

Spending to save

A recent *Civil Service World* round table debated how new kinds of payment systems could be used to advance the personalisation agenda – and how localism presents new challenges for cost control. **Mark Smulian** reports

Paul Heatfield



Payment management and cost-auditing systems have come a long way since the days of slide rules and dusty rows of accounting ledgers. These days, new technologies enable public bodies to remotely monitor, channel and control even the smallest public sector payments, offering big opportunities to drive down expenditure. As long as civil servants are clear about what they want to achieve and how new technologies can help them, then they can keep a closer eye on costs, and hence the value for money achieved within public services.

However, in the new climate of localism, is it right for central government to scrutinise partners' and frontline managers' spending decisions? When does sound management tip over into 'Big Brother' intrusiveness? These issues were explored in a recent round table discussion organised by *Civil Service World* with Barclaycard, whose representatives quickly raised the example of a project that the company ran for the previous government.

Barclaycard's strategic new business manager, Rob Tuckwell, explained how the credit card giant had

Back row (l to r): Ivan Rogers, Andrew Ross, Pat Russell, Lorraine Connell, Sarah Webb, David Hatcher, Rob Tuckwell. **Front row (l to r):** Sheila Jane Malley, Emma Eckered, Usha Choli, Ella Uziell-Hamilton, Nicolle Farley

worked with outsourcing specialists Capita to provide payment cards for the 'Home Access' scheme, which provides children in low-income households with a grant to buy approved packages of laptop computers and internet access. Recipients were given cards with which to buy their hardware, enabling them to choose from a range of suppliers and packages, while restricting them to one transaction.

The use of cards offered choice to the users, but control to the government, said Tuckwell. Enabling participants to go out and buy their machines for themselves gave them a much stronger sense of ownership, he suggested: "Studies show people do not engage with things that are just given to them. They need an element of choice over what that kit looks like and what it does." The same model could be used for many other applications: all manner of restrictions can be placed on a card, yet they can give service users a far greater ability to personalise the service they receive. Could a similar approach be taken with payments for other government schemes?

Control via card

The idea appealed to David Hatcher, who leads on international acquisition policy in the Ministry of Defence's security policy operation. Many soldiers receive allowances for specific types of expenditure, he noted. "An awful lot of people who join the Army are quite young – and we want to look after them, but it is difficult to ensure they fulfil their part of the bargain," he explained. "We give them food allowances and it strikes me as useful – if a bit Big Brother-ish – to give them a card to ensure that soldiers spend their food allowance as we would like them to."

Some of those around the table debated the complexities of moving from a prescriptive, centrally-controlled model of service delivery to one that focuses only on outcomes. Pat Russell, deputy head of the jobseekers and work programme division at the Department for Work and Pensions, explained the tensions between local empowerment and the need for the centre to ensure effective spending. When dealing with the recipients of jobseekers' allowance, "One challenge is the government's direction of travel about more decision-making at the front end," she said. "It is quite a move from being an organisation that has said:

'Every JobCentre Plus will do *this*, and at week 21 *that* will happen, in a standardised operating model, to one that gives much more flexibility to our local managers.'

The government wants to free local areas to achieve local objectives, but Russell noted that "With that comes a challenge as to how we, as policymakers, get the outcomes we expect." After all, central government has spent a long time learning how to bear down on unemployment using the tools of central control. "We have our evidence base of how the big machinery works," said Russell, "but once we let go of that, where are the assurances, and how do we even capture and manage that process?"

Bringing the conversation back to a specific example of local payments, Russell noted that JobCentre Plus offices sometimes give jobseekers small grants to, for example, buy themselves a suit to attend an interview. The Home Access project had restricted recipients to specific retailers, she noted – but would that work in this example? "We might want to have a card and load some money onto it for them to buy a suit," she said. "It can specify they can only spend £X, but how do we make sure they don't go and buy jeans and a pair of flip-flops instead of a suit?"

Moving to a more complex world

One answer to that question, she suggested, may be to free frontline staff to make more judgments about individuals, while giving up on the idea of absolute certainty. This approach would fit well with the new focus on outcomes rather than processes, said Russell. "There is an argument that instead of saying to frontline advisers: 'This bit of money does this, this bit of process does that', we tell them to get as many people into work as possible and their rewards will be based on that."

"That means they have to make decisions on whether the person they are going to give money to for a suit will actually do that; it puts the onus much more on them to make some value judgements," she added. "It takes it into a whole different world. What would need to be the systems behind that to support frontline people?"

The drive for localism and partnering with non-government actors will make payment-monitoring more complex still. New mechanisms will be required to manage the use of public money by multiple

Around the table: the participants

- Usha Choli**, co-ordination and support manager, Local Delivery Directorate – Home Office
- Lorraine Connell**, director – Barclays Capital
- Emma Eckered**, commercial accountant, ICT Finance – Ministry of Justice
- Nicolle Farley**, marketing business partner, London, Employment Communications Group – Department for Work and Pensions
- Stephanie Hare**, head of management accounting – Department for Education
- David Hatcher**, head, international acquisition policy, security policy – Ministry of Defence
- Sheila Jane Malley**, director of grants and policy – BBC Children In Need
- Sonali Parekh**, head of policy – Government Equalities Office
- Ivan Rogers**, head of public sector – Barclays Capital
- Andrew Ross**, head of government economic service team – HM Treasury
- Pat Russell**, deputy head of jobseekers and work programme division – Department for Work and Pensions
- Sarah Webb**, commercial director – Barclaycard Commercial
- Rob Tuckwell**, strategic new business manager, public sector – Barclaycard Commercial
- Ella Uziell-Hamilton** (chair), senior consultant – Westminster Explained

partner bodies, said Usha Choli, a co-ordination and support manager for the Home Office's Local Delivery Directorate. "All too often we have been doing silo-based interventions on the ground," she said. "Now we are working with a number of Whitehall departments on a very localised, place-based approach, where we as government representatives help local partners to remove the blockages from our side."

Choli pointed out that the new emphasis on working with local voluntary sector partners will require fresh thinking on systems of accountability for public spending; many of these organisations are not set up to conform to public sector standards on monitoring and accounting for expenditure. "I think there are going to be some gaps [in accounting for spending], as local partners will have had a very different approach around managing programmes and financial expertise," she said. "I'm all for reducing bureaucracy, but civil society providers might not have the mechanisms, processes or staff resource to take on that responsibility."

Sonali Parekh, head of policy at the Government Equalities Office, was also concerned about oversight of local partners. "As government becomes more a commissioner of services than a provider, how do we join up on grants we are giving to different organisations to avoid duplication?" she asked.

Silos on the front line – and at HQ

When local actors are freed to collaborate more closely and address local priorities, the clear lines of accountability for spending, and the audit trail that connects an organisation's spending to its main goals, may become blurred. For example, said Russell, partnership working might lead to several organisations pooling relatively small amounts of public money to run a project with 'softer', multiple outcomes – for example, in worklessness and child poverty – rather than individual bodies focusing on achieving hard and easily measurable results that obviously meet their core objectives. "One of the challenges is going to be how we manage those financial transactions," she said, "because traditionally there have been so many hoops to go through to prove that your £50,000 is buying your outcome for your department's targets."

Sheila Jane Malley, director of grants and policy at BBC Children in Need, agreed. "We are an independent foundation, and like most others we are deciding how to position ourselves in the light of the spending review," she said. "Outcomes achieved with very light-touch regulation are as much a challenge to the independent funding sector as they will be to you."

Malley was present because she was work-shadowing Emma Eckered, a commercial accountant in ICT finance at the Ministry of Justice, who said her department is trying to find efficiencies by changing the way in which it pays suppliers. "The ministry spends a lot of money on transactions, and we are piloting 'self-billing'," she explained. "Instead of our suppliers sending invoice after invoice for tiny sums, we will say: 'We will pay you for this much this month, and if we've missed anything let us know; we will pay at a later date.' That reduces our transaction costs, and it has reduced the number of hours spent ticking off payments."

However, Eckered said that the ministry has taken this initiative itself, without involving any other department – and this led other participants to question how joined-up Whitehall is on payment and procurement practices. There are common issues across government, said one individual, but practices are so divergent that agendas vary radically between departments – and it's not obvious that this dislocation is being addressed. Eckered agreed that, ideally, Whitehall needs "one pilot in place, so we are not all doing the same thing differently".

Asking for expertise – early

Fast-moving payment technologies create endless possibilities – but government's ability to realise their potential is often limited by its weak understanding of the options. Ivan Rogers, head of public sector at Barclays Capital, argued that public procurers should call on private sector expertise far earlier in the decision-making process – and long before formal procurement processes get under way. This, he argued, would help public bodies to grasp the possibilities presented by market innovations and to think through how best to deliver policy objectives before they limit the opportunities for further innovation by drawing up

a specification and getting into a formal procurement process.

"We are agnostic as to what a client wants," Rogers said. "What we *can* do is tell people what is practical and what audit trail they can get. It is their choice whether they want an audit trail, or think that is too 'Big Brother-ish'. We can say: 'If you want to do something, this is how you go about doing it.'"

Unfortunately, Rogers said, currently the private sector is rarely able to discuss technical possibilities with the public sector early enough in a process to have a substantial impact on the result. "You need to have conversations a bit earlier to decide what is practical and do-able and learn about what is cutting edge – that is very difficult once you are in a formal procurement process," he said. Private firms would like to be involved in policy and strategy discussions, rather than being brought in only once the topic has moved on to finance and procurement – once, in fact, officials "have already decided what to do".

Barclaycard's Rob Tuckwell supported his colleague's call for public procurers to sound out private sector experts before settling on a plan. "If we can't add value, we'll tell you so and walk away," he said, "but there are a lot of areas where we can explain what industry products are available – and that early engagement, allowing us to educate you about the market, will give you a more rounded view of the available solutions."

In some cases, officials' tendency to steer clear of private providers until they know what they're buying is rooted in bitter experience of occasions when private sector actors have sold ministers on a particular approach before the policy spadework has been undertaken. Several participants at the table complained about private firms that, they said, promote themselves direct to a minister, leaving civil servants to unravel purchasing decisions made on goods or services that prove to be unfit for purpose.

The private sector must approach the civil service in the right way if it wants to be heard, warned Andrew Ross, a Treasury economist. "We get an awful lot of adverts that are glossy and glib, and civil servants are not generally glossy and glib," he said. "What is useful is to talk to someone with an informed view. It is noticed when a set of people come up with ideas, and

that is no problem so long as it does not give you an advantage in procurement."

The future challenges

Ross added that means-tested benefits are likely to be one of the most complex payment issues in future, as there are "enormous transaction costs, and people are struggling to see how we get over that: how we can get benefits better focused, without [introducing] a process of checks that are more expensive than the money currently wasted by giving it to the wrong people".

Increased emphasis on localism, the use of civil society partners and the relaxation of central targets will all pose challenges to those who keep track of public money, Ross said. Greater local diversity in service providers' natures and approaches will exacerbate the complexity that already exists, thanks to the use of a range of data and technical approaches, he added, making it increasingly difficult to compare the value for money offered by different spending programmes.

"The worry is with localism that people will say: 'Aha! We've got the money and it's up to us what we do with it.' That of course is going to cause problems later on," he said. "You have to have some sort of standardisation, as the centre has to make a decision somewhere along the line and it needs local places to report back in such a way that it can compare lots and lots of localisms to see the best use of the money."

The technological possibilities of controlling spending have, in a sense, run ahead of the public sector's discussion on exactly what it wants to control and what should be left to local service providers. But these are early days for the new government, whose rhetoric has in most areas not yet been translated into new systems and structures. As the government works out exactly how the localism agenda – and the move away from central targets and auditing – affect service provision and the relationship between the centre and the front line, new opportunities will arise for the intelligent use of payment technologies to improve both service personalisation and value for money. And at that point, civil servants will be faced with the substantial challenge of developing payment systems and reporting structures that reconcile the objectives of greater local control, universal comparability, clear democratic accountability, and increased choice for service users. ■



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Left: Ivan Rogers; right: Usha Choli; below (l to r): Andrew Ross, Ivan Rogers, Pat Russell



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