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# Driving Public Service Transformation and Innovation through the Invest to Save Fund

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## Summary

- Government finance can play a powerful role in unlocking innovation and driving transformation in public services. It can help by pooling risk, providing additional resources and slack, and creating strong incentives for joining up.
- The type of finance provided, and the approach to the management of funds, need to be modulated according to the novelty of an idea and the complexity of its implementation. The greater the novelty or complexity, the greater the risk that the project will fail.
- Different types of funding are needed at different stages of the innovation process. Projects at an earlier stage are better supported by equity or grant funding, while more mature innovations can benefit from repayable finance.
- Active support from fund management is beneficial across all stages of innovation. Anecdotal evidence suggests that where public service innovation projects fail, it is more often due to a lack of external support rather than the idea. In particular, the implementation of complex interventions requires more hands on support but low risk projects (i.e. adoption of simple, proven interventions) require less support.
- Fund management can play an important role in addressing wider barriers to the generation and spread of successful innovations, for example, by codifying the knowledge and experiences of innovators and fostering a positive environment of competitive 'peer pressure' between public sector organisations.
- There are a number of ways the Welsh Government could adapt the operation and management of the Invest to Save Fund without losing the impact it has already had on public services. There would be value in segmenting the fund on the basis of the type of change being supported:
  - For proven ideas, the fund could stimulate demand through actively identifying organisations that can benefit and offering finance to take up the innovation and implement it locally.
  - For more novel and complex ideas, the fund could play an active role in supporting the development and testing of proposed innovations; although some form of cross-subsidisation would be needed to ensure sustainability of the fund.
- More active management of this kind would require increased capacity in the fund management team.

# Introduction

The Minister for Finance and Government Business asked the Public Policy Institute for Wales (PPIW) to provide advice on how the Welsh Government could use its Invest to Save Fund more strategically to drive transformation and innovation across public services<sup>1</sup>.

To address this, we conducted in-house research and bilateral discussions with experts in public service innovation and transformation to scope the main issues. We then convened a workshop in March 2016 with academics, innovation experts and representatives from Welsh and Scottish governments (see Annex 1 for a list of participants). The aim of the workshop was to understand how government finance can be used strategically to drive transformation and innovation across public services, and to apply these lessons to the Welsh Government's Invest to Save Fund. Following the workshop, we carried out further discussions with experts.

The rest of this report sets out the context for driving public service transformation and innovation through the Invest to Save Fund, and summarises the main conclusions from the expert workshop and additional research that was carried out.

## Context

### **The need for public service innovation**

Facing a combination of shrinking budgets and growing demand-side pressures, public services in Wales and the rest of the UK are under pressure to change the way services are delivered. As a result, it is becoming more critical for public bodies to innovate and transform, or face the alternative of withdrawing services (Jefferies, 2013). Across Europe, there is acceptance that public service innovation is becoming increasingly necessary but the budgetary pressures faced by governments can also make them less willing to spend resources on piloting projects that have uncertain outcomes.

Against this background, the Welsh Government has made commitments to supporting continuous improvement in public services, and ensure Welsh Government funding supports more effective service delivery and effective collaboration. The Invest to Save Fund plays a key role in this commitment through stimulating and financing initiatives to meet these goals.

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<sup>1</sup> This followed a previous report where the PPIW worked with Dr James Downe to recommend how good practice from the fund could be shared across the public sector (Downe, 2014).

## Invest to Save Fund

The Welsh Government's Invest to Save Fund provides interest-free loans with flexible payback periods to public services. It aims to help them transform the way they work through supporting the introduction of **new or proven ways of working** that enable them to be more efficient and effective. The loans are provided primarily to health boards, local authorities and, to a lesser extent, higher and further education institutions. There is potential to increase the latter organisations' participation in the fund, and to extend to the third sector. Since its launch in 2009, £123 million has been invested in more than 130 projects (Welsh Government, 2015). While the fund aims to encourage innovation and new ways of working, in practice the requirement to deliver cash savings can make bids more cautious.

Since the previous PPIW report on the Invest to Save Fund (Downe, 2014), actions have been taken to share good practice across public services in Wales, and to build relationships across the education, health and local government sectors. Officials have reported a noticeable increase in interest in the fund during 2015-16, and have received bids from the education and voluntary sectors. However, one of the challenges noted at the workshop was that the increase in the number of funded projects has led to an increase in the complexity of core functions, putting pressure on the capacity of the fund management. In terms of project management, it was also noted that the larger strategic projects can be easier to manage from the fund's perspective compared with having multiple smaller pilots.

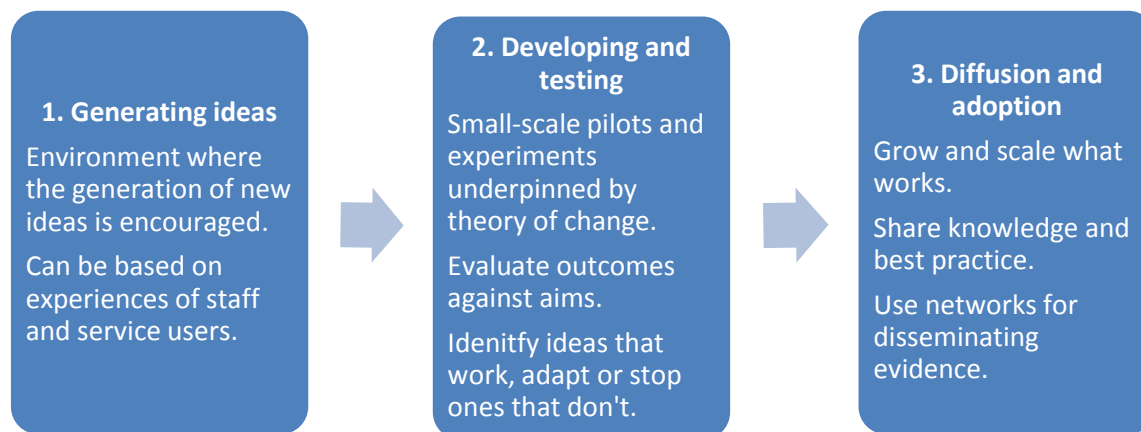
## The Process of Public Sector Innovation

Experts recognised that public services operate under a different environment of incentives and risk than private enterprises where the profit motive rewards innovation. For example, public service innovation can be hindered by **asymmetric incentives**. Unsuccessful innovations are punished more severely than successful ones are rewarded, and experiments that do not work can be denounced as a waste of public money (see Borins, 2001). Experts also noted that aversion to innovation can be reinforced through the absence of a mechanism, such as venture capital, for seeding novel ideas. However, the international evidence shows that innovation in public services does occur although it is often in spite of the dominant management strategies and structures (see Bekkers et al., 2013; Lekhi, 2007; Mulgan, 2014 and 2015).

As depicted in Figure 1, it is common in the research literature to distinguish three main stages to the innovation process – generating ideas based on a theory of change; developing, testing

and experimenting to identify innovations that work; and then spreading and scaling these to maximise public benefit (Ling, 2002; Mulgan, 2014). This lends itself to a ‘pipeline’ analogy although the reality is often messier and more uncertain than this suggests (see Albury, 2016).

**Figure 1: Stages of public service innovation**



Sources: Adapted from Ling (2002); Mulgan (2014).

## Generating ideas

The public sector is characterised as being naturally risk averse. Public services therefore benefit from leadership that actively encourages innovative thinking, and creates an environment conducive to it. Such leadership is needed from both politicians and senior managers (Bekkers et al. 2013). The literature also points to the need to recognise and reward the generation of innovative ideas by public service leaders (see Kanter, 1988; Borins, 2001; Leon et al., 2012). Experts also identified the concept of ‘linking leadership’ or knowledge scanning as being an important facet of adopting ideas that might be successful in different contexts. This is where leaders actively seek to learn from other organisations, both within and outside their sector – a behaviour that is often demonstrated by successful innovators in public services (Borins, 2001).

The literature also suggests that bottom-up approaches that engage all levels of the organisation in generating ideas – including front line staff and middle managers (Hartley, 2005; Arundel et al., 2015) – are effective in generating ideas. In addition, understanding the views and experiences of service users, for example through mapping service journeys, can provide new insights that service providers could otherwise miss.

Arundel et al. (2015) found that these bottom-up and knowledge scanning approaches are more successful than ‘top-down’ management approaches, both in terms of more innovative

ideas being generated, and in the likelihood of them leading to desired outcomes. Experts agreed that this evidence implies the role of leaders should be to foster these types of environments. For example, this could be achieved through:

- establishing networks that encourage learning and sharing of best practice between organisations working in different sectors;
- recognising and rewarding the generation of innovative ideas; and
- investing in developing skills in trust and negotiation, rather than focussing too much on management skills.

Linked to bottom-up approaches, experts also highlighted the potential for innovation funds to be marketed to citizens, service users and the third sector to help generate more ideas. Experts discussed the value of co-creation (or co-production) in generating ideas and driving public service innovation (see for example Bovaird and Loeffler, 2012). This approach involves public services working closely with citizens to gain insights into how services can be improved based on users' needs and their experiences. The role of the citizen can also go beyond being a passive source of information, and include active involvement in the co-design of services. In practice, Voorberg et al (2014) found co-creation processes to have mixed outcomes in terms of efficiency and effectiveness, but they also noted it can be a successful way of community building. There was some debate among workshop experts as to what should constitute a successful outcome for co-creation – while they may be unlikely to lead to cash releasing savings, such designs could have other positive societal and community effects. Co-creation initiatives are most likely to have good outcomes (and drive successful innovative ideas) where the willingness and ability to participate from both the public sector and citizens is high. Some experts commented that the Well-being of Future Generations (Wales) Act 2015 provides a suitable framework for introducing more co-creation in public service design in Wales, with the potential to drive further innovation.

A number of international examples of promoting innovative ideas were identified, including national public sector innovation awards<sup>2</sup> which are designed to encourage a culture of surfacing innovative ideas in public services, whether they are good or bad. Related examples include holding 'government jams' where innovative ideas are encouraged and a selection are taking forward for testing; and the biennial European Public Sector Award (EIPA, 2015) where initial ideas are shared and feedback is given on how to take proposals forward.

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<sup>2</sup> See, for example, the Public Sector Innovation Awards in Australia (IPAA, 2016): <https://www.act.ipaa.org.au/innovation-awards>



## Developing and testing

By their nature, innovative ideas are rarely fully formed. They need to be developed, tested and refined over time. Experts commented that for innovative ideas to make it to the testing stage, they should be underpinned by a theory of change that articulates what is expected to happen as a result of the innovation, and why. To manage the risks associated with implementing new ideas, they can be tried on a small scale, or implemented in a way that enables 'failure' to be identified quickly (allowing for correction or for withdrawal at an early stage). This process of development, testing and evaluating outcomes against aims allows public services to identify innovations that work well, that would benefit from being adapted, and ones that should be stopped.

Examples of unsuccessful innovation projects across the EU demonstrate the risks of implementing large-scale complex innovations too quickly (Leon et al., 2012), suggesting that complex and novel ideas should first be trialled on a small-scale. Innovative organisations undertake experiments of new ideas, put in place processes to evaluate against expected outcomes, and then either expand, modify or terminate the innovation based on the results (Borins, 2001).

The Children's Social Care Innovation Programme<sup>3</sup> (DfE, 2014) was identified in the workshop as an existing UK government initiative that finances the development and testing of innovative ways of working to supporting children in social care. A large proportion of the fund is spent on learning and evaluation which in turn assists with the refinement of initial ideas. In terms of lessons that could be applied to Invest to Save, experts commented on the high degree of involvement from fund management to help with the learning and evaluation of initiatives. While this approach was viewed by some experts as a good model to follow in financing public service innovation, it was noted that the precise focus on children's social care made it simpler to manage than a fund such as Invest to Save which covers all public services.

## Diffusion and adoption

For innovations that are evidenced as being effective (usually after a period of refining and adapting), they are ready to be implemented and scaled for the benefit of all service users. At this stage, the diffusion of best practice can assist in transforming wider public services, both geographically and across different service areas. Networks of learning can enable the sharing

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<sup>3</sup> See <https://www.gov.uk/government/publications/childrens-services-innovation-programme>

of evidence and best practice although contextual factors are important – what works in one location or service area may not necessarily be transferrable to another (Bekkers et al., 2013).

However, a tension often exists at this stage. While governments are well placed to scale ideas up – for example, through the role of public procurement – public services are generally poor at adopting new ways of working, even when they are backed by evidence (Downe, 2014; Mulgan, 2014). Subsequently, upscaling and diffusion can be blocked if there is no clear pathway for an emerging innovation. This, in part, can be due to the nature of the innovation. Whereas **innovative products** can be bought through public procurement, **innovative practices** may have to rely on networks, public service leaders, the workforce and service users to adopt a new way of working. However, experts suggested that if public procurement can be linked to innovation funds, there may be greater scope for innovative products to be adopted more widely, helping to transform services.

Research undertaken as part of the EU's LIPSE<sup>4</sup> research project (see Bekkers et al., 2013) identified a number of factors that drive diffusion and adoption of innovations, including:

- **Societal value** – framing innovation in a way that promotes its value to society (e.g. improving safety, or the quality of education) is a stronger driver for incentivising innovation than efficiency gains alone.
- **Conformity** – organisations in the public sector do not want to be seen as being slow to adopt proven ways of working, or being left behind. A positive environment of competitive 'peer pressure' between neighbouring public sector organisations can therefore drive adoption of known solutions.
- **Avoiding 'one size fits all'** – there is more reluctance to adopt heavily prescriptive solutions. Concepts that are open to being 'moulded' to fit local conditions are more likely to drive diffusion.
- **Slack** – the availability of additional resources (including staff and expertise) can encourage greater uptake of innovations of also spreading best practice.
- **Linking leadership** – as with generating ideas, it helps to have people that reach across boundaries to build relationships and learn from other organisations, and apply practices in their own organisation.
- **Codifying knowledge** – codification of knowledge and experiences of innovators and early adopters facilitates greater diffusion and adoption. This could be assisted through

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<sup>4</sup> Learning from Innovation in Public Sector Environments. See <http://www.lipse.org/>

pro-active identification of organisations likely to benefit, and offering finance for them to adopt and/or adapt the innovation to their needs.

## The Role of Finance in the Innovation Process

Mulgan (2015) identifies a lack of consideration about the role of finance to drive innovation in public services. While governments have a history at financing innovation elsewhere (e.g. in science, technology and the wider economy), there is a less strategic approach to funding such improvements in the public sector. Governments may sometimes provide small allocations of resources for experimenting with improving public services but this often lacks an overall strategic direction. Experts also made a distinction between providing finance to support public service improvement, and to support public service innovation. While repayable loan funds such as Invest to Save can be suitable for the diffusion and adoption stages of innovation, they may not be the best vehicle for generating and developing more novel ideas.

There is, therefore, greater scope for finance to play an enabling role in unlocking innovation and driving transformation in public services. In particular, the literature suggests it can help by pooling risk, providing 'slack' (i.e. availability of additional resources), and creating strong incentives or levers for joining up, such as the provision of jointly managed budgets. Funders can also play an important leadership role by encouraging effective knowledge management and spreading best practice.

Given the absence of venture capitalism, public services could benefit from dedicated funds to provide the resources from incubation to develop and test new ideas, through to incentivising the implementation and scaling of ideas that work (see Borins, 2001). Experience from organisations such as Nesta shows finance to play a more successful role on the supply-side (generating successful innovations) than on stimulating demand (i.e. spreading the uptake of successful innovations). However, given the broader range of financial levers available to government, and its relationship with public services, Mulgan (2014) argues that governments are uniquely well placed to scale and spread successful ideas.

The evidence suggests that in the private sector, even professional investors such as venture capitalists have great difficulty judging the success of innovative start-ups during the early stages of development (Kerr and Nanda, 2014). However, large benefits accruing from the few start-ups that turn out to be successful allow venture capitalists to pay for the ones that fail. Experimentation therefore plays a central role – it requires investors to close down poor performers and capitalise on those that reveal positive outcomes. Extending this to the public sector, any approach to financing innovation needs to attend to the balance of risk and reward,

accept 'honourable failures' (Mulgan and Albury, 2003) as part of the process of trial and error, and incentivise learning and adoption of tried and tested methods to promote the wider transformation of services in the absence of market pressures.

Across public services, experts agreed that the pooling of risk and reward is important if innovation and transformation is to be incentivised. The rewards of transforming a particular service (e.g. ICT in hospitals across Wales) can be substantial. However, being the first to innovate is risky. Similarly, the costs of innovating might fall to one part of the public sector, while the benefits accrue to another. Therefore, consideration should be given to how the risks and rewards of innovation could be pooled and shared across organisations.

While finance was deemed a vital part of driving public service innovation, experts commented that it is not sufficient on its own. Getting the right combination of skills, external support, and time to get things right were all identified as important factors to sit alongside finance. Finding ways to leverage more finance (for example, through match funding) was also identified as a key aspect to drive successful implementation of innovative ideas.

## **Financing models for different stages of innovation**

There was consensus in the workshop and in the literature that different types of funding are needed for different stages of the innovation process – from the generation of new ideas, through the testing and developing of an approach, to the scaling and spreading of successful ideas. Experts identified a number of different financing models appropriate for the different stages of public service innovation. For example, projects at an earlier stage in the process are better supported by equity or grant funding, while more mature innovations can benefit from repayable finance. Below we look at four examples: stage gate funding (including early stage equity funding); accelerators; purchasing outcomes (social impact bonds); and challenge prizes.

### ***Stage gate funding***

Under this approach, funding is released over a number of stages only if expected benefits are realised. This model is helpful for developing and refining new and/or complex ideas, and is a common approach adopted in the private sector. The 'stages' are the research, monitoring and evaluation activities, while the 'gates' are the checkpoints at which decisions are made about further funding (Cooper and Edgett, 2012).

Funding commitments for projects will initially be low under the stage gate model. Monitoring initial outcomes from small-scale trials or pilots informs decisions about whether further funding should be released, or in the case where initial aims are not met, a decision can be

made to close down the project early on, allowing further funding to be released for projects with a greater possibility for success at later stages.

An example of this is given by the Centre for Social Action Innovation Fund (Nesta, 2016), which supports innovations where volunteers work alongside public services (e.g. community networks supporting older people)<sup>5</sup>. An initial call for proposals resulted in over 1,400 expressions of interest, 30 were given initial funding, and a small number of high performing projects were given further support to accelerate the pace of their scaling.

Related to stage gate funding, **early stage grant or equity funding** focuses on developing a theory of change to translate initial ideas into something that can be tested. These often take the form of grants, as repayable loans are likely to hinder risky innovation. Experts emphasised that the expertise of the team is of importance here as they need to have the right skills to convert an initial idea into something that can be tested.

### ***Accelerators***

Innovation accelerators provide intensive external support to particular ventures, usually at a specific stage in the innovation process.

One example of this is Bethnal Green Ventures<sup>6</sup>, which supports innovation through the early stages of development, helping to translate an idea for change into something that can be tested. It works with 'social start-ups' that focus on the use of technology, providing investment and short-term support on all aspects of business development in exchange for six per cent equity.

By contrast, the NHS Innovation Accelerator<sup>7</sup> is trying to support mature innovations to spread across the health service. It is funding 17 Innovation Fellows to champion proven, high-impact innovation and generate system-wide improvements through sharing their experiences of diffusing innovations. As part of this initiative, it is seeking to learn about the barriers to the spread of proven innovations based on the fellows' experiences.

### ***Purchasing outcomes (social impact bonds)***

Another financial model for driving innovation is to 'purchase outcomes', for example through programmes such as social impact bonds. Social impact bonds aim to improve outcomes of public services by making funding conditional on achieving results. Under this model, investors

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<sup>5</sup> See <http://www.nesta.org.uk/project/centre-social-action-innovation-fund>

<sup>6</sup> See <http://bethnalgreenventures.com>

<sup>7</sup> See <https://www.england.nhs.uk/ourwork/innovation/nia/>

will pay for the project at the outset, and then receive payments (from the government) at specific points of the contract based on the outcomes the project achieves.

Social impact bonds focus on measuring definable outcomes, rather than inputs or outputs. The emphasis on results, rather than process, aims to encourage greater innovation. Such models allow the government to **transfer the financial risk** of the project to the investors (Cabinet Office, 2013).

Examples of this model include the Cabinet Office Social Outcomes Fund and the Big Lottery's Commissioning Better Outcomes<sup>8</sup>. The Social Outcomes Fund aims to assist with aggregating savings across multiple public sector areas, providing top-up contributions to outcomes-based projects. The aim is for the fund to be a catalyst for innovative projects where no single commissioner can take on making all the outcome payments, but where the wider benefits mean that the investment would be value for money. In this way, it helps overcome the barrier of pooling together the risk and reward of investing in public service innovations.

### ***Challenge prizes***

Challenge prizes can be used to incentivise the generation of new ideas by offering prizes for innovations that successfully tackle a defined problem. They can be an effective way to cultivate fresh thinking but are only appropriate where there is a clearly defined goal, and where there is a clear way of measuring outcomes.

They work by identifying a problem or challenge in public services, and offer a reward to those who identify or develop an effective solution. To work in practice, this often means that individuals or teams of innovators need to be engaged and encouraged to take on the risk of working towards an uncertain reward (Ballantyne, 2014). However, if managed in the right way, the prize can help focus attention on an issue, and use the incentives of competition and reward to find effective solutions.

Examples of recent challenge prizes that have been run in the UK include the Ageing Well<sup>9</sup> and Waste Reduction<sup>10</sup> challenges, run by Nesta and the Cabinet Office. The Ageing Well challenge looked for ideas to reduce social isolation or increase mobility of older people. Initially, 24 ideas were selected and supported into developing more detailed plans. Following this stage, five finalists were selected and their ideas were tested over a six-month period. Each finalist was awarded funding of up to £10,000 in addition to non-financial support.

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<sup>8</sup> See

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/261051/CBO\\_guide.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/261051/CBO_guide.pdf)

<sup>9</sup> See <http://www.nesta.org.uk/project/ageing-well-challenge-prize>

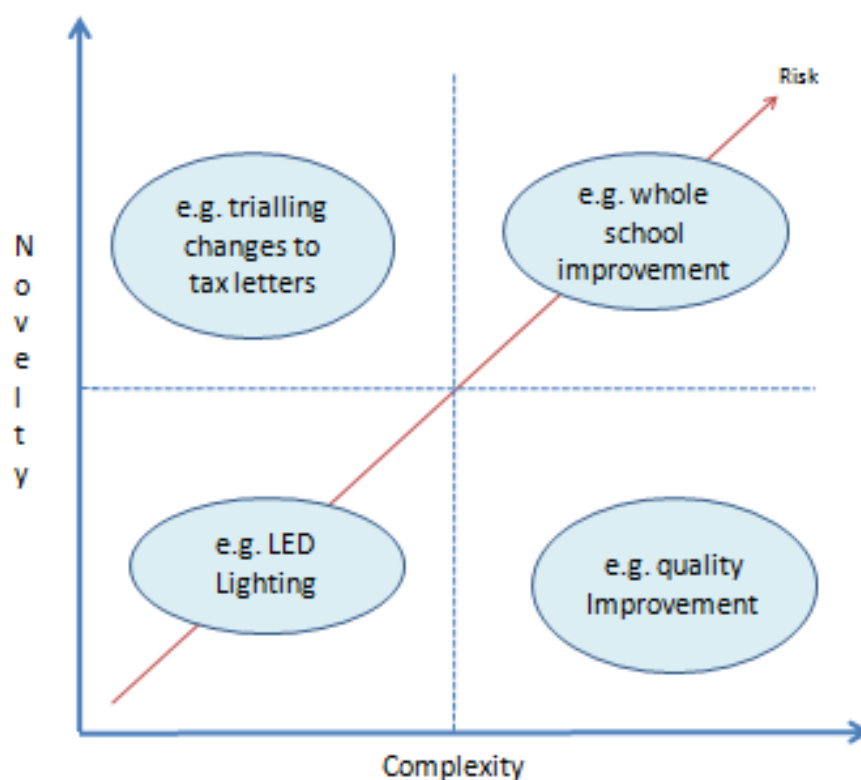
<sup>10</sup> See <http://www.nesta.org.uk/project/waste-reduction-challenge-prize>

Experts at the workshop suggested that challenge prizes, combined with encouraging competition (and collaboration) between public sector bodies could be explored as a way of encouraging innovative ways of tackling targeted problems.

## Managing Novelty and Complexity

The evidence reviewed emphasises that the type of finance provided, and the approach to the management of funds, need to be modulated according to the **novelty** of an idea (how strong is the evidence of its effectiveness?) and the **complexity** of the solution (from installing LED lighting, to implementing a programme of quality improvement in a health service). The greater the novelty and/or complexity of a project, the greater the risk that it will fail (Figure 2). Under the different finance models considered, the level of engagement and proactive control of the funder needs to be proportionate to the novelty, complexity and risk of the project.

**Figure 2: Relationship between novelty, complexity and risk**



Source: Workshop discussion

Approaches to managing innovation and transformation funds vary, but experience from elsewhere suggests that ‘high touch’ (i.e. more hands on) external support is beneficial across



all stages of innovation. Anecdotal evidence from Nesta funded projects suggests that innovation projects are more likely to succeed when they benefit from close involvement from fund managers to assist with implementation, and are given the time and flexibility to get things right. Conversely, projects that fail often do so not because the ideas are bad, but because they lacked the external support to be implemented effectively.

Innovative ideas, by definition, stretch existing knowledge, and will therefore require more oversight over how such innovations are funded from incubation through to full implementation and promotion of wider adoption. Low risk transformation projects (i.e. adoption of simple, proven interventions) should require only light-touch monitoring but the implementation of complex interventions – even those with strong evidence of efficacy – can require intensive support.

Experts agreed that ‘purchasing outcomes’ approaches may be suitable for proven, low-risk interventions. Under such a model, part of the expected return of the investment would accrue to the funder. Accelerator models could also be relevant here, with ‘innovation champions’ promoting the widespread adoption of a known solution, and helping services with implementation.

For more complex projects, a theory of change would be needed to set out what is expected to happen as a result of the innovation, and why. Metrics should demonstrate expected progress and allow redirecting of resources (or early closure) where expected benefits are not being realised. For the most risky projects that are both complex and novel, the project team should be supported throughout the development of the project, given the higher risk involved. Stage-gate models of funding would be relevant here so that additional finance is only released when benefits are realised at specific milestones in the development and testing of an innovation.

Fund management can also play an important role in addressing wider barriers to the generation and spread of successful innovations – codifying knowledge, designing funding rounds specified to encourage uptake of a proven idea, and fostering ‘peer pressure’ and positive competition between public sector organisations (e.g. neighbouring local authorities or health boards).

One of the key challenges identified by experts for the Invest to Save Fund is getting the right balance between risk and reward of innovation. The pooling of risk and reward is an important feature of any efforts to drive collaboration between different partners. For example, spending on an innovation in the health services now may have benefits later on for social care services.



In Scotland, a leaders' forum<sup>11</sup> has been established to try to address this through local government and health boards working together on single outcomes agreements. Similarly, Edinburgh's total neighborhood programme – an approach to public service provision based on assessing community needs – takes a place-based approach to funding that aims to encourage collaboration of services<sup>12</sup>. Relationship building forms an important aspect of these approaches as partnership working can be a challenging undertaking. However, when successful, this can be a key driver for pooling the risk and reward necessary to drive public service innovation.

## Conclusions and Recommendations

To date, the Invest to Save Fund has demonstrated its sustainable success in delivering improvements in Welsh public services and releasing cash savings. However, there are a number of ways that the Welsh Government could consider adapting the operation and management of the fund to use it more strategically to drive transformation and innovation across public services, without losing the impact it has already had.

There would be value in considering segmenting the fund on the basis of the type of change being supported so that the level of support from fund managers is proportional to complexity, novelty and risk of an intervention:

- For proven ideas, the fund could seek to stimulate demand through codifying the knowledge and experiences of innovators and early adopters, actively identifying organisations that can benefit, and offering finance to take up the innovation and implement it locally.
- For more novel and more complex ideas, the fund could play an active role in supporting the development and testing of the proposed intervention.

For proven ideas that are less contingent on local conditions and context, there may be opportunities for the Welsh Government to use financial incentives as a means of encouraging the spread of these ideas (for example, offering finance for their implementation).

If there were appetite to support unproven ideas, then some form of cross-subsidisation would be needed to ensure sustainability of the fund (e.g. through sharing the efficiency gains from

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<sup>11</sup> See <http://www.scottishleadersforum.org/>

<sup>12</sup> See <http://www.edinburghcompact.org.uk/>

less risky projects); and public expectations would need to be managed to allow for the 'honourable failures' that would inevitably form part of the portfolio of projects supported.

More active management of this kind would require increased capacity in the fund management team, particularly with regard to the high touch support that would be required for developing and testing multiple smaller pilots. There would be value in exploring the potential for drawing in expertise from across Welsh Government, and from external partners (including Y Lab, Nesta and the Research Councils), and in exploring the possibility of co-funding from other bodies, such as philanthropic organisations whose interests overlap with Welsh Government priorities.



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## Annex 1: Workshop Participants

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Prof Victor Bekkers	Professor of Public Administration, Erasmus University Rotterdam
Prof Tony Bovaird	Professor of Public Management and Policy, Birmingham University
Simon Brindle	Director, Y Lab
Dan Bristow (Chair)	Deputy Director, PPIW
Paul Bryant	Head of Invest to Save, Welsh Government
Dr James Downe	Director, Local & Regional Government Research, Cardiff University
Helen Goulden	Executive Director, Innovation Lab, Nesta
Doreen Grove	INGAGE, Scottish Government
Andrew Jeffrey	Director of the Treasury, Welsh Government
Ian Jones	Senior Research Officer, PPIW
Tony Mizen	Head of Continuous Improvement, Academi Wales
Mike Rees	Innovation Unit
Jo Salway	Deputy Director of Strategic Budgeting, Welsh Government



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