



National Audit Office



Delivering Efficiently: Strengthening the links in public service delivery chains

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

PREPARED JOINTLY BY THE NATIONAL AUDIT OFFICE AND THE AUDIT COMMISSION | HC 940 Session 2005-2006 | 10 March 2006



The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Sir John Bourn, is an Officer of the House of Commons. He is the head of the National Audit Office, which employs some 800 staff. He, and the National Audit Office, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work saves the taxpayer millions of pounds every year. At least £8 for every £1 spent running the Office.

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively to achieve high quality local services for the public. Our remit covers around 11,000 bodies in England, which between them spend more than £180 billion of public money each year. Our work covers local government, health, housing, community safety and fire and rescue services. As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we ensure that public services are good value for money and that public money is properly spent.



National Audit Office



Delivering Efficiently: Strengthening the links in public service delivery chains

LONDON: The Stationery Office
£11.25

Ordered by the
House of Commons
to be printed on 6 March 2006

This report has been prepared under Section 33 of the Audit Commission Act 1988, Section 57 of the Health and Social Care (Community Health and Standards) Act 2003, and Section 6 of the National Audit Act 1983 for presentation to the House of Commons in accordance with Section 9 of the Act.

This report is based on a joint study conducted by the Audit Commission and National Audit Office, one of a series that looks at the “delivery chains” between important national policy intentions (set out in government departments’ Public Service Agreement targets agreed with HM Treasury) and local delivery.

John Bourn
Comptroller and Auditor General
National Audit Office

6 March 2006

The National Audit Office study team consisted of:
Mark Davies, Theresa Crowley,
Henry Broughton and Simon Lee.

The Audit Commission study team consisted of: Marcial Boo and Louise Rickitt.

The Healthcare Commission assisted in the preparation of the report.

The National Audit Office and Audit Commission were assisted in their work by MORI and PriceWaterhouseCoopers.

This report can be found on the National Audit Office web site at www.nao.org.uk and the Audit Commission website at www.audit-commission.gov.uk

For further information about the National Audit Office please contact:

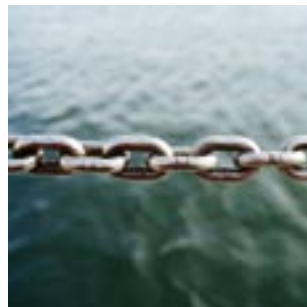
National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria, London SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

For further information about the Audit Commission please contact:

Audit Commission
1st Floor
Millbank Tower
Millbank
London SW1P 4HQ
Tel: 020 7798 1212
Email: ac-enquiries@audit-commission.gov.uk

CONTENTS

| | |
|---|-----------|
| EXECUTIVE SUMMARY | 1 |
| INTRODUCTION | 8 |
| How we approached this work | 10 |
| PART 1 | |
| Building delivery chains | 12 |
| Is the required outcome sufficiently clearly defined? | 14 |
| Is the evidence base sufficiently robust? | 15 |
| Is there sufficient capacity, including available resources, to deliver? | 16 |
| Is there a shared operational plan describing how services will be provided? | 17 |
| PART 2 | |
| Understanding the links in delivery chains | 20 |
| The delivery landscape | 21 |
| Does the funding strategy influence activity in line with the objectives of the target? | 24 |



PART 3

Managing delivery chains 26

Do local, regional and national levels communicate regularly using reliable information so that there is good coordination? 27

Are levers and incentives fit for purpose? 29

Are the risks to the delivery chain well managed? 32

Do performance management systems keep delivery on track? 34

Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain? 35

Are there mechanisms in place for regular feedback and review to support continuous learning? 36

PART 4

Making delivery chains more efficient 38

Have systems to achieve efficiency been built into the delivery chain? 39

Reducing transaction costs 40

Sharing services and utilising assets 40

Engaging with suppliers to strike better deals 41

Designing a regulatory regime that drives good performance 42

Reducing tiers of administration 42

Assessing how best to configure the front line 43

GLOSSARY

44

BIBLIOGRAPHY

46

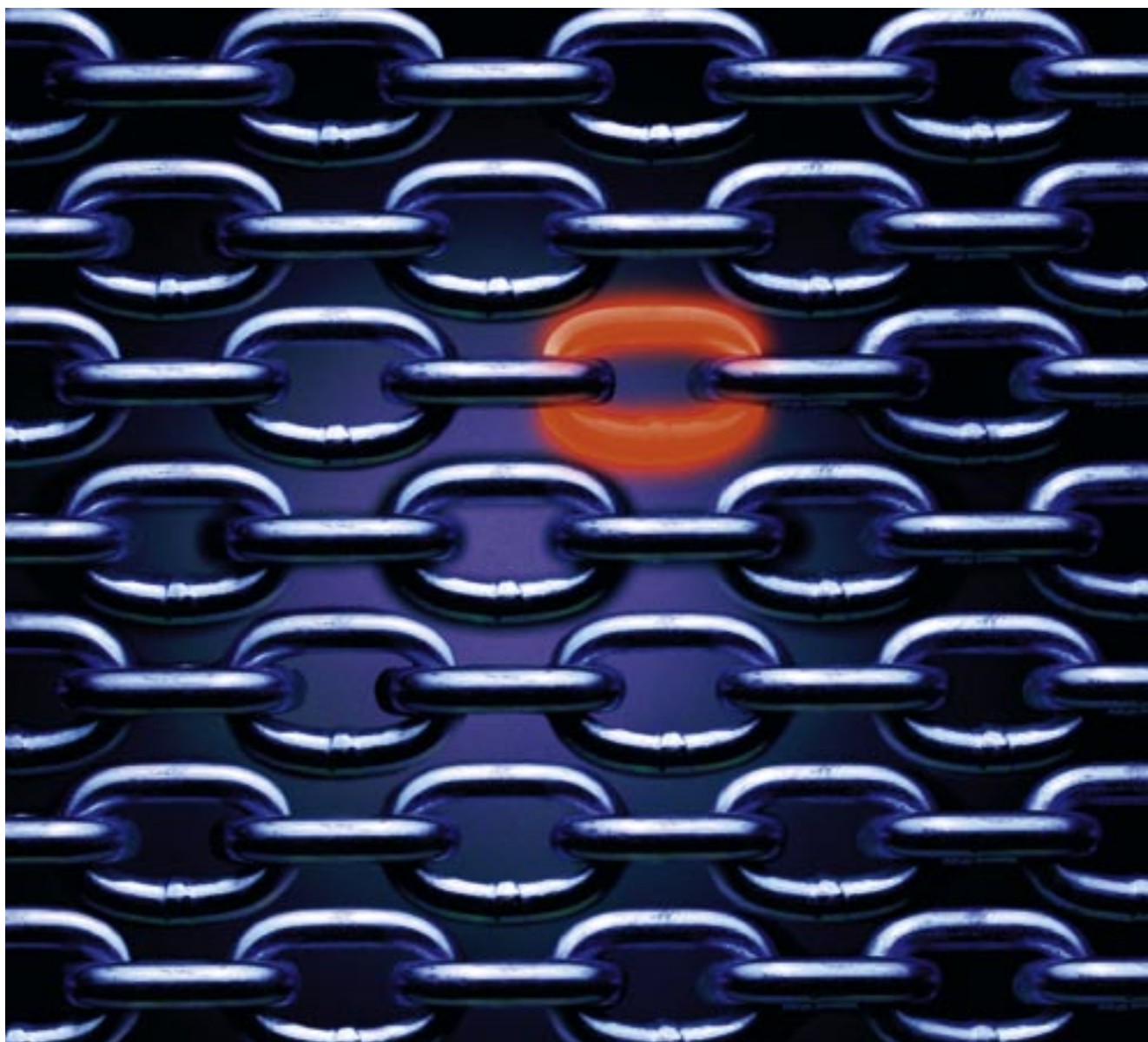
APPENDICES

1 Building more affordable homes: Improving the delivery of affordable housing in areas of high demand 48

2 Delivery chain analysis for bus services in England 54

3 Tackling child obesity – First steps 58

EXECUTIVE SUMMARY



1 The effectiveness and efficiency of arrangements to improve local public services have been at the heart of Government activity for at least two decades. The increasing reliance on targets and performance management techniques; the review of efficiency by Sir Peter Gershon; and the Cabinet Secretary's recent announcement that government departments will go through a Capability Review, are but the latest in a long line of measures to ensure that the public pound is spent effectively and efficiently on behalf of taxpayers and those who use local public services.

Delivery chain

A 'delivery chain' refers to the complex networks of organisations, including central and local government, agencies, and bodies from the private and third¹ sectors, that need to work together to achieve or deliver an improved public sector outcome defined through a central government Public Service Agreement (PSA) target.

2 The Audit Commission and the National Audit Office have long-standing responsibilities to safeguard the effectiveness and efficiency of public spending. They have recognised the increasing complexity of improving local public services by jointly producing three reports on the chains of organisations involved in delivering in England specific Public Service Agreement (PSA) targets – those for affordable housing, increasing bus use and, in conjunction with the Healthcare Commission, halting the rise in child obesity. This report derives wider conclusions from those reports and other recent Audit Commission and National Audit Office work.

3 The report is intended to help government departments and their delivery partners at regional and local levels to address the risks we have identified in our three delivery chain reports; to provide helpful guidance; and to assist all those involved in delivering challenging public sector targets to improve the effectiveness and efficiency of existing delivery chains and to make decisions on future delivery chains in the knowledge of what works best.

Findings

4 Government PSA targets are among the many tools used to drive improvement in local public services; but most targets cannot be achieved by government departments alone. Instead a delivery chain, linking central government to the front line, is required. These delivery chains are often complex, involving central and local government, agencies, and bodies from the private sector and the third (voluntary, community and charitable) sector. This complexity is in part a consequence of the challenge of delivering higher quality public services to more diverse customers with ever higher expectations. It is also a consequence of the sometimes conflicting electoral and governing remits of the bodies concerned and the fact that they focus on the needs of widely differing geographical communities.

¹ The term third sector refers to both registered charities and to other not-for-profit organisations and includes small organisations working on a local level and dependent on voluntary effort, as well as larger organisations working on a regional, national and international level with paid staff.

5 Complex delivery chains can be flexible and meet the needs of a wide range of communities. But the multiple relationships within them can create risks to delivery too, eroding effectiveness and efficiency. Minimising these risks, and maximising the potential benefits of complex delivery chains, requires the active consideration of four key questions by national and local partners at an early stage of delivery when the target is being set and the delivery chain built:

- **Is the required outcome sufficiently clearly defined?** Delivery is easier if the PSA target is clearly defined and precisely measured and when it forms part of a broader strategy to improve the relevant public service. The design of the delivery chain is also contingent on the degree of challenge of the target, including how soon it needs to be achieved.
- **Is the evidence base sufficiently robust?** For delivery to succeed, evidence is required of what interventions work and this information should be passed across the delivery chain. Where there is a poor evidence base, departments should reduce the risk that resources are wasted on ineffective approaches, including by undertaking preliminary research or piloting.
- **Is there sufficient capacity, including available resources, to deliver?** All delivery chain partners need the people, resources and skills to deliver their targets. But capacity issues have not featured strongly in delivery planning. A shortage of skilled staff can put the achievement of PSA targets at risk and lead to inefficient use of resources.
- **Is there a shared operational plan describing how services will be provided?** Planning the achievement of PSA targets has improved in government departments. But these plans need to be developed by and shared with all partners in the delivery chain so that there is a common understanding of what needs to be achieved by when and by whom.

6 Once the nature of the delivery challenge is fully understood, there is a need actively to engage all partners, from government departments to the front line, so that this understanding can be shared. Managing this complex web of inter-relationships is difficult. To assist in this process, our analyses found that, whatever their size and complexity, all delivery chains are made up of only four basic types of links or relationships:

- a **Internal links**, where one part of the chain directly manages another. These links are often strong. Effective delivery can be secured through levers such as internal performance and staff management. Efficiencies, such as sharing services and improved asset utilisation, can also be identified. Complex, outcome-focused PSA targets tend to have relatively few internal links in their delivery chains.
- b **Contractual or regulatory links**, where one part of the chain defines through law and/or funding how another does its business. These links can also be strong and effective at delivering outputs efficiently, as long as there is good contract design, good project management, and appropriate, strategic regulation. There are often a number of links of this kind within complex delivery chains.
- c **Links of common purpose**, where two bodies have parallel missions to work towards the common good and to make a positive difference to society. Examples include the relationship between two government departments, or between a local authority and a local charity, each with a common interest in the achievement of a PSA target. These links proliferate in complex delivery chains and can be relatively weak, sometimes relying on good will alone to function. The partners may be constrained by internal pressures, with efficiencies hard to identify and achieve. Local government bodies are answerable to their electorates, as well as to government departments. And agencies and non-departmental public bodies (NDPBs) have some independence as well. These links can be strengthened, however, by introducing an element of contractual or regulatory relationship, such as a formal partnership arrangement, an agreement to share accountability for targets, or joint funding of particular projects.

- d **Links to the wider community**, where one organisation has no formal authority over the groups and individuals with whom it wishes to work and is reliant primarily on persuasion to influence their behaviour to achieve targets. Examples include attempts to persuade private sector firms to encourage car-sharing among their employees, or to support and encourage members of the public to stop smoking. Complex delivery chains have many links of this kind. Yet these are often the weakest links in the delivery chain, with few positive incentives, and sometimes negative incentives, on those in the community to take part. Successful delivery requires public sector bodies to be imaginative in the ways they engage the wider community to support delivery.
- 7 An understanding of the links within complex delivery chains can help organisations improve the effectiveness and efficiency of their partnership working and, in particular, to improve the way that public money is distributed through the chain by asking a fifth question:
- **Does the funding strategy influence activity in line with the objectives of the target?** Complex, short-term funding arrangements, with funders each requiring information of different kinds on different forms, can add significantly to administrative costs and increase the risk of inefficiencies by requiring bureaucratic bidding exercises and exacerbating recruitment and retention problems. Funding uncertainty reduces the incentive for delivery partners to plan for the longer-term or to invest in the capacity to deliver services efficiently. Funding stability is easier to achieve for organisations with internal links to each other and for those with contractual or regulatory links. Stability should be offered, however, to a wide range of well-managed delivery partners so that they are better able to deliver the outcome required.
- 8 Once established, delivery chains can be made more effective when delivery partners ask six further questions about their relationship with others:
- **Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?** Good communications – to partners, front line staff and to the public – encourage shared ownership and joint action and help disseminate good practice, including how funding can be used efficiently. Communication channels need to be clearly articulated and tested early in delivery planning. This is particularly important where partners have no formal link to the target and where partners’ attention may be focused on competing priorities. Communication is also often the main way to get messages to the wider community so that individuals can change their behaviour to make success more likely.
 - **Are levers and incentives fit for purpose?** Questions about potential levers and incentives should be addressed early and quickly. Good legislation, regulation, inspection, funding, local targets, performance management, exhortation and public pressure can all improve delivery. But not all of these levers are always needed. Devolved targets work better when incremental change is required of existing local bodies, but less so when radical change is needed from bodies with weaker delivery chain links, when tighter national management of the target is necessary. Inspection and partnership arrangements can both help to ensure that public sector service providers participate actively in delivery chains. Funding is a powerful lever too, if aligned with accountability and performance management. Less attention has been given to the incentives or sanctions needed to influence the wider community. Strong levers, such as legislation, can be counter-productive. Instead delivery often depends on supporting individuals and communities to change their behaviour.

- **Are the risks to the delivery chain well managed?** All delivery chains face risks in translating national targets into effective and efficient local activity, particularly when the links between organisations are weak. It is important for all partners in a delivery chain to have an understanding of other partners' risks, including through the use of joint risk registers.
- **Do performance management systems keep delivery on track?** Delivery success requires robust performance information, regularly gathered using a systematic methodology, so that progress can be tracked and local variations in performance identified and addressed, enabling all partners to develop a shared understanding of what needs to be done. Inefficiencies will emerge if delivery partners do not have the information they need at the right level of detail. Definitional problems should be resolved quickly at the design phase, and information flows should be designed to ensure that data are collected once only and shared promptly with others. Existing performance management arrangements should be used if possible.
- **Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?** Strong national and local leadership is vital. Delivery partners are subject to many competing pressures and cannot take on new targets unless there is active championship. Leadership is particularly critical for joint working through partnerships and it is important that the potential contribution from regional leadership is fully exploited. Its importance is greater when delivery chains are complex with many links of common purpose between organisations, but few contractual or regulatory links.
- **Are there mechanisms in place for regular feedback and review to support continuous learning?** Feedback from users, front line deliverers and other stakeholders is a crucial part of the continuous improvement cycle to raise performance of the delivery chain. Government Offices for the Regions have a role to play in gathering and sharing good practice among local delivery partners.

9 Many of these questions are already being asked by government departments and others. But efficiency considerations are not usually an explicit requirement in delivery planning. There are, therefore, clear opportunities to realise efficiencies in the design of delivery chains. To ensure that delivery chains are as efficient as possible partners must ask a twelfth and final question:

- **Have systems to achieve efficiency been built into the delivery chain?** In developing performance measures for the delivery chain, the efficient use of resources should be integral and explicit, with regular reviews of any significant procurement and commissioning arrangements featured in the performance management regime. Potential sources of efficiency gains can derive from reducing transaction costs; sharing services and utilising assets; engaging with suppliers to strike better deals; designing a regulatory regime that drives good performance; reducing tiers of administration; and assessing how best to configure the front line. Improving the efficiency of delivery chains depends on the nature of the links between partners. Efficiencies are most readily realisable in delivery chains that deliver specific services or processes, but departments can achieve efficiencies for complex behavioural change targets by creating efficient governance, coordination, communication and performance management systems.

Self-assessment tool: Are you ready to deliver?

10 To determine whether they are ready to deliver, delivery partners can therefore ask themselves a series of twelve strategic questions (**Figure 1 overleaf**). The way that government departments ask and answer these questions will differ from the way that other partners in the chain will ask and answer them. It is important to recognise that the features referred to in each of the twelve questions apply as much to individuals in the delivery chain as they do to their organisations. To succeed, delivery partners need to make sure that both of these aspects are taken into account in the design of the delivery chain. Even where organisations have good internal alignment, if key individuals (whether leaders, middle managers or front line staff) have goals, incentives or an understanding that are not in accord with those of the delivery chain more generally, there is a risk that the delivery chain will fail. Sharing perspectives and reaching common shared conclusions will put delivery partners in a position to agree how to achieve far more effective and efficient delivery. Over the longer-term, as delivery chains are better understood and become more effective and efficient, Government will be able to set ever smarter PSA targets to improve local public services.

1 Self-assessment tool: Are you ready to deliver?

1 **Is the required outcome sufficiently clearly defined?**

- Target is vague or can only be measured by a suite of measures.
- Target is clear and unambiguous but no coherent strategy.
- Success is clearly defined by a target that is unambiguous and supported by a comprehensive, well understood strategy.

2 **Is the evidence base sufficiently robust?**

- Little research and no piloting result in weak evidence base. Resources wasted on ineffective plans.
- Some research on existing evidence highlights factors on which to focus. Not all interventions properly implemented at all levels.
- Extensive preliminary research and piloting of interventions. Interventions at all levels aligned to maximise effectiveness and minimise cost.

3 **Is there sufficient capacity, including available resources, to deliver?**

- No overall assessment of resources across delivery chain resulting in a risk of misdirecting resources.
- Assessment of resources available undertaken and capacity issues being addressed.
- Keen awareness of resource and capacity issues. Resources directed to where they are most effective and capacity regularly reviewed.

7 **Are levers and incentives fit for purpose?**

- Few levers in place apart from some funding.
- Levers established but without consultation; not piloted so not always effective.
- Levers designed around consideration of flexibility and agility of partners to respond. Pilots conducted to ensure best levers are implemented.

8 **Are the risks to the delivery chain well managed?**

- No overall assessment of risk undertaken.
- Internal risk assessment undertaken; but awareness of key risks not cascaded through delivery chain.
- Thorough risk assessment undertaken, culture of risk management present throughout delivery chain with high awareness of key risks at each level of chain.

9 **Do performance management systems keep delivery on track?**

- Multiple performance management systems linked to many funding streams; hard to measure.
- Performance management systems can measure progress but indicators are not entirely accurate.
- Regular monitoring. Frequent stock takes. Performance easy to track against objectives.

Assessment

For each of the twelve questions, score: -1 for red, 0 for amber and +1 for green



4 **Is there a shared operational plan describing how services will be provided?**

- No operational plan apart from some internal departmental documents.
- Operational plan present but most delivery partners have not been involved in its production nor is it widely available.
- Operational plan produced with all delivery partners; widely available and well understood. Front line staff and service users consulted.

5 **Does the funding strategy influence activity in line with the objectives of the target?**

- Multiple short-term funding streams with funding not dependent on performance.
- Longer-term funding allows more certainty, but there are still multiple overlapping streams. Some performance-related funding.
- Funding streams mapped as part of strategy development; number of funding streams rationalised. Funding is structured to incentivise performance and awarded on proven performance. Where appropriate, funding periods extended.

6 **Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?**

- No mechanism in place for the different levels of the delivery chain to come together and address issues.
- Some coordination at regional level but large gap between local and national understanding of risks and issues facing delivery.
- Regular contact between all levels of the delivery chain. Government Offices play active role coordinating communication between the front line and the centre so that information from the front line informs decision making.

10 **Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?**

- Leadership poorly assigned. Shortage of clear guidance results in lack of clarity about who should take lead.
- Some guidance issued on roles and responsibilities, but lack of incentives and measures to ensure accountability.
- Leadership at all levels of delivery chain is understood and resourced; backed by incentives and performance management.

11 **Are there mechanisms in place for regular feedback and review to support continuous learning?**

- Nothing in place to promote feedback. No facility to disseminate examples of good practice.
- Guidance filtered down from national to local level, but no mechanisms to communicate feedback from local level upwards.
- Frequent feedback given to and from all levels of the delivery chain. Feedback reviewed, and guidance and examples of good practice shared.

12 **Have systems to achieve efficiency been built into the delivery chain?**

- No overall procurement strategy so economies of scale not maximised. Assets and services not shared. High administration costs due to lack of innovation, internal review and challenge to working practices.
- Opportunities to increase economies of scale not fully realised. Some sharing of assets and services. Room to reduce transaction and administration costs further.
- Key suppliers engaged early when designing delivery chain. Sharing of assets and services where appropriate. Front line configured to best deliver services. Customers encouraged to use most cost-effective delivery channels. Regulatory regime in place drives good performance.



Delivery may be effective in some parts of the delivery chain but only where capacity is strong

While delivery is effective there is a risk of inconsistency and potential efficiencies are not fully realised

Highly effective and efficient

INTRODUCTION



1 The effectiveness and efficiency of arrangements to improve local public services have been at the heart of numerous reports from the National Audit Office² and the Audit Commission³ which make recommendations about how delivery of national programmes can be improved at local level.

2 Since 1998, the Government has set itself Public Service Agreement (PSA) targets as one of the many ways intended to help local public bodies improve the effectiveness of their delivery. These targets are monitored by a wide range of bodies, from central government departments – HM Treasury and the Prime Minister’s Delivery Unit in the Cabinet Office – to think tanks such as the Social Market Foundation which has recently published a report on the subject.⁴

3 The effectiveness of departments’ delivery mechanisms will also form part of the Capability Reviews⁵ recently announced by the Cabinet Secretary, Sir Gus O’Donnell. Capability issues in local government are being addressed by the Office of the Deputy Prime Minister (ODPM) and the Local Government Association (LGA) in their Capacity Building programme⁶, established in April 2003 to support improvement in local government. At a regional level, from November 2005, the National Audit Office is conducting Independent Performance Assessments of the Regional Development Agencies.⁷

2 Examples include: National Audit Office (2005) *Home Office National Asylum Support Service: The provision of accommodation for asylum seekers*, Report by the Comptroller and Auditor General, HC 476 Session 2004-2005, 7 July 2005. London: The Stationery Office. National Audit Office (2005) *Environment Agency: Efficiency in water resource management*, Report by the Comptroller and Auditor General, HC 73 Session 2005-2006, 17 June 2005. London: The Stationery Office. National Audit Office (2003) *Improving Service Delivery: The Role of Executive Agencies*, Report by the Comptroller and Auditor General, HC 525 Session 2002-2003, 28 March 2003. London: The Stationery Office.

3 Examples include: Audit Commission (2005) *The Efficiency Challenge: The administration costs of revenues and benefits*. London: Audit Commission. Audit Commission (2004) *People, Places and Prosperity: Delivering government programmes at the local level*. London: Audit Commission.

4 Social Market Foundation (2005) *To the Point: A blueprint for good targets*, Report of the Social Market Foundation Commission on the Use of Targets in Public Services. London: Social Market Foundation.

5 In October 2005, Sir Gus O’Donnell announced new Departmental Capability Reviews to be run by the Prime Minister’s Delivery Unit with external scrutiny provided by reviewers drawn from outside central government and from other government departments. The aim is to improve the capability of departments to meet delivery objectives. These will be targeted specifically at underlying capability issues that impact on effective delivery, such as:

- Do departments have the right strategic and leadership capabilities?
- Do they know how well they are performing, and do they have the tools to fix their problems when they underachieve?
- Do their people have the right skills to meet both current and future challenges?
- Do they engage effectively with their key stakeholders, partners and the public?

6 The Office of the Deputy Prime Minister (ODPM) and the Local Government Association (LGA) established their Capacity Building programme in April 2003 as part of a three-year initiative to support improvement in local government. Additional funding was secured in the Spending Review 2004, which has extended the programme to 2008 and in total some £100 million has been committed since April 2003. The programme focuses on four core areas: leadership – elected member and officer capacity; corporate capacity – for example peer support, performance support, and transfer of knowledge and learning; workforce capacity – issues around recruitment and retention, strategic human resources, and people management; and support for generic skills – for example procurement, performance management, and financial and project management.

7 The Independent Performance Assessment will have covered eight Regional Development Agencies by March 2007. Each Regional Development Agency will receive an overall performance rating, which will be further broken down under the headings of ambition, prioritisation, capacity, performance management and achievement. Every Independent Performance Assessment will be accompanied by an Improvement Plan to ensure the process will raise future performance, as well as providing accountability on past performance. Stakeholder views will form an important part of each Independent Performance Assessment.

4 Efforts to improve efficiency are also an increasingly important part of public sector delivery. As part of the Spending Review 2004, Sir Peter Gershon⁸ reported on how major resources could be released to front line delivery from activities that could be undertaken more efficiently. The Review identified the scope to achieve efficiency savings across public expenditure of at least £20 billion by 2007-08. Each government department has agreed with HM Treasury the savings that it will achieve in contributing to the overall target and has specified where and how savings are to be achieved and how they will be measured. Local authorities are also required to find the 2.5 per cent annual savings of their Gershon targets.

5 This report contributes to ongoing efforts to improve public sector performance by drawing on joint reports by the Audit Commission, the National Audit Office and the Healthcare Commission that provide a unique combined national and local perspective on how three major PSA targets are delivered in England – those for balancing housing markets, increasing bus use and halting the rise in child obesity.⁹ Abstracts of each report are in Appendices 1-3.

6 The three target-specific reports describe how well the delivery chains that connect government departments to the front line are able to deliver three very different targets. In contrast, this overview report focuses more generally on how best to organise disparate networks of organisations in order to improve public sector outcomes. This report draws primarily on the three delivery chain reports published in 2005-06 but also calls, where relevant, on other work by the National Audit Office and the Audit Commission to consider both the effectiveness and efficiency of delivery arrangements for PSA targets.

7 The conclusions of the three specific delivery chain reports will be of interest to policy-makers and operational staff delivering the targets concerned, including national politicians and local councillors. The purpose of this overview report is to help all those involved in setting and delivering challenging public sector targets to improve the effectiveness and efficiency of existing delivery chains and to make decisions on future targets and delivery chains in the knowledge of what works best. The report should be of value as much to those designing and setting targets in central government as to those working locally and regionally with others to deliver them.

How we approached this work

8 This report draws on the evidence collected by the Audit Commission and the National Audit Office for the three delivery chain reports on affordable housing, increasing bus use and (with the Healthcare Commission) tackling child obesity. This evidence comprised interviews, focus groups and workshops with over 400 national, regional and local representatives of delivery chains, ranging from central government officials to those working with the public including teachers and housing advice workers.

In addition, specifically for this report, we conducted the following:

- Interviews with officials from the Prime Minister's Delivery Unit, HM Treasury and the Office of Government Commerce
- A seminar presentation for officials from HM Treasury and the Cabinet Office to discuss the emerging findings of the report
- Consultation with the Local Government Association and other bodies with an interest in local delivery
- A desk review of relevant published National Audit Office and Audit Commission reports
- A desk review and analysis of Public Service Agreements since 1998.

8 P. Gershon (2004) *Releasing Resources to the Front Line: Independent review of public sector efficiency*. London: HM Treasury.

9 Audit Commission, Healthcare Commission and National Audit Office (2006) *Tackling Child Obesity – First steps*, Report by the Comptroller and Auditor General, HC 801 Session 2005-2006, 28 February 2006. London: The Stationery Office. National Audit Office and Audit Commission (2005) *Building more Affordable Homes: Improving the delivery of affordable housing in areas of high demand*, Report by the Comptroller and Auditor General, HC 459 Session 2005-2006, 20 December 2005. London: The Stationery Office. National Audit Office and Audit Commission (2005) *Delivery Chain Analysis for Bus Services in England*, Report by the Comptroller and Auditor General, HC 677 Session 2005-2006, 9 December 2005. London: The Stationery Office.

About our report

This report is structured around the twelve key self-assessment questions that our delivery chain analyses identified as important for improving the effectiveness and efficiency of delivery. These are considered in Parts 1-4 of the report.

In **Part 1** of our report – Building delivery chains – we discuss questions 1-4 in the context in which PSA targets are set and how this context should be understood in order to facilitate effective delivery:

- 1 Is the required outcome sufficiently clearly defined?
- 2 Is the evidence base sufficiently robust?
- 3 Is there sufficient capacity, including available resources, to deliver?
- 4 Is there a shared operational plan describing how services will be provided?

In **Part 2** of our report – Understanding the links in delivery chains – we examine the links or relationships between partners in PSA delivery chains and question 5 of our self-assessment tool:

- 5 Does the funding strategy influence activity in line with the objectives of the target?

In **Part 3**, we set out how delivery chain effectiveness can be improved under the headings of questions 6-11:

- 6 Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?
- 7 Are levers and incentives fit for purpose?
- 8 Are the risks to the delivery chain well managed?
- 9 Do performance management systems keep delivery on track?
- 10 Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?
- 11 Are there mechanisms in place for regular feedback and review to support continuous learning?

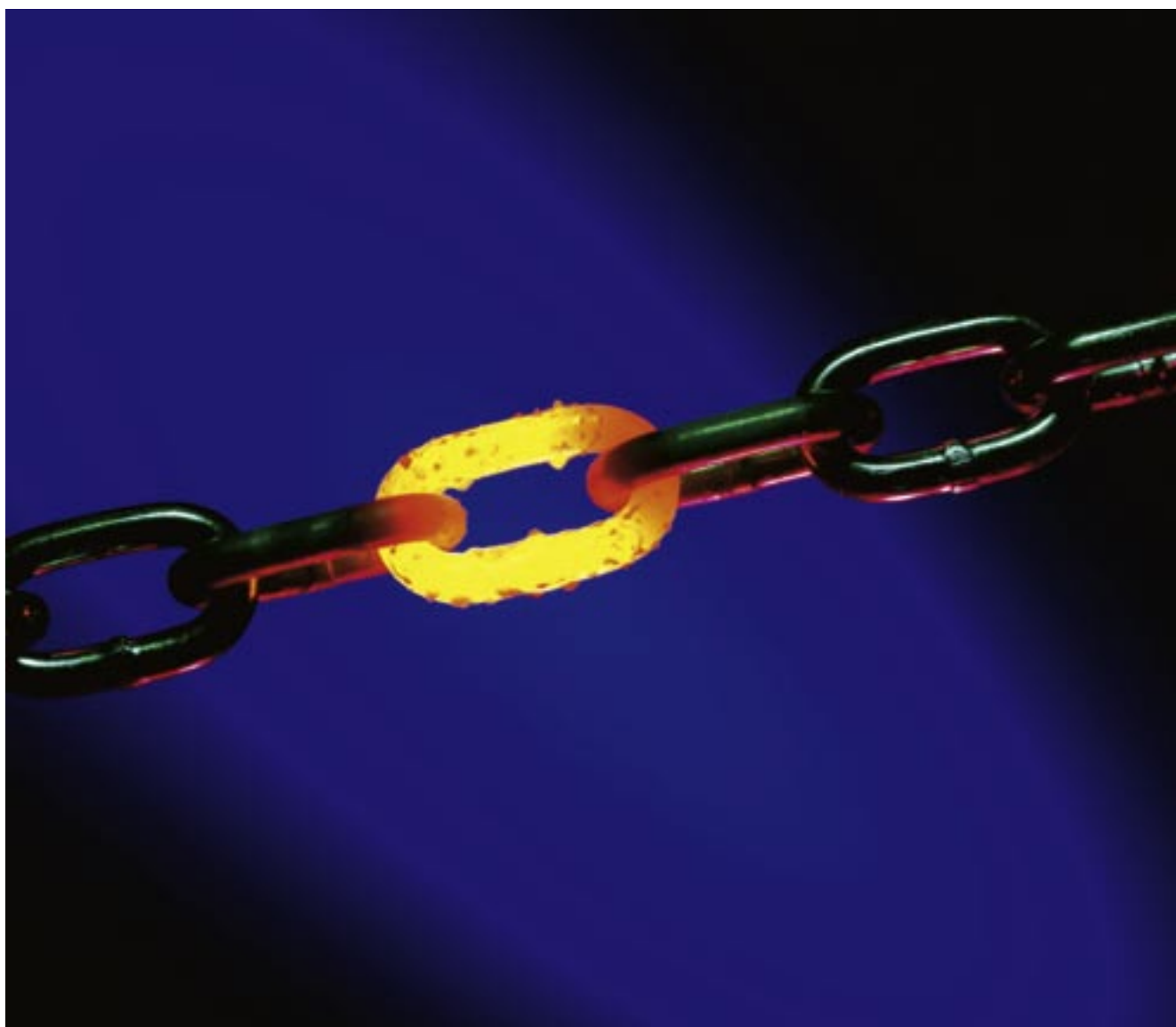
Part 4 analyses how delivery chains can be made more efficient and addresses the final question of our self-assessment tool:

- 12 Have systems to achieve efficiency been built into the delivery chain?

Appendices 1-3 give the Abstracts for each of our delivery chain reports, together with a diagram of each of the delivery chains examined.

PART ONE

Building delivery chains



1.1 In 1998, the Government introduced PSAs to require specific target outputs in return for government departments' funding and to make departments more accountable for their spending. Departments produce a delivery plan for each PSA target, describing how the target is to be achieved. These plans are monitored by the Prime Minister's Delivery Unit, by HM Treasury and by the department itself.

1.2 In almost all cases, the delivery plan acknowledges that the target cannot be achieved by the government department alone. Instead, a delivery chain, linking central government to the front line, is required to achieve success. A 'delivery chain' refers to the complex networks of organisations, including central and local government, agencies, and bodies from the private and third sectors that need to work together to achieve or deliver an improved public sector outcome defined through a central government PSA target.

1.3 There is increasingly a widespread recognition that many delivery chains are complex in nature. This understanding has arisen partially as a result of the challenge to deliver high-quality public services to more diverse customers with higher expectations. Improving processes is no longer enough: people expect better outcomes, and more complex delivery chains, involving a wider range of organisations, are required to deliver them. In response, public sector bodies have introduced

initiatives to improve local public services; including increasing choice, offering greater diversity, designing services at the local level, and using devolved bodies and the third sector more in delivery.

1.4 Delivering local public services through more diverse networks of providers can produce better public services that are more flexible and meet the needs of a wider range of communities and individuals. But the multiple relationships within complex delivery networks can create risks to delivery that, if not well managed, can erode effectiveness and efficiency.¹⁰

1.5 Minimising these risks, and maximising the potential benefits of complex delivery chains, requires the active consideration of a number of issues at the earliest stage of delivery – when the target is initially set and the delivery chain built. Most notable among the issues for consideration when building delivery chains are:

- **Is the required outcome sufficiently clearly defined?**
- **Is the evidence base sufficiently robust?**
- **Is there sufficient capacity, including available resources, to deliver?**
- **Is there a shared operational plan describing how services will be provided?**

¹⁰ The risks involved in governing complex local partnerships are described in the Audit Commission's (2005) report *Governing Partnerships: Bridging the accountability gap*. London: Audit Commission.

Is the required outcome sufficiently clearly defined?




1.6 PSA targets vary enormously in form as well as in content. In the Spending Review of 2004, 110 PSAs were agreed, an average of six per government department.¹¹ They include targets with specific and measurable outputs, such as paying pensions promptly and accurately, as well as targets expressing aspirations to address major social issues such as crime reduction. PSA targets may be agreed in response to long-standing problems, such as the desire to reduce race inequalities and build community cohesion, or to new issues, such as the wish to halt the rise in child obesity.

1.7 For every target, however, successful delivery requires a clear vision about what the PSA target is aiming to achieve (**Figure 2**). This includes the recognition that the target is in fact a proxy measure of the improvement being sought. Some targets are better proxy measures than others: the PSA target to reduce crime by 15 per cent is closely aligned with the policy objective of building safer communities, while the PSA target to halt the rise in childhood obesity is only part of wider work to make the population healthier. Our report on the PSA target to increase bus use, for example, noted that the underlying rationale of the target is to improve the availability of public transport as a means of tackling social exclusion, and to contribute to the Government's wider transport objectives of tackling road traffic congestion and reducing vehicle emissions that lead to climate change.

1.8 It is therefore important that the delivery of the PSA target is set within an appropriate broader strategy to achieve the outcome being sought. Delays by ODPM, for example, in revising planning guidance on an element of affordable housing policy have allowed inconsistencies in approach to develop between local authorities, leading to challenge and appeals by developers, which are expensive and delay development.

1.9 It is essential, too, that the achievement of the PSA target will be measured appropriately. There is no agreed definition, for example, for 'affordable housing' among partner organisations in the delivery chain for affordable housing. Uncertainties or changes in target definition may be unavoidable, but issues of this kind make it harder to communicate the importance of achieving PSA targets through the delivery chain to the front line.

2 Is the required outcome sufficiently clearly defined?

-  Target is vague or can only be measured by a suite of measures.
-  Target is clear and unambiguous but no coherent strategy.
-  Success is clearly defined by a target that is unambiguous and supported by a comprehensive, well understood strategy.

Questions to consider: Clarity

- How clear is the target and its measurement?
- How challenging is the target – a performance improvement or a radical shift in priorities?
- Which government departments and local partners need to be involved in the design of the target and its delivery chain?
- Is there agreement across departments on the objective and its relative priority?
- Is there a clear, comprehensive, agreed strategy for delivering the target?

1.10 Once the strategy is agreed and the target is defined in consultation with national and local partners, the degree of challenge that the outcome and target represent will inform consideration of whether an existing delivery chain can deliver, whether it needs to be revised or replaced, or whether a new delivery chain is needed. In some cases, progress to date is good and the target can be achieved with more of the same. In other cases, a radical transformation of performance is required. In the latter case, it is more likely that new delivery arrangements are needed, involving a range of new partners in the delivery chain. The PSA target to increase bus use shows that each scenario can apply, but in different parts of the country. In London, bus use was rising and the task was to accelerate this. Elsewhere, although there have been many examples of places where bus use has grown in recent years, overall bus use was declining and further action may still be needed to achieve a more widespread reversal of the trend.

11 HM Treasury (2004) *2004 Spending Review*. London: HM Treasury.

1.11 Issues of timing have a similar impact on the design of the delivery chain: it is unlikely that a large-scale redesign of a delivery chain is desirable if the PSA target date is near; whereas structural changes, and the incorporation of new delivery partners, may be possible if there is more time for procedural changes to be implemented and to take effect. The Housing Corporation, for example, has recently begun to provide grant funding for affordable housing directly to developers as well as to housing associations, creating a more competitive marketplace, with the aim of increasing supply and the speed at which new homes are built.

1.12 These strategic questions need to be discussed and agreed by all national and local bodies who must work together to achieve a particular PSA target. A fifth of targets agreed in the Spending Review 2004 are the joint responsibility of two or more departments. Few departments are now without joint targets (**Figure 3**). Complex targets that cut across the remit of more than one department are inherently more difficult to coordinate and

manage. The target for child obesity, for example, is held jointly by three departments with influence over children's quality of life – Health, Education and Skills, and Culture, Media and Sport.

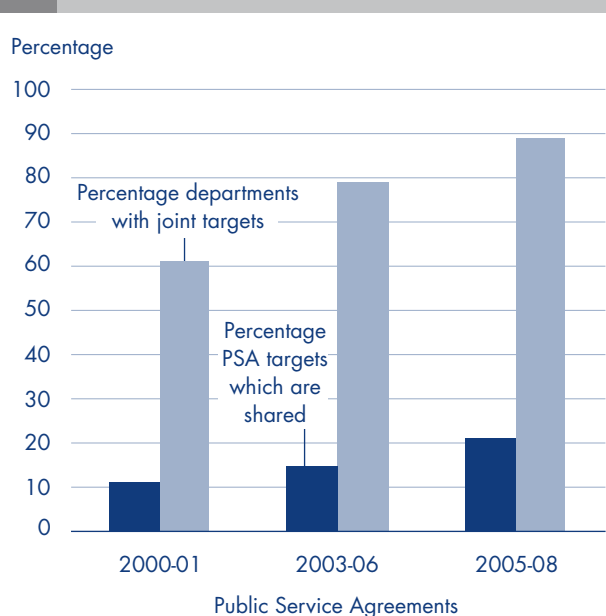
1.13 The challenges of partnership working among government departments need to be addressed for effective and efficient delivery to take place. Similar difficulties are faced by their delivery chain partners on the front line. The Audit Commission's (2005) *Governing Partnerships* report¹² notes that partnerships are a significant feature of public service delivery with around 5,500 partnerships in the UK accounting for some £4 billion of public expenditure. Partnerships, whether between government departments or local public bodies, are important and valuable but they need to be well-governed and accountable. Where this is not the case, there can be significant risks to value for money.

Is the evidence base sufficiently robust?

1.14 Designing an effective delivery chain to achieve a PSA target also requires an understanding by sponsor departments and others of the evidence of what interventions work (**Figure 4 overleaf**) and whether different client groups have different needs. Delays of years may occur between the setting of a national target and departments providing guidance on effective interventions for its achievement. Where this reflects a poor evidence base, departments need to take action to reduce the risk that resources are wasted on ineffective approaches, including whether to undertake preliminary research or piloting before engaging partners across the delivery chain.

1.15 Alternatively, if the potential benefits of immediate action are considered to outweigh the potential additional costs of inefficient resource use, then effective measures to facilitate the sharing of learning along and across delivery chains are central to their successful operation. Our report on the PSA target to halt the rise in child obesity, for example, shows that while the interventions proposed by the departments are in line with current research about what works, there is limited evidence about which activities are most effective in reducing child obesity.

3 The growth in joint Public Service Agreement targets, 2001-08






Source: National Audit Office¹

NOTE

¹ Based on National Audit Office (2005) *Joint Targets*, Report by the Comptroller and Auditor General, HC 453 Session 2005-2006, 14 October 2005. London: The Stationery Office.

12 Audit Commission (2005) *Governing Partnerships: Bridging the accountability gap*. London: Audit Commission.

4 Is the evidence base sufficiently robust?

-  Little research and no piloting result in weak evidence base. Resources wasted on ineffective plans.
-  Some research on existing evidence highlights factors on which to focus. Not all interventions properly implemented at all levels.
-  Extensive preliminary research and piloting of interventions. Interventions at all levels aligned to maximise effectiveness and minimise cost.

Questions to consider: Evidence base

- Is there a robust evidence base that identifies the key issues involved, their relative significance, cost and effectiveness, and the likely timescales for an impact to be felt?
- What interventions are needed at the national, regional and local levels? In what sequence should these be taken in order to maximise effectiveness and minimise costs?
- Do interventions need to be piloted or is there already sufficient knowledge of their design and likely impact?
- Are all departments with an interest signed up to the key steps needed for its achievement? If not, is it cost-effective to proceed with a subset?

1.16 The evidence of what works needs to be understood by all organisations with an interest in the delivery chain and in the achievement of the target so that, where necessary, policies and guidance can be aligned. If there is reluctance to sign up to the interventions identified, then those responsible for the target might consider whether it is cost-effective to proceed with a subset of interventions. To avoid causing confusion for delivery partners, or inconsistent interpretation and implementation, disagreements about the relative priority of the actions identified should be resolved among key stakeholders before the target is devolved down the delivery chain.

Is there sufficient capacity, including available resources, to deliver?

1.17 All organisations in the delivery chain need the capacity, the resources and the skills to deliver the targets for which they are responsible (**Figure 5**). Capacity planning has not featured strongly in the development of delivery plans by sponsor departments. Our delivery chain analyses found that in two of the three delivery chains – affordable housing and child obesity – capacity is a significant constraint on delivery, with the necessary skills and experience in short supply. Local authorities' ability to recruit and retain planning staff, for example, in the face of a national shortage of planners and competition from the private sector, affects their capacity to deliver the affordable housing PSA target. Planning departments suffer particularly from a lack of staff skilled in dealing with complex negotiations surrounding Section 106 agreements.¹³ The Audit Commission's recent report on planning recommends a number of solutions to address shortages of planning staff, including making greater use of private sector planning firms to boost capacity.¹⁴




1.18 Similarly, our report on tackling child obesity found that front line staff need more training and other support to help them offer appropriate advice, interventions or referrals to overweight children and their parents. It also found that the short-term funding arrangements for some school-based programmes to improve children's nutrition make it more difficult to recruit and retain skilled staff and risk the loss of valuable local knowledge once programmes end. More broadly, there are few initiatives to find creative local solutions to these capacity problems, such as pooling skilled staff between local partners. It is not yet clear whether capacity issues will be reflected in Local Area Agreements.¹⁵ However, the Every Child Matters: Change for Children reforms, seek to get better outcomes for all children and young people in each area through identifying and prioritising local needs and addressing those needs through improved multi-agency working.

¹³ The Town and Country Planning Act 1990 (as substituted by the 1991 Planning and Compensation Act) gave local authorities powers to negotiate community benefits as part of the planning process (Section 106 agreements). In the last five years, this provision has been increasingly used to provide affordable housing as part of private sector housing developments.

¹⁴ Audit Commission (2006) *The Planning System: Matching expectations and capacity*. London: Audit Commission.

¹⁵ Local Area Agreements (LAAs), currently in the process of being rolled out, are negotiated by local authorities and their partners within children's trusts and LSPs with the Government Offices for the Regions to achieve specific improvements in performance and to set out how achievement will be rewarded with funding.

5 Is there sufficient capacity, including available resources, to deliver?

-  No overall assessment of resources across delivery chain resulting in a risk of misdirecting resources.
-  Assessment of resources available undertaken and capacity issues being addressed.
-  Keen awareness of resource and capacity issues. Resources directed to where they are most effective and capacity regularly reviewed.

Questions to consider: Capacity

- Do the potential delivery partners within the public sector have sufficient capacity with the right skills to deliver the proposed interventions? Will there be an impact on other delivery chains and service provision?
- Are changes in organisational structures and working practices required? Are those affected signed up to these? How much time is required to make the changes?
- What training and guidance is needed?
- What is the partnerships' capacity to lead others locally?




1.19 Our delivery chain analyses have highlighted the difficulties that localities can face in coordinating the work of front line organisations. Often sponsor departments have been too optimistic in their assessments of their partners' capacity to establish efficient delivery and partnership arrangements. Pressing forward with target delivery in places where capacity constraints exist increases the risk of ineffective delivery and of inefficiencies in the use of resources. Increasing competition for skilled staff may place upward pressure on the salaries they can demand, pushing up costs, especially where private sector companies are competing for the same people. Alternatively, where there is little scope for increasing the staff, resources may be diverted from the delivery of other national targets. Where skills and capacity are in short supply, or changes in organisational structures and culture are required, the milestones for achieving the target need to be adjusted to reflect available capacity.

Is there a shared operational plan describing how services will be provided?

1.20 When the strategy, the evidence and the capacity to deliver are clear, departments and their partners are in a position to plan in detail how delivery can take place (**Figure 6**). No delivery chain can be effective or efficient if those involved are not clear about what is required of them.

1.21 Departments currently draw up delivery plans to inform the Prime Minister's Delivery Unit, HM Treasury and their departmental management about how they intend to fulfil the responsibilities laid upon them by their PSA targets. But this planning is too often a top-down exercise, generating internal management documents, rather than specifications developed in collaboration and consultation with delivery partners.

6 Is there a shared operational plan describing how services will be provided?

-  No operational plan apart from some internal departmental documents.
-  Operational plan present but most delivery partners have not been involved in its production nor is it widely available.
-  Operational plan produced with all delivery partners; widely available and well understood. Front line staff and service users consulted.

Questions to consider: Planning

- Are there lessons from similar delivery chains already in operation?
- Are all organisations in the delivery chain aware of their role and responsibilities?
- Has sufficient attention been paid to structural variations, especially within the local government sector?
- Do the proposed arrangements minimise the administrative burden on front line staff?
- Is each organisation in the delivery chain confident that it has sufficient information, knowledge, levers and capacity to fulfil its role?
- Have interdependencies with other delivery chains been identified?

1.22 Joint planning with representatives of the whole delivery chain and the involvement of users at the planning stage can help identify how best to achieve effective and efficient delivery from the outset. The national-regional-local balance needs consideration, taking into account existing responsibilities at each level; the relative impact that interventions at these levels can have; and the significant differences that exist between regions and local areas. Attention paid to the arrangements, incentives, competing local priorities, levers and other sources of influences along the delivery chain will help ensure that the target is shared and understood by all partners in the delivery chain. Without this, resources will be wasted and effectiveness compromised.

1.23 Understanding the expectation and preferences of service users can help influence the design and development of a cost-effective delivery chain. Consultation with service users is frequent in the health sector. This can lead to significant changes to the way services are structured, such as the establishment of NHS Direct to provide a one-stop shop for health advice. Consultation with users might lead, for example, to delivery of services from a number of local, regional and national bodies through one-stop shops in shopping centres, rather than through separate offices, or to single contact centres covering all local authority services.

1.24 Our work on affordable housing, for example, found that a key contributor to success was the early involvement of all those with an interest – local authorities, developers, housing associations and, ideally, the community – in developing a shared vision for an area or site. Similarly, the Department of Health organised two national consultation workshops of experts, interest groups and representatives of delivery organisations on the *Choosing Health* White Paper, with child obesity as one of the issues for discussion.

1.25 Comprehensive operational plans provide invaluable guidance on how targets can be achieved. Communicating these plans more effectively to all delivery partners, stakeholders and users would be a stimulus to improve delivery by creating a public lever on each delivery partner that makes expectations, performance targets and standards transparent and communicates a clear shared vision of the aims of the target.

1.26 Long delays in publishing plans or in issuing guidance to delivery chain stakeholders about the practical implications of the changes required of them jeopardises effective, efficient delivery. Confusion was found, for example, among local authorities about what is involved in the ‘strategic enabling’ role they are required by ODPM to play in increasing the supply of affordable housing.

1.27 Finally, interdependencies with other delivery chains need to be identified comprehensively in the planning process, with all relevant stakeholders agreeing key steps needed for the achievement of the target. For buses, for example, the Department for Transport’s delivery plan focused on issues directly within the Department’s control or influence. It did not therefore identify measures for tackling other factors affecting people’s use of buses, such as land use decisions.

1.28 Once these four design issues – the strategy, evidence, capacity, and plan – are understood, the next stage is to map the existing delivery landscape so that there is similar clarity about which organisations could deliver the outcome and the target and whether new delivery partners and relationships will be needed.

Part 2 This part examines the links or relationships between partners in PSA delivery chains and the importance of understanding these in order to plan for delivery and considers funding strategy, the fifth of our self-assessment questions.

PART TWO

Understanding the links in delivery chains



2.1 Few PSA targets can be delivered by a single organisation and those that can tend to be procedural in nature:

By 2007-08, reduce the scale of VAT losses to no more than 11% of theoretical liability.

(HM Customs and Revenue)

Procedural targets are also influenced, however, by the behaviour of wider stakeholders outside the delivery body; in this instance, for example, the public's willingness to purchase goods and services through the 'grey' economy.

2.2 Most PSA targets, and almost all those that aim to improve an outcome rather than a process, will necessarily involve a range of delivery partners:

To reduce race inequalities and build community cohesion.

(Home Office)

2.3 Delivering these complex, outcome-focused targets requires the involvement of delivery partners from a wide range of organisational types, including government departments, agencies and NDPBs, local government, Primary Care Trusts, hospitals, schools, police and fire services, private sector and third sector organisations. In many cases, members of the public will also need to change their behaviour for the target to be achieved; for example, by eating more healthily, by volunteering more, or by keeping their valuables out of sight. These complex delivery arrangements are reflected in our three delivery chain reports.¹⁶

2.4 Corraling this range of organisations towards the achievement of a single PSA target is challenging. To maximise value for money and the chances of success, all organisations in the delivery chain need to understand the nature of the relationships or links between themselves and each of their partners. Only by understanding these links, and how they can be strengthened, can partners work effectively and efficiently with each other across the delivery chain to achieve the target.

The delivery landscape

2.5 Whatever their size and complexity, delivery chains will be made up of only four basic types of links or relationship between any two organisations within the delivery chain:

- a **internal links**
- b **contractual or regulatory links**
- c **links of common purpose**
- d **links to the wider community – individuals, groups and organisations.**

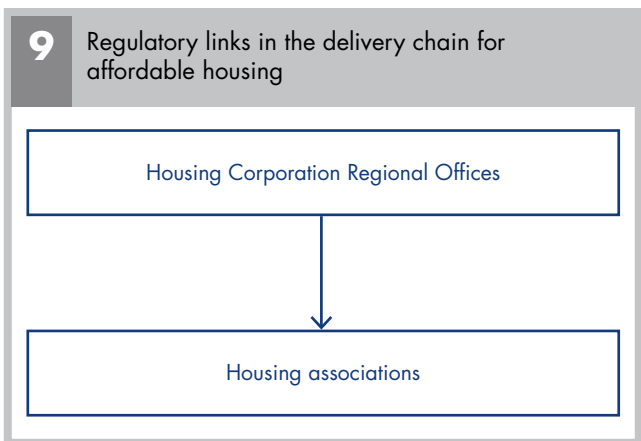
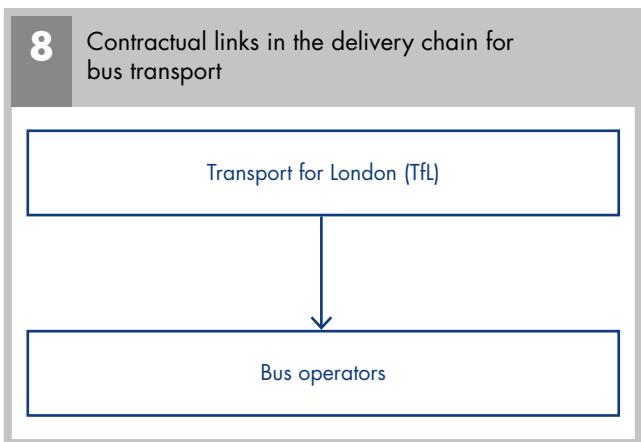
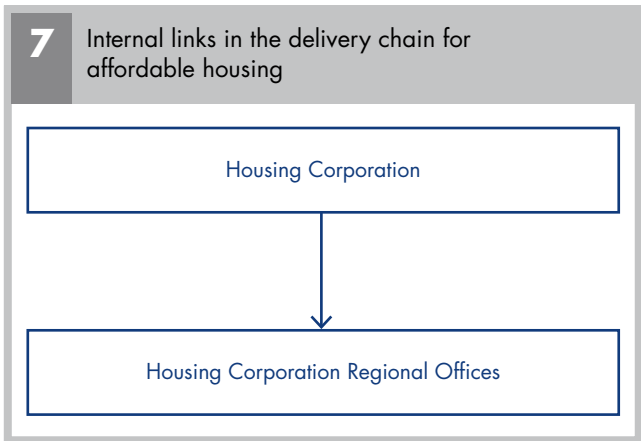
2.6 A clear understanding of the nature of these links will assist those responsible for management of the delivery chain to understand how to influence and help their partners to achieve the PSA outcome.

¹⁶ Appendices 1-3 (Figures 22-25) give the diagrams for each of the delivery chains.

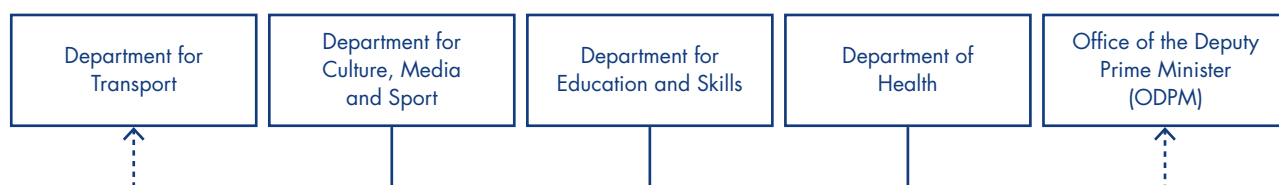
2.7 Internal links in the delivery chain exist when one part of the chain directly manages those delivering some of the outputs. Examples include the link between the Home Office and the Prison Service, and within the affordable housing delivery chain, between the Housing Corporation and its Regional Offices (**Figure 7**). Internal links in the delivery chain are often strong, and effective delivery can be secured through the use of levers such as internal performance and people management. Efficiencies, such as sharing services and improved asset utilisation, are also readily realisable. Complex, outcome-focused PSA targets, however, tend to have relatively few internal links in their delivery chains.

2.8 Contractual or regulatory links exist where one part of the chain defines through law and/or funding how another part of the chain does its business. Funding relationships between a government department and a private or third sector provider fall into this category; so too do regulatory relationships that require providers or others to undertake certain activities. Regulations can also prohibit providers from undertaking activities. For the PSA targets covered in our delivery chain reports, contractual links exist between Transport for London and private sector bus operators (**Figure 8**). Outside London, there are direct contractual links between local authorities and operators for the 20 per cent of the bus network that receives local authority subsidy, but there are no contractual links for the 80 per cent of services provided commercially. Regulatory links exist between the Housing Corporation and housing associations (**Figure 9**). Contractual and regulatory links can be strong and effective at delivering outputs efficiently, as long as there is good contract design, good project management, and appropriate, strategic regulation. There are often a number of links of this kind within complex delivery chains.

2.9 Links of common purpose occur in the delivery chain where two bodies have parallel missions to work towards the common good and to make a positive difference to society. The relationship between two government departments with a common interest in the achievement of a PSA target is an example of this link. The child obesity delivery chain, for example, involves not only the Department of Health, and the Departments for Education and Skills, and Culture, Media and Sport, but also ODPM with its responsibilities for local government and neighbourhood renewal, and the Department for Transport with its remit to encourage children to walk or to take public transport to school (**Figure 10**).



10 Links of common purpose at national level in the delivery chain for child obesity



2.10 At local level, the relationship between a prison and a drugs rehabilitation charity in reducing re-offending might be another example of this kind of link, as would the relationship between a local authority and a further education college in encouraging local residents to improve their literacy skills. Where there are links of common purpose, there is scope for these to be strengthened through quality partnerships. To reduce childhood obesity, health bodies and local authorities must work in partnership to deliver the target (**Figure 11**). In relation to commercial bus services outside London, authorities can forge strong common purpose partnership links with operators to support delivery of the PSA target. Bus use in Brighton, for example, has grown strongly despite the absence of a direct contractual relationship.

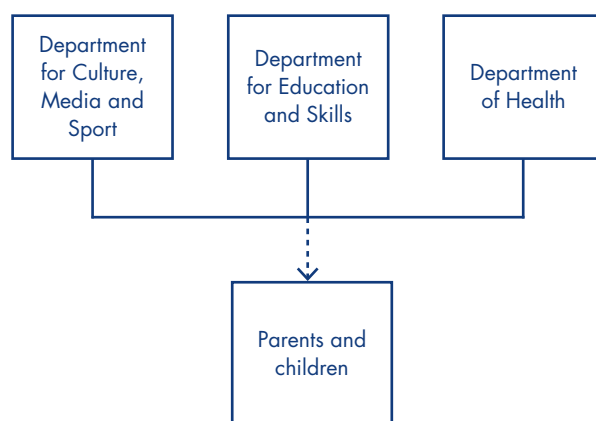
2.11 Links of common purpose tend to proliferate in complex delivery chains. In some cases, the strength of the link rests solely in the goodwill of the organisations concerned to work together towards a common goal. When this is the case, delivery risks being ineffective, as each body is constrained by its own internal pressures. Local government bodies, for example, are answerable to their executives and electorates, as well as to government departments. And agencies and NDPBs have a certain degree of independence within their remit. In many cases, however, two bodies that share a common purpose can strengthen the link between them by introducing an element of a contractual or regulatory relationship, such as through a formal partnership arrangement, an agreement to share accountability for targets, or through joint funding of particular projects. Local Area Agreements offer the opportunity to strengthen links of common purpose among local partners. Shared PSA targets and service level agreements between government departments could similarly strengthen links at national level.

2.12 Finally, organisations in the delivery chain may have to form **links with the wider community (Figure 12)** in order to achieve complex, outcome-focused targets. In these situations, one organisation has no formal authority over the groups with which it wishes to work and must rely primarily on persuasion to influence their behaviour. Examples include attempts to persuade private sector firms to encourage car-sharing among their employees, or to support car manufacturers in improving vehicle security. Critically, these links to the wider community also include the need to support members of the public to choose healthier behaviour so that targets can be achieved; such as supporting people to stop smoking, or to take more exercise and to give their children healthier food.

11 Links of common purpose at local level in the delivery chain for child obesity



12 Links with the wider community in the delivery chain for child obesity






2.13 Complex delivery chains have many links of this kind to the wider community, and frequently require influence to be exerted over individuals, groups and organisations outside the direct control of the public sector. Yet these are the weakest links in the delivery chain, with often few incentives for those in the community to assist in the delivery of a government target and frequently other influences, such as advertising for sugary and fatty foods, that run counter to the target. Successful delivery, though, requires organisations in the delivery chain to be imaginative in the ways they enable the wider community to support delivery, by appealing to their social conscience or value system or by creating financial incentives or penalties, such as raising duty on tobacco to discourage smoking.

Does the funding strategy influence activity in line with the objectives of the target?

2.14 PSA targets are frequently established before any analysis of the funding available to deliver them within the timescale envisaged, with the danger of creating unrealistic aspirations rather than performance-driven activity. Departments and their potential delivery partners need clarity at the outset about whether the PSA attracts new funding or must be delivered from existing budgets. This will determine whether to rely on existing delivery chains or whether processes need to be revised and new delivery partners brought in (**Figure 13**).

2.15 Full consideration needs to be given to the implications for delivery of different funding mechanisms. For bus services, for example, the Department for Transport's main financial lever is through capital funding because most revenue funding for local authorities is provided through Revenue Support Grant; although the Department also provides revenue support for bus services in the form of Bus Service Operators Grant paid directly to bus operators and Rural Bus Subsidy Grant paid to local authorities. Within London, funding is flexible across revenue and capital and the Mayor has achieved a more stable funding position than local authorities can achieve under Revenue Support Grant. Outside London, Revenue Support Grant has increased, but some authorities have not set stable budgets.

13 Does the funding strategy influence activity in line with the objectives of the target?

-  Multiple short-term funding streams with funding not dependent on performance.
-  Longer-term funding allows more certainty, but there are still multiple overlapping streams. Some performance-related funding.
-  Funding streams mapped as part of strategy development; number of funding streams rationalised. Funding is structured to incentivise performance and awarded on proven performance. Where appropriate, funding periods extended.

Questions to consider: Funding strategy

- Are existing funding levels sufficient or are additional resources required?
- Can existing funding mechanisms be used? Would an existing or new mechanism minimise the administrative burden on delivery partners?
- Do the funding flows match performance management and accountability flows? Are changes needed to minimise the mismatch?
- Do the funding commitments match the delivery time lines for key milestones?
- Can ring fencing be avoided?
- Does funding strategy incentivise improvements to performance?

2.16 A comprehensive understanding of the nature of the links within a complex delivery chain will not only enable organisations to take action to improve the effectiveness and efficiency of the delivery chains (the subject of Parts 3 and 4 of this report respectively), but also to ensure that the funding of the target is consistent with the way in which the delivery chain is constructed.

2.17 It is clearly vital that analysis of the funding available to deliver the target is undertaken early in planning for delivery. In addition, however, there must be clarity about the way in which funding is transmitted through the delivery chain. Complex funding arrangements providing short-term financial commitments can add significantly to administrative costs and may increase the risk of inefficient targeting if hard-pressed delivery partners are deterred from bidding for funding. For local partners in the delivery chain, such as schools, the burden of paperwork can be a disincentive to committing to work which, while desirable, is not part of their core business. In addition, short-term funding arrangements introduce problems in recruiting and retaining experienced staff, which can impact adversely on delivery where longer-term actions are needed. For delivery partners, having to manage uncertainty about funding reduces the incentive to plan for the longer-term or to invest in the capacity to deliver services efficiently. This risk was clearly set out in a recent National Audit Office report *Managing Resources to Deliver Better Public Services*.¹⁷

2.18 Creating an effective funding strategy requires an understanding of the nature of the links within the delivery chain. Funding stability is easier to achieve for organisations with internal links to each other and, to a lesser extent, for those with contractual or regulatory links. Further stability could be offered to well-managed delivery partners so that they are better able to work creatively and proactively to deliver the outcome required over the timeframe of the PSA target. Delivery partners need to consider how to pass funding flexibility down the delivery chain. The Housing Corporation, for example, has developed two-year funding cycles for housing associations, developers and other bodies building affordable housing.

Part 3 This part sets out how delivery chain effectiveness can be improved.

¹⁷ National Audit Office (2003) *Managing Resources to Deliver Better Public Services*: Report by the Comptroller and Auditor General, HC 61-1 Session 2003-2004, 12 December 2003. London: The Stationery Office.

PART THREE

Managing delivery chains






3.1 To manage delivery chains in ways that enhance effectiveness and deliver better public services, six key questions that delivery chain partners can ask of themselves emerged from our analyses. These questions (numbered 6-11 in our self-assessment tool at Figure 1) are considered below:

- **Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?**
- **Are levers and incentives fit for purpose?**
- **Are the risks to the delivery chain well managed?**
- **Do performance management systems keep delivery on track?**
- **Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?**
- **Are there mechanisms in place for regular feedback and review to support continuous learning?**

Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?

3.2 Our three delivery chain analyses identified good communications as vital for facilitating ownership of the PSA target aims, disseminating knowledge of good practice, promoting efficient use of funding and securing complementary action. Government departments need to ensure that all key stakeholders in the delivery chain are aware of the target, its performance measures and their expected role (**Figure 14 overleaf**). Better communications are also needed across Whitehall to ensure that other government departments are aware of and take account of national targets. For example, Every Child Matters pulls together all the relevant PSA targets focused on children and young people into a single framework.

14 Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?

-  No mechanism in place for the different levels of the delivery chain to come together and address issues.
-  Some coordination at the regional level but large gap between local and national understanding of risks and issues facing delivery.
-  Regular contact between all levels of the delivery chain. Government Offices play an active role in coordinating communication between the front line and the centre so that information from the front line informs decision making.

Questions to consider: Communication

- Are there existing lines of communication that can be used or are new mechanisms needed?
- Is the most relevant and reliable information being communicated?
- Is there clarity about which partners are responsible for communicating what?
- How quickly and effectively can all delivery partners be notified of developments and changes?
- How are risks to delivery to be communicated from the front line up and across the delivery chain?
- What means will be used to communicate with the wider community and how will the effectiveness and efficiency of communications be evaluated?

3.3 When planning for delivery, communication channels need to be clearly articulated and tested early to ensure that stakeholders receive and know how to find the information that they need. Meaningful dialogue among partners is essential for shared ownership of policy challenges, thereby increasing the chance of successful delivery. Different parts of the delivery chain will hold information that is of value to other parts of the chain or to the achievement of the objective as a whole. It is, therefore, important that stakeholders are proactive in sharing relevant information, strengthening the links of the delivery chain. Communications through delivery chains need to reach not only partners with which delivery bodies have strong contractual links, but also wider networks of partners where there may be no clear communication channels and/or where partners' attention may be focused on competing priorities.

3.4 Particular attention needs to be paid to communications with front line staff whose capacity is often under greatest pressure. This is most apparent for targets involving more than one sponsor department, which may reflect their differing priorities in their communications with regional and local layers. Teachers in our child obesity focus groups, for example, were concerned about the information available about child obesity and often saw their schools acting in isolation when delivering programmes designed to improve children's health.




3.5 Communication is also often the main way in which messages can be passed through the links to the wider community; for example through public awareness campaigns. This is particularly important for achieving targets such as child obesity that need to encourage individuals to choose to change their behaviour.

Are levers and incentives fit for purpose?

3.6 Decisions about which levers to use to improve delivery – including legislation, regulation, inspection, funding, local targets, performance management, exhortation and public pressure – depend on a thorough understanding of the nature of the challenge, the constraints and the nature of the specific links in every part of the delivery chain. For example, if the change needed to achieve the PSA target is incremental and can be delivered through local bodies, then targets can effectively be devolved to local level. But if the change needed is radical, and requires the active participation of a wide range of bodies with weaker delivery chain links, then tighter central management of the target will be needed at national level.

3.7 Questions about potential levers and incentives need to be addressed early and quickly if the delivery chain is to operate effectively (**Figure 15**). Timely guidance on the interpretation of legislation and the regulatory environment can significantly enhance the use of these levers and, therefore, improve the efficiency and effectiveness of delivery chains. In many instances, there have been long delays in providing such guidance and, as a result, existing levers have been significantly under-exploited by regional and local delivery partners. One example is local authorities' variable understanding of their ability to use Section 106 agreements to maximise the supply of affordable housing. Local authorities in their turn need to give clear and consistent messages on how they are going to use such powers so that private and voluntary sector partners do not waste time and effort. Some work to address this is now being carried out by the Housing Corporation and the Local Government Association. For bus services, the Department for Transport and the Office of Fair Trading identified the need for guidance on what cooperation is possible between authorities and operators under the Competition Act (1998).

15 Are levers and incentives fit for purpose?

-  Few levers in place apart from some funding.
-  Levers established but without consultation; not piloted so not always effective.
-  Levers designed around consideration of flexibility and agility of partners to respond. Pilots conducted to ensure best levers are implemented.

Questions to consider: Levers and incentives

- Is there any resistance to taking on the new responsibilities? If so, what can be done to encourage buy in or are there significant problems that need first to be addressed?
- What will be the most appropriate levers to influence organisations in the chain?
- If the target involves influencing organisations, communities and individuals outside the delivery chain, what incentives are there for them to respond?
- Are there incentives in place to encourage efficiency?
- Do the organisations understand the levers and incentives available to them for managing the provision of services by delivery partners outside the public sector?
- Are there any potential disincentives or scope for gaming within the arrangements? If so, can simulation exercises be held to test incentives and levers, and eliminate perverse incentives?

3.8 Contractual links between delivery partners offer important opportunities to drive up performance through financial incentives and sanctions. In practice, however, uncertainty among delivery partners about roles and responsibilities can restrict the use of these levers. For example, the use of financial incentives is limited despite their proven success. Only one of the three delivery chains studied – bus transport – used financial incentives to encourage improvement by private sector delivery partners. Transport for London uses contracts with bonuses and penalty deductions to provide performance incentives to bus operators. Where the potential exists to use financial incentives, these have often not been used due to a lack of the information or guidance needed to make decisions. Where there is a reliance on a limited choice of suppliers, for example where there is a monopoly or monopsony (the market is dominated by few suppliers), there is a risk that contract funding, if not structured correctly, will not incentivise suppliers to support the objectives of the delivery chain and to drive up performance.

3.9 An understanding of how to influence devolved and autonomous public bodies through their links of common purpose is crucial to ensuring effective delivery. In some cases, local targets can be negotiated, such as Local Public Service Agreement (LPSA) targets with local authorities, or may be imposed, such as National Health Service targets for Primary Care Trusts. Local targets may be strengthened by financial penalties and rewards. Government Offices for the Regions and local authorities can negotiate LPSAs that provide financial incentives to secure greater commitment on the part of local authorities to national targets, setting out the local authority's commitment to deliver specific improvements in performance, and central government's commitment to recognise these improvements through reward grants that provide additional funding of up to 2.5 per cent of a local authority's budget.

3.10 Where delivery is through local public sector bodies, inspection is an important lever for ensuring that public sector service providers, particularly those that have a significant degree of autonomy, actively participate in delivery chains. The Audit Commission's Comprehensive Performance Assessment (CPA), for example, has been recognised since its introduction in 2002 as a powerful lever in achieving targets. It categorises councils by their relative performance and, in doing so, it can identify which authorities require more attention and regulation. Conversely, authorities that achieve a high performance rating are inspected less frequently. From a local authority perspective, CPA has had an important role in improving the performance of the delivery chain. It can provide an incentive to become more efficient and effective as this would result in a higher rating and therefore less regulation. Less regulation also leads to savings; resources can be diverted to improve other areas and regulators can turn their attention to councils not performing as well.

3.11 The announcement in October 2005 by the Cabinet Secretary, Sir Gus O'Donnell, of the launch of Capability Reviews for government departments, and the introduction of Independent Performance Assessment of Regional Development Agencies from 2005, should provide incentives to drive up performance at national and regional levels.

3.12 Partnerships are another means of strengthening links in a delivery chain. Joining up at national and local levels is vital for the effective and efficient working of delivery chains. The importance of partnership working in the public sector is now generally acknowledged, but maximising the potential benefits of partnerships and minimising their risks, including unclear accountability and poor financial controls, have not yet been achieved.¹⁸ The effectiveness of partnerships is therefore consequential on the commitment of the organisations, groups and individuals involved to making them work. For partnerships to succeed, it is important that each partner communicates to its staff that partnership working is part of the organisation's core business, while recognising the challenges for the staff concerned. Staff commitment is more likely when performance management systems reward those who take on the additional risks and responsibilities involved.

18 Audit Commission (2005) *Governing Partnerships: Bridging the accountability gap*. London: Audit Commission.

3.13 To strengthen partnerships, whether at national, regional or local level, partners need to agree the relative priority of targets, decide on the best means to bring together relevant agencies, and have an explicit process for establishing a lead for each target. Partners should then agree upon systems that create a culture of openness and transparency. In some areas, for example, local authorities and developers negotiate Section 106 agreements for affordable housing with open book accounting. This can greatly speed up the agreement process by enabling both parties to ascertain quickly realistic profit margins for the development. Where coordination of bodies is necessary for delivery, efficiency will be realised by making use of existing partnerships with established communication and coordination mechanisms, rather than by developing new networks. This has advantages both for efficiency in keeping down administrative costs and for effectiveness by building on existing relationships and channels of communication.

3.14 A major theme running through our delivery chain analyses is the critical importance of effective local partnership working, supported by consistency in local plans. This is easiest to achieve where there is strong local leadership and coterminosity in organisational boundaries. The need to secure the involvement of both local authorities where two-tier arrangements operate was also found to add to the challenges of establishing effective measures to restrain car use and encourage use of buses to meet the PSA target.

3.15 Through contracts and agreements, such as the Local Delivery Plan and Local Area Agreements, Local Strategic Partnerships are expected to take a coordinated approach to making major decisions about priorities and funding for their local area. The strengthening of Local Strategic Partnerships and the development of Local Area Agreements can encourage efficient and effective delivery, particularly if they are part of a stable, long-term relationship with government departments.

3.16 Where the delivery chain relies principally on market forces to provide public services, additional levers can be introduced to make the chain more fit for purpose. For example, in the bus service delivery chain, the bus market may provide insufficient incentive for either authorities or commercial operators to invest in new bus service facilities, such as a new bus station. Legislation has therefore been introduced to enable authorities to establish statutory Quality Partnership Schemes with commercial operators. These enable the authorities to invest in facilities and require operators using them to provide their services to a particular standard. Provision also exists for the market to be replaced by Quality Contracts where it is demonstrated this is the only practicable means of delivering the local bus strategy.

3.17 For services provided through a market, accountability to the service user can act as a lever to encourage service improvement. For example, under the franchising regime Train Operating Companies are required to routinely report their punctuality and reliability, whereas bus services – provided under a different regulatory regime which emphasises commercial accountability to customers – are not required to do so. Enhancing accountability of bus operators to the local community would strengthen the regulation of the industry's performance.




3.18 The levers to improve the effectiveness of links to the wider community are far fewer. Although it is apparent that delivery often depends heavily on organisations, groups and individuals with no formal links to government, little attention has been given to the incentives and sanctions needed to influence and support their behaviour change. In some cases, it is possible to strengthen the links through contract or regulation, such as the introduction of legislation to ban smoking in public places and the financial leverage of taxing tobacco consumption. More commonly, successful delivery will depend on persuading the wider community that the aims of a PSA target are in their interests; for example in the case of smoking by promoting health messages through the media.

3.19 This persuasion can take place in certain instances, in particular with the private sector, through the construction of a robust business case that, for example, increased volunteering opportunities and on-site literacy training would motivate employees and increase their productivity. In other cases, persuasion will rely on making a case to individuals, often through the media, that they will be better off in a tangible way if they eat more healthily, for example, or travel by bus. For example, the £26 million invested by the Home Office over 2000-04 in a public awareness campaign to inform motorists of the risks of leaving their valuables on display in cars made an important contribution to the Department's PSA target to reduce vehicle crime by 30 per cent over five years.¹⁹ In some circumstances incentives can be created through wider pricing decisions. For example, in relation to bus use, local authorities can use their powers to provide parking spaces and set charges to influence drivers' behaviour by altering the relative costs of car and bus use.

Are the risks to the delivery chain well managed?

3.20 All delivery chains face risks in translating national targets into effective and efficient local activity, particularly when the links between organisations in the delivery chain are weak. A key risk for government departments is that they make assumptions about the commitment of local government and others to their targets, without ensuring partners' buy-in by engaging with them early in the planning process (**Figure 16**). This can happen when government departments treat local councils as if their links with them are internal or contractual rather than links of common purpose.

16 Are the risks to the delivery chain well managed?

-  No overall assessment of risk undertaken.
-  Internal risk assessment undertaken; but awareness of key risks not cascaded through the delivery chain.
-  Thorough risk assessment undertaken, a culture of risk management present throughout delivery chain with high awareness of key risks at each level of chain.

Questions to consider: Risks

- Have risk assessments at all levels of the delivery chain taken place?
- Where a key risk may affect more than one body, are all the appropriate bodies aware of that risk?
- Are risk registers, detailing all the key risks, present in all partnerships found in the delivery chain?
- Are suitable processes in place to mitigate risk at all levels (i.e. reducing risk at one level without increasing risk elsewhere)?

3.21 In addition, other delivery partners face their own risks, which the government department responsible for the delivery chain needs to understand and account for if delivery is to be successful. In managing delivery, the Office of Government Commerce, HM Treasury and others draw attention to the importance of understanding partners' risks.²⁰ Increasingly, supply chain partners use joint risk registers to ensure that all parties are aware of the risks to delivery and which organisation and individuals are responsible for managing each risk. It is also important that partners are clear about responsibilities for horizon scanning and for responding to changing external circumstances that may pose risks to delivery; such as, in the case of child obesity, growth in numbers of fast-food outlets and their availability to children. Building robust risk management into delivery chains allows appropriate decision making to be devolved to the front line.

3.22 **Figure 17** sets out some key risks that departments need to consider when working with delivery partners with whom they have different links.

¹⁹ National Audit Office (2005) *Reducing Vehicle Crime*, Report by the Comptroller and Auditor General, HC 183 Session 2004-2005, 28 January 2005. London: The Stationery Office.

²⁰ HM Treasury and the Office of Government Commerce (2005) *Managing Risks with Delivery Partners: A guide for those working together to deliver better public services*. London: OGC.

17 Different links bring different benefits and risks

| Delivery chain links | Some potential benefits | Some potential risks to delivery | Some potential risks to efficiency |
|--------------------------------|--|---|--|
| Internal | <p>Complexity will be kept to a minimum so that resources are allocated directly to delivery</p> <p>Efficiencies, such as sharing services and improved asset utilisation can be rapidly identified</p> | Other bodies may be better placed to deliver the service in question | Lack of competition may reduce the incentive for a service to increase its efficiency |
| Contractual/regulatory | Using private sector bodies introduces competition that can drive efficiency and improve delivery | If effective incentives are not identified and put in place, the private sector may ignore the Government's priority | Departments' activities will be in vain if the private sector does not respond to the PSA, resulting in wasted time and effort |
| Links of common purpose | <p>Provides impetus and framework to tackle complex societal problems</p> <p>Involvement of bodies closer to the front line can tailor services to meet the needs of diverse communities and individuals</p> | <p>Success may involve influencing other government departments not responsible for the PSA</p> <p>Priorities of local partners may differ from national priorities</p> <p>Dispersed local activities may not aggregate to achieve the national target</p> <p>Changing or new priorities will be slower to communicate and gain partners' commitment</p> | <p>Failure to communicate the priority across Government may slow delivery, wasting time and effort</p> <p>If departments do not assess the capacity of local bodies to deliver, resources will be wasted because of poor decision making and poor performance</p> |
| Links with the wider community | <p>Shifting the focus from health treatment to prevention, for example by supporting and encouraging people to lead healthier lives saves money in the long-term</p> <p>Involving multiple partners will help tackle particularly complex issues with multiple causes</p> <p>Cross cutting issues can be tackled through joined up action leading to sustained success</p> | <p>If appropriate levers to influence and support lifestyle choices are not identified and utilised, individuals will ignore the Government's message</p> <p>Success may be difficult to measure</p> <p>Lack of effective incentives means key partners do not respond to the target</p> <p>If for joint targets, departments do not share a common understanding of delivery requirements, there will be unfocused activity and unclear messages for delivery partners</p> | <p>Poorly targeted marketing campaigns waste money</p> <p>Due to the intractability of the problem, extensive resources may be needed to deliver small changes – return on investment may be low</p> <p>Performance may be difficult to assess and funding may go to poor performing organisations</p> <p>Uncoordinated planning leads to duplicated activity, wasting resources</p> |

3.23 Our work on three PSA target delivery chains shows that these risks are not uniformly well-managed. The Department for Transport had a risk register on the bus use PSA target that it developed and reviewed regularly, but which was not shared with all its delivery chain partners. And some key risks, such as the rising cost of bus use, were not addressed.




Do performance management systems keep delivery on track?

3.24 The delivery chain analyses have highlighted the importance of having robust performance information. Data should be gathered regularly using a systematic methodology if progress is to be tracked and demonstrated. Data are also necessary if local variations in performance are to be identified and addressed. Performance information is important for developing a shared understanding of what needs to be done and for securing buy in to actions from delivery chain partners (**Figure 18**).

3.25 There is a significant risk of inefficiencies if delivery partners do not have the information they need at the right level of detail. Agreement on how the baseline is to be defined and progress to be measured is vital, and failure to resolve definitional problems at the design phase risks poor buy in and ineffective interventions. Information flows should be designed to ensure that information is collected once only and shared promptly with other partners in the delivery chain.

3.26 For public sector organisations, amendments to their existing performance management arrangements need to be considered to reflect their new responsibilities. Financial incentives in the form of performance bonuses and penalties and regulatory levers should be considered for organisations outside the public sector, although these need to be carefully designed in order to ensure that they are effective in promoting good performance. For bus services, for example, assumptions that bus operators will be incentivised by profit to increase services to meet the PSA target may be threatened if the market is not favourable.

18 Do performance management systems keep delivery on track?

-  Multiple performance management systems linked to many funding streams; hard to measure.
-  Performance management systems can measure progress but indicators are not entirely accurate.
-  Regular monitoring. Frequent stock takes. Performance easy to track against objectives.

Questions to consider: Performance management

- Is there agreement on how the baseline should be defined and progress measured?
- Is baseline information available with an appropriate degree of granularity for the interventions proposed? If not, how are activities to be efficiently targeted and managed?
- Is it clear which organisations should be responsible for collecting information on progress and with whom information should be shared? Are there incentives for doing so?
- Are the performance measures easy to understand and monitor?
- Do the performance management arrangements match accountability flows?
- For the public sector organisations involved, can existing performance management arrangements be amended to provide sufficient leverage for the cost-effective delivery of the proposed interventions?
- Has the scope for economies of scale and efficiencies been identified and reflected in performance measures, especially for the procurement of goods and commissioning of services?

3.27 Where outcomes are not easily quantifiable, measurement of achievement may be possible only through a series of proxy indicators. Here, it is important to determine that indicators are credibly related to the outcome sought and to examine the nature of the links between the indicator and the PSA target to ensure that the proxy measures are sufficient to achieve the outcome desired and will not generate perverse behavioural consequences.

3.28 Despite widespread consensus on the importance of good quality information to enable performance to be measured, in common with other studies²¹, we found significant problems with information definition, gathering and sharing, which have an adverse impact on the efficiency and effectiveness of the delivery chain.

3.29 In our delivery chain analyses, we identified, for example, difficulties in establishing a baseline for affordable housing needs. Surveys to provide this information are commissioned separately by local authorities from consultants who use different methodologies. A lack of consistent information makes it difficult for Regional Housing Boards to develop a coherent picture of needs at regional level and at sub-regional levels that are more closely aligned with housing market pressures than local level analyses. Developers often challenge the information in local authority housing needs surveys as inaccurate and carry out their own research.

3.30 For buses, we identified weaknesses in the Department for Transport's approach to the collection of data, which may have resulted in the understatement of passenger journeys and insufficient accuracy for monitoring the target at regional level. The Department is taking steps to strengthen its systems for collecting data on passenger numbers and has commissioned research to assess the extent of bias under the current methods of data collection and to recommend improvements.




Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?

3.31 In all three of our delivery chain analyses, we found that strong national and local leadership was vital for successful delivery of longer-term targets. Delivery partners are subject to many pressures and competing priorities and are unlikely to take on new targets and responsibilities unless there is active championship at local level. Local leadership to drive target-related work is particularly critical for joint working: to be effective, local partnerships need a strong leader with the ability to keep the focus on what needs to be done. Given the importance of local leadership, it is essential to identify any reasons for possible resistance to the proposed new responsibilities (**Figure 19 overleaf**).

3.32 On bus use, for example, in London significant growth in bus usage has been in part due to the Mayor and Transport for London's strong and consistent commitment to car restraint measures and investment in improving bus services. Outside London, in the less straightforward delivery chain associated with the operation of deregulated bus services, commitment achieves growth in some areas, but is uneven across the country and may be inhibited where responsibilities are split between two-tier authorities.

21 National Audit Office (2005) *Public Service Agreements: Managing data quality - Compendium report*, Report by the Comptroller and Auditor General, HC 476 Session 2004-2005, 23 March 2005. London: The Stationery Office.

19 Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?

-  Leadership poorly assigned. Shortage of clear guidance results in lack of clarity around who should take the lead.
-  Some guidance issued on roles and responsibilities, but lack of incentives and measures to ensure accountability.
-  Leadership at all levels of delivery chain is understood and resourced; backed by incentives and performance management.

Questions to consider: Leadership and accountability

- Can the proposed roles and responsibilities of each organisation in the delivery chain be specified?
- Do the proposed new responsibilities fit well with existing ones? Have the interdependencies been identified and taken into account?
- Have regional and local variations in structure been taken into account, especially in the local government sector?
- Are the proposed accountability flows comprehensive and simple to understand? Is it clear how any partnerships involved are to be held to account?




3.33 Sponsor departments and regional organisations have an important role in creating the conditions for local leaders to emerge, as they are unlikely to do so where their levers for influencing behaviour are weak. There appears to be a strong case for allowing more flexibility to lead at the local level, using existing partnership arrangements. We have been struck by the frequency with which local delivery problems have been blamed on local politics and the lack of incentives for district and county councils to work in partnership. Partnerships are vital for addressing complex issues such as child obesity or community safety, and these clearly work better where local organisations are coterminous. It is important to recognise, however, that local leaders must balance sometimes competing national and local priorities. If the national priority is not a local one, the conditions for local leadership to emerge will be lacking.

3.34 The potential contribution from regional leadership is often under-valued and not fully exploited in delivery chains. Its value is greater when delivery chains are complex with many links of common purpose between organisations, but few contractual or regulatory links. There is support for Government Offices to play a greater role in setting up sub-regional and local partnership arrangements and for regional directors of target-holding departments to communicate the implications of national targets to local bodies and to help them balance competing national and local priorities. Where targets are shared between government departments, coordination between partners at regional level can help ensure that consistent joint messages are communicated about the importance of the target and about the funding and other assistance available to local bodies. For example, Government Offices could play an enhanced role in providing guidance to local authorities on affordable housing. In the case of child obesity, there is clear support in the field for an enhanced leadership role for Regional Directors of Public Health on the child obesity target.

Are there mechanisms in place for regular feedback and review to support continuous learning?

3.35 Communication channels are important not only for communicating central government's expectations of local and regional partners, but also for communicating local experiences of what does and does not work and in sharing good practice (**Figure 20**). To promote continuous quality improvement in delivery at regional and local levels of the delivery chain, Government Offices can potentially play an important role in gathering and sharing good practice among local delivery partners. Also important is feedback from users, front line deliverers and other stakeholders as part of the continuous cycle to improve the performance of the delivery chain. In the case of buses, for example, one of the regional Centres of Excellence is taking a lead in developing and promulgating best practice.

20 Are there mechanisms in place for regular feedback and review to support continuous learning?

-  Nothing in place to promote feedback. No facility to disseminate examples of good practice.
-  Guidance filtered down from national to local level, but no mechanisms to communicate feedback from local level upwards.
-  Frequent feedback given to and from all levels of the delivery chain. Feedback reviewed, and guidance and examples of good practice shared.

Questions to consider: Feedback and review

- Do local level authorities have the opportunity to provide feedback on their progress in delivering the required services? Are there incentives in place for bodies at the local level to provide feedback?
- Are there competent communication channels in place for speedy feedback to and from all levels of the delivery chain?
- Does Government respond quickly and effectively to comments from the front line? What guidance is issued in response?
- Do organisations at all levels of the delivery chain have easy access to good practice guidance?

3.36 Our delivery chain analyses found that Government Offices could provide a focal point for feedback and the dissemination of good practice. We also found that the Department for Transport has established a bus partnership forum to encourage the industry to cooperate with the regulator and public authorities in considering and signing up to good practice. But more generally, the mechanisms for gathering and acting on feedback from users were under-developed.

Part 4 This part analyses what national, regional and local organisations can do to ensure that the delivery chain works efficiently.

PART FOUR

Making delivery chains more efficient



4.1 This part of the report considers the twelfth question of our self-assessment tool.

Have systems to achieve efficiency been built into the delivery chain?

4.2 Government departments and local authorities are currently working to identify efficiency gains as part of their response to the Gershon Review. But efficiency considerations are not an explicit requirement in delivery planning to achieve PSA targets. There are, however, clear opportunities to realise efficiencies in how the delivery chain is designed and how organisations deliver. In designing performance measures for the delivery chain, the efficient use of resources should be integral and explicit, with regular reviews of any significant procurement and commissioning arrangements featured in the performance management regime.

4.3 There is scope for efficiency savings in all types of delivery chains (**Figure 21**), although the mechanisms for achieving them vary according to whether partner bodies are directly under departmental management control, or whether they are part of a more complex network of organisations with links of weaker influence or control.

21 Have systems to achieve efficiency been built into the delivery chain?

-  No overall procurement strategy so economies of scale not maximised. Assets and services not shared. High administration costs due to lack of innovation, internal review and challenge to working practices.
-  Opportunities to increase economies of scale not fully realised. Some sharing of assets and services. Room to reduce transaction and administration costs further.
-  Key suppliers engaged early when designing delivery chain. Sharing of assets and services where appropriate. Front line configured to best deliver services. Customers encouraged to use most cost-effective delivery channels. Regulatory regime in place drives good performance.

Questions to consider: Efficiency

- How can transaction costs be reduced?
- Can delivery partners share back office services or front line staff?
- How can partners best utilise their assets?
- Will the arrangements enable and encourage partnership working to secure improved value for money?
- Are delivery partners engaging with suppliers to realise the best deals?
- Does the regulatory regime drive good performance?
- Can the tiers of administration be minimised?

4.4 Our reports on three delivery chains found that for housing there was scope for the Housing Corporation to build upon its recent initiatives to channel resources into the best performing housing associations by requiring them to demonstrate efficiency savings through the increased sharing of services by development consortia and that further savings to local authorities could be achieved by sharing access to scarce planning staff. The Housing Corporation has now begun monitoring of efficiency savings. On bus use, fewer than half of all transport authorities have undertaken a fundamental review of their tendering processes since 2000. Those that have done so, have secured savings equating to about £26 million if implemented nationally. For child obesity, better long-term planning and capacity building through the development of the Children and Young People's Plan and the joint commissioning cycle for services can help to secure greater efficiency.²²

4.5 Efficiencies are most readily realisable for delivery chains that deliver specific services or processes, but departments can aim to achieve efficiencies for complex behavioural change targets by creating efficient governance, coordination, communication and performance management systems.

Reducing transaction costs

4.6 Transaction costs are most readily controllable by departments when delivering targets through bodies directly under their management control, but potential exists through contractual and funding links to encourage delivery partners to find the most cost-effective methods of delivering services to users. For buses, for example, the Department for Transport has provided toolkits to help authorities achieve savings on administering concessionary fares schemes and has provided guidance for District Councils on how to run joint schemes. It could do more however to encourage authorities to seek savings in the transaction costs of negotiating and administering their concessionary fares schemes; for example by piloting with pathfinder authorities the operation of concessionary fares schemes across several counties or across a region, and through longer-term agreements.

4.7 For targets involving service delivery, potential efficiency gains may be obtainable by identifying, through market research, the numbers of potential service users and when, where and how they wish to access the service, as well as how these customer expectations can be matched to the most efficient methods of service delivery.

4.8 Transactions are not solely financial payments. Communications, whether of information, persuasion or influence, are costable transactions that delivery bodies can make more effective and efficient. Where achievement of delivery is dependent on links with the wider community, for example private sector firms or individuals, efficiencies can be achieved in how organisations in the delivery chain communicate with those whose behaviour they wish to influence. There is potential for reaching the target audiences more efficiently and effectively and for measuring, through surveys or other evaluation, the extent to which the activity has changed behaviour. There is also scope for assessing which delivery methods are most efficient and effective in changing behaviour.

Sharing services and utilising assets

4.9 Where multiple offices or local partners are involved in delivery of a service, sharing services offers delivery chain organisations scope for significant gains. Departments are most in control of this when they deliver a target themselves, but local delivery bodies can seek to cut costs by sharing services that they outsource to a private sector contractor, or to deliver them through a jointly owned arm's length body, or bring them together under a federal arrangement. Organisations may consolidate staff at the front line to deliver services jointly, particularly where skilled staff are in short supply and need to be deployed to make best use of their expertise. Typically, however, shared services involve consolidation of administrative back office support functions, such as finance, human resources, legal services, information technology and procurement, from two or more organisations. Research has demonstrated that sharing services can reduce administrative costs by around 14 per cent;²³ and public sector organisations

22 The Children and Young People's Plan is an important element of the reforms underpinned by the Children Act 2004. Implementing a new statutory duty and following best local planning practice, local areas will produce a single, strategic, overarching plan for all services affecting children and young people. It should support more integrated and effective services to secure the outcomes for children, as set out in the Ten Year Childcare strategy, the National Service Framework for Children, Young People and Maternity Services and the Children Act 2004. It is a key part of the children's services improvement cycle, set out in *Every Child Matters: Change for Children*. The Children and Young People's Plan brings together 17 previously separate plans.

23 A.T. Kearney (2005) *Success Through Shared Services: From Back-office functions to strategic drivers*. Chicago, Ill.: A.T. Kearney Marketing and Communications, Inc.

found potentially higher savings of up to 25 per cent.²⁴ Further scope for savings may exist when organisations that have developed a successful shared services operation extend this vertically or horizontally to include other delivery partners.

4.10 Contractual funding links offer scope to drive efficiencies in partners' delivery arrangements. ODPM, for example, is passing efficiency targets through the affordable housing delivery network by agreeing annual efficiency gains in social housing of £835 million by 2007-08, of which £355 million will come from housing associations. The Housing Corporation is in turn encouraging housing associations to achieve efficiency savings by sharing back office functions, such as finance, procurement, human resources and IT.

4.11 Where delivery is through multiple outlets, delivery partners can consider whether front office or back office space is being utilised efficiently and whether more efficient use of space provides scope for sharing offices with other public sector services, thus reducing costs for all organisations involved. Again, organisations have most potential to realise such savings through delivery chains that consist of bodies they directly manage, but thought should be given to how premises can be shared, such as through one-stop shops, leading to delivery mechanisms better meeting users' needs.

4.12 Where services are dependent on utilisation of assets, for example the provision of social rented housing, efficiency gains can be created through better utilisation of resources. The Audit Commission and the Housing Corporation have encouraged Registered Social Landlords to focus in recent years on reducing gaps between lettings to achieve better use of assets by increasing occupancy rates. For buses, we found that authorities could do more to get the best out of their bus networks through better matching against demand for transport from schools, local authorities and social services.

Engaging with suppliers to strike better deals

4.13 Delivery of services by bodies with contractual or regulatory links with departments offers opportunities for centrally-driven efficiencies though effective procurement and contract management. Competitive tendering can encourage tenderers to realise their own efficiencies, while effective contract management can incentivise providers to increase efficiencies. Active management of the supply chain, including open book accounting and shared risk registers, encourages suppliers to contribute to efficiency and for partners in the delivery chain to have a clear understanding of one another's priorities.

4.14 Procurement also offers potential for efficiencies at local level. The Audit Commission has concluded that local authorities, for example, could make large efficiency savings by regularly reviewing their procurement practices.²⁵ Our analysis of the bus use delivery chain found that, since 2000, fewer than half of all transport authorities had undertaken a fundamental review of their tendering processes, but that where reviews had been carried out, transport authorities had secured reductions in both subsidy costs per mile and in administration costs.

4.15 Similarly, partnership working among local authorities provides unexploited potential for reducing procurement costs through aggregating buying and driving down unit costs and by increasing the scope to recruit senior staff with greater commercial expertise.

²⁴ Accenture (2005) *Driving High Performance in Government: Maximizing the value of public-sector shared services*. New York: Accenture.

²⁵ Audit Commission (2005) *The Efficiency Challenge: The administration costs of revenues and benefits*. London: Audit Commission.

4.16 Efficiency gains can also be realised through longer-term relationships with suppliers, and by joining up with others involved in delivery to increase economies of scale. The Housing Corporation has encouraged housing associations in its delivery chain for affordable housing to form strategic partnerships with developers to plan developments jointly from the outset. Housing associations have also been encouraged to form procurement consortia to maximise economies of scale when purchasing construction materials, such as timber roof structures and bricks. The Corporation has also introduced direct funding to other partners, such as developers, to increase competition in the sector and to create a direct comparator to measure the performance of housing associations already undertaking developments.

Designing a regulatory regime that drives good performance

4.17 Where delivery bodies are linked through contractual or regulatory links and in some cases through links of common purpose, inspection regimes and agreed local targets offer ways for delivery partners to establish mutually-beneficial standards of delivery in return for financial reward or reductions in inspection burdens. For local authorities, the Audit Commission's CPA has been instrumental in driving up the standard of services provided from public funding and in encouraging local authorities to improve their performance. Where high performance has been demonstrated, regulatory bodies can increase the efficiency of good and poor performers by focusing on poorer performing bodies where there is most risk of inefficient use of public funds and scope to improve public services.

4.18 Other key drivers for efficiency in local bodies are the financial regime and how good performance is rewarded and bad penalised. Increasingly, departments publish league tables of good and bad performance, which act as drivers for local bodies to achieve higher service levels. Poorer performers may be subject to special measures or interventions, such as those for failing schools, while good performers may have their regulatory burden reduced.

Reducing tiers of administration

4.19 A new PSA target will initially involve increased administrative costs to set up appropriate governance and performance management arrangements, establish a delivery strategy, obtain commitment from delivery bodies and communicate an operational plan. Administrative costs will be higher for complex targets addressing major social issues where involvement of a wide range of bodies may be the only way to achieve the target. We estimate, however, every extra tier of administration costs 10 to 20 per cent of funding. These added costs are only justified where complex arrangements result in better services to the citizen. Our analysis of the delivery chain for buses, for example, showed that for concessionary fare schemes there would be savings in transaction costs to service providers if fewer administrative tiers were involved. The efficiency challenge is to manage the process well so that resources are not wasted in inefficient administrative activity, reducing funding available for front line delivery.

4.20 To minimise the additional administrative costs for the proposed delivery partners from their involvement in a new delivery chain, departments should consider utilising existing delivery chains that are fit for purpose. Given the complexity that local organisations already face from existing arrangements, particular care is needed when considering new local level partnerships. Partnerships add to existing complexity in arrangements within the locality and to administrative costs, diverting resources from delivery. Given these resource costs, there seems a strong case for avoiding the establishment of separate partnership arrangements for new targets as these come on line.

Assessing how best to configure the front line

4.21 The design of a delivery chain, including its front line, has a significant impact on the effectiveness and efficiency of delivery. In consultation with potential delivery organisations and the users or individuals to whom the services or interventions are to be delivered, departments need to take account of how resources can best be channelled to partners to create an efficient delivery chain that maximises the ratio of outputs and outcomes to inputs. Efficiency is not, however, the sole responsibility of central government delivery partners. Local organisations have control over their own administrative costs and have scope to make efficiency savings.

4.22 Innovation and challenge to the way that business is done, and how services are delivered by front line staff to the public, should happen as a matter of course among all partners involved in any PSA delivery chain and be an integral part of planning for efficient and effective delivery.

GLOSSARY

| | |
|---|---|
| Affordable housing | There are two types of affordable housing – social rented housing and intermediate housing. Social rented housing is housing that is supplied by either local authorities or housing associations and is provided to those in most need at a subsidised rent. Social rented housing is managed by local authorities or by Registered Social Landlords, which may be housing associations or Arm’s Length Management Organisations. Newly built social rented housing is almost always managed by housing associations, which are regulated by the Housing Corporation. Intermediate housing is designed to help people enter home ownership. There is a wide range of intermediate schemes. |
| Capacity building | Shorthand for a wide range of support, techniques and initiatives that aim to build the skills and abilities of individuals or organisations. |
| Comprehensive Performance Assessment (CPA) | A measurement of how well councils are delivering services to local people and communities, and how well they are run. |
| Delivery chain | A ‘delivery chain’ refers to the complex networks of organisations, including central and local government, agencies, and bodies from the private and third sectors, that need to work together to achieve or deliver an improved public sector outcome defined through a central government Public Service Agreement (PSA) target. |
| Delivery plan | Plan setting out what a project or programme intends to achieve, when, where and at what cost. |
| Government Office (GO) for the Regions | Nine Government Offices bring together the interests of ten different government departments. |
| Healthcare Commission | Promotes improvement in the quality of the NHS and independent healthcare, through inspection and regulation. |
| Housing association | Non-profit making (voluntary) bodies that build and manage affordable rented and intermediate ownership accommodation. Partly funded by government through the Housing Corporation, they also raise cash from banks and other private sector sources. |
| Housing Corporation | A public body responsible for regulating Registered Social Landlords (RSLs) in England and for allotting government grant funding for new and renovated affordable rented homes. It sets registration criteria for would be RSLs and performance standards for them to meet in their operations and housing services. The Office of the Deputy Prime Minister is the sponsoring government department for the Housing Corporation. |
| Local Area Agreement (LAA) | Local Area Agreements (LAAs), currently in the process of being rolled out, set out the priorities for a local area agreed between central government, represented by Government Offices for the Regions, and the local area, represented by the local authority and key local partners including children’s trusts and the Local Strategic Partnership. The aim is to enable local partners to come together to provide a holistic and integrated approach to policy-making and delivery, reduce bureaucracy and set out how achievement in agreed areas will be rewarded. |
| Local authority | Local government bodies that deliver local services to the community through democratically accountable leadership to local communities. |

| | |
|--|--|
| Local Housing Strategy | A document produced by the local housing authority setting out need, priorities and a clear action plan to deliver. The strategy covers all tenures not just social housing. The Housing Act 2003 gave such strategies for the first time a statutory basis by providing the Secretary of State with the power to compel production should he or she deem it necessary to do so. |
| Local Strategic Partnership (LSP) | Single, multi agency bodies that match local authority boundaries, which bring together parts of the public (such as local authorities, PCTs), private, community and voluntary sectors. Through contracts and agreements (such as the local delivery plan, Local Area Agreements), LSPs are expected to take a coordinated approach to making major decisions about priorities and funding for their local area. |
| Mainstreaming | Integrating programmes and initiatives (particularly those aimed at reducing inequalities) into general service provision. Involves realigning the allocation of mainstream resources – such as local authority and health services – to better target the most deprived areas. |
| Primary Care Trust (PCT) | Responsible for securing and delivering health and social care and tackling health inequalities locally. |
| PSA | See Public Service Agreement |
| Public Service Agreement (PSA) | PSAs set out departments’ aims, objectives and key outcome-based targets to provide a clear statement of priorities and direction. They include value for money targets and a statement of who is responsible for the delivery of the targets. PSAs are intended to help departments to focus on delivery and work effectively with the bodies they need to get things done. PSAs form an integral part of the spending plans set out in Spending Reviews. |
| Registered Social Landlord (RSL) | This is the technical name for social landlords that are registered with the Housing Corporation. Most are housing associations, but there are also trusts, cooperatives and companies. Housing associations are run as businesses but they do not trade for profit. Any surplus is ploughed back into the organisation to maintain existing homes and to help finance new ones. |
| Ring-fenced funding | Money that is allocated to a programme, which must be spent on that specific programme. |
| Section 106 agreement | The Town and Country Planning Act 1990 (as substituted by the 1991 Planning and Compensation Act): gave local authorities powers to negotiate community benefits, as part of the planning process (Section 106 agreements). In the last five years, this provision has been increasingly used to provide affordable housing. |
| Spending Review | Spending Reviews set firm and fixed three-year Departmental Expenditure Limits and, through PSAs, define the key improvements that the public can expect from these resources. Successive Spending Reviews have targeted resources at the Government’s priorities, have matched these resources with reforms, and have set ambitious targets for improvements in key public services: in education, health, transport and criminal justice. |

BIBLIOGRAPHY

Accenture (2005) *Driving High Performance in Government: Maximizing the Value of Public-Sector Shared Services*. New York: Accenture.

A.T. Kearney (2005) *Success Through Shared Services: From Back-Office Functions to Strategic Drivers*. Chicago, Ill.: A.T. Kearney Marketing and Communications, Inc.

Audit Commission (2004) *People, Places and Prosperity: Delivering government programmes at the local level*. London: Audit Commission.

Audit Commission (2005) *CPA – the harder test: Single tier and county councils' framework for 2005*. London: Audit Commission.

Audit Commission (2005) *The Efficiency Challenge: The administration costs of revenues and benefits*. London: Audit Commission.

Audit Commission (2005) *Governing Partnerships: Bridging the accountability gap*. London: Audit Commission.

Audit Commission (2006) *The Planning System: Matching expectations and capacity*. London: Audit Commission.

Audit Commission, Healthcare Commission and National Audit Office (2006) *Tackling Child Obesity – First steps*, Report by the Comptroller and Auditor General, HC 801 Session 2005-2006, 28 February 2006. London: The Stationery Office.

Gershon, P. (2004) *Releasing resources to the front line: Independent review of public sector efficiency*. London: HM Treasury.

HM Treasury (2004) *2004 Spending Review*. London: HM Treasury.

HM Treasury (2005) *Exploring the Role of the Third Sector in Public Service Delivery and Reform: A discussion document*. London: HM Treasury.

HM Treasury and the Office of Government Commerce (2005) *Managing Risks with Delivery Partners: A guide for those working together to deliver better public services*. London: OGC.

National Audit Office (2003) *Improving Service Delivery: The Role of Executive Agencies*, Report by the Comptroller and Auditor General, HC 525 Session 2002-2003, 28 March 2003. London: The Stationery Office.

National Audit Office (2003) *Managing Resources to Deliver Better Public Services*: Report by the Comptroller and Auditor General, HC 61-1, Session 2003-2004, 12 December 2003. London: The Stationery Office.

National Audit Office (2004) *Managing Risks to Improve Public Services*, Report by the Comptroller and Auditor General, HC 1078-I Session 2003-2004, 22 October 2004. London: The Stationery Office.

National Audit Office (2005) *Environment Agency: Efficiency in water resource management* Report by the Comptroller and Auditor General, HC 73 Session 2005-2006, 17 June 2005. London: The Stationery Office.

National Audit Office (2005) *Home Office National Asylum Support Service: The provision of accommodation for asylum seekers*, Report by the Comptroller and Auditor General, HC 476 Session 2004-2005, 7 July 2005. London: The Stationery Office.

National Audit Office (2005) *Joint Targets*, Report by the Comptroller and Auditor General, HC 453 Session 2005-2006, 14 October 2005. London: The Stationery Office.

National Audit Office (2005) *Public Service Agreements: Managing data quality – Compendium report*, Report by the Comptroller and Auditor General, HC 476 Session 2004-2005, 23 March 2005. London: The Stationery Office.

National Audit Office (2005) *Reducing Vehicle Crime*, Report by the Comptroller and Auditor General, HC 183 Session 2004-2005, 28 January 2005. London: The Stationery Office.

National Audit Office and Audit Commission (2005) *Building more Affordable Homes: Improving the delivery of affordable housing in areas of high demand*, Report by the Comptroller and Auditor General, HC 459 Session 2005-2006, 20 December 2005. London: The Stationery Office.

National Audit Office and Audit Commission (2005) *Delivery Chain Analysis for Bus Services in England*, Report by the Comptroller and Auditor General, HC 677 Session 2005-2006, 9 December 2005. London: The Stationery Office.

Social Market Foundation (2005) *To the Point: A blueprint for good targets*, Report of the Social Market Foundation Commission on the Use of Targets in Public Services. London: Social Market Foundation.

Statistics Commission (2006) *PSA Targets: the devil in the detail*. London: Statistics Commission.

APPENDIX 1

Building more affordable homes: Improving the delivery of affordable housing in areas of high demand

Abstract

Introduction

1 A shortage of housing and high house prices in recent years has made it increasingly hard for many people to obtain a home that they can afford either to own or to rent, particularly in the South of England. This shortage has a number of important consequences, creating difficulties and hardship for many people, who may find themselves living in inappropriate accommodation. It also has implications for public and private services as key workers are priced out of the market in some parts of the country.

2 To tackle this situation, the Office of the Deputy Prime Minister has been set the following Public Service Agreement target:

Achieve a better balance between housing availability and the demand for housing, including improving affordability, in all English regions while protecting valuable countryside around our towns, cities and in the green belt and the sustainability of towns and cities.

3 This joint study by the Audit Commission and National Audit Office has taken as its focus one strand of the target – improving the availability of affordable housing in high demand areas. Funding for new affordable housing – some £3.3 billion between 2004 and 2006 – is allocated by the Office of the Deputy Prime Minister (ODPM) to the Housing Corporation which in turn provides grants and subsidies to housing associations and developers to deliver new housing. Against a target in 2004-05 to provide an additional 27,000 homes for rent or low-cost home ownership, including those for key workers, the Housing Corporation achieved 28,756 completions.

4 A complex delivery chain has developed around this funding flow, involving Government Offices for the Regions, Regional Housing Boards and Regional Planning bodies, local authorities, housing associations and property developers (**Figure 22**). While addressing PSA 5 ODPM is also tasked to secure annual efficiency gains in social housing of £835 million by 2007-08, of which £355 will come from housing associations. The report sets out ten areas where such efficiencies are likely to be achieved.

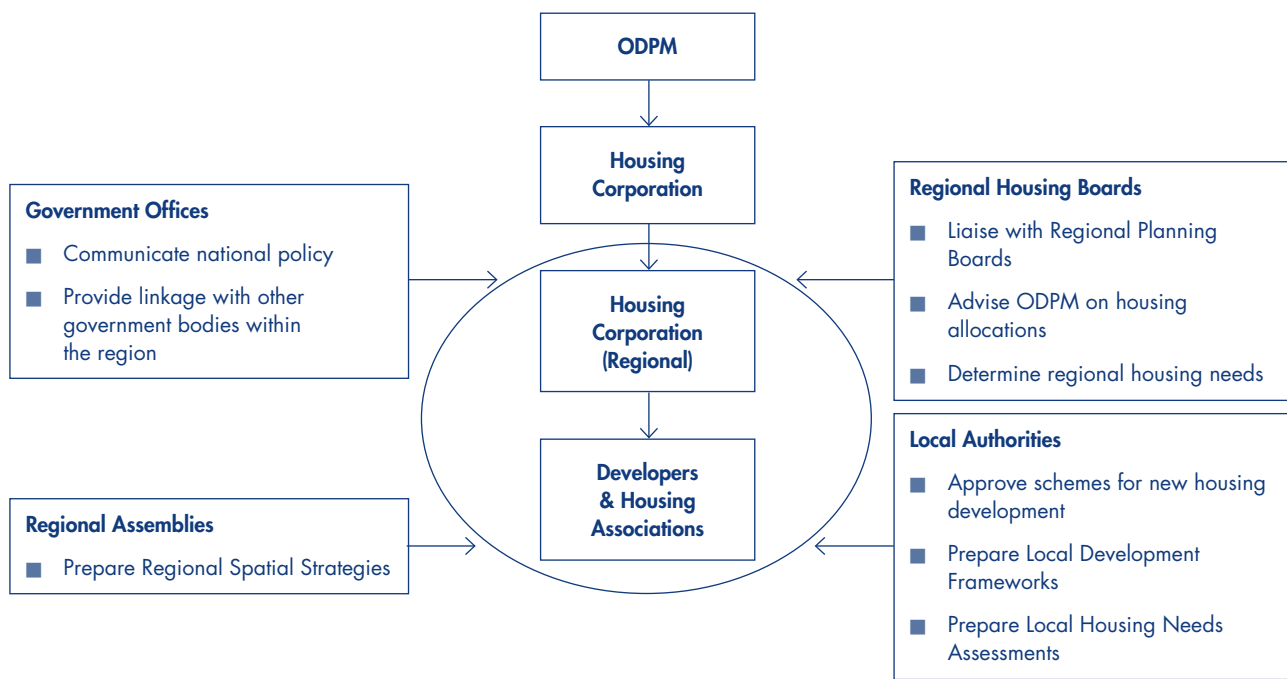
5 More generally the study makes various recommendations for national, regional and local bodies to improve both efficiency and effectiveness of the delivery chain highlighting in particular the need to increase the speed of delivery and to reduce the unit cost of housing.

Findings

6 **The Department has introduced significant changes to the delivery chain in recent years, but there has been a lack of certainty at regional and local levels about roles and relationships under the new arrangements.**

- ODPM has changed the delivery chain by introducing more decision making at the regional level, removing Local Authority Social Housing Grant and changing the planning system. ODPM has not always followed through on these changes with clear, practical and timely advice.

22 How funding for affordable housing flows from national to local levels of the delivery chain



Source: National Audit Office examination

7 Despite large amounts of funding, a national target, and affordable housing becoming a key corporate priority for local authorities in recent years, few authorities believe that they can yet meet the challenge to deliver large increases in affordable housing.

- Recent statistics from ODPM indicate that for England as a whole, the number of new cases of homelessness has been falling since the beginning of 2004, with the number of new households in temporary accommodation remaining steady since September that year. The Department attributes this to additional measures in recent years to tackle homelessness. In areas of high housing demand in the South of England, however, the number of households living in temporary accommodation has risen steadily over recent years. This has resulted in a backlog for local authorities and very few (only 2 per cent of those surveyed for this study) consider that they will be able to meet the need for social rented housing over the next three years – due largely to insufficient funding and a shortage of land available for development. In response to such circumstances ODPM plans to increase the supply of new social rented housing by 50 per cent by 2007-08 compared with 2004-05. It is also increasing its investment in homelessness prevention (from £60 million in 2005-06 to £74 million in 2007-08). This, combined with an increased supply of social rented housing will, in ODPM's view, contribute to the Government's aim to halve the number of households in temporary accommodation by 2010.

8 Initiatives by the Housing Corporation have started to focus development funding into the hands of those best able to spend it effectively.

- Funding for affordable housing is now allocated to fewer housing associations – in 2004-05, 70 housing association partnerships received 80 per cent of the funding; whereas 400 housing associations received funding in 2003-04. Funding is now allocated on a two year funding cycle. This gives more certainty to housing associations which encourages developers to invest more into affordable housing.

9 While there has been a move towards more regionally based decision making about housing need and provision, this has not always led to a change in working practices at a local level.

- There is some ambiguity around the emphasis by ODPM for local authorities to work sub regionally creating room for confusion amongst developers who are unsure about the status of sub regional documents and processes.

10 Government Offices could play an enhanced role in providing guidance to local authorities.

- Government Offices are uniquely placed to help local authorities to improve their performance but their role has evolved in different ways and at different rates across the regions. This means that their role is not always clear to local authorities.

11 Section 106 has proved an effective lever for increasing the supply of affordable housing, but there is a need for clearer and more consistent messages from local authorities so that developers do not waste time and effort in putting forward unacceptable proposals for new schemes.

- Forty per cent of the Housing Corporation's Approved Development Programme is now channelled to Section 106 sites. This important lever is a complex part of the delivery chain and one that causes most delays. Local authorities have implemented ODPM guidance inconsistently and often lack the necessary skills in negotiation and technical financial tools needed.

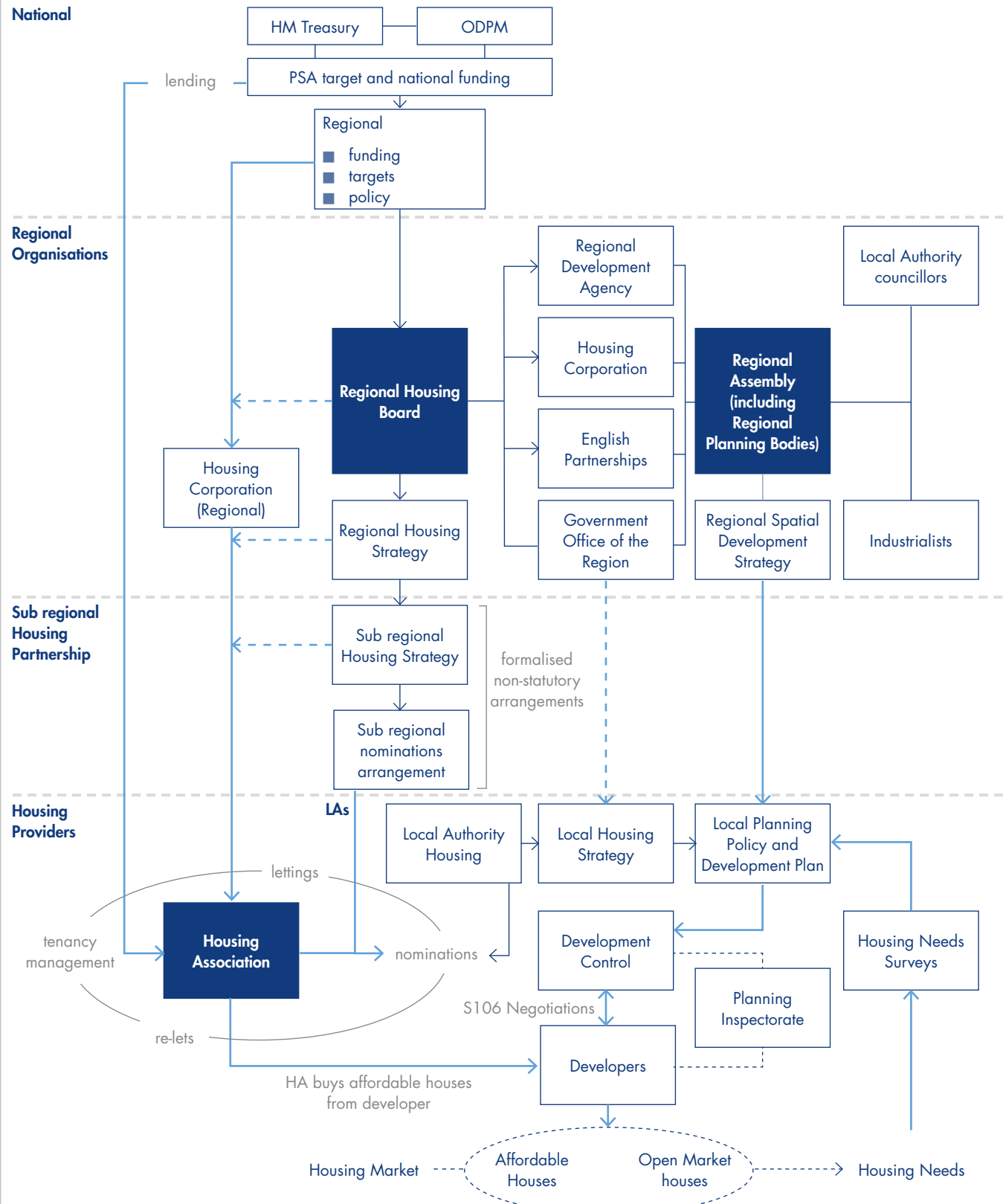
12 Most local authorities now have affordable housing as their corporate priority, but for this to be achieved it needs the support of the community.

- Local authorities need to work with housing associations and developers in providing a clear message to local communities about the need for affordable housing and involve people in how developments might be designed. Some local authorities are achieving this very successfully but many local authorities are yet to fully take up this community leadership role.

13 The release of surplus land for housing by departments could be aided by more coordination at a national level.

- The introduction of the Register of Public Sector Land and changes to Government Accounting are improving the way in which government departments release land that is suitable for affordable housing. But more needs to be done to ensure that surplus public sector land is transferred effectively to other agencies.

23 The affordable housing delivery chain



Source: National Audit Office and Audit Commission examination

National level

| | |
|-------------------------------------|---|
| Her Majesty's Treasury | <p>Agrees the Public Service Agreement and budget with ODPM</p> <p>Works with other government departments and ODPM to make sure that, where appropriate, surplus public sector land is used for housing</p> |
| Office of the Deputy Prime Minister | <p>Establishes national priorities and the policy framework for increasing affordable housing</p> <p>Identifies the key national outcomes</p> <p>Sets national targets and aspirations and translates these into regional level targets</p> <p>Decides on what the regional split of investment will be</p> |
| The Housing Corporation | <p>Develops and implements plans for regulation that deliver the Government's objectives</p> <p>Administers funding to housing associations</p> <p>Tracks the efficiency of housing associations</p> |
| Other government departments | <p>Other government departments hold surplus land that may be suitable for housing developments</p> <p>Other government departments supply the necessary infrastructure to support new developments such as new transport facilities, schools and healthcare</p> |
| English Partnerships | <p>As the national regeneration agency English Partnerships takes a strategic role on surplus public sector land, acquiring and disposing to deliver more and higher quality development</p> |

Regional level

| | |
|----------------------------------|---|
| Government Office for the Region | <p>Reviews local housing strategies</p> <p>Chairs the Regional Housing Board</p> |
| Regional Housing Board | <p>Responsible for the production of the Regional Housing Strategy and recommending to Ministers funding allocations</p> |
| Regional Planning Body | <p>Drafts the Regional Spatial Strategy that puts forward proposals for regional housing growth. Sits on and to be merged with Regional Housing Boards.</p> |
| Regional Development Agency | <p>Sits on the regional housing board</p> <p>Responsible for economic development</p> |

Local level

| | |
|----------------------|---|
| Local authorities | <p>Provide local leadership, coordinating the delivery of affordable housing that meets the needs of the local community</p> <p>Prepare a local development plan that sets out where land is available for development and what contributions will be expected from developers</p> <p>May manage some housing stock</p> <p>Facilitate investment – primarily in the improvement of existing stock but including increasing the supply of affordable housing by bringing unused properties back on to the market and working with housing associations</p> <p>Produce local housing strategies</p> |
| Housing associations | <p>Build and manage affordable housing</p> |
| Developers | <p>Build affordable housing as part of their planning obligations</p> |

Customers

- Families living in temporary accommodation
- People who are homeless
- Key workers such as teachers and nurses
- Middle income earners struggling to buy their first property

APPENDIX 2

Delivery chain analysis for bus services in England

Abstract

Introduction

1 There has been a sustained growth in traffic across the country since the 1950s, bringing increased congestion and vehicle emissions which contribute to climate change. At the same time, bus use has steadily declined, as rising economic prosperity has led to increased car ownership. The personal convenience of car travel and a decline in the cost of motoring have made travelling by bus less attractive.

2 Bus services in London are provided mainly by commercial bus-operating companies, under contract to Transport for London (TfL) working to the Mayor's Transport Strategy. Elsewhere, commercial bus operators register the services they wish to provide, based on commercial considerations (**Figure 24 on page 56**). Local transport authorities secure any additional services to fill in perceived gaps in the commercial network.

3 As part of its ten-year transport strategy in 2000, the Government set a Public Service Agreement target (PSA3), which it has subsequently amended, to increase bus and light rail usage, by 12 per cent in the ten-year period between 2000 and 2010, with the additional challenge of achieving growth in every English region. The Audit Commission and the National Audit Office undertook a joint study to examine whether the delivery chains for achieving growth in bus passenger numbers are efficient and fit for purpose.

Findings

4 **The target for overall growth in bus usage is likely to be met but it is unlikely that there will be growth in every English region.** Nationally, bus and light rail usage has increased by 8 per cent in the first four years to 2004-05, suggesting that the overall target for growth will be met. However, this is almost entirely due to the growth of bus usage in London (which currently accounts for 44 per cent of all bus travel in England). All of the other English regions show continued decline, averaging 7 per cent.

5 **The delivery chain for the target is fit for the purpose of achieving growth in passenger numbers inside London but is more complex elsewhere.** In London, the significant growth in bus usage has been in part due to the Mayor and TfL's strong and consistent commitment to introducing the packages of measures that support growth and increased investment in bus services, coupled with a straightforward delivery chain. Outside London, the delivery chains are not as straightforward – local authorities are accountable for the target but do not have direct influence over the 80 per cent of services provided commercially. Some locations outside London, such as York or Brighton, show that significant growth in bus usage is possible where the local authorities, bus operators and other stakeholders are strongly committed to putting in place packages of measures to increase bus use. If one or more key stakeholders do not have sufficient commitment, however, then this makes it harder for the remainder of the delivery chain to deliver growth. There are provisions for transport authorities outside London to apply for powers to change to a delivery chain more like London's, but to date these have not been invoked. The Passenger Transport Executives consider the preconditions are too onerous.

6 There is scope for efficiency savings outside London through the better administration of concessionary fares and improvement in the procurement of socially-necessary bus services.

Outside London, concessionary fares are negotiated between authorities and the bus operators in their area, and there have been many local variations on the national minimum requirements. The total cost for local authorities of administering these schemes is estimated to be £16 million. Ideally, a more streamlined set of processes that is more closely linked to transport objectives could achieve significant efficiency gains of up to £12 million for authorities, and further gains for operators, although there might be practical obstacles preventing such gains from being realised. Many authorities outside London can also achieve significant efficiency gains of up to £26 million through the systematic review of socially-necessary bus services and better methods of procurement, notably through the packaging of contracts, longer contract periods and joint procurement with other authorities. Further efficiencies are also possible through better procurement of infrastructure such as street works and bus stops and shelters. More efficient procurement of public services is at the heart of central and local government's response to the Gershon agenda.

7 Regulation is both tightly managed and effective inside London, but there is scope to make the unregulated market outside London work better.

In London, there is effective regulation of service provision both through the contractual arrangements employed and through the manner in which these are operated.

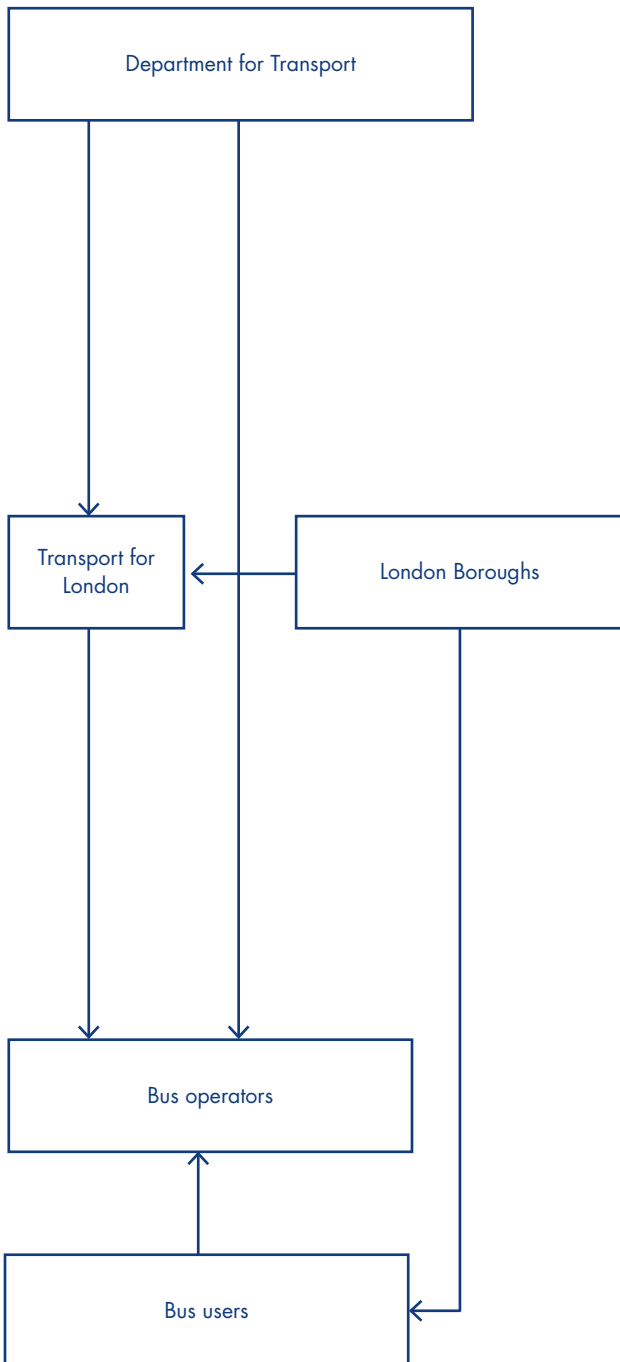
Outside London, operators have a commercial incentive to address the reliability and punctuality of local bus services for passengers. But there is scope to make the market more effective by making performance information more readily available and transparent to local communities.

The independent statutory Traffic Commissioners regulate operators' compliance with their operating licences and, by investigating passenger complaints, the reliability of registered services. But the Commissioners do not routinely receive information to enable them to target their formal monitoring of commercial services to where it is most needed.

24 The delivery chains for bus services in London and outside London

Transport for London has direct responsibility for bus services in London, whereas outside London local authorities have direct responsibilities only in relation to the 20 per cent of services they subsidise.

In London



The Department for Transport

- sets national strategy and target;
- provides funding to Transport for London; and
- provides funding to operators through the Bus Service Operators Grant.

Transport for London

Delivers the Mayor's Transport Strategy through

- contracts with operators to provide bus services;
- investment in bus priority and other measures on its roads and Borough roads; and
- performance monitoring, including monitoring the performance of operators.

London Boroughs

- fund the London-wide concessionary fares scheme;
- provide funding for TfL through the precept;
- invest in and enforce bus priority on borough roads; and
- set local policy for parking, land use and planning.

Bus operators

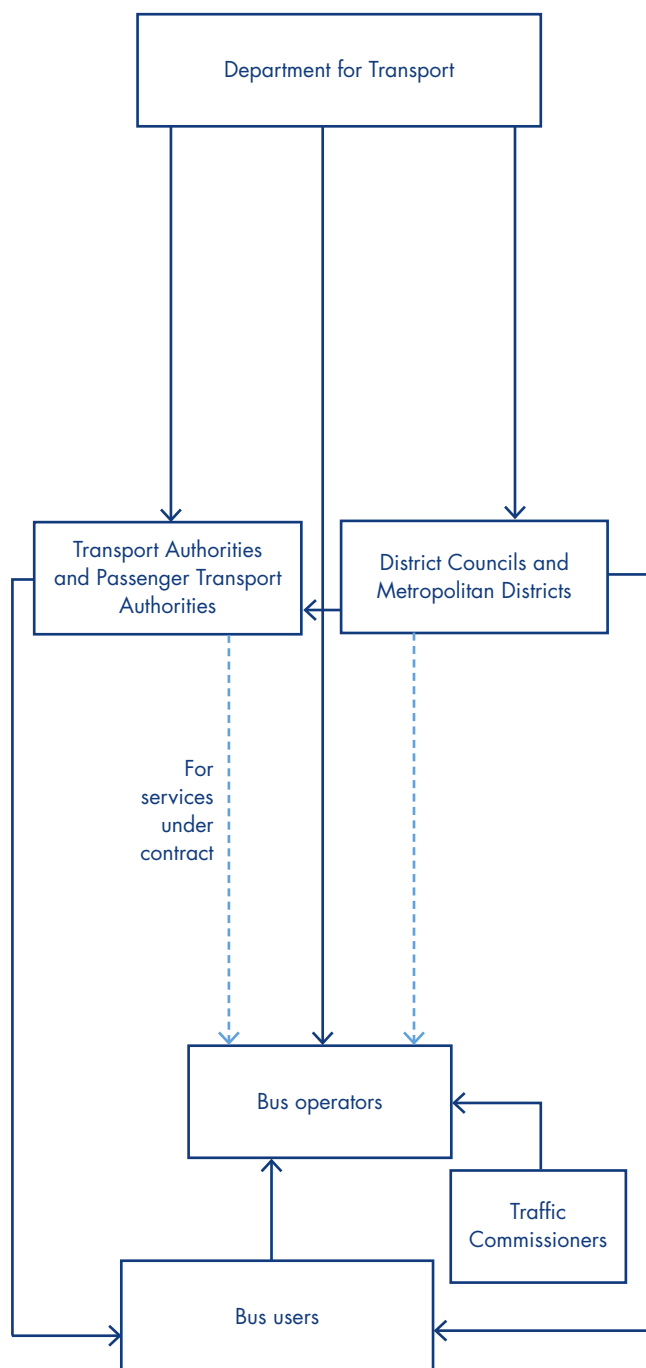
- provide bus services paid for by TfL under contracts and report on their performance to TfL; and
- collect fares and pass to TfL.

Bus users

- pay fares to the bus operators; and
- travel free using concessionary fares pass.

Source: Joint National Audit Office and Audit Commission bus industry workshops

Outside London



The Department for Transport

- sets national strategy and target;
- provides capital funding to Transport Authorities;
- influences the amount of highways revenue funding provided by ODPM to all local authorities in the Revenue Support Grant; and
- provides Bus Service Operators Grant to operators.

Transport Authorities (County Councils and Unitary Authorities)

- set Local Transport Plans in agreement with Districts;
- contract for operators to provide socially necessary bus services to complement commercial services; and
- invest in bus priority measures.

District Councils

- negotiate and fund concessionary fares schemes;
- set local policy for parking, land use and planning;
- contract for operators to provide socially necessary bus services to complement commercial services; and
- invest in bus infrastructure.

Passenger Transport Authorities

- set Local Transport Plan in agreement with Districts;
- negotiate and fund concessionary fares; and
- contract for operators to provide socially necessary bus services to complement commercial services.

Metropolitan District Councils

- invest in bus priority measures; and
- set local policy on parking, land use and planning.

Bus operators

- provide services commercially (some 80 per cent of routes in 2003-04); and
- provide services under contracts with local authorities.

Traffic Commissioners

- licence operators, register routes and monitor operator compliance.

Bus users

- pay fares to the bus operators; and
- pay reduced fares while travelling using concessionary fares pass.

APPENDIX 3

Tackling child obesity – First steps

Abstract

Introduction

1 Obesity is a complex public health issue that is a growing threat to children's health, as well as a current and future drain on National Health Service (NHS) resources. The Wanless Report stated that public health – the promotion of good health and the prevention of disease – should be central to the work of NHS.²⁶ Obesity already costs the NHS directly around £1 billion a year and the UK economy a further £2.3 to £2.6 billion in indirect costs. If this present trend continues, by 2010 the annual cost to the economy could be £3.6 billion a year.

2 In response, in 2004, reducing child obesity became a PSA target – *to halt, by 2010, the year-on-year increase in obesity among children under 11 in the context of a broader strategy to tackle obesity in the population as a whole* – with the target jointly owned by three government departments; the Department of Health (DH), the Department for Education and Skills (DfES) and the Department for Culture, Media and Sport (DCMS).

3 An overarching difficulty with reducing child obesity is the inherent complexity of the issue, including changing the behaviour of children and their parents, and attitudes in society generally. The departments plan to tackle the issue through some 20 interventions aimed at both prevention and treatment, many of which are already in place. These are delivered through a range of organisations and partnerships at national, regional, local and front line level (**Figure 25 on page 60**).

4 This joint report from the Audit Commission, Healthcare Commission and the National Audit Office aims to identify how the barriers to creating a successful delivery chain can be addressed and makes recommendations about how the delivery chain might be strengthened and made more efficient as part of the need for the departments to contribute to the Government's wider efficiency programme.

Findings

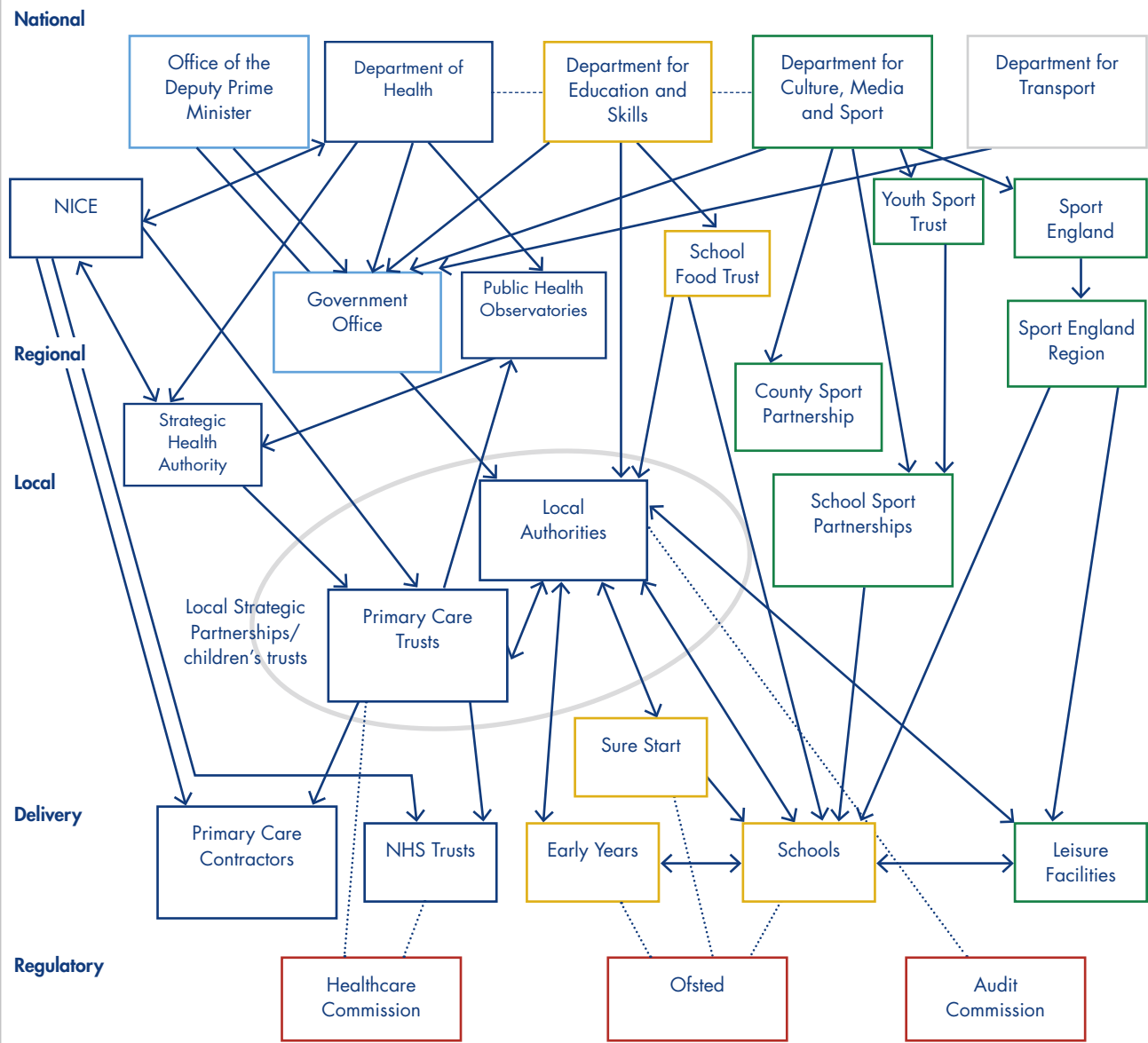
5 The reports key findings are as follows:

- a** **While the evidence is that a multifaceted approach to child obesity is the most effective, there is little evidence as yet to determine whether the departments' range of programmes and initiatives to improve children's health and nutrition generally is sufficient to achieve the target.** Given the shortage of evidence on what works for obesity, it will be of critical importance to ensure that high quality evaluations are put in place as programmes and initiatives are rolled out.
- b** **The three departments are starting to coordinate their action at a national level, but levers to prevent and tackle childhood obesity are not yet sufficiently developed.** At a regional and local level, clear leadership is required, as poor coordination and inefficient use of resources present a risk to delivery of the target. The various organisations need to align their activities so that they are mutually supportive to ensure that progress towards the PSA target is both effective and efficient.

²⁶ Wanless, D (2002) *Securing Our Future Health: Taking a Long-Term View—Final Report*. London, HM Treasury.

- c Without reliable baseline data, there is a risk that resources will be wasted in unproductive activity.** With pressure to tackle child obesity, there have been instances where local delivery bodies have devised or continued collecting their own sets of potentially incompatible measurements of child obesity, with the risk of producing inconsistency in activity and data. To address this, DFES and DH have issued guidance in January 2006 on weighing and measuring, with weighing beginning later in the year. Further guidance is planned in April 2006 on collation of that data. The requirement for PCTs to oversee local weighing and measuring should help to ensure a consistent approach nationally.
- d Regional roles are not clear.** Without clear leadership and sponsorship from those representing the target-holding departments and their representatives at regional/Strategic Health Authority (SHA) level, local delivery agents may fail to devote sufficient resources to deliver the target.
- e Local structures and mechanisms exist to promote joint working, if used effectively.** Local Strategic Partnerships and children's trusts are well placed to exert influence over how the range of local programmes can be best coordinated and can use new mechanisms such as Local Area Agreements to deliver this.
- f Schools are a key setting for the delivery of effective coordinated interventions and have an important role to play,** but need support and clear guidance to help address child obesity.
- g There is potential to realise efficiencies in the delivery chain associated with the child obesity target.** Given the high level of expenditure on programmes for children's nutrition, activity levels and related health issues, relatively small administrative savings could have a high impact on efficiency.

25 The current delivery chain for child obesity



Source: National Audit Office, Audit Commission and Healthcare Commission analysis.

Key

| | |
|---|---|
| Children's trusts | Partnership arrangements generally within a Local Strategic Partnership, that bring together all services for children and young people in an area for integrated front line delivery, processes and strategy as well as inter-agency governance. |
| County Sports Partnership | Partnership which creates strategic leads for sport within a county to help more people get actively involved in sport. |
| Early Years | The Government's Ten Year Strategy for early years and childcare. |
| Government Office (GO) | Nine Government Offices for the Regions bring together the interests of ten different Government Departments within a single organisation. |
| Local Strategic Partnerships | Local Strategic Partnerships (LSPs) bring together representatives from health, local government, education, other public sector agencies, the private sector and the voluntary and community sector to agree local priorities and coordinate activities. |
| National Institute for Health and Clinical Excellence (NICE) | Provides national guidance on the promotion of good health and the prevention and treatment of ill-health. |
| Public Health Observatory | Supports local bodies in an NHS region by monitoring health and disease trends, evaluating progress by local agencies and providing advice. |
| School Sport Partnerships | School Sport Partnerships are families of schools that come together to enhance sports opportunities for all. This pays for a full-time Partnership Development Manager, the release of one teacher from each secondary school two days a week to allow them to take on the role of School Sport Coordinator. The grant also pays for release of a primary school teacher for up to 12 days per year to develop and enhance school sport in their school. |
| Strategic Health Authority (SHA) | Manages the local NHS on behalf of the Secretary of State. |
| Sure Start | Government programme to deliver the best start in life for every child by bringing together early education, childcare, health and family support. |
| Youth Sports Trust | Registered charity with a mission to support the education and development of all young people through physical education and sport. It aims to create opportunities for more young people to participate in high quality PE and school sport. |