent reorganisations underlines the need for a shared learning policy across Whitehall. The National School of Government is working with senior officials across government to define priorities.<sup>20</sup>

14. The role of ministers can be important. The former Permanent Secretary from the Department of Innovation, Universities and Skills argued that involving ministers in the management and culture of the department—as well as the policymaking—could enhance the Department’s efficiency and help develop support for organisational initiatives. The example he gave was the move to ‘hot desking’ as a way of making better use of office space, for which he had ministerial support.<sup>21</sup>

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20 Q 24

21 Qq 53–55

## 3 Sharing ideas and knowledge

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15. Government is not making best use of all possible sources of knowledge and ideas for improving services or delivering efficiencies. Most innovations still stem from ideas generated by senior managers, and more needs to be done to source and develop ideas from front-line staff, users of services, suppliers, and even other government departments.<sup>22</sup>

16. Many staff do not consider they have the incentives to learn, to share ideas or to innovate. Such concepts are not systematically built into organisational competency frameworks and appraisal regimes in departments. In the private sector, innovative companies often have reward schemes which allow staff to share in the benefits of their idea. Government departments need to experiment with their own ways of effectively incentivising their staff to generate ideas. The HM Revenue and Customs' Angels and Dragons initiative is a well resourced approach which helps staff take forward their ideas with strong senior management backing.<sup>23</sup>

17. The users of services are best placed to tell government departments how services could be improved. Yet not all departments systematically seek to learn and secure ideas from users, with only just over half saying that they use customer insight to inform policy and strategy and to prioritise service improvements.<sup>24</sup> An invaluable source of customer opinion is a complaints process, which can help to identify the aspects of a department's service which is not working effectively. Considerable learning can be derived from analysing trends systematically, although work still needs to be done in the health and social care, and welfare sectors to maximise the potential of this source of knowledge.<sup>25</sup>

18. Government spends more than £75 billion annually on buying in external support and expertise.<sup>26</sup> This should be a source of new ideas and learning. More innovative procurement procedures, specifying outputs and outcomes not the methods of delivery, have generated innovative solutions to problems, but their use is not widespread. The Prison Service allowed the private sector to develop innovative solutions to its problem of the high cost of disposal of prison mattresses. Instead of taking a standard approach to what could have been treated as a routine item, they specified the quality of the mattress but asked suppliers to come up with proposals for zero waste disposal.<sup>27</sup> Where consultants are used, successful projects capture skills and knowledge before the contract ends, so that the department is better placed to carry out the activity itself in future.<sup>28</sup>

19. Lessons from success could also be spread more effectively. Some progress has been made in recent years in building communities of people with specialist knowledge across

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22 *Innovation across central government*, paras 2.2, 3.3, Figure 4

23 *Helping Government Learn*, paras 3.12–3.13, Case G; *Innovation across central government*, paras 3.14–3.19

24 *Helping Government Learn*, para 2.9; *Innovation across central government*, paras 2.5, 3.11–3.13

25 *Helping Government Learn*, Case D

26 Analysis for *Public Services Industry Review*, BERR 2008, by Oxford Economics, using Treasury Public Expenditure Statistical Analyses and Office for National Statistics data

27 *Innovation across central government*, Case Example 6

28 *Innovation across central government*, paras 3.4–3.9; *Helping Government Learn*, para 2.5, Case A

government. Departments consider these networks, such as the Chief Technology Officers Council and the Change Directors' Network, among the most effective ways of spreading learning and of generating and capturing innovative ideas.<sup>29</sup> The OGC Gateway reviews and Capability Reviews are also examples of involving experienced people from outside an organisation in reviewing the performance of others. Where they exist, formal and informal staff networks, and the work of innovation units, have helped facilitate the flow of information around and between departments.<sup>30</sup>

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29 Q 10; *Helping Government Learn*, para 3.33

30 Q 8; *Helping Government Learn*, para 3.11; *Innovation across central government*, Figure 6, paras 3.31–3.32

## 4 The role of the centre

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20. A number of central government bodies have responsibilities for innovation and learning. The Cabinet Office is involved through its role in increasing civil service capability, and the Prime Minister's Delivery Unit (within the Treasury) is tasked with capturing good practice in delivery. The National School of Government offers training and development. The Department for Innovation, Universities and Skills (now the Department for Business, Innovation and Skills) has lead responsibility for increasing the levels of innovation in the public sector, with its non-departmental public bodies such as NESTA (the National Endowment for Science, Technology and the Arts) and the Design Council playing a role in delivering its strategy. The Cabinet Office is also involved in innovation through its responsibilities for Transformational Government and public service reform, while the Treasury encourages innovation to improve operational efficiency.<sup>31</sup>

21. There is much guidance on learning which could be clarified, but departments generally consider the centre does not have a strong influence either on innovation or learning. There are various interlocking government agendas, including innovation, learning, transformational government, and efficiency, which adds to the confusion. These inter-relationships could be made clearer, in particular the need for innovation in order to meet the demands of the current challenging economic circumstances.<sup>32</sup>

22. The complexity of central government means responsibility for cross-cutting issues will inevitably be distributed across different bodies, but there is some confusion amongst departments as to which body has what responsibility. To counter the risk of giving conflicting advice, the Treasury and Cabinet Office have tried to present a more coherent and consistent message. In 2008, they established a cross-departmental working Compact, which sets out how they will work with other departments, setting minimum expectations for collaboration.<sup>33</sup>

23. In relation to learning, the role of the centre is to identify and spread good practices like those in the case studies of learning in the reports of the Comptroller and Auditor General. They have developed the Top 200 Group, which has brought together senior civil servants to discuss topics such as making use of customer insight data, behaviour change, and innovation, within an environment where people can be open about successes and failures.<sup>34</sup> The centre of government is promoting learning and innovation in other ways. In March 2008, the National School of Government and the Cabinet Office held a three day event (Civil Service Live) to bring together civil servants from across the country to discuss challenges and developments to the civil service, and used innovation as a focus for this event. This event is being repeated in 2009. To improve the infrastructure for sharing

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31 *Helping Government Learn*, paras 3.24–3.29; *Innovation across central government*, paras 1.9–1.12

32 *Innovation across central government*, paras 16–17, 3.21; *Helping Government Learn*, paras 3.28–3.29

33 Q 7; *Helping Government Learn*, para 3.28

34 Q 26

knowledge across departments, the Cabinet Office and National Archives are piloting a 'Civil Pages' directory building on international examples.<sup>35</sup>

24. In relation to innovation, the new Department for Business, Innovation and Skills develops policy for innovation across the whole economy, but others need to implement it. It is not possible to do everything from the centre, and the Department cannot function as a central brain.<sup>36</sup> The Treasury also has a role, in that while the Department for Business, Innovation and Skills is seeking innovation to improve services, the Treasury is looking for ways to do so with less money. Doing more with less is now a major driver for innovation, and this pressure on resources, combined with the actions the former Department for Innovation, Universities and Skills took to learn what works, is helping progress to be made on government innovation.<sup>37</sup>

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35 *Helping Government Learn*, para 3.31, Glossary

36 Q 28

37 Qq 3, 29

# Formal Minutes

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**Wednesday 8 July 2009**

Members present:

Mr Edward Leigh, in the Chair

Mr Paul Burstow

Mr David Curry

Nigel Griffiths

Mr Austin Mitchell

Dr John Pugh

Geraldine Smith

Mr Don Touhig

Mr Alan Williams

Draft Report (*Learning and Innovation in Government*), proposed by the Chairman, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 24 read and agreed to.

Conclusions and recommendations read and agreed to.

Summary read and agreed to.

*Resolved*, That the Report be the Forty-third Report of the Committee to the House.

*Ordered*, That the Chairman make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 15 July at 11.00 am

# Witnesses

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**Wednesday 20 May 2009**

*Page*

**Mr Rod Clark**, Principal and Chief Executive, National School of Government, **Ms Gill Rider**, Director-General, Civil Service Capability Group, Cabinet Office, **Mr Ian Watmore**, Permanent Secretary, **Mr David Evans**, former Director for Innovation, Department for Innovation, Universities and Skills

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## List of Reports from the Committee of Public Accounts 2008–09

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# Oral evidence

## Taken before the Committee of Public Accounts on Wednesday 20 May 2009

Members present:

Mr Edward Leigh, in the Chair

Mr Richard Bacon  
Mr David Curry  
Mr Ian Davidson  
Nigel Griffiths

Keith Hill  
Mr Austin Mitchell  
Mr Alan Williams

**Mr Tim Burr CB**, Comptroller and Auditor General, **Mr Michael Whitehouse**, Assistant Auditor General, **Mr Jeremy Lonsdale**, Director and **Mr David Woodward**, Director, National Audit Office, were in attendance.

**Mr Marius Gallaher**, Alternate Treasury Officer of Accounts, HM Treasury, was in attendance.

### REPORTS BY THE COMPTROLLER AND AUDITOR GENERAL (HC12 and HC129) HELPING GOVERNMENT LEARN/INNOVATION ACROSS CENTRAL GOVERNMENT

*Witnesses:* **Mr Rod Clark**, Principal and Chief Executive, National School of Government, **Ms Gill Rider**, Director-General, Civil Service Capability Group, Cabinet Office, **Mr Ian Watmore**, Permanent Secretary and **Mr David Evans**, former Director for Innovation, Department for Innovation, Universities and Skills, gave evidence.

**Q1 Chairman:** Good afternoon. Welcome to the Committee of Public Accounts. Our hearing today examines two linked Comptroller and Auditor General Reports on *Helping Government Learn* and on *Innovation across Central Government*. We welcome back to our Committee Ian Watmore and David Evans from the Department for Innovation, Universities and Skills, Rod Clark, Principal and Chief Executive of the National School of Government and Gill Rider who is Director-General, Leadership and People Strategy, Cabinet Office and Head of the Civil Service Capability Group. There are a lot of titles there; you obviously know what you are talking about. Can I start with you, Gill Rider? As you know we constantly have hearings into projects that go wrong. We had one recently on the National Offender Management Service which was particularly depressing for us because it was a fairly new project. We had, of course, the famous Single Payment Scheme for EU Agricultural Subsidies. Why do you think that government does not learn from past mistakes?

**Ms Rider:** I think that actually government is getting better at it.

**Q2 Chairman:** Why do they keep repeating the same mistakes then if they are getting better at it? Smart Procurement was brought in in 2001 and again that is very depressing for us because here was an entirely new Smart Procurement which was supposed to get better value for money but in our latest Report we see that we have an accumulated total of £20 billion, 40 years delay? What is going wrong?

**Ms Rider:** I think if you go back a bit all organisations have this difficulty about learning. I think your own Report points out that it is a challenge for any organisation to do it well. What you have to look at is the progress that government

has made in terms of putting learning on the agenda and, in my own department, if I look to the Cabinet Office you can look at the whole Cobra organisation and the procedures and how the learning from each instance gets built into the methodologies for the next. You can look at how we have used that methodology as part of the national economic forum. As the Report points out, there are many stories which are the good case studies and what we are trying to do and much of what the centre of government does is to spread around that best practice and makes sure that where there are examples like that we build it into methodologies, processes and leadership teaching to improve projects.

**Q3 Chairman:** I have to say, I had some doubts about this hearing from the start and when I hear that answer those doubts are confirmed. There is just a load of verbiage frankly, but we will keep going and try to do better. Mr Watmore, obviously there is a very difficult issue over resources now; you are being asked to do more for less. Do you have sufficient measures to encourage innovation to make up this gap?

**Mr Watmore:** I am glad you brought in the more for less because I think that is the big driver behind innovation in the current climate and I think that is what we need frankly to motivate people to try to do that much more from the public services and that much less from tax payers' money. In terms of the innovation that is out there I think we are really starting to see this take root in a lot of places and our report from last autumn that we published on the annual review of innovation highlighted a number of very strong areas. I am quite confident with the pressure that is coming from the economic cycle and

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the learning that we have done in the last year or so on what works in government, I think we could make a big difference in the next year or so.

**Q4 Chairman:** I am tempted to ask you, Mr Watmore, if you are being truly innovative why are you not making new mistakes?

**Mr Watmore:** I am! I am leaving the Civil Service to become the chief executive of the Football Association; that could be the biggest mistake I have ever made in my life. The serious point is that an innovative organisation tries a lot of things and sometimes things do not work. I think one of the valid criticisms in the past has been that when things have not worked government has carried on trying to make them work well beyond the point at which they should have been stopped. We are getting better at doing that. I can think of one recent example in my own department where we were trying to sell the student loan book into the capital markets which, when it was announced, was a good idea because the capital markets were buoyant but as the markets collapsed we applied the right sort of processes and stopped the project. I think that is a good example of learning from past mistakes.

**Q5 Chairman:** So we are getting better at stopping projects when they start to go wrong, do you think?

**Mr Watmore:** Given the question that you asked about new problems arising I think that is right because in any portfolio of projects some things are going to fail and the real success of an innovative organisation is one that fails early and cheaply rather than carries on flogging dead horses until the end. I think that is a key point.

**Q6 Chairman:** We found that with both the Single Payment Scheme and the National Offender Management Service the decisions to stop it were very late in the day.

**Mr Watmore:** They would be examples of how I would hope in the future, particularly as the Gateway Process moves earlier in the life cycle of a project, we ought to be in a stronger position to make those decisions.

**Q7 Chairman:** Gill Rider, how do you think that all these organisations at the heart of government can cooperate better to ensure innovation and better risk and decision taking? If we look at page 45 of this Report *Helping Government Learn* there it is. These are all the organisations at the heart of government. We have the Treasury, we have Mr Watmore's department, the OGC, the Cabinet Office; there is too much of a plethora of people all giving conflicting advice.

**Ms Rider:** I rather thought you might ask that question and I tried to find a good answer. Fundamentally what government does is incredibly complex and so you do end up with different groups of people having responsibilities. It is very hard to see how you could get away from having that complexity. What we have tried to do over the last three years is make sure that it is more coherent in the

way it goes to departments, that we are much clearer about the roles and responsibilities and the reason we are approaching people and that we work together. The Report points out that the Cabinet Office and the Treasury have worked together to create Compact. We have had joint board meetings. We are working together on various projects to actually make sure that we are more consistent and in doing that we are doing a lot of things to try to help this issue of learning. I know it does sound a bit like motherhood and apple pie when you say these things, but actually trying to create collaboration means that you have to do it in a way that changes behaviours and that is tough stuff to do so we have used devices like creating a top 200 where people come together and we do have events that learn around customer insight and behavioural change, around place and indeed the next event is going to be on the subject of innovation. We are trying to create environments in which people can be open and honest about both their successes and their failures so that we can learn.

**Q8 Chairman:** Rod Clark, we do not want to always be doom merchants in this Committee, tempting as it is. Some projects seem to work quite well. We had the famous roll-out of the Jobcentre Plus project; we have had the ePassports which we gave a glowing report to. This is the flip side of the question I asked right at the very beginning of the hearing, why are the lessons from successful projects not put around Whitehall more effectively? We find that some of these answers appear to us to be so obvious, that you actually appoint a project director who has experience in that particular field; you leave the same project director in charge for most of the project; you ensure that that man or woman is full time. By the way, none of those things happened with many of the projects that failed. You do not have ministers constantly changing policy in the middle of it; they accept the limitations; they accept the advice given to them by civil servants. So why are the lessons for successful projects where all these things happen not related around Whitehall?

**Mr Clark:** I think they are related around Whitehall but, as you have picked out, it does not mean to say that they are always taken up. The sorts of things we can do to get these messages spread around are partly around building the communities of senior people that actually get these messages and focus in on some of the learning. One of the things that Gill's team has done is to pull together the top 200 where you hear stories from people about real practical examples of things they have done that have worked or not. You engage people through devices like the OGC Gateway Reviews where you have experienced people who have been there and done that and made some of the mistakes going in and picking up on some of these projects before they go too far down their lifecycle. Capability Reviews is another area where you are taking people out of departments to go into other departments to review how they are tackling a whole range of things including how they are managing projects. That is partly so that you can

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give advice to the department about how it can improve the way it is managing. Also, frankly, it is a huge benefit to the reviewers that go in there because they can pick up some more of these lessons. Part of this is about establishing a framework which is to say that actually learning really matters and the leadership framework that we have in the Civil Service for senior civil servants has grown from experience at its core.

**Q9 Chairman:** That is a very good answer, thank you. My last question is quite important and I want to put it to Ian Watmore and Gill Rider, or one of you. You both came from the private sector so you have seen how both sides work. Mr Watmore, you can give us an honest answer because you are giving up.

**Mr Watmore:** I always give honest answers.

**Q10 Chairman:** Of course you do. Are we bringing enough people in from the private sector? Are we rewarding them enough? Are they just sucked into the culture? Are we giving civil servants enough rewards for risk taking? Are we punishing civil servants enough for failed projects? What do you think, having worked in both sectors and are now leaving the one and going back to the other?

**Mr Watmore:** There are a lot of questions there but the broad summary of my experience is that the private sector people who come in from the outside do find it difficult to get used to the ways of working in government; many of them struggle and quite a few just leave shortly afterwards. Over quite a long period now we have tried to get better induction of people coming in to show them how the system works so they do not end up raging against the machine and giving up completely. I think good practice on that comes from the professional networks that we have been building. For example I set up the professional network for IT professionals, the so called CIO Council, and I would say that a good half of the CIOs have come in from the outside. They have formed a network with their colleagues and learned from each other how it works and how it moves forward. I think those professional networks are very important for bringing people in. I think also that people from the private sector—myself included—are always surprised at how difficult the business problems are that we are trying to solve. Public service business models are massively more complicated than in the private sector and we have to serve every member of the public, not just the customer base we choose. The complexity and the scale of the challenge is something that attracts people from the private sector because it is more difficult and therefore they are more likely to have rewarding careers.

**Q11 Chairman:** Do you want to add anything to that, Ms Rider?

**Ms Rider:** I agree with the fact that this environment is much more complex than anything the private sector tackles and yet the private sector similarly deals with the same challenges in terms of learning

and development and actually the work we are trying to do in terms of professionalising the skills of the Civil Service will go a long way to tackling some of the problems you referred to. If I look at my own profession, the HR profession, I think we have got some way to go but we have actually made enormous strides and I feel there is a very good basis to go forward.

**Q12 Keith Hill:** Everybody has to agree that learning from mistakes—or success for that matter—is a good idea and that successful innovation is great. In reading these Reports what I cannot quite understand is what is there in it for officials to learn from mistakes or indeed to learn from success? What is the incentive to do better? Why should they bother?

**Mr Watmore:** I will give you an answer and then maybe ask David to come in because he has been the Director of Innovation in our department. It seems to me that most civil servants are incentivised not by money and bonuses and all of that sort of stuff but by the desire to deliver a high quality service to the public. That is what people join the public services to do. The incentive for them is to do that and one of the challenges that we have always had is that people sit too often in Whitehall and do not get out to the front line enough and do not see the consequences of things that look good on a bit of paper in Whitehall but are not actually translating properly in the front line. One of the programmes we have been doing is getting more of the Whitehall officials back to the front line to see the consequences of their policies. When it works well there is nothing more uplifting than going on a front line visit. You may have whirred away in Whitehall terms for months and months and months on something but then you actually see it in practice and somebody is being helped in a hospital, school or whatever. That is fantastically rewarding and that seems to me to be the ultimate incentive and what we should be trying to encourage through people's experience. One of my own directors (who I think is destined for the very highest end of the Civil Service when she returns) has just gone voluntarily on a two year secondment to a local authority in order to get that much closer to see what the real problems are in that local authority so that when she comes back to Whitehall she will have a greater appreciation of the delivery. I think that is the ultimate incentive.

**Mr Evans:** I think the motivation on behalf of most civil servants—pretty much all civil servants that I have dealt with—to do a good job is actually very, very strong and the context and the environment in which they work is actually what they are looking at to enable them to deliver better outcomes for the people they are attempting to serve and/or with less money. When I started trying to bring together the role of DIUS in innovation for the public sector I created a group which I called the Whitehall Innovation Group where I sought volunteers from different departments who had been engaged in the kind of improvement programmes we have heard about. I had no difficulty in getting loads of people

coming along. We had a sequence of meetings, roughly every other month, where usually what we have done is to ask somebody to come along and talk to us about one example of what they have been able to do in their department. I remember we had an excellent account from the Department of Health about the changes which they brought about following Lord Darzi's review of next steps in the health service and the way in which they had sought to embed innovation not only in the work of the department but actually in the health service, create new resources, new incentives, new obligations on strategic health authorities.

**Q13 Keith Hill:** Quite genuinely I have fantastic respect for officials and as a minister I was served superbly. I am sure the motivation is very great, exactly as you say, but, having said that, the reality is from these Reports and also from our experience as a Committee of Public Accounts, the experience is very mixed. I just wonder what the centre can do to further incentivise the learning process and further incentivise successful innovation.

**Mr Evans:** I think the experience of innovation is inevitably mixed in any organisation whether public sector or private sector. If you are only trying things that succeed you are not being adventurous enough at the beginning in terms of thinking about the possible solutions. What we need to do is to help equip civil servants with better tools and techniques to be able to both select from a wider range of options the things that have the best chance of success, then take them through to piloting and then terminate—as Ian said a moment ago—the things that are not going to succeed early and cheaply so that you are not risking your own resources or your own reputation.

**Q14 Keith Hill:** I share your anxiety also not to encourage risk aversion. It sometimes worries me that what we do in this Committee can have the effect of deterring innovation and experimentation and all of those things. We have talked about the private sector and there is an elementary point there. If something succeeds in the private sector itself, what is the measure? Is there a problem about how you measure success in a project in the civil service?

**Mr Evans:** This is not only true of the Civil Service but also true of the private sector, that it is quite difficult to measure the success of innovations. You can measure the bottom line in the private sector in terms of the profit or the market development usually more easily but again I would say that so long as you set out right at the beginning with a clear set of objectives about what your policy is trying to achieve, then you can set yourselves some tests and if it is not working, terminate it quickly. We have a strategic relationship with the National School, we have given the National School some money in order to develop new course materials and that aligns with the learning that Gill talked about.

**Q15 Keith Hill:** Can I ask about the Gateway Reviews? As a minister I found the Gateway Reviews fantastically helpful and yet we learn from the NAO Report that departments have taken a relatively limited interest to date in this sort of information. Do you accept that observation and if it is the case why is it the case and how can we improve on that?

**Mr Watmore:** Can I start with that one because, like you, I think Gateway is one of the best examples of quality assurance reviews I have seen in project management in 25 or 26 years and I may well be taking it with me to one or two well-known projects that have grass growing and things in the future. It does seem to me that they do feed in lessons at the right time in the process to cause people to make the right decisions. You said that the Committee may be guilty of hampering people's innovation, but I actually go back to a hearing I appeared before about three years ago which was the *Successful Project on IT Change*. There were more projects in that one single report than there were in the history of all the failed projects in the history of the PAC. It of course got no column inches in the press but it was a really good example of this Committee giving licence to people out there to go forth and do similar things. We, as a CIO Council, took those reports and actually tried to get those lessons learned on the next stage of projects. I think this Committee can genuinely help people do their job by picking out more of those good examples and some of this Report is a good example of that.

**Q16 Keith Hill:** I take your point on that. Let me just ask you about another of the possible explanations for the failure to learn which is highlighted in the reports and that is the lack of time available to officials and the pressure to move onto the next project. Do you perceive that as a serious problem in terms of the learning process? It does seem to me, if I might say so as a government member, that perhaps this government has been extremely prone to moving rather swiftly on from a major project to a major project, et cetera, et cetera. Is it a problem in the Civil Service?

**Mr Watmore:** I think there is a genuine problem of too many initiatives.

**Q17 Keith Hill:** You think so.

**Mr Watmore:** I do; I have always thought that. Right across government it would be better to have fewer initiatives and stick with them and make them last. That has always been my view. Most of these changes take four or five years to really bed in and take root and of course that is longer than most people's timeframes. I think where the Civil Service could do better is to keep people in post for a bit longer in key roles but at the same time recognise that it is not real *politique* to expect somebody to sit in the same role for five or six years to deliver a project. That is not going to happen. It does not happen in the private sector either very often. However, what we could do is longer stints in duty and better mechanisms for grooming a successor so

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that if you know that somebody is going to leave a project in a year's time you bring the successor in six to nine months early to let them get up to speed so that when the first one leaves the second one is ready to take over.

**Q18 Keith Hill:** All of that seems to me intuitively absolutely right and it ought to be your testament as you depart the Civil Service. Are you actually making sure that that message is well understood amongst your soon to be erstwhile colleagues?

**Mr Watmore:** I have done my best over the years.

**Q19 Keith Hill:** You should write something about it.

**Mr Watmore:** For example, the programme director that I had on the project I stopped because he did it very well, I have now moved him onto a very good project that we have to implement over the next year so we are trying to get that learning across as well.

**Q20 Mr Mitchell:** I am baffled by all this, frankly. I think the fashion in recent years has been to buy ideas in from outside rather than to trust the Civil Service, and to buy them particularly from consultants who have IT systems or whatever to sell without being qualified to evaluate them. Does a lot of this problem about encouraging and developing innovation not stem from the failure to trust the Civil Service and its collective knowledge?

**Mr Watmore:** I do not think I would share the view that trust in the Civil Service is not there. I think people do trust the Civil Service.

**Q21 Mr Mitchell:** The government always buys consultants.

**Mr Watmore:** Most ministers do trust the civil servants that are immediately advising them but those people may not be the best people on particular matters of expertise. I will come back to my student loan sale project because it is the most recent. I had some really excellent civil servants managing the project but none of us were competent to judge the state of the capital markets and how you syndicate a deal and all of that sort of stuff, so we would bring in experts from Deutsche Bank and other places like that, and that would get classified as consultancy spend. That seems to me to be a good way to do a project because you have a strong team of civil servants trusted by the minister but buying expertise from the market when they need it. If we do that then I think it works. If we do the opposite, which is put the wrong sort of people in the Civil Service to run a contractor relationship and/or abdicate responsibility to the private sector, then we end up in a disaster area. I have seen those as well and I have been part of them.

**Q22 Mr Mitchell:** When it comes to ideas from the Civil Service, government trusts them less than ideas bought in from consultants authenticated by consultants.

**Mr Watmore:** My experience is that ministers like to get views from a range of sources. They get them from officials, from their own party political members, from business leaders, from front line staff and trade unions and so on. They collect the views and in some cases those views come from private sector people. I think there is a case for saying that too often people get consultants to come in and write down something they want to do but they do not want to actually be the one saying it. I do agree with you that we could eliminate that sort of expenditure.

**Q23 Mr Mitchell:** Are we going to come up with anything more serious than a collection of platitudes taken from management manuals? There are things in the Report like "do not embark on big projects without a clear view of the cost". That is no more than common sense. It has not stopped us from embarking on the National Health computer or embarking on ID cards.

**Mr Watmore:** Or bidding for the Olympics. I agree with you that there is a danger when you write these reports that they come down to be general platitudes. When we tried to document ours we tried to be crisp with real case study examples. The reality is that individuals need experience. If you have not been there, done that and got the t-shirt you are not ultimately going to be good enough to do that. One of the things we have been talking about with Rod, Gill and others is how do you get people to get the right experience at the right point in their career so that over time you become less reliant on buying in experts from outside and more reliant on people who you know have had that range of experiences. In my company there was a very structured career path. If you did not get this sort of experience you could not move onto the next level and so on so that when you got to the top of the organisation you had had a whole range of experiences. In the Civil Service that was not always the case in the past but we are now trying to change that and the example I gave earlier of my director going out to the local authority is a good one.

**Q24 Mr Mitchell:** You can have that sort of training system in a small business organisation, but in the Civil Service where people are transferred from department to department, where they move round, where you are never dealing with the same people from year to year and where ministers then come along with a lot of restless shake-ups (we must have efficiency savings every year so the machine grinds on against all sense in many cases), it is very difficult to have an ordered set of priorities because it is not a settled enough service.

**Mr Clark:** I think that is a very good reason why it is important to have a shared learning agenda that spans the Civil Service as a whole and starts to tackle some of the issues that prevent innovation going forward. That is what I am working on within the National School and working with senior colleagues in the Civil Service leadership to define those priorities. I think some of it is around making sure that people practise the behaviours to create the

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environments in which innovation is more likely to happen. That is about engaging with front line people, engaging right across delivery systems and drawing the ideas in from a wide range of sources instead of, as you say, just thinking that they can think the clever idea themselves or bring in a consultant.

**Mr Watmore:** Moving people around the Civil Service is a good idea for a lot of reasons. To give an example, DWP in my opinion is the department with the best project management experience in Whitehall. This is because it has large scale projects year after year after year and it is growing that capability. We want some of those people to go to the other departments where they have not had that experience, otherwise we are going to have failures in other departments. A second example I would give is about creating a new government department, whether you call it a sensible name or not. Our department is responsible for £20 billion of expenditure every year and it was a hell of a mission to create that department from scratch in a very short period of time. When the department known as DECC was created, on that same day we took ten of our staff and said, "You go over there and help them learn the lessons that we have struggled hard to learn". That was a really good example of moving people to a different department for a proper purpose. Where I would agree with you is when people move from department to department and leave behind a hole in their organisation because people have not properly succession planned for.

**Q25 Mr Mitchell:** The other problem is that the government does not have a central brain when it comes to innovation. You are it!

**Mr Watmore:** Flattery will get you everywhere!

**Q26 Mr Mitchell:** The central Change Director's Network is a small team of three people in the Cabinet Office. Insofar as the government has a central brain, where is it? Is it powerful enough to impose the lessons it learns on other departments?

**Mr Watmore:** I might get Gill to pick up on the specific team, but the generality is to get the network from across the departments and then give it a secretariat to support it. I think the network would be bigger than the three people.

**Ms Rider:** That is exactly right. What the centre tries to do is to find the best practice wherever it is and use that to spread the expertise around the other departments. You just cannot bring everything into the centre; you need to find the best practices and then share it. We always talk about not re-inventing the wheel and making sure we are stealing with pride, and that is what we are trying to do because that is the most efficient way of actually getting the best skills to the place that needs them most.

**Q27 Mr Mitchell:** There is mention of the prime minister's Delivery Unit and that looks to me rather than a centre for learning and innovation a set of

Viking raids into departments to get this delivered and that done. This is impulsive stuff rather than a considered process of learning.

**Mr Watmore:** It was not like that when I ran it so I could not possibly comment further than that, but one of the ambitions we did have was to try to spread learning on the specific challenge of how do you deliver a policy when it has already been settled. I think that is certainly what we tried to achieve.

**Q28 Mr Mitchell:** The Department of Innovation is an impossible thing to have because you are also dealing with universities. How can you impose the views you develop on innovation and how it should be handled across the whole network of the Civil Service?

**Mr Watmore:** This is why getting the three groups around this table is quite important because our job in DIUS is to do the policy development for that. That is not just for the public sector, it is also for the private sector economy as well. Then we expect others to be in charge of the implementation. In this particular case we have a partnership with Rod and Gill where Gill's team does the capability reviews of other Whitehall departments and will flag up deficiencies, and Rod's team is building the training and career development programmes to help with those departments. It is our policy, their review and his capability building.

**Q29 Mr Mitchell:** What is the role of Treasury in all of this? I can see the value of learning about the problems of innovation and spreading those lessons around but then, because of the power of Treasury, the whole process of innovation is a game of deceit because departments have to present their project to Treasury, they have to exaggerate its benefits and minimise its defects to con Treasury.

**Mr Watmore:** I would not possibly ever admit to trying to con the Treasury. I think where Treasury comes into this (interestingly this morning at Gus's Wednesday morning meeting of permanent secretaries we had the Treasury people come in) is that their particular focus is on efficiency. What we are trying to do is innovate in a way that improves public services; what Treasury is trying to do that is, within that, trying to find ways to save cost in order to reinvest in the new project. The sort of thing they were talking about this morning was how we could streamline our use of space in Whitehall—physical space, office space—in order to free up some money that we could then put into some frontline services. I think that is where the role of Treasury comes in.

**Q30 Mr Curry:** Mr Watmore, since you are in valedictory mode, can we just look at this through the other end of a telescope. I think the problem is that governments develop schemes and how often, when they have a project, do they come along and say, "Before we go ahead with this, how can we deliver it, how long will it take to deliver and what are the resources we need to deliver?" How frequent is that conversation?

**Mr Watmore:** In my experience it is becoming increasingly frequent because people have had their fingers burnt so badly by coming up with policy announcements that sounded good, committing to a date of implementation and then probably—

**Q31 Mr Curry:** Give me an example of a recent case where the government decided to do something but not to do it until it is absolutely confident it will work.

**Mr Watmore:** I will give you one example that come to the top of my head, which is when I came into the Cabinet Office there was a big push to try to get every government service online. That was the mantra of the day. What we had was plethora after plethora after plethora of services out there online on the website but nobody using them. We said that what we actually needed to do was to concentrate them into one place, putting public services into one place so that citizens would be drawn to it a bit like they are to the BBC website or Google and we implemented Directgov. There was a big push to spend a lot of money advertising it but I said, “No, we need to bed this thing in for a year or so, learn the lessons whilst relatively small numbers of people are using it because there will come a point when suddenly millions of people will start using it and if have not got those lessons out of the way then it will collapse”. So we went slower to then go faster and I am pleased to say that in the last year the number of users has gone up to nearly 17 million citizens every month from 100,000 two or three years ago. It has grown exponentially but it is because we took the time to get it right with a small number that it was then able to scale with a bigger number.

**Q32 Mr Curry:** If this is happening then you do not need a delivery unit, do you? The idea of a delivery unit is absurd.

**Mr Watmore:** I absolutely do not agree with that, I am afraid, because the delivery unit was set up precisely for two reasons: one, to learn some of those lessons and if you are in a delivery unit you have the ability to pass those lessons on. I have learned some of these things the hard way, we all have. There are things that I have done that have gone badly wrong and I have tried to learn from them. This is not valedictory; I was just trying to bring lessons out. The second thing about the delivery unit was—and still is to my knowledge—that there are half a dozen to ten things at any one time that the prime minister of the day is particularly keen on and wants to ensure that those things are being delivered. I think that is only right and proper because, at the end of the day, they will be accountable for those things and on the big things having a capability to support them is a good idea so I support it.

**Q33 Mr Curry:** So it is sensible in your view that if the government decides it is going to have targets on accident and emergency, that people in hospitals should be phoned up three times a day by the delivery unit asking for their local figures. Does that make sense to you?

**Mr Watmore:** I do not think that happened. What did happen, however, was that accident and emergency times have been reduced and now 98% of people are in and out of the A&E service within four hours. That is a real improvement for citizens.

**Q34 Mr Curry:** But it happened by constant harrying of management and daily phone calls.

**Mr Watmore:** It is one of those classic cases that if it gets measured it gets done and it was important that the health service started to show some improvement to the patient in terms of its access to healthcare and in this particular case it brought the thing to a place where 98% of people get seen within four hours.

**Q35 Mr Curry:** Do you have any measurement of a service which deteriorated because of a diversion of management time?

**Mr Watmore:** I am going back in time in my memory now over the last couple of years, but what we also did, in order that did not happen, was to have end to end targets around 18 weeks so that people would be seen within 18 weeks overall. I think you take specific customer services and then overall patient services. Those have now been banked by the health service and Lord Darzi’s review has come in again and has started to build the clinical aspects of the job on top of that, having got the basics right in terms of management.

**Q36 Mr Curry:** So what went wrong? Let us look at some recent histories, if we may. Let us look at tax credits. They were rushed in. Every single MP in this House will have had client after client after client with problems with the tax credit system: months of delay, overpayment, underpayment, non-payment. Let us look at the Rural Payments Agency; I do not know whether the minister at the time said, “Is it sensible to introduce the most complex scheme on offer in the shortest time available against a background of having fired half of the relevant staff?” It is still not sorted out now; they still cannot get the payments right now. Let us look at the granddaddy of them all, the Child Support Agency. No surgery is complete without a couple of Child Support Agency cases and half the time they cannot even get hold of the people they need to find. All these things were brought in quickly. If you are going to run an organisation—we are going to be colonising somewhere—and you are going to set up a structure so that governments do not do things until they can be delivered on the ground, what would you see as the processes which would ensure that governments did not do silly things—even sensible things but in a silly way—because they were so desperate for delivery that they finally resorted to setting up a delivery unit because the people who were paid to deliver it were not delivering it because, for perfectly sensible reasons, they had not been told how to or had not been listened to when they asked how they were going to do it?

**Mr Watmore:** I think I understood that question. I would say that the examples you have used were all current when I joined the Civil Service five years ago

so I think we are going back in time a bit. I think a lot of those were the sorts of projects that gave birth to the Gateway Review process in the report that came out in early 2000 precisely because policy decisions were being taken, as you rightly point out, with the best of intentions. On the Child Support Agency, if I remember rightly, when the policy was introduced it was to support from both sides of the House and it was “a good idea” as you put it but it was badly implemented. The problem with that bad implementation was that there were no Gateway processes to review it. I think if we did that policy again today the Gateway processes would stop you making those big decisions.

**Mr Curry:** Whilst we go and vote could I ask Mr Watmore to reflect on what has gone wrong with the Learning and Skills Council.

*The Committee suspended from  
4.15pm to 4.24pm for a division in the House*

**Q37 Mr Curry:** Mr Watmore, a more sensible question might be: what planning has gone into the successor body of the LSC to make sure it does not have the glorious end by going up in a ball of fire as happened to the LSC?

**Mr Watmore:** The LSC has actually been succeeded by two organisations but I only know about one, the Skills Funding Agency, so I will talk about that. As we speak the interviews for the chief executive are going on so we shall be appointing a chief executive soon. In particular what we are trying to do with the Skills Funding Agency is to get much more of a forward plan rather than rear view mirror driving which is perhaps what we have been guilty of and to get a more of a prospect going forward. The other aspect of the Skills Funding Agency is going to be that it is an agency of the department rather than an arms’ length body; it will be closer to ministers and to the permanent secretary of the department and therefore there will probably be better oversight.

**Q38 Mr Curry:** In the learning from experience, how much learning do you do from abroad? Where is the bit of abroad that offers the best experience? What sort of learning do you get from it? To take a country like France where, by tradition, the most academically brilliant people tend to go into the Civil Service. There is very much a caste of senior people; it is a different political structure of accountability and it is quite difficult to get under the skin in the same way as it is in the UK. Where do you think we learn from abroad, not just in policy ideas but very much in ways we differ?

**Mr Watmore:** I will let Gill talk about the people side, but on the policy side I think we have always looked to where they are doing the best in the world and increasingly—you may not agree with this but it is what people say—they come to the UK to look at what we are doing because we are pushing the boundaries. Five years ago Canada was in the lead in a lot of areas I was interested in. I went to visit the Canadians, brought a lot of ideas back and then recently they came over to us to learn from what we have done.

**Ms Rider:** I would say the same thing. We have a lot of people come to visit us to find out what we are doing, particularly around the capability reviews. The Canadians came in recently and what we found we were doing was just sharing different aspects of the same thing. In some places I took away ideas that I really wanted to copy and follow and in other places I discovered they had teams of up to 400 people doing what we do with 15 and I concluded that we were probably taking the right approach. I think it is very variable now and Ian is right, a lot of people do come to learn from us.

**Q39 Mr Curry:** Is there much exchange? You said you had a very up and coming person who had gone into local government for two years, but do you have up and coming people who go to work in France or Australia or other overseas administrations?

**Mr Watmore:** I can think of several examples of people going to the English speaking countries but I cannot think of immediate ones in continental Europe. There are quite a lot going to Australia, New Zealand, Canada and the US.

**Ms Rider:** Of course there are exchanges with Brussels.

**Q40 Mr Bacon:** I would like to start with this issue of making the same mistakes again and again. I suppose this is really an HR question so I will address it to Gill Rider. In our C-NOMIS Report—we took evidence on the National Audit Office Report on C-NOMIS recently—one of the key things that was identified in the table of eight common causes of project failure was the lack of skills and proven approach to project management and risk management. You will know that the senior responsible owner in that project had very little experience of IT. I thought to myself, just from having sat on this Committee, “Ding-a-ling-a-ling, I’ve heard that somewhere before” and without really looking too hard I can instantly think of the National Probation Service Information System Strategy where we had seven project managers in seven years, five of whom knew nothing about project management. The NHS IT had six SROs in five years; the Beaumont Radio Communication System had no SRO at all, nul point. How is it that a project that is launched as recently as June 2004—this is only five years old—that somebody can come along and appoint somebody who is not up to the job? It was not her fault; she was probably told she did not have any options (apparently she is now seriously ill and she has left the Civil Service). Somebody was responsible for appointing her and when we asked the question at this hearing, “How can this happen?” the answer from the relevant witness was, “Oh well, it went through the proper Civil Service board, it was all done properly; we ticked that box”. That is not an adequate answer, is it?

**Ms Rider:** I cannot comment on the particular case.

**Mr Bacon:** Let us get clear about this. We have been listening to a lot of guff. The Chairman started talking about this as if it were a boring hearing—

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although he did not use those words—but the reason he said he had doubts about this hearing was because of the kind of verbiage that we often get from witnesses. This is actually extremely interesting. Here we had a senior owner appointed who was not competent to do the job. We do not know the exact circumstances of how she was appointed but we know she was not up to it; the Report said so. We also know there was a project board; you might think that project boards had the job of monitoring projects but no, the board did not actively deliver. So do not bother giving me any flimflam because it is a waste of time; I would rather have an intelligent discussion. If it is not acceptable, why does that sort of thing happen? That is what I really want to know. I have been wrestling for several years as to why things are not better and I still do not have enough clear answers.

**Chairman:** Think up a very good answer, no flimflam, and we will come back after our vote in five or six minutes.

*The Committee suspended from  
4.32pm to 4.38pm for a Division in the House*

**Q41 Chairman:** Mr Bacon has asked a fantastic question and we are now waiting for an even better answer.

**Ms Rider:** I am afraid the collective wisdom of the panel may not be as you are wanting, however we did come up with two clear points. The first point is that it sounds from the example you talked about that the process may have been followed but the outcome may not have been adequate. The reason that Ian and I came here and are here is because there is a recognition that we need new expertise and so we are bringing in people, we are using these people on panels and we are—

**Q42 Mr Bacon:** I must say, I am delighted there are now people like you inside the top reaches of the Cabinet Office, but do not let me stop you answering my question.

**Ms Rider:** The second point is that we have to build the expertise inside because it is quite possible that departments do not know what they do not know.

**Q43 Mr Bacon:** You bring me very neatly onto my next point; you could not have put it better. Perhaps the clerk would give a copy of this chart to you.

**Ms Rider:** Have I fallen into a big hole.

**Q44 Mr Bacon:** No, not at all. I have always wanted an intelligent conversation in this Committee and it looks like I am going to get one. When the Committee went to Washington three years ago we met Kate Johnson, the Deputy Director, Management of the Office of Management and Budget. What was actually said was that fundamental change is not something you do to people, it is something you do with people and I am sure as an HR professional you would agree with that. This is extracted for the benefit of the Committee, as you see here. It is two charts taken from a National Audit Office Report of about three

years ago on the overall likelihood of delivering against the Gershon savings. This measures the situation at two points, one in December 2004 and one a year later. It is a basic traffic light system. You will see in the sliver at the top in 2004 that it is 3%. These are the ones which are “highly problematic and require urgent and decisive action”. A year later that sliver has grown to 4%, in other words it has grown by one third. I said to John Oughton, the then Chief Executive of the Office of Government Commerce, “Which government departments are represented by this considerable increase?” and he said, “I can’t tell you that”. I was speaking at a conference in the French Ministry of Finance a couple of years ago and I then put up this, which is a copy of a chart from the Office of Management Budget. You will see down the side they have all the different federal government departments—Agriculture, Commerce, Defence, Environmental Protection Agency, Interior Justice, et cetera—and across the top there are some performance indicators (human capital, competitive sourcing, financial forms, e-government and budget and performance integration). What Kate Johnson said to us was that in the Justice Department in the United States they put these traffic lights up—not the whole lot but the ones for their department—which are measured quarterly and they are published on the internet and updated quarterly so that everybody in the world can see them. When I raised this subject with John Oughton in a seminar downstairs with the chief secretary, John Oughton’s answer was that if you have this sort of thing it does percolate down and it gets there eventually. I said, “Why do you not stick it in the lobby?” The point I was making was exactly the one that you were making. “I bet” I said, “that quite a lot of the people who work in the department represented by that increased sliver do not know that they are in that increased sliver.” I have my own ideas about which departments they are and it may well have been the Home Office, HMRC and I do not know who else but, given what was going on then, it would not be surprising. However, how many of the infantry knew that they were in that sliver? The Department of Justice tells people and if you go onto the expectmore.gov website there is a very American candid approach: we are trying to get better, some things are going very well, some things are not so good and we want to improve them and this is how we are going to do it. The Whitehall approach seems to be to hug it all close and the people you certainly do not tell are the employees and, by the way, forget Parliament. I am glad there is somebody here from the National School of Government but I have had no interaction with the National School of Government in the eight years that I have been a Member of Parliament until about one week ago when they had somebody coming in from Abu Dhabi and they wanted me to speak to them. As far as the British Whitehall and the 800,000 civil servants are concerned there is no interaction whatsoever. Is that not your problem?

**Ms Rider:** Firstly, I think that sort of approach is an extremely good approach. I am very pleased to see that my own profession is the green column here, but

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that does make me ask a whole series of questions about the quality of data. However, what we have been trying to do—I think that is one of the real innovations and I know you are going to be talking to the cabinet secretary very shortly on it—is the capability reviews and the capability reviews themselves do go into departments and they do look at how departments are and they score them on exactly the same scoring system.

**Q45 Mr Bacon:** You know as well as I do that in two thirds of the cases departments were less than well placed. It was really a dreadful score all over government.

**Ms Rider:** It is doing what you have asked it to do.

**Q46 Mr Bacon:** It is flagging it up, absolutely.

**Ms Rider:** It is making it transparent and it is therefore allowing us to find the good cases and share those with those that have space to improve. Two years on we are now re-reviewing departments and we are indeed finding significant improvements. I think all that is a long way of saying that your approach of making things open and transparent, even though it is painful and departments do not like it, has actually caused improvement to happen. I think everybody now speaks positively about the effect that capability reviews are having.

**Q47 Mr Bacon:** I am pleased with that answer. Transparency may be painful. In fact there has been a bit of that round here recently.

**Ms Rider:** I would not like to comment.

**Q48 Mr Bacon:** Scrutiny in itself inherently is a good thing. I would like to ask specifically about Gateway. Mr Watmore mentioned that the Gateway was a jolly good process. What was clear in C-NOMIS was that there was plenty of Gateway going on. On page 21 in paragraph 2.24 of the C-NOMIS Report there is a lot of evidence of Gateway coming up with good ideas but just being ignored; three years later things still were not done. I was talking to somebody working for one of the world's largest consulting organisations last week who said that red flags are just too embarrassing and are swept under the carpet and there is not enough focus on them. What is more, if you talk to procurement directors in Whitehall they will tell you that there is not really a lot of point talking to the OGC, they have nobody of calibre who can help us.

**Ms Rider:** My own experience is very different. I have just had a project that has had an OGC review and I thought the quality of the people who came in was extremely good. I certainly would take their recommendations very seriously.

**Q49 Mr Bacon:** But they do not get out there. In the Rural Payments Agency there was plenty of Gateway going on but nobody listened.

**Ms Rider:** Part of what I have to do is to encourage people to listen. This Report, when it talks about the American criminal justice system, does say that it is actually very difficult to get people to talk openly

about their problems and their failures. One of the things we have been trying to do is to encourage that. I mentioned the top 200 earlier, and one of the innovative things we have been doing is getting each leader to stand and talk about their own leadership story to people and do it in a way that is very honest and talks about the problems. You gradually have to encourage a culture where people do not think there is going to be a witch hunt; they do not think it is going to be an automatic thank you and goodbye if they discuss their problems, their issues and their risks. We are trying to do a lot of things to try to encourage that.

**Q50 Mr Bacon:** The Work and Pensions Committee and this Committee both called for the publication of the Gateway Reviews. The answer that one gets back—I have seen it from different parts of Whitehall and it is identical, it is copied and pasted—is that it cannot be done for reasons of confidentiality. It is quite clear that sometimes suppliers do not know that Gateway Reviews are taking place. Do you think that is a constructive way to have a review?

**Ms Rider:** I cannot speak on the Gateway Reviews other than my own experience.

**Q51 Mr Bacon:** Perhaps Mr Watmore could answer that question. Inherently, would it not be better if suppliers knew that Gateways were taking place?

**Mr Watmore:** I am with you in that I would prefer Gateway Reviews to be published because of the experience we had with capability reviews. We had the same debate and we published them. It caused a furore for a few weeks but then it became a normal part of the furniture. The difference is that one is a very specific project, the other is a whole capability. The argument that is against—it is a finely balanced one—is that if you do that people will not talk about what their real issues are and things will be suppressed from the Gateway reviewers and you will end up with two reviews, one that is publishable and one that is the private one. Current government policy is to keep them confidential but personally, on a balance, I would publish for the reasons you have said.

**Q52 Mr Bacon:** Do you think it is fair to say that most suppliers probably would not have a huge problem with them being published?

**Mr Watmore:** I think they probably would but they would have to get used to it.

**Q53 Mr Bacon:** What about the relationship between ministers? The one thing we have not talked about in all of this are the ministers. I was talking to a very senior person in a big computer contracting firm who said they were desperate to talk to a minister about a particular issue and within ten minutes of making this request the permanent secretary himself came on the phone and said, "We talk to ministers; you don't talk to ministers". How do you get round that?

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**Mr Watmore:** If that request was made in my department I would get the relevant minister to meet with them. I have done that and ironically John Denham is my secretary of state and I met him in that relationship when he was junior pensions minister. I have had the experience of both sides of the table and I think it is a good one.

**Q54 Keith Hill:** Following on from Mr Bacon's last point, how do you think ministers can contribute to greater efficiency in these areas in the Civil Service?

**Mr Watmore:** I have had some very good experience of that recently. There are a lot of difficult things about any new department because you start with a blank sheet of paper and you are expected to work as though there is a full department there from day one. The upside is that you can actually design some things from that blank sheet of paper that you want rather than having them inflicted upon you. John Denham and I have been in this job for the last two years together; we were thrown into it at the deep end and we have stuck together ever since. We have worked very closely on a number of the management aspects of building the department. Where we have tended to separate is that he does the policy and I do the management but on key issues we have got round the table and debated them. For example, we took an early decision that we would go shared services within the department and use other people's services rather than build our own. That left us with money to then focus on frontline activity which is what we wanted to do. We took a view that we would implement a hot desking policy for all our staff. It was very unpopular with the staff who wanted to have a desk to go to every day. We said we would not do that because it is more efficient in terms of utilisation of space and it required John and I both to agree that was the right thing to do because if we had not then we would have been divided by that and the staff would have won over. Now people would not go back to it because they have got used to the way of working and it creates a buzzy environment. I actually think there are good ministers—I think John is a very good minister—who have a lot to offer to the management side of the department as well as the policy side and I have certainly benefited from it.

**Q55 Keith Hill:** That is a very encouraging story and John of course is a very good minister. You were starting from scratch but what about other ministers coming in? A secretary of state is in a different

position from a minister of state, and certainly a parliamentary under secretary. In practice is there much that they can contribute to the process?

**Mr Watmore:** New ministers coming in is a key point in any department's life. We invest a lot of time in it so when there is going to be a reshuffle we are all on standby for when it happens. The reason is because, as people have said, you only get one chance to make a first impression and it is important on both sides so you want to be there meeting the minister when they arrive but you also want to be showing them how this department operates and this is the way things are done around here to enable them to get straight into the new culture. Sometimes they are new ministers but sometimes they will have come from other departments which have work practices that you would not want to replicate. I had that last October, of course, when there was a reshuffle and in came Lord Drayson as the Science Minister. He immediately took to the new culture and started hot desking himself around the building and then having Dragon's Den type meetings with the young staff to get good ideas out them and so on. So actually we got the minister into the culture and then he added to it very quickly. We are now even better than we were before as a result. I am a great believer in involving your ministers in the management of the department, not to the point where they end up taking every decision because they have other things to be focussing on, but enough of the right decisions to create the culture and environment in which you want to work.

**Keith Hill:** Thank you for those answers; I am not sure we can take it very much further forward but that is very interesting.

**Chairman:** Thank you all for what has proved to be quite an interesting hearing. Thank you, Mr Watmore, for your candour. We do not often hear in this Committee descriptions of officials' dealings with ministers and actually it is quite useful to us. I am sure that what you have all said is right, that given the great size and complexity of modern government the problems that you face are very much greater than a lot of what happens in the private sector but there are many lessons that we can learn and are learning. I am sure one of the keys is to promote and learn from the frontline and that is what we try to do. Thank you very much for your presence here today. Before we finish, may I just, on behalf of the whole Committee, thank Mr Tim Burr for his work. I think we should give him a little clap. You came in at a very difficult time and I think we all agree you have done a fantastic job, thank you.