From The Sunday Times March 28, 2010: The full text of Edward Leigh's letter

**An open letter to my successor as Chair of the Committee of Public Accounts:
Reflections on nine years at the helm**

In the past nine years I have cross examined over one thousand senior civil servants on their performance in managing public money, an issue which is now at the heart of political and public debate. In this period, the economic temperature has changed substantially from the heatwave of the spending boom in my early years as Chairman of the Public Accounts Committee to the big chill of the current straitened climate. My Committee has taken evidence on 420 separate government projects and programmes with witnesses including the Cabinet Secretary, all Permanent Secretaries and the Chief Executives of some of the major private sector suppliers to government. I have learned a lot about the state of public administration in the UK and it has crystallised my understanding of the endemic problems which undermine the pursuit of value for money in public services.

The attitudes of the witnesses before us have varied, from those who take their responsibilities to the taxpayer seriously to those who are seemingly unfazed by the odd £100 million going astray or by programmes failing to deliver vital services to the citizen. We have been impressed by some talented people who know what they are doing and are determined to do it well, but more frequently we have been shocked by the failure to apply basic management disciplines to major projects and programmes. We have had real experts in front of us, who understand fully the dynamics of their organisations and we have had generalists, good at policy but lacking any interest in implementation. We have had those who take the accountability process seriously and endeavour to answer our questions and meet our concerns but we have had more who demonstrate that Sir Humphrey is alive and kicking, talking at length but saying little.

My Committee has made thousands of recommendations for improvement, the vast majority of which have been accepted by government and acted upon saving the taxpayer over £4 billion, so our endeavours have been valuable. But it is disappointing to see problems arise in 2010 which repeat those of 2001 and indicate a systemic failure to learn from experience acquired within and across departments. As my time as Chairman of this prestigious Committee, established by Gladstone as a cornerstone of parliamentary democracy, comes to an end, I would like to propose ten lessons that I pass on to the new Government and to my successor as the guardian of taxpayers' interests. I have also appended details of every report we have produced listed by sector, these provide a comprehensive reference bank for everyone interested in public finance and service delivery.

Lessons to be learned

1. Complexity impedes effective delivery. Public services are often complex, inflexible and inefficient. Services should be kept simple, with less means testing and more standardisation.

2. Project management must be improved. In particular, public bodies must reduce optimism bias in their planning of projects and be more honest about what can reasonably be achieved and the risks to delivery.

3. IT procurement is particularly weak. Projects are over-ambitious, overly complex and fail to deliver what is promised while costs rocket.

4. Core management skills are in short supply. Too many bureaucrats have never run anything outside the public sector.

5. Information must be used intelligently. Accurate information is needed to know what is happening and to make timely, informed decisions about how to get things back on track or, if necessary, call a halt to projects and programmes that are failing.

6. Efficiency savings must be real. Departments are always promising efficiency savings but the reality rarely lives up to the rhetoric.

7. Government purchasing power must be maximised. Though it is a hugely powerful customer it rarely gets the best deal when buying goods and services and is too often ripped off by suppliers.

8. Fraud and error must be tackled head on. Taxpayers lose faith in government when they see their hard earned cash seeping from the system.

9. Government must learn from experience. Government needs to learn from its failures and its successes, so that mistakes in one part are not repeated elsewhere.

10. Public scrutiny adds value. It must be taken seriously by senior civil servants.

Complexity impedes effective delivery

Public services should be designed to meet the needs of the public in the most cost effective way. In practice they are often too complex, inflexible, inefficient and unhelpful, especially at times when people really need help or support.

We have an ageing population but my Committee found that older people are poorly served by HM Revenue & Customs. Although more likely to comply with their tax obligations, older people are less likely to understand them, and many pay more tax than they should. The onus is on older people to claim the age-related allowances. But the rules on eligibility are hard to understand and older people do not find the claim form easy to complete.

We found similar problems in how government gets help to the needy. The Social Fund was set up to do something simple and sensible: to provide immediate, short-term financial assistance to vulnerable people in dire straits. Instead it epitomises what is wrong with so many benefit programmes. Its structure is over-complex and gives rise to error – by both claimants and staff – and delays so that people can face lengthy waits for 'emergency' funds. And although it has existed for over 20 years, the people who need the Fund most often don't know it exists.

One of the worst examples of a service which ends up creating stress and worry is the management of tax credits. Since 2003, when tax credits were introduced, the Department has identified overpayments of £8.4 billion. HMRC works to claw this back into the public coffers, and the consequence has been about two million families being placed in debt to the government. Understandably, some regret ever having become involved.

Project management must be improved

Today, a lot of government activity can be boiled down to the development and implementation of projects – an area where best practice should be well understood. Yet so often we have seen projects being poorly run and plagued by over-optimistic plans for what can be delivered at what

cost. We have seen too many examples of delayed delivery, cost over-runs and an abject failure to secure all or even any of the benefits promised.

Inevitably, defence projects come to mind here. Every year, we have looked at the Ministry of Defence's performance in delivering 20 of its biggest military equipment projects. Every year, the story is gloomy. In the twelve months of 2009, the delivery of these major projects was further delayed by a total of 93 months. And in the same twelve months, the forecast cost of all of the projects increased by a further £1.2 billion over the original budget. Year in, year out this pattern continues. Year in, year out, the causes are the same: a lack of realism and unjustified optimism about what can be achieved, at what cost and by when. The MoD has also continually reacted to cost pressures by arbitrarily taking decisions to delay projects or reduce the capability of the equipment on order. These are fundamental failings of governance and budgeting and the consequences for our service men and women are serious.

Prestige projects are affected by the same shortcomings. The Government set enormously ambitious goals in regenerating the Thames Gateway region. But bold, large scale schemes such as this cannot work without detailed planning, proper coordination of the different agencies involved and strong project management.

All were absent in the Thames Gateway project. There was no budget, co-ordinated objectives or measures of progress. For example, they planned high quality, sustainable building developments with low carbon footprints. Sounds great, but the government did not know how much they would cost, how it was going to create these developments or how it would get a transport infrastructure to service them.

The management of this project, and so many others like it, have an element of the daydream about it. There is an air of "wouldn't it be nice if?". Well that thinking has a place, but without the hard dose of reality needed to bring these things into life, it does not stack up to much.

Where we have seen good project management it is about sound common sense principles. Opening more than 800 modernised Jobcentre Plus offices was ambitious but the project was delivered as designed and under budget. Getting this right is not easy. But neither is it splitting the atom. In this case it was down to maintaining continuity in the leadership team, the substantial front-line experience of the senior managers, a willingness by the team to learn and revise its approach as the project progressed, and the engagement of local staff in the change process. The principles are straight forward; it is high time others in the public sector learn from examples such as this.

IT procurement is particularly weak

Reliable information is at the heart of efficient and effective government but, where this has been recognised, too often the response has been to buy a new IT system without planning what they need and allowing for adequate testing. Time and again, Departments have wasted millions on IT systems that fail to live up to promise, come in late and cost hugely more than forecast.

A case in point is the Rural Payments Agency's woeful implementation of the Single Payment Scheme, which continues to cause anxiety and hardship for farmers. The Agency spent £350 million on a cumbersome IT system that can be supported only at huge cost and which is increasingly at risk of becoming obsolete. The data held in the system remains riddled with errors. IT failings like this are the symptom, not the cause of the problem. The root cause of this

debacle has been poor leadership within the Agency and a lack of attention by the sponsoring Department.

The Ministry of Defence's ambitious new £7 billion Defence Information Infrastructure system, designed to replace hundreds of ageing existing systems, was fatally flawed by poor planning. There was no proper pilot for this highly complex programme. In addition, the consortium implementing the project – led by EDS, a company whose track record of delivering government IT projects has not been exemplary – underestimated the complexity of the software it had agreed to create. The result was that, for over two years, it was unable to deliver a system that could safely handle material classified as Secret.

These are by no means isolated instances; we have looked at examples across most of government. What is more galling is that again there is a wealth of best practice advice and good examples such as the Department for Work and Pensions' Pension Credit and Payment Modernisation Programme. Successful delivery of IT projects requires adherence to three common principles: ensuring senior level engagement; acting as an intelligent client; and making sure that you have means of realising the benefits from the project. Problems have occurred where board level engagement with major programmes and projects has been found wanting, resulting in a failure to identify and act on imminent risks to delivery. Departments have not always shown themselves to be intelligent clients, with poorly defined requirements and a lack of capacity to engage effectively with suppliers; and only a minority of programmes and projects have carried out final Gateway Reviews to determine if they have delivered the benefits they set out to achieve.

Core management skills are in short supply

At the root of many of the problems I have seen over my time as Chairman is the continual rotation of senior staff and a lack of skill in project and programme management. Implementation works best when there is continuity at a leadership level and departments make better use of the talent and experience they have; and move people to where their skills are best suited and ensure staff are not leaping from one unfinished project to the next.

A classic illustration was the Ministry of Justice and the National Offender Management Service, where the aim was to introduce a single database to manage offenders. The project, initially envisaged for completion in January 2008 at a cost of £234 million, had the plug pulled on it in August 2007 because costs had trebled. The fact is that the first Senior Responsible Owner overseeing the project did not have relevant project experience or training, with the result that costs and progress were not monitored or reported for the first 3 years.

On a grander scale, the Treasury's lack of preparedness for dealing with the failure of a major bank was evident as early as 2004. So it is not surprising that, in September 2007, when there was a run on Northern Rock, they were caught flat-footed. Very few people within the Treasury had the skills to deal with the crisis and it had to make extensive (and expensive) use of external advisers. While the decision to nationalise Northern Rock was probably the best thing to do in a bad situation, the crisis shows the importance of looking ahead and anticipating what skills you might need.

Information must be used intelligently

Departments collect vast swathes of information from the front line, but in too many instances fail to use it to help them monitor how projects and programmes are progressing. Sound information,

specified from the outset enables timely, informed decision-making and facilitates early intervention when things go wrong allowing for decisive action to get things back on track or to call a halt to projects and programmes that are grinding into the ground.

This woeful absence of information on cost and demand means that Departments do not have the information to know what impact they get from the money they spend. The Department of Health has spent around £100 million on the National Chlamydia Screening Programme so far. But it does not yet know what effect, if any, this has had on reducing the prevalence of the infection.

Programmes with even longer timescales are also undermined by a lack of data. Take the impact of the programme to try and regenerate the English coalfields. The closure of 124 pits since 1981 has left a legacy of derelict land, some of it highly contaminated. Reviving the former English coalfields is one of the largest regeneration challenges to face the country over the last 30 years. But, despite spending £630 million so far, and 13 years after the launch of the initiatives, the Department for Communities and Local Government still do not know what the impact has been on the mining communities they were designed to help.

The absence of information delays efforts to tackle a range of other problems. The Department for Transport and the Vehicle and Operator Services Agency, for example, have not done enough to give the Agency access to critical data held by HMRC on vehicles carried onboard vessels which would aid the identification of known high risk lorries and drivers as they enter Britain. In the prison system, NOMS lacks the basic performance and cost data it needs to manage its estate. The existing performance targets for the maintenance staff are useless: uncompleted maintenance tasks are not included so everyone gets top marks. And NOMS does not systematically analyse whole life costs when deciding whether to patch, refurbish or replace prison wings, plants and facilities.

Better information can also generate increased revenue by following our recommendations, HMRC has increased Corporation Tax yield by targeting its enquiries and resources into areas of more significant risk.

Efficiency savings must be real

Given the pressure in the current economic climate to deliver more for less, it is particularly disappointing that when it comes to real efficiency savings, the reality rarely lives up to the rhetoric.

The reviews of government efficiency programmes by my Committee have shown that claims of achieved savings do not stand up to close scrutiny. In 2007 we found that there was a question mark over nearly three-quarters of the claimed £13.3 billion annual efficiency savings. If efficiency gains are to be anything other than empty words, more must be done to make them real and demonstrable. They must not be one off cuts, but savings deliverable year after year. And they are not genuine if, as we have found in a number of cases, they are achieved at the expense of the quality of the service provided.

One approach has been the shared services programmes, an initiative to encourage sharing of back office functions such as IT and finance, with a view to improving both quality and efficiency. The Cabinet Office claim there is scope to save some £1.4 billion each year across government, but do so without accurate information on what corporate services cost and how they perform. And they have not set a timetable for achieving this level of saving.

We looked in detail at one particular example within the Department for Transport which planned and implemented a shared corporate services project with stupendous incompetence. This was an efficiency drive aimed at saving £57 million by 2015. It now looks like the taxpayer will have to stump up £81 million to pay for it. The underlying computer system was not properly tested and, as a result, was unreliable. Departmental staff do not trust the system which is hardly surprising considering that on occasion it took to issuing messages in German.

Government's purchasing power must be maximised

Government is a potentially hugely powerful customer but it rarely gets the best deal from private sector providers. Departments need to become cannier customers and think about how the public sector can use its collective buying clout to get a better deal.

Developing the commercial skills of those who wield the government's significant buying power could realise huge potential savings from smarter procurement of goods and services. It needs to stop making wasteful decisions. For example, the Department of Health left it to Primary Care Trusts to organize locally all the buying and commissioning of equipment and services needed to run the chlamydia testing programme. This hands-off approach led to duplication of effort and inefficiency. And the Department did not know how much the PCTs were spending on testing or have any mechanism to measure what impact the programme was having on levels of infection.

We have found progress where departments have responded to our recommendations on this. In the case of the Prison Service, for example, a new strategy for procurement has been put in place and the Service has introduced a centralised professional procurement team. It has even successfully phased in a new computer system. The quality of the goods and services procured has improved and around £120 million in cash was saved over five years.

Fraud and error must be tackled head on

Each year billions of pounds of taxpayers' money are lost to fraud and error. This undermines public confidence and public services. Departments really must make serious inroads into that annual amount being lost.

This is not, as some may presume, an issue confined to the payment of benefits. As an example, earlier this year, we heard that the Legal Services Commission, which spent more than £2 billion a year, managed to overpay solicitors in 2008-09 by some £25 million.

The astronomical amount of benefit money being lost through fraud and error has been a constant source of frustration for my Committee over the years. The scale of the problem is perhaps best illustrated by the fact that the Government calculate this by rounding to the nearest half a billion pounds. Benefit fraud diverts public funds into the pockets of criminals and, in so doing, reduces our confidence in the benefits system.

Recently, however, the Department for Work and Pensions has made progress in cutting losses in the highest risk benefits. While the Department still battles against hellish complexity in the benefit systems, high levels of error by staff and poor systems for storing and retrieving customer details, the annual level of fraud reported by the DWP fell from £2 billion in 2001-02 to £800 million in 2006-07.

It has done this in part by better joint working with the police and local authorities to frustrate fraudsters. But it has also developed a better understanding of the problems and the means of tackling them.

Government must learn from experience

The public sector must learn from failure and from success, but too often the lessons gained in one part of government are ignored by other parts of Whitehall.

The Committee of Public Accounts does not expect that every new project or initiative that government tries will work. Innovation brings with it the risk of failure. It 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. Ways of capturing lessons have been introduced, such as the OGC's Gateway Reviews, but some of the projects which go through this process still experience problems. The Government has also paid insufficient attention to analysing the lessons from these reviews.

This failure to learn from experience is particularly serious in the current economic climate when we need to find ways of delivering more with less. What we need to see is wider dissemination of lessons from 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.

Despite signs that things are getting better, however, in too many areas the Committee has seen too little progress over the years. In particular, the Committee continues to see cases of:

- policies not being properly planned or thought through;
- improvements not materialising or taking place slowly, despite promises;
- failure to apply more widely the lessons learned in one part of the public sector;
- the repetition of mistakes, even after the causes have been identified;
- failure to exploit commercial opportunities; and
- slow progress in making the most of opportunities offered by new developments in technology.

Public scrutiny adds real value.

My tenth and final lesson is the importance of taking the accountability process seriously. Our system of administration vests personal responsibility for financial management in the Accounting Officer, the senior civil servant in each public body. In some European countries this responsibility includes personal liability for the funds they control. Tempting though some may find that approach, we do not have that added discipline but it does not mean the responsibilities are any less onerous.

Of course, government is inherently complex and senior civil servants have a range of responsibilities to manage, but their responsibilities to the taxpayer should be paramount and they should establish the infrastructure within their departments to give them confidence that they are able to meet the requirements expected. When they launch projects and programmes they should ensure that the basic management disciplines which underpin successful delivery are robust, they should monitor outcomes closely and be bold in challenging delays, failure in delivery and overspends. They should stand up to Ministers if the latter put their departments under undue

pressure or ask for the impossible. They should embrace the audit process, which provides an expert perspective on the work of their department. And when they appear before us, as representatives of the hard pressed taxpayer, they should be ready and willing to engage in a meaningful debate about performance and be willing to commit to quick and effective corrective action.