Modern Policy-Making:

Ensuring Policies Deliver Value for Money

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1   Departments spend some £350 billion a year[1] on a range of services and activities intended to benefit citizens. If policies are not well designed and implemented the consequences can be serious, for example, public services may be of poor quality or not meet users' expectations and those intended to benefit may not do so or groups in society may be excluded **(Figure 1)**.

What is policy?

Policy is the translation of government's political priorities and principles into programmes and courses of action to deliver desired changes.

2   High quality public services depend on departments designing and implementing cost effective policies. This report sets out a range of good practice in policy-making which if implemented more widely by departments and agencies could make a major contribution to the Government's drive to improve public services. Many reports by the Committee of Public Accounts and the National Audit Office have drawn attention to the consequences for value for money when policies and programmes are not well thought through and managed **(Figure 2)**.

1   **The quality of policy-making impacts on the quality of public services**

Users' expectations not met

Adverse social or environmental consequences

IF POLICIES ARE NOT WELL DESIGNED AND IMPLEMENTED THE CONSEQUENCES CAN BE SERIOUS AND RESULT IN POOR VALUE FOR MONEY

Poor quality public services

Little or no benefit delivered or not sustainable in the longer term

Adverse effects on economic competitiveness

Sections of society excluded from benefits

Source: National Audit Office

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1   HM Treasury (CM5101). Public Expenditure Statistical Analyses 2001-02 (April 2001).

2 | Risks which if not given sufficient attention in policy-making can result in poor value for money

POLICY DESIGN

The development of practical responses to a range of challenges and issues based on consideration of the factors that would make the policy options successful.

Risk to value for money	Example	
If the information base underlying the business case for the project delivering the policy is unrealistic, the policy may cost more than expected.	The main cause of the financial difficulties of the Dome was the failure to achieve the visitor numbers and income required. The targets were ambitious and inherently risky which inevitably meant a significant degree of financial exposure. *The Millennium Dome (HC 936, 1999-00)*	
If options are not tested to determine whether they work in practice the option selected may be difficult or impossible to implement or it may be delayed or cost more than expected.	The result of skimping at the start by allowing inadequate time for specifying the requirement and piloting was delay and wasted money on the Benefits Payment Card Project. *The Cancellation of the Benefits Payment Card project (HC 857, 1999-00)*	
If what is expected of those responsible for implementing a policy is not assessed and managed, costs may be higher than expected and policy outputs not delivered.	With the National Probation Service Information System poor specification of expected outputs, weaknesses in service monitoring and inadequate control by the Home Office contributed to the higher than expected cost of the programme. *The Implementation of the National Probation Service Information Systems Strategy (HC401, 2000-01)*	
If a long-term view is not taken of how users' needs might evolve over time, changes in conditions might decrease the usefulness of the chosen policy or make it rapidly obsolete.	For the BOWMAN communication system, the Ministry of Defence was unable to take full account of the effect which the rapid pace of technological change, and the corresponding increase in users' expectations, would have on demand. *Major Projects Report 1999. (HC 613, 1999-00)*	

POLICY IMPLEMENTATION

The process of testing different policy options and putting the chosen option into effect.

If a plan for implementation has not been tested and drawn up to cover resources required to implement the policy successfully, it is unlikely that every implementation requirement will be available at the right time, or a viable solution may be delayed or fail because the necessary resources are not available when needed.	Many of the risks associated with implementation of the new passport system had been identified at the planning stage. But the risks and the response required had not all been realistically assessed, and when things began to go wrong the Passport Agency's plans proved insufficient. Several factors interacted to produce a crisis in public confidence in the Agency. *The passport delays of Summer 1999 (HC 812, October 1998-99)*	

Risk to value for money	Example
If responsibilities are not allocated clearly to managers for co-ordinating implementation including specific milestones, the delivery of the policy will be put at risk.	Deficiencies in defining roles and responsibilities for the construction of the British Library contributed to the difficulties in controlling the project and aggravated time and cost overruns. *Progress in Completing the New British Library (HC 362, 1995-96)*
If a policy is not communicated or marketed sufficiently, buy in from key stakeholders may be lacking and outcomes may be reduced as those at whom the policy is directed are not aware of it or resist the policy.	The Department of Social Security failed to publicise a change in the law about the State Earnings Related Pension Scheme (SERPS) and gave misleading information to the public for more than a decade. *State Earnings-Related Pension Scheme: The failure to inform the public of reduced rights for widows and widowers (HC 320, 1999-00)*

POLICY MAINTENANCE

The ongoing management and review of policies to ensure that they remain appropriate and relevant and continue to deliver their intended outcomes cost effectvely.

If there are insufficient plans to maintain service delivery in the event of something going wrong, citizens may suffer inconvenience and fail to receive the service intended.	Continuing backlogs of applications for citizenship, asylum or extension of stay in the United Kingdom caused enormous personal distress to hundreds of thousands of applicants and their families. The Home Office's contingency planning when things started to go wrong was inadequate. *Committee of Public Accounts Seventh report 1999-00, The Home Office: The Immigration and Nationality Directorate's casework programme*
If good practice is not identified and spread then resources are not allocated to priorities efficiently and key outcomes are not secured.	Prioritisation of resources for dealing with hospital acquired infection was restricted by the lack of basic, comparable information about rates of hospital acquired infection. *The Management and Control of Hospital Acquired Infection in Acute NHS Trusts in England (HC 230, 1999-00)*
If information and criteria to review, evaluate and measure performance are not built into implementation, the success or otherwise of policies may be unclear.	It was not possible to quantify the business benefits derived from the introduction of the National Probation Service Information Systems Strategy. Costs and achievements had not been monitored against projections in the original case. *The Implementation of the National Probation Service Information Systems Strategy (HC401, 2000-01)*
If results from review, evaluation and monitoring are not acted on, existing policies may not be implemented and lessons not learned with the result that the quality of public services does not improve or is put at risk.	The number of broken rails on the railway network had increased since privatisation in 1996. Since 1998 the Office of the Rail Regulator had put pressure on Railtrack to improve track quality and to reduce the number of broken rails. *Committee of Public Accounts Thirty Fifth report 1999-00. The Office of the Rail Regulator: Ensuring that Railtrack Maintain and Renew the Railway Network.*

executive summary

A **Departments and agencies** are responsible for the design and implementation of policies. **The Centre for Management and Policy Studies** of the Cabinet Office work with the civil service, the public and private sectors and academia to ensure the civil service is cultivating the right skills, culture and approaches to perform its task; to ensure policy-makers have access to the best research and evidence and to help government learn better from existing policies.

B **The nine key characteristics of modern policy-making**

Policy should:

- Be forward looking
- Be outward looking
- Be innovative and creative
- Use evidence
- Be inclusive
- Be joined up
- Evaluate
- Review
- Learn lessons

C Additional measures taken by the Passport Agency to deal with the delays in issuing passports in the Summer of 1999 cost some £12.6 million.

The failure by the Department of Social Security to introduce the Benefits Payment Card cost some £127 million in nugatory systems development.

Some £2.5 billion was spent on BSE related schemes between 1996 and 1998 arising from the pressure on the Ministry of Agriculture, Fisheries and Food and the Intervention Board to protect public health and support the beef industry following statements in March 1996 about possible links between BSE in cattle and a new variant of Creutzfeldt-Jakob Disease in humans.

Source: National Audit Office reports[3,4,5]

3 The Modernising Government White Paper (Cm 4310) published in March 1999 emphasised that policy-making was too fragmented and risk averse with a focus on the achievement of short-term rather than long-term objectives. The White Paper concluded that departments paid too little attention to the policy process and the way it affected their ability to meet the needs of citizens.

4 The Centre for Management and Policy Studies (CMPS) were formed as part of the Cabinet Office in June 1999 to promote improvements in policy formulation **(A)**. For example, by making it more evidence-based, giving greater focus to output achievement and learning lessons through systematic evaluations. In September 1999 the Cabinet Office published "Professional Policy Making for the Twenty First Century" setting out nine key characteristics which policy-making should aspire to **(B)**. This was followed in November 2000 by a survey of senior civil servants in departments to identify the extent to which policies were being developed in accordance with these characteristics, including examples of innovative approaches, and what they considered to be the main issues in modernising the policy process. The findings were published in "Better Policy-Making" by the Cabinet Office's Centre for Management and Policy Studies in November 2001.

5 Policy-making is often necessarily a complex undertaking. Events frequently require a quick response for example, the floods of September 2000. Citizens are better informed and have rising expectations of what policies should deliver, for example 24 hour access to advice about health. Policy issues can switch rapidly from the domestic to the international arena for example, the impact of BSE on the international market for British beef. And new forms of joint working between departments, local government and the voluntary and private sectors and new forms of service delivery are being developed to tackle issues such as drug abuse and social exclusion. Where policy proposals are likely to impose costs and benefits on business, charities or voluntary organisations policy-makers are expected to carry out a regulatory impact assessment, an aspect of the policy process examined in the National Audit Office report "Better Regulation: Making good use of regulatory impact assesments"[2]. Policies also have to take account of international requirements such as treaty obligations and European Union commitments.

6 Policy-making involves reconciling conflicting priorities and risks through analysis and judgement to arrive at the most cost effective option and to determine the management required to implement and maintain policies over the longer term so that sustainable outcomes such as improvements in health, education, law and order and transport are achieved. The costs of failing to identify the flaws in policy design and implementation and not learning lessons from previous policy initiatives can be substantial[3,4,5] **(C)**. Accounting Officers of departments and other public bodies are now required by the Treasury to report annually in a published statement that they have reviewed the controls in place in their organisation for identifying the principal risks to the achievement of the body's policies, aims and objectives, for evaluating the nature and extent of those risks and for managing them efficiently, effectively and economically.

7 There are often many factors and risks which can influence whether a policy will be successful or not. This report examines how departments manage the risk of policies not achieving their intended outcomes and not delivering value for money. The report is intended to help promote improvements in policy-making by identifying examples of good practice. We examined four policies **(Figure 3)** reflecting the different circumstances which departments most often face. We also drew on twelve other examples of policy-making from local

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3 **Policies examined in this report**

The Department of Health's **Meningitis C vaccination programme** - a policy anticipating a specific social health need which was implemented rapidly (Appendix 2).

The Department for Education and Skills' **National Literacy Strategy** - a policy intended to assist in tackling a long-term problem (Appendix 3).

The Department for Environment, Food and Rural Affairs' **Arable Stewardship Scheme** - an existing policy needing modification (Appendix 4).

The Women and Equality Unit's **Support for Women's Entrepreneurship** - a cross-cutting policy developed from within the Cabinet Office (Appendix 5).

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2   NAO Report: Better Regulation: Making good use of regulatory impact assessments
     (to be published in November 2001)
3   NAO Report: The United Kingdom Passport Agency: the passport delays of Summer 1999 (HC 812,1998-99).
4   NAO Report: The Cancellation of the Benefits Payment Card project (HC 857, 1999-00).
5   NAO Report: BSE: The Cost of a Crisis (HC 853, 1997-98).

D

Identifying the need for a policy requires:

■ Forward looking thinking.

■ Reliable and comprehensive information.

■ Consideration of a range of scenarios.

■ Assessing the interconnection between sometimes competing policy needs.

■ Being able to respond quickly to unforeseen events.

■ Having early warning indicators.

■ Drawing on existing knowledge and experience.

■ Consulting stakeholders.

■ Understanding the needs of the client group.

E

The report **Adding it Up - Improving Analysis and Modelling in Central Government** published by the Performance and Innovation Unit in January 2000 identified a need for policy-makers to make much greater use of the 1,800 specialists (economists, statisticians, social researchers) employed by departments.

authorities and the private and voluntary sectors. In addition we interviewed senior staff in five departments to explore how risk and value for money feature in the policy-making process. **Part 2** of the report covers policy design and **Part 3** the implementation and maintenance of policies.

Designing policies (Part 2)

8   A single uniform "one size fits all" approach to policy-making is not practicable because of the range of factors - social, economic, environmental - which departments have to respond to. Departments need to adopt a flexible policy-making approach involving four key elements.

9   **Identifying the need for a policy (D)**. Departments have to be forward looking to reduce the risk of something unexpected suddenly happening which requires immediate action and thus limits their scope to consider a range of options. Departments should have reliable and comprehensive information including research into citizens' preferences or what is likely to influence them to change their behaviour. If departments misjudge likely behaviour, those intended to benefit from a policy may reject it. Professor Hogwood of Strathclyde University in the paper[6] at Appendix 1 emphasises the need to give sufficient attention to human behaviour in policy design. Based on reliable data departments should consider a range of different circumstances - scenarios that might arise in terms of when and what a policy may have to respond to. In the departments we examined, we found that the use of scenario planning was limited because they often lacked the specialist expertise to apply it.

10   Policies can have an indirect impact on other policies either in the same department or other departments and organisations. Professor Hogwood concludes that policies are best considered as packages involving several programmes delivered by a mix of central, local, voluntary and private organisations. The need for a policy cannot be considered in isolation - a portfolio management approach to monitor and consider the interconnection between different policy needs and how they are met is important. This can help avoid resources being misdirected, one policy working against another, or lessons not being learned. We found no examples in the departments included in this study of the interconnection between policies being regularly reviewed. Early warning indicators ranging from increases in letters from the public to detailed analyses of trends in the incidence of diseases or increases in demand for social support are important for alerting departments to the need for a new policy or for an existing policy to be modified.

11   **Understanding the nature of the problem**. Sound analysis is central to understanding the nature of the issue requiring a policy response **(E)**. Comprehensive epidemiological information, for example, enabled the Department of Health to determine how best to implement the Meningitis C vaccination programme **(Figure 4)**. Without sound analysis a policy may be based on a misunderstanding of the problem, resulting in misdirected effort and poor value for money. A prerequisite of sound analysis is, however, having reliable data and staff with the appropriate research and

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6   *Beyond Muddling through - Can analysis assist in designing policies that deliver? -*
      Professor Brian Hogwood of the Department of Politics - University of Strathclyde
      - Appendix 1 to this report.

4 **Designing policies to achieve intended outcomes cost effectively: The Department of Health's Meningitis C vaccination programme**

In response to the impact and growth of Meningitis C the Department of Health (the Department) in July 1999 announced the development of a new safe and effective vaccine and a vaccination programme with the objective of reducing the greatest number of cases and deaths from the disease in the shortest possible time. The programme was implemented one year ahead of schedule.

The Department delivered some 18 million doses of the vaccine between November 1999 and December 2000 and co-ordinated their work with some 29,000 schools, 100 health authorities and around 30,000 General Practitioners. The vaccination programme was the largest since the introduction of the polio vaccine in the 1950s, cost some £300 million and involved a complex pattern of stakeholders.

In **designing** the policy the Department adopted the following **good practice:**

Having the right information

The Department had comprehensive epidemiological evidence from the Public Health Laboratory Service to assess the likely evolution of the disease, the best time to implement the vaccination programme and who to vaccinate first to maximise its impact.

Assessing cost effectiveness

The Department assessed the costs and the likely benefits of immunisation by commissioning a cost-benefit analysis. The costs and benefits of the programme compared well with other possible forms of health care intervention, confirming that the programme was likely to represent value for money.

Managing stakeholders

There was a risk that the pharmaceutical industry had no incentive to develop an effective Meningitis C vaccine with only limited global commercial opportunities. The Department demonstrated to the pharmaceutical companies their commitment to the programme thus reducing some of the commercial uncertainty.

Analysing options

The Department recognised that if they were to run the programme without the risk of vaccine shortages sufficient stocks would have to be built up. To do so would delay the programme by one year but epidemiological data suggested that delay would result in 1,500 further cases and a possible 150 deaths. To avoid this the programme was brought forward by one year and the Department managed the risk of insufficient supply by analysing a range of implementation options and by adopting a two stage approach.

Planning implementation

The Department ensured that the programme was administered effectively in primary health care centres, schools and colleges by commissioning individuals with knowledge and experience of similar campaigns to identify the levels of support that would be required and by basing their planning on detailed statistical information about the likely incidence of the disease and those most at risk.

Having early warning indicators

The Department relied on ten immunisation co-ordinators, nursing professionals and pharmacists to provide weekly status reports on the supply and distribution of the vaccine to give early warning of implementation problems, such as whether supplies of the vaccine had not been received from the distributors as expected.

Managing the supply chain

The Department exercised tight management over the supply of the vaccine from manufacture to distribution so that they knew when and how many children they could vaccinate in different parts of the country and in different age groups. By day to day monitoring of the manufacturers and distributors the Department ensured that they had precise and up to date information on the supply of the vaccine, so that they could adjust the numbers scheduled for vaccination if necessary.

Managing demand and public expectation

Public confidence in the programme was secured and demand for the vaccine managed by making explicit to the public through an integrated information campaign, including television advertising and promoting the programme in students' colleges, that those at most risk from the disease would be vaccinated first and others would be vaccinated as more vaccine became available.

Impact

The Meningitis C vaccination programme has achieved the following impacts:

❑ The successful distribution between November 1999 and December 2000 of 18 million doses of vaccine sufficient for every child under 18 years of age;

❑ In the six months to December 2000 a 90 per cent reduction in the number of cases in the under one year old and 15 to 17 year old age groups;

❑ In the six months to December 2000 a 75 per cent reduction in the number of cases across all age groups;

❑ In the six months to December 2000 the saving of around 50 lives; and

❑ Raising public awareness about other forms of Meningitis through the health promotion campaign.

More detail about this case study is provided in Appendix 2.

Source: National Audit Office

executive summary

Understanding the needs of the client group

F

The Women and Equality Unit's policy to encourage more women to become entrepreneurs involved stakeholder analysis so that policy was designed to provide support when women said they most needed it. (More detail is provided in Appendix 5).

G

An example of piloting different approaches is the Department for Work and Pensions' testing of the "ONE" service intended to increase the proportion of people of working age in employment and not dependent on benefit. The pilots are testing alternative delivery mechanisms, for example use of call centres for advice and providing personal advisors for the unemployed.

analytical skills. Web based technology makes it much easier to access a range of information from across departments and also from research institutions and think tanks. The use of the internet and internal intranets is increasing but departments need to make greater use of this source of data. Departments should have in place well developed strategies which determine their longer term information needs and how and in what form such data should be collected.

12 Assessing the nature of the issue a policy is intended to address also requires analysing its main components so that departments can target their intervention on these. In the case of the Department for Education and Skills' National Literacy Strategy there were many potential causes of the low level of child literacy - social background, size of class, standards of teaching. Through careful research the Department identified that targeting resources on improving the skills of teachers to teach literacy was likely to have the most impact and be the most cost effective use of resources **(Figure 5)**. Departments also need to understand the characteristics of the client group which policies are intended to benefit by consulting all those who have something to gain or lose from a policy **(F)**. Having identified the key issue a policy should focus on, a business case should be prepared setting out as a minimum the range of possible policy options considered, an assessment of their resource implications, who will be responsible for implementation and an assessment of their capability, who is intended to benefit, and the risks associated with the policy and how these will be managed.

13 **Assessing how policies are likely to work in practice** is a crucial stage in policy design because it should identify practical constraints which need to be overcome if policies are to be successful; it can help to develop more accurate estimates of the likely cost and impacts of policies; it can provide opportunities to modify policies if necessary to avoid any group of society intended to benefit being excluded; and it can help to determine whether policies are likely to represent value for money and whether their benefits are likely to be sustainable in the longer term. Departments we examined use a range of approaches to assess whether policies are likely to work in practice, for example, piloting to test policies **(G)**; formal consultation with intended beneficiaries and other stakeholders; regulatory impact assessment; and preparing analyses about the impacts and costs of different policy options.

14 Involving those who have to implement and evaluate a policy in its design is key to assessing how practical a policy is likely to be. We found, however, that those required to implement and evaluate policies were consulted fairly late in the design process. If they are not consulted those responsible for implementation may have only half-hearted commitment to the policy and more practical solutions may be missed. Departments we examined recognise these risks although they consider more progress is needed to integrate implementation and evaluation questions more fully into policy design. This is particularly important where responsibility for policy design, implementation and evaluation is split between a department and an executive agency or where a policy cuts across government with a range of departments and agencies having a role.

5 | **Implementing a policy cost effectively: The Department for Education and Skills' National Literacy Strategy**

In the mid-1990s, there was strong evidence that standards of literacy in children and in the adult population in the United Kingdom were unacceptably low. In 1996, only 57 per cent of 11 year olds reached the literacy standards expected of children of their age. Literacy in the UK has been a persistent, long-term problem, with UK adult literacy levels during the mid-1990s below those of most European countries and Australia, performing similarly to the United States.

In September 1998 the Department for Education and Skills (the Department) introduced the National Literacy Strategy (the Strategy) in all primary schools. The aim of the Strategy is to improve standards of reading and writing through more effective teaching and management of literacy in primary schools. This is underpinned by a national target that by 2002, 80 per cent of 11 year olds will achieve the standards expected for their age in English (measured by National Curriculum Key Stage 2 test results).

The Strategy advises 190,000 primary school teachers to dedicate at least one hour to teaching literacy each school day to three million primary school children. Specific guidelines about how the teaching of literacy can be organised are set out in a "Framework for Teaching". 350 local literacy consultants support schools in implementing the Strategy through provision of training, training materials, and more intensive training for those schools which need it most. The Strategy has cost up to £100 million a year since 1998-99.

In **implementing** the policy the Department adopted the following **good practice**:

Using research to identify the problem

They analysed international research about literacy teaching to understand the options for improving the teaching of literacy, to design the teaching that was most likely to deliver improvements in literacy, and to identify that high quality training provision for teachers was the crucial factor for securing teachers' support for the Strategy.

Testing options to learn what was cost effective

They reviewed the impact of different approaches to teacher training to identify which schools needed more intensive training and which would need more basic training materials. Learning from the testing of teaching materials enabled them to launch the policy with a clear and rapid timetable for implementation.

Planning implementation

They published an implementation plan for the Strategy setting out how the Department would manage the Strategy and the responsibilities and deadlines for all those involved - the Department, local education authorities, schools, headteachers, teachers, pupils, parents and the Office for Standards in Education (OFSTED).

Managing barriers to change

They tackled barriers to implementation head on, such as a potential resistance to change from teachers responsible for implementing the Strategy in schools. The Department adopted a "high challenge - high support" approach by setting challenging standards for teachers whilst providing support to improve teachers' skills.

Marketing the Strategy to implementers

They used a highly visible programme of visits which involved regional literacy directors explaining the Strategy to local education authorities, headteachers and teachers and receiving feedback on how it was being implemented. For example, conferences were held for primary headteachers and Governors in every local education authority to deliver briefings about the Strategy and training materials.

Introducing flexibility

They secured the support of teachers implementing the Strategy by identifying the need for high quality training and teaching materials for teachers. The teaching materials were modified on the basis of testing and feedback from trialling the Strategy in 300 schools, and on the basis of subsequent feedback from teachers.

Securing a change in the culture of teaching literacy

They changed the way in which teachers taught literacy and secured their longer term commitment to the Strategy by encouraging a culture where schools and teachers recognised the benefits the Strategy can bring in terms of the continuing professional development of teachers, and better planning and management of teachers' time.

Impact

It remains too early to evaluate the long-term effect that the Strategy will have on standards of reading and writing. National Curriculum Key Stage 2 test results in English for 2001, however, showed that 75 per cent of 11 years olds reached the expected level for their age group compared to 65 per cent in 1998.

More detail about this case study is provided in Appendix 3.

Source: National Audit Office

15   Consulting stakeholders is also important in testing whether a policy is likely to work in practice. It is crucial, however, that departments consult all major stakeholders. If only well organised stakeholders are consulted those who are less well organised may become marginalised because they may not be able to express their views so effectively. The departments we examined were generally less convinced about the value of involving outside stakeholders in the design and testing of policy options. This is because at this early stage a department may not be fully committed to the policy and involving outside stakeholders may raise expectations or public criticism in cases when a pilot initiative does not work. Fear of leaks and premature publicity may also inhibit the range of consultation with stakeholders that would otherwise be useful.

16   **Identifying and assessing risks to performance and delivery**. Key to managing the risk of policies not being successful is departments assessing the capability of those required to implement policies. These may be staff within the department, a separate agency or a private or voluntary sector partner. For example to tackle the risks of capacity constraints that might affect delivery of the "Transport 10 Year Plan", which provides for £180 billion investment in new and improved transport infrastructure and services, the Department for Transport, Local Government and the Regions are working with the construction industry and other suppliers to identify and meet any skill shortages.

17   A further risk is that those intended to benefit from a policy do not do so. Minimising this risk requires ensuring that a service is accessible and all those intended to benefit from it understand what the policy is intended to achieve. This requires careful communication. For example, the Department of Health in implementing their Meningitis C vaccination programme were, through a targeted media campaign, successful in managing the public's expectations and fears about the risks to health from Meningitis C **(Figure 4)**. A policy may also have an unintended impact. For example, the policy to make public services available electronically is driven by the opportunity to provide better quality services by them being more easily accessible, being available more quickly and at a time more convenient to citizens. There is the risk, however, that those who are less familiar with new technology or are disinclined to use it may be excluded from the benefits. The risk of unforeseen consequences is common to all policies and it emphasises the importance of departments considering very carefully the ways in which policy benefits can be delivered, given the variability of citizens' awareness of policies and their access to information systems, and the impact policies might have on their behaviour.

Policy implementation and maintenance (Part 3)

18 Implementing policies requires careful consideration of the resources needed, the time period over which the policy is to be delivered and how the quality of the desired outcomes is to be achieved and maintained. Any potential constraints such as the capability of information technology systems and staff expertise should be identified and resolved. A policy may need to be implemented rapidly which inevitably has greater risk, or it may be a longer term policy where to have the desired impact modifications need to be made over time to maintain the policy's relevance. How a policy is to be implemented and evaluated should be an integral part of policy design. Poor value for money and under-performance often occur because implementation has not been well thought through and planned **(H)**. Policy implementation is more likely to be successful if departments have a well developed implementation plan; identify and manage risks; exercise reliable project management; and have a clear communications strategy.

19 An implementation plan should as a minimum set out the timetable for delivering a policy, the roles and responsibilities of all those involved in delivery, the resources allocated to the policy including money, skills, and infrastructure, how potential barriers are to be tackled and how performance is to be reported and monitored to ensure appropriate accountability. An assessment of a policy's implementation critical path can help identify the key stages in delivering the policy so that these can be organised efficiently or where there are potential problems corrective action can be taken. For example, one factor in the implementation of the Department of Health's Meningitis C vaccination programme was ensuring that manufacturers could supply sufficient vaccine when needed **(Figure 4)**.

H

Typical problems during implementation include:

■ Overambitious time scales;

■ Those implementing the policy not having the appropriate skills or training;

■ Poor project management;

■ Inadequate contingency planning; and

■ Roles and responsibilities not being clearly defined.

Source: National Audit Office

executive summary

11

20 The risk faced by any policy should be identified and assessed during its design and this should be followed through to implementation when risk monitoring and management are essential. When departments enter into agreements with other organisations, both private and public, to implement policies and deliver public services they need to take great care in the allocation of risks - in particular where the services are those on which citizens depend directly (a National Audit Office report to be published in December 2001, "Joining Up to Improve Service Delivery", will highlight good practice in joint working, to help departments who are considering such arrangements). If risks are inappropriately transferred to a party who is not best placed to manage the risk, then service delivery to citizens may suffer. Reliable project management requires setting key targets and milestones for achieving critical stages in implementing policies, having reliable monitoring information to assess progress and indicators to alert managers to under-performance requiring remedial action.

21 Communicating to the general public and other stakeholders, such as the business community, international trading partners, and lobby groups what a policy is about, what it is seeking to achieve and what the targeted client group can reasonably expect is important in ensuring the success of policy. Departments are seeking to simplify public access to information about their policies through the use of websites and national helplines. Departments we examined recognise, however, that they need to improve the marketing of policies. For example, information is not necessarily reaching those at whom the policy is directed, and members of the public seeking advice can be confused by the complexity and variety of government programmes.

Policy maintenance

22 The circumstances which policies are designed to respond to are inevitably subject to change. Policy maintenance is about adapting to change. For example the Department for Environment, Food and Rural Affairs introduced the Arable Stewardship Pilot Scheme to test the effectiveness, practicality and likely cost of modifying existing policy to tackle the loss of wildlife habitats that had been caused by changes in arable farming practices **(Figure 6)**. Departments need to be able to maintain service delivery when something unexpected occurs which knocks a policy off course; they need to review policies, for example to determine when the time is right to modify a policy in response to changing circumstances so that it remains relevant and cost effective; and departments may need to terminate policies if they are no longer cost effective or they are not delivering the policy outcomes intended.

Dealing with the unexpected

23 Events can occur such as a natural hazard or breakdown in key systems which result in departments not being able to deliver a policy as intended with the consequence that the well-being of citizens is put at risk. Departments have to be well prepared to deal with such eventualities. They can do this in various ways for example, by having contingency arrangements such as implemented by Sainsbury's to keep their supermarkets open and well stocked during the fuel shortages in Autumn 2000 **(I)**. It is not normal practice for departments to have contingency arrangements in place unless a policy is considered to be high risk. The departments we examined are giving more attention to maintaining services to the public as a result of the greater emphasis on the identification of risk in the design of policies.

Sainsbury's have two teams which are on continuous stand by with business continuity management as an integral part of their job which they put into practice in the event of a crisis (more detail is provided in Appendix 12).

6 **Adapting a policy to meet changing requirements: The Department for Environment, Food and Rural Affairs' Arable Stewardship Scheme**

Farmland bird populations have been declining from the mid-1970s. Birds are regarded as good indicators of the broad state of wildlife and the countryside, because they are supported by many different types of habitat, and tend to be at or near the top of the food chain. The Department for Environment, Food and Rural Affairs (the Department) identified that changes in arable farming practices had led to a loss of wildlife habitats and contributed to the decline in the populations of a number of species of birds, insects, mammals and plants.

In response to this problem, the Department introduced the Arable Stewardship pilot scheme. The aim of the pilot scheme was to test the effectiveness and practicality of a range of land management options to recreate wildlife habitats in arable areas. The pilot scheme was open to applications for three years from 1998 until 2000, and some of the options tested in the scheme are now being rolled out nationally.

The pilot scheme was run in two arable areas of England - East Anglia and the West Midlands - over 6,000 hectares of land. Over the three years of the pilot scheme, five land management themes covering 17 different management options were applied by farmers. The scheme involved farmers entering into legal agreements with the Department which detail the options they are applying, the areas covered, and completion dates, with financial penalties for breach of agreement. Agreements last for either five or six years. The Department managed the scheme through 227 agreements with farmers, at a total cost of £8.5 million in payments to farmers over the life of the agreements.

In **adapting** an aspect of their agricultural policy to changing circumstances the Department applied the following **good practice**:

Getting the right information

Without information about wildlife on arable land the Department could not have identified the type of scheme to introduce. To address this risk they reviewed research commissioned by the Department during the 1980s and 1990s on the reasons for the decline in wildlife and reviewed research prepared by three national bodies with an interest in conservation and wildlife habitats.

Testing a range of options

The Department had to strike a balance between testing as wide a range of options as possible to find out what might work and what might be attractive to farmers, and limiting the range of options so that enough information could be collected about each option to test in sufficient depth its likely effectiveness.

Managing stakeholders

The Department built on research proposals for the scheme put forward jointly by three organisations in October 1996 - English Nature, the Game Conservancy Trust, and the Royal Society for the Protection of Birds (RSPB). These three organisations subsequently became partner organisations with the Department, helping to market the policy to farmers and encourage applications for the scheme.

Analysing options

The Department were under pressure from their partner organisations to introduce options that would deliver the best environmental benefits in terms of improved habitats for birds and wildlife. If the Department had included options that maximised environmental benefits but were difficult or costly to implement this would have discouraged farmers from applying to participate in the scheme. The Department struck a balance between management options that were likely to maximise environmental benefits and would be cost effective to operate.

Managing implementation

The Department faced the risk that if farmers did not apply the management options to their land as intended, the effectiveness of the various options would not be clear, and money would have been wasted. To counter this risk, the Department appointed two Project Officers in each pilot area. Their role was to launch and operate the scheme, by providing practical, technical and administrative help to farmers implementing different management options.

Assessing cost effectiveness

The Department needed to know if better environmental benefits could be secured by paying farmers more and whether paying more for some land management options might improve farmers' take up of the options in the pilot scheme. To understand what would provide value for money in terms of the cost effectiveness of different management options, the Department commissioned an economic evaluation of the scheme.

Balancing policy requirements

The European Union (EU) Common Agricultural Policy requires the Department to ensure that any scheme which provides income to farmers is transparent and that compliance with EU rules can be verified. To address this the Department:

■ Examined the enforceability of compliance when designing the options to be included in the pilot scheme.

■ Made transparency and ease of understanding of the options a key feature of the pilot.

■ Worked backwards from when they wanted to introduce the scheme and built into their timetable sufficient time to consult the European Commission.

Impact

The overall impact of the scheme is that it has given the Department information on which to base their decision about longer term policy. The Department have a published Public Service Agreement target to "reverse the long-term decline in populations of farmland birds by 2020". This is underpinned by data that are collected and published by the Department as a national statistic, which means that the data have been objectively and impartially prepared according to agreed statistical professional principles and quality assurance standards.

More detail about this case study is provided in Appendix 4.

Source: National Audit Office

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Knowing when to modify and adapt policies requires:

■ Comprehensive monitoring to assess the performance of existing policies

■ Formal reviews of the effectiveness of policies

■ Innovation "to think out of the box" to identify new and better ways of delivering services.

Source: National Audit Office

J

Modifying policies

24 A policy may need to be modified for various reasons. A policy or an aspect of it may no longer be effective in its present form **(J)**. The Department for Education and Skills' National Literacy Strategy is an example of the traditional ways of teaching reading and writing being redesigned to remedy unacceptably low levels of children's literacy **(Figure 5)**. The requirements of the client group may have changed or be better understood or there may be opportunities to deliver policies more cost effectively. For example, NHS Direct, by providing citizens with 24 hour advice on health care should discourage people from making unnecessary visits to their GP and local Accident and Emergency Department. Policy changes in one department may require other policies to adapt. For example, changes in sentencing policy can have an impact on the support required by prisoners such as education and training while in custody and from social services on release.

Terminating policies

25 There may come a time when a policy has achieved its intended outcome, remedied the social or economic issue it was designed to tackle, or the policy may have become obsolete or ineffective. It may then be necessary to replace a policy with a new one to reflect different circumstances or it may be more cost effective to terminate the policy altogether. The departments we examined told us that it was often difficult to terminate a policy. They considered that this is partly because establishing the right time to do so is often not easy and there is always a reluctance by officials to accept that a policy has not worked as planned. Departments said that policy reviews and formal evaluations very rarely resulted in a decision to terminate policies that were no longer effective. They told us that the results of evaluations are more likely to be used to refine policies.

Learning lessons

26 Evaluation is important for determining the extent to which a policy has met or is meeting its objectives and that those intended to benefit have done so. Evaluation can also help departments learn lessons and share good practice in policy design and implementation. For long-term policies, evaluation can identify ways in which the policy can be improved or developed to increase its impact. To encourage departments to make evaluation a more prominent feature of policy-making the Treasury, as part of the Public Spending Review 2000, required departments to provide an assessment of how policy objectives would be delivered; to demonstrate that their approach was evidence based; and to show how departmental research programmes would underpin continuous improvements in performance.

27 All of the departments we examined provided examples of evaluations they had commissioned. These departments also identified, however, a need for evaluations to be more practical for example, showing what worked well in improving public services and why, and considering what further practical steps were needed to enhance service delivery and improve effectiveness. Departments also recognised that they needed to do more to draw together and act on the common lessons and good practice which a range of different evaluations bring out.

Recommendations

"*Professional Policy Making for the Twenty First Century*" set out three themes - vision, effectiveness and continuous improvement - and nine characteristics which modern policy-making should aspire to. To reinforce these themes and characteristics and to realise the potential to improve the policy-making process and the way it affects government departments' ability to meet the needs of citizens whilst securing value for money, we recommend:

For the Cabinet Office

1   **Accelerate the dissemination of good practice**. The Cabinet Office have through their report "Better Policy-Making" identified areas of good practice and innovation in policy-making. To secure improvements across all departments and agencies they now need to accelerate the dissemination of this knowledge, and the good practice contained within this report, and seek assurance that progress is being made. The Cabinet Office should do this by promoting more active use of their website as a source of advice and good practice, training and workshops, and ongoing benchmarking of departments to identify areas requiring further improvement.

2   **Identify how lessons learned can best be applied**. Failures in policy design and implementation also offer the opportunity to learn lessons to avoid repeating similar failures, which may be costly and undermine service delivery to the taxpayer. The Cabinet Office should identify where departments can apply these lessons to similar sets of circumstances to avoid repeated failures in the design, implementation and maintenance of policies, whilst highlighting how the ability of departments to apply lessons may be affected by differences in, for instance, skills, experience, information technology infrastructure, and type of policy delivery.

For departments

Departments should address the suitability of their policy-making systems to secure intended outcomes and deliver value for money in designing and implementing policies by:

3   **Identifying and analysing critical factors.** Departments should be rigorous and systematic in determining and analysing the key factors and barriers at the outset of policies, such as the behaviour of implementers or the client group, which may have an impact on the likely success or failure of a policy. Departments should build into policy design:

   ■ Mechanisms to understand critical factors and how they might change over time, such as effective consultation arrangements and clear links with client groups so that their needs are well understood.

   ■ Arrangements for monitoring performance and progress, so that corrective action can be taken if performance is not as expected, such as how the results from reviews and evaluations of policies should be acted upon and when.

   ■ Arrangements for embedding critical factors into the management of policies, such as identifying practical constraints and how they will be overcome if policies are to be implemented successfully.

■ Estimates of the likely costs and benefits of policies and how changes in critical factors might have an impact on these, taking advantage of the mechanisms introduced by resource accounting and budgeting to help identify the full economic costs and assessing, for example, how technology might offer new forms of service delivery over the life of policies, whether awareness of policies is sufficient amongst implementers and those at whom the policy is directed, and whether focused and targeted marketing is needed so that policies reach the groups and citizens intended.

■ Arrangements to engage implementers early, so that the practicability of policies can be assessed and so departments have a clear view of the likely opportunities and barriers that policies will face as they are implemented. Involving implementers closely as policies are designed can help identify and manage risks to their effectiveness, secure ownership and commitment from staff, and identify practical solutions more likely to work when implemented.

■ Assessments of the capability of those responsible for implementing policies, so that departments can gain assurance that implementers have the capacity - in terms of capital, human resources and technical infrastructure, such as information technology systems or logistics - to deliver what is required in the timescale planned, and can cope with variations in workload, for instance, if policies involve services led by demand from client groups.

4   **Having a well thought through implementation plan**, which should set out:

■ The timetable for delivering the policy, including key targets and milestones for the achievement of critical stages in policies.

■ Roles and responsibilities of those involved in delivery and maintenance.

■ The resources allocated including money, skills and infrastructure.

■ How potential barriers are to be tackled, so that resources can be allocated accordingly.

■ Tested contingency plans, so that if the unexpected happens or an unforeseen event occurs, the continuity of the policy can be underpinned.

■ How performance is to be reported and monitored to ensure appropriate accountability; in particular, for accountability to be effective it is necessary for there to be one person who is ultimately responsible for the success of a policy's implementation, and for lines of responsibility to remain clear in the event of changes and adjustments in the policy.

■ The risks identified and the approach to managing them, in particular where departments enter into agreements with other organisations to deliver services they need to allocate responsibility for managing risks to the party best able to do so.

■ How project management approaches will be applied to manage implementation, including having reliable monitoring information to assess progress and indicators to alert managers to under-performance so that remedial action can be taken.

5   **Preparing and using a clear communications strategy**, which should be integrated into the design of the policy, to explain to the general public and other stakeholders, such as the business community or lobby groups, what the policy is about and what the targeted client group can reasonably expect as a result. Where a service is demand led, a communications strategy should be a key part of the approach to managing demand.

6   **Demonstrating flexibility**. Departments should ensure that policies are designed and implemented with sufficient flexibility for opportunities to review progress and determine whether policies are still delivering the policy benefits intended and value for money. To identify when a policy might need to be modified, departments should encourage:

■ A willingness to listen to the views of those consulted, including implementers, about the possibilities and pitfalls associated with policies and where they might need to be adapted.

■ A readiness to draw on comprehensive monitoring to assess the performance and effectiveness of policies, including whether they continue to meet the needs of client groups.

■ Regular policy reviews to assess formally the effectiveness and performance of existing policies, including external input to challenge assumptions underlying policies.

■ Innovative approaches to identifying new methods of delivering policies and reaching client groups more effectively.

■ A recognition of the unintended effects of policies, such as where costs of policies might fall on groups or other organisations, including other departments, which might contribute to the need for policies to be adapted.

7   **Seeking continuous improvement through active evaluation and lesson learning**. Departments should encourage, during the policy process, better understanding of the benefits of evaluation and greater clarity in:

■ The scope and purpose of evaluations of policies to identify their progress towards achieving desired outcomes.

■ How the results of evaluations will be used to modify policies.

■ The opportunities offered by evaluation to inform the development of future policy and to enhance departments' reputation and credibility.

■ The sharing of lessons learned from evaluations across policy areas in departments and between departments.

8   **Having the confidence to act where value for money is threatened**. Where circumstances that a policy was intended to address have changed or where monitoring and other information identify that a policy is not working as intended, departments may need to terminate a policy. Departments should have the confidence to terminate policies rather than modify them or refine them if the results of evaluations and other reviews suggest that the policy measures being taken are no longer cost effective or are not delivering intended benefits.

Annexes 1 and 2 to this Executive Summary set out some key questions which departments might use to assess whether policies are likely to achieve their intended outcomes and deliver value for money.

In addition the following National Audit Office reports include points of good practice which are also relevant for risk and value for money in policy-making:

■ *Policy Development: Improving Air Quality (HC232, 2001-02)*

■ *Better Regulation: Making good use of regulatory impact assesments (to be published in November 2001)*

■ *Joining Up to Improve Service Delivery (to be published in December 2001)*

Annex 1

Ten key questions departments need to consider in managing the risk of policies not delivering what is intended

The delivery of high quality public services depends on the effective identification, assessment and management of risks. Continuous improvement in public services also relies on innovation and taking opportunities to deliver services in new ways. To improve the likelihood of policies delivering what is intended and to uphold the Cabinet Office's **nine characteristics** of modern policy-making set out in *Professional Policy Making for the Twenty First Century*, departments may wish to consider how they are best able to:

CHARACTERISTIC	
Policies should be innovative and creative	**Embed the identification and management of risks into policy design and implementation**. Have the department identified and assessed the risks to performance and delivery and how they will be managed? For example, the department, in working with others, should allocate responsibility for managing risks during policy implementation to the party best able to manage them, and allocate resources consistent with the risks being taken.
Policies should be joined up	**Connect with other policy areas**. Does the policy being designed have an impact - direct or indirect - on other policies in the same department or related departments and agencies? For example, policy interrelationships should be identified and managed so that decisions are taken with the benefit of lessons from other policies, and policies are designed taking account of wider priorities.
Departments should learn lessons	**Draw on existing knowledge and experience**. Have the department exploited the collective institutional knowledge in the department and experience beyond the department? For example, if a department's understanding of a problem is insufficient, there is the risk of an inappropriate or inadequate response being developed. Sharing experience can also stimulate innovation, particularly by introducing an external opinion to analyse and challenge departmental assumptions about how a policy is expected to work in practice.
Policies should be forward looking	**Consider how options will work in practice**. Have options developed been assessed against a range of different circumstances that might arise in implementation? For example, the design of the policy should take account of the variability of factors that might have an impact on its success, such as demand for a service, or a dependence on specific skills during implementation.
Policies should use evidence	**Understand the needs and characteristics of the client group**. Have the department identified and analysed the risks associated with the client group and do they have an approach to managing those risks? For example, the department should analyse how the behaviour of the client group or implementers might impact on their response to the policy, such as whether incentives are needed to overcome the risk of a policy not being accepted.

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	CHARACTERISTIC
Test the policy. Has the policy been tested before implementation to determine how it might work in practice? For example, piloting a policy in areas of the country or among a sample of the client group can be an effective way of gaining feedback and obtaining a reliable assessment as to whether a policy is likely to work.	Policies should be inclusive
Be prepared for the unexpected. Are contingency arrangements in place to maintain standards of service to the public and the delivery of programmes in the event of unforeseen circumstances? For example, departments need adequate continuity arrangements to minimise the risk of inconvenience, financial loss, or anxiety to the client groups at whom a policy is directed, should the policy fail to be implemented as intended.	Policies should be forward looking
Have and act on early warning indicators. Do the department have well understood systems to identify a policy need and to enable corrective action to be taken to address under-performance with existing policies? For example, indicators may highlight a gap in services to a client group or may assist with identifying where progress with implementation is not as intended.	Policies should be evaluated and reviewed
Market the policy. Is communication of policies and their benefits tailored to the client group and to those responsible for implementing the policy? For example, departments should communicate clearly what a policy is seeking to achieve and what the targeted client group can reasonably expect when it is implemented.	Policies should be outward looking
Apply learning. Have lessons about the performance of other policies been addressed and applied in design and implementation? For example, departments should take the opportunity to identify ways in which a policy can be improved or developed to increase its impact by learning from the experience of other policies and other organisations.	Departments should learn lessons

Annex 2

Ten key questions departments need to consider to promote value for money in policies

To secure value for money during the policy-making process and to uphold the **nine characteristics** of modern policy-making set out in *Professional Policy Making for the Twenty First Century*, departments may wish to consider how they are best able to:

CHARACTERISTIC	
Policies should be forward looking	**Increase productivity**. Does the design of the policy provide scope to harness developments that may have an impact on costs and benefits? For example, the assessment of costs and benefits over the life of the policy should include analysis of the likely evolution in available technology which may offer opportunities to deliver services in new ways, and factors which may have an impact on implementation costs, such as the need for staff training.
Departments should learn lessons	**Be realistic**. Has the balance between the cost, quality and timeliness of the policy been assessed from previous experience and is this balance reasonable and realistic in terms of the expectations for service delivery? For example, targets for the number of working days to process applications for a service should be tested with implementers to identify potential barriers to achieving and improving performance and whether more practical solutions can be more cost effectively implemented.
Policies should be innovative and creative	**Plan for delivery in an organised way**. Have resources, such as staff, skills and information technology been allocated to deliver the policy, and has the responsibility to manage these resources been clearly identified for the life of the policy as it is implemented? For example, this should include an assessment of the department's ability to manage and maintain policy delivery in the event of departure of key staff, through succession planning arrangements.
Policies should use evidence	**Estimate the overall costs of the policy over time.** Have the factors that might impact on overall costs over time been identified and assessed by breaking down the policy into its cost components? For example input costs such as human resources, training costs, information technology development and maintenance should be assessed, the costs to business and others affected by possible regulations, and costs which may be influenced by the demand for a service, such as the number of citizens claiming benefits, should be forecast.
Policies should review performance	**Measure the activities and outcomes of the policy**. Is there a framework for measuring the progress of the policy, including its costs and benefits, and for reviewing and evaluating its effectiveness? For example, performance measures should be selected which are underpinned by a clear understanding of how programmes and activities impact on desired outcomes and client groups.

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|	CHARACTERISTIC
Assess where and on whom costs fall and who benefits. Has an assessment been made of the relative costs of the implementation of the policy and which organisations and individuals will incur costs and derive benefits as a result? For example, in seeking to achieve their performance targets, the department may raise the costs of another department providing a different service to the same client group, or one group may benefit from a policy at the expense of another.	Policies should use evidence
Determine whether the benefits of a policy can be clearly identified. Are the benefits being delivered to the client group liable to be counted several times over or can they be clearly attributed to the policy? For example, the effect of individual policies should be identified and evaluated, so that their cost effectiveness can be more accurately determined.	Policies should be evaluated
Secure equitable policy impacts. Are certain groups at whom the policy is directed excluded from its benefits because of the way that a policy has been designed or delivered? For example, the impact and benefits of a policy should fall equally on those at whom it is directed and assumptions about how the policy will work in practice should be subject to a challenge process by involving the client group or by testing assumptions in policy design.	Policies should be inclusive
Enhance choice. What decisions will need to be made about delivery routes and what impact will this have on the way that client groups can access services? For example, a 'one size fits all' approach is unlikely to suit all individuals in the client group, as people may want to access services in different ways - via the telephone, internet or in person at a local office - so departments should assess the extent to which different delivery routes are based on an awareness of the client groups' needs.	Policies should be outward looking
Assess capability to deliver. Have the department determined the robustness of delivery mechanisms, resources and infrastructure of those responsible for implementing the policy and delivering its outputs? For example, practical expert advice should be commissioned to assess whether other parties involved in implementation - whether in the private or public sector - have the technical and business know-how and sufficient flexibility in their infrastructure to implement the policy, or the proposed activities involved in implementation should be benchmarked through the Public Sector Benchmarking Service or against organisations who have delivered similar projects and programmes.	Policies should be joined up

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Part 1

Introduction

1.1 Policy-making is the development of priorities and ideas into options for Ministers, who determine which options should be translated into practical action and when. Policy-making includes the implementation of Ministers' decisions by departments, as the basis for delivering services or other outputs to citizens to bring about desired outcomes. These include, for example, goals to bring about better education for children, to improve industrial competitiveness, or to protect the population from disease.

1.2 Policies are often implemented through agencies or other organisations such as non-departmental public bodies and local authorities (for example the provision of social housing) or through partnership arrangements with other departments (for example addressing educational, health and environmental factors or to reduce crime) or with private sector organisations (for example the building of hospitals and prisons under the Private Finance Initiative).

1.3 Policy-making has a number of key steps **(Figure 7)** but is rarely a simple process. A policy may be a response to an external event (for example the reduction in the armed forces after the end of the Cold War); it may arise from a new idea or initiative such as in a party manifesto commitment (for example, the Bank of England being given independent control over interest rates); or it may be a modified version of a long standing policy made possible by new forms of service delivery (for example, developments in information technology have made possible the completion of self assessment tax returns electronically).

1.4 This part examines:

i) How policy-making is intended to benefit citizens and taxpayers;

ii) The role of the Cabinet Office in improving policy-making; and

iii) Why we did the study.

7 The policy-making process

A department's policy-making function: A typical model
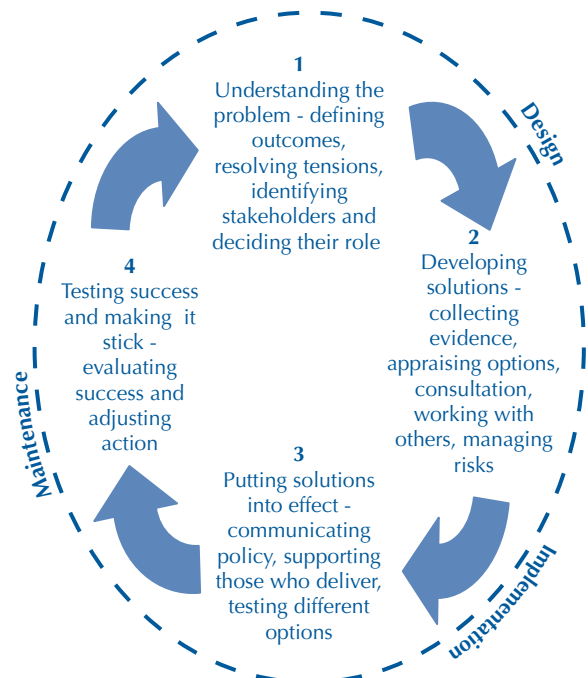
Source: National Audit Office

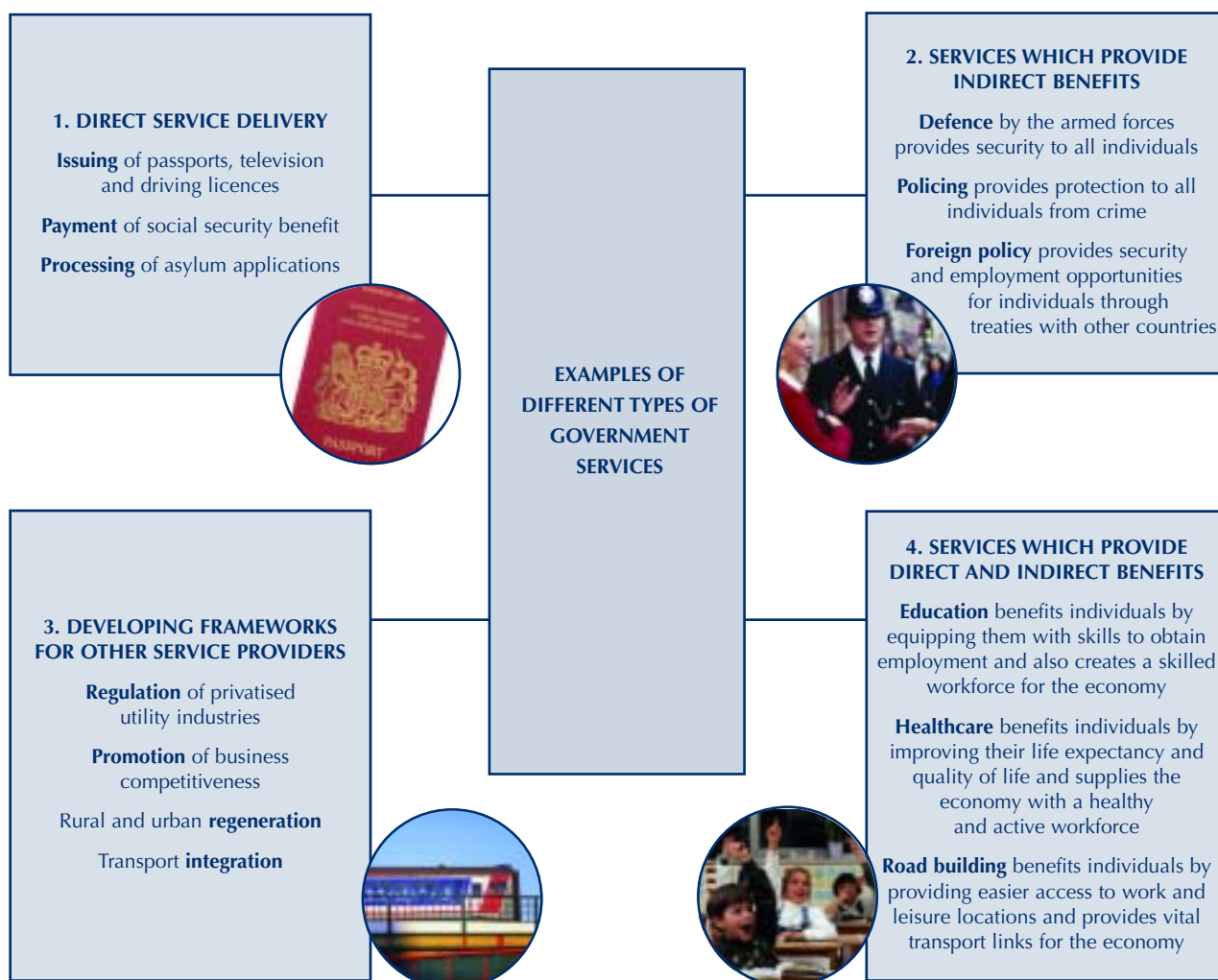## How policy-making is intended to benefit citizens and taxpayers

1.5 Departments and their agencies spend some £350 billion each year on a range of services and activities intended to benefit citizens. These services may be delivered directly such as the payment of benefits or indirectly through for example, regulation to promote health and safety or to protect citizens from anti-competitive behaviour in the delivery of essential services such as gas, electricity and water **(Figure 8)**. If policies are not well designed and implemented the consequences can be serious for example:

■ Public services may be of poor quality, or not meet users' expectations;

■ Those intended to benefit from a policy may not do so or a significant section of society may be excluded from the benefits;

■ There may be economic consequences for the UK's competitiveness;

■ There may be adverse unintended impacts with social or environmental consequences;

■ A policy may be successful in achieving its objectives but the cost of doing so may be so expensive that it does not represent value for money.

1.6 Policy-making is a complex process and is becoming more so **(Figure 9)**. It often involves reconciling conflicting priorities and risks and, therefore, requires careful judgement to arrive at the most cost effective policy option and to determine how to implement and maintain it over the longer term so that sustainable outcomes such as improvements in education, healthcare, criminal justice and transport are achieved.

8   **Different forms of Government Service Delivery**

1. DIRECT SERVICE DELIVERY

Issuing of passports, television and driving licences

Payment of social security benefit

Processing of asylum applications

2. SERVICES WHICH PROVIDE INDIRECT BENEFITS

Defence by the armed forces provides security to all individuals

Policing provides protection to all individuals from crime

Foreign policy provides security and employment opportunities for individuals through treaties with other countries

EXAMPLES OF DIFFERENT TYPES OF GOVERNMENT SERVICES

3. DEVELOPING FRAMEWORKS FOR OTHER SERVICE PROVIDERS

Regulation of privatised utility industries

Promotion of business competitiveness

Rural and urban **regeneration**

Transport **integration**

4. SERVICES WHICH PROVIDE DIRECT AND INDIRECT BENEFITS

Education benefits individuals by equipping them with skills to obtain employment and also creates a skilled workforce for the economy

Healthcare benefits individuals by improving their life expectancy and quality of life and supplies the economy with a healthy and active workforce

Road building benefits individuals by providing easier access to work and leisure locations and provides vital transport links for the economy

Source: National Audit Office

9	Policy-making is becoming more complex

- Citizens are better informed and have rising demands and expectations for services that meet their individual needs, for example, 24 hour access to advice about health.

- Policy issues can often switch rapidly from the domestic to the international arena, for example, the impact of the Bovine Spongiform Encephalopathy crisis on the international market for British beef.

- Solutions that work across organisational boundaries are often required, for example, in tackling the drugs problem or social exclusion.

- Events often require a swift response, for example, the fuel shortage of September 2000.

- Increasingly diverse interests need to be co-ordinated and addressed, for example, in tackling environmental problems.

- There is increasing pressure to design and implement policies that bring about desired changes for citizens, for example, a healthier population or a better skilled and more competitive workforce.

Source: National Audit Office and Cabinet Office

1.7 In the face of this complexity departments have, however, the opportunity to apply more powerful tools and draw on more specialist knowledge to enhance their capacity to design and implement successful policies. For example:

- Better information, for example by rapid access to information through the internet and across departments through their intranets;

- Better communication, through use of e-mail and mobile communications;

- Private sector expertise, such as advice, technical skills, knowledge and management in joint ventures between the public and private sector, and private sector involvement in task forces and working groups such as the Public Services Productivity Panel[7];

- Benchmarking to improve efficiency and quality by learning from good practice in other organisations across the public sector, for instance, through the Public Sector Benchmarking Service[8] and internationally;

- Guidance and analysis from the centre - the Cabinet Office and Treasury - for example, the Cabinet Office paper of September 1999 "**Professional Policy Making for the Twenty First Century**" and the Performance and Innovation Unit's discussion paper of March 2001 "**Better Policy Delivery and Design**" set out a range of good practice and the system of **Departmental Peer Review** identifies practical ways to improve policy-making.

The role of the Cabinet Office in improving policy-making

1.8 The Modernising Government White Paper (Cm 4310) published in March 1999 emphasised the need to improve policy-making. It suggested that too little attention had been paid to the policy process and the way it affects government departments' ability to meet the needs of citizens. The White Paper argued that policy-making was fragmented and risk averse with the focus on the achievement of short-term rather than long-term objectives.

1.9 The Centre for Management and Policy Studies (CMPS) were formed as part of the Cabinet Office in June 1999 to promote improvements in policy formulation **(Figure 10)**. For example, by making it more evidence-based, giving greater focus to outcome achievement and learning lessons through systematic evaluations. The Centre, which incorporates the Civil Service College, aims to help departments improve the policy-making skills of their civil servants by:

- Ensuring that policy-makers have access to the best research, evidence and international experience; and

- Promoting better learning from existing policies.

1.10 In September 1999 the Cabinet Office published "Professional Policy Making for the Twenty First Century" which sets out three themes (vision, effectiveness, and continuous improvement) and nine key characteristics **(Figure 11)** which policy-making should aspire to - for example the importance of policies being developed on the basis of better evidence and accurate data such as having more comprehensive information on the characteristics of those people or groups whom the

10	The Centre for Management and Policy Studies

The Centre for Management and Policy Studies are part of the Cabinet Office and consist of some 305 staff - which includes permanent employees, staff on loan from other government departments, staff on fixed term contract and associate teaching staff - who are working to develop better policies and translate them into action through their:

- Policy Studies Directorate

- Corporate Development and Training Directorate

- Civil Service College Directorate

(see www.cmps.gov.uk)

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7   The Public Services Productivity Panel is a small group of senior business people and public sector managers that has been established to help improve public sector productivity

8   The Public Sector Benchmarking Service is a partnership between the Cabinet Office and HM Customs and Excise with the key aim of promoting effective benchmarking and sharing of good practice across the public sector

11 **Key characteristics which the Cabinet Office suggest Departments should demonstrate to achieve professional policy-making**

CHARACTERISTIC	BENEFITS OF THE APPROACH SUGGESTED IN "PROFESSIONAL POLICY MAKING"
Forward looking	**Scenario planning** is testing policy options against possible futures based on how current trends could lead to different outcomes.
	Futures thinking looks beyond what is happening now to think about what should come next in an innovative way.
	Contingency planning is having arrangements in place to ensure that declared policy is delivered and to minimise the impact of something going wrong or the unexpected happening as the policy is implemented.
Outward looking	**Benchmarking** promotes improvement by learning from others and identifying where change is needed to modernise the policy-making process.
	Building in **communication strategies** helps the management of change in the real world go smoothly by:
	■ planning stakeholders into the policy process from the outset;
	■ basing policy on awareness of the political and wider context;
	■ targeting different audiences using a range of media; and
	■ involving all those affected by policy presentation - including deliverers and implementers.
Innovative and creative	**Regulatory impact assessments** add transparency to the process of assessing impacts of policies on citizens, business and charitable organisations.
	Project management provides a mechanism for ensuring that communication and stakeholder analysis become an integral part of the policy process.
	Identification, assessment and management of risk help to provide an environment in which innovative and creative ideas can emerge and be tested, and to inform policy decisions.
	Encouragement of **new and creative ideas** is 'thinking outside the box' through brainstorming sessions and bringing people into the policy team from outside.
	Experimentation with different options through pilots and trials as part of policy development and implementation allows lessons to be learned, and variation and flexibility to be introduced into policies where appropriate.
	Examining evidence to understanding the problem, including why previous policy solutions failed.
Using evidence	Drawing on quality information from a variety of sources helps to establish 'what works' and to identify optimum opportunities for intervention. To be effective, information needs to be provided and/or interpreted by experts in the field working closely with policy-makers.
	Stakeholder analysis helps policy-makers to ensure that they have identified and thought about the role of all those groups and interests affected by the policy.
	Cost-benefit analysis helps to consider a range of properly costed and appraised options.
	Economic modelling can bring robustness to an understanding of how a policy might play out in the real world and what factors and behaviours might influence the policy.
	Developing an **'intelligent customer' capability** to improve policy-makers' ability to access evidence-based advice swiftly and to use approaches such as interim findings, qualitative work and omnibus surveys to inform policy development early.
	Identifying research priorities helps make the best use of research to deliver policy objectives and to formulate strategy for the long-term.
	Development of a **'policy researcher'** role to improve specialism in evidence gathering to ensure that expertise and familiarity with use of evidence is extended to the policy area.
	Interviews and surveys of front line staff delivering and implementing policy to find out about the policy situation and why previous initiatives have failed.
Inclusive	**Impact assessments** can examine the effect of policies on different groups who are affected by the policy.
	Consultation can enable policy-makers to see a proposed policy's operation from the point of view of the implementers, those who would be at the receiving end or otherwise affected by the policy, thus reducing the likelihood of unintended consequences.
	Stakeholder analysis can identify those who might be affected by the policy and at whom the policy is directed. It can also help to identify those who might be able to promote or deliver a policy or part of a policy.
	Feedback on the operation of policy from those at the receiving end and from front line deliverers enables corrections to be made so that the policy reaches those intended.

CHARACTERISTIC	BENEFITS OF THE APPROACH SUGGESTED IN "PROFESSIONAL POLICY MAKING"
Joined up	**Strategies to overcoming barriers to effective joined up working** can help organise the policy around user needs rather than institutional convenience, for example through joint working groups or other clearly defined and understood arrangements.
	Building in implementation as part of the policy-making process through close **collaboration** with operational staff improves the chances of a policy being implemented as intended.
	Secondments into policy teams and drawing on outside sources of expertise help to bring understanding and wider experience to a policy problem.
	Job shadowing of operational staff by policy-makers has the potential to improve enormously policy-makers understanding of the organisational and wider context their policies will play in.
	Peer review helps provide
	■ a greater sense of corporacy for the civil service by enhancing cross departmental understanding of issues and problems to foster a stronger sense of endeavour to achieve shared goals;
	■ better understanding of others in the organisation;
	■ an opportunity to learn from peers and share relevant experiences.
Evaluates	Specifying precise outcomes, products and milestones early on helps policy-makers to build **systematic evaluation** of effectiveness into the policy-making process from the outset, to find out from experience what works and what does not and enabling others to learn from it too.
	Evaluation of new policies and regular review of existing policies is the principal mechanism for learning lessons and helps to improve the design and delivery of current and future policies, as well as helping to find out what works. Its objective is to provide useful information and reduce uncertainty, though it cannot replace judgement in decision making.
	Project management which makes policy-makers specify outcomes from the outset can help departments to integrate evaluation into the policy-making process, and enable the impacts of greater innovation or risk taking in policy-making to be assessed.
	Building **intelligent customer capability** to commission, plan and determine evaluation and research priorities helps to determine how a policy should be evaluated against its objectives and helps to improve the supply of evaluation by encouraging development and management of evaluation resources.
	Peer review can help raise standards in evaluation by giving departments the opportunity to learn from each other how to improve their own systems and approach to evaluating policies and programmes.
	Setting up **feedback loops** to allow policy deliverers to inform policy-makers in departments about how policy is received and works in practice over time.
	Use of **early warning mechanisms** so that policy-makers have up to date information about changes in circumstances that may affect the outcomes the policy is designed to deliver.
Reviews	**Performance measurement** helps identify whether a policy is performing as expected and whether modifications need to be made.
	Feedback mechanisms help monitor the progress of the work to keep the policy process on track.
Learn lessons	**Knowledge pooling and management** can improve the accessibility and user friendliness of research evidence and encourage sharing of information about new policy objectives, relevant research and consultations, the results of impact assessments and other evaluation material to inform future policy-making.
	Capturing institutional memory can help build a historic record of success and failure over time across government departments and enable lessons from implementation and previous research and analysis to be drawn on to prevent the repeat of costly policy failures or reinvention of the wheel.

Source: National Audit Office analysis of Professional Policy Making for the Twenty First Century, Cabinet Office, September 1999

part one

policy is intended to help and better historical data on past performance for modelling the potential impact of different policy options. "Professional Policy Making" suggested that the Cabinet Office could add most value by focusing on four main areas to promote improvements in policy-making. **Figure 12** summarises these and progress achieved so far.

1.11 Since the publication of "Professional Policy Making for the Twenty First Century" several Cabinet Office reports and initiatives have examined other aspects of policy-making **(Figure 13)**. The report "Adding It Up - Improving Analysis and Modelling in Central Government" published by the Performance and Innovation Unit in January 2000 examined the contribution to policy-making made by the 1,800 specialists (economists, statisticians, researchers and actuaries) working in departments.

12 | **Progress by the Cabinet Office in implementing initiatives to promote improvements in policy-making**

Area	Progress (as at 31 July 2001)
1 **Peer review**. These are intended to be constructive critical reviews of departments' key activities including policy-making to identify practical ways to improve. The reviews are carried out by a mixed team of civil servants with "hands on" experience of the area under review (but not from the department subject to examination) and staff from other public and private sector organisations. Peer reviews add impetus to a department's change programme, provide a stimulus for innovation and allow a sharing of good practice.	The Centre for Management and Policy Studies (CMPS) set up a system of departmental peer review of progress against the Modernising Government agenda in December 1999. Six peer reviews have been completed (Department of Culture, Media and Sport; Cabinet Office; Inland Revenue; Department for Education and Skills; Lord Chancellor's Department and the National Assembly for Wales). The process has been independently evaluated, and CMPS are holding ongoing discussions with other departments.
2 **Joint training events** for Ministers and civil servants involved in policy formulation. These seminars, which also involve outside experts, aim to achieve a better understanding by civil servants and Ministers of their respective roles and key factors influencing the development and success of policies.	CMPS launched the joint policy seminar series in March 2000. Subjects covered have included managing risk, communications, citizen focused government and joined up policy solutions. These seminars have looked both at generic issues, and the practical aspects of dealing with cross-cutting policy issues, including policy formulation and implementation.
3 **Knowledge pools** are about encouraging the sharing of information, engaging stakeholders involved in policy-making and improving understanding of 'what works' to create better evidence bases. They aim to support an ongoing, long-term improvement in the creation and maintenance of evidence-based policy. A good knowledge pool will: ■ create clearly identifiable communities and networks of experts and interest; ■ produce a sound, comprehensive and readily accessible evidence base; ■ actively change behaviour and improve work processes to ensure that evidence is used in policy-making.	CMPS have identified five knowledge pools on crosscutting issues: strategic futures; social exclusion; e-government; welfare to work and policy-making. Currently in the design and build stages, this will involve establishing communities and networks and pulling together relevant evidence, supported by information technology. An integrated information portal will give access to the pools and other resources to support better policy-making, and to a website for the co-ordination of best practice in policy-making, to enable knowledge to be shared more easily and policy produced from a wide range of resources more quickly.
4 **Best practice in policy-making**. This is intended to examine new approaches to policy-making and the policy process to identify, describe, analyse and promote best practice in order to share and encourage better ideas and new ways of thinking.	In addition to surveying new, innovative and professional approaches to policy-making across Government, CMPS are carrying out a a series of case stuties on the policy-making process to demonstrate "leading edge" approaches to policy-making and to draw out learning points for the policy-making community. They are reviewing the "Policy Action Team" approach pioneered by the Social Exclusion Unit, looking at lessons learned from establishing cross-cutting units, and considering strategic policy-making in the Home Office. CMPS are also developing a programme of work to provide practical assistance to policy-makers when learning from abroad.

Source: National Audit Office and Cabinet Office

13 | **Chronology of recent developments intended to contribute to improving the policy-making process in government**

March 1999 — *The Modernising Government White Paper* stated that the Government would improve the way in which policies are designed and managed, around user needs and making use of the best available evidence. It also emphasised the need to assess, manage and communicate risk as part of the policy-making process.

June 1999 — *Centre for Management and Policy Studies* are established, incorporating the Civil Service College, to work with partners from the civil service, the wider public sector, private sector and academia to ensure that the civil service is cultivating the right skills, culture and approaches to perform the task, to ensure that policy-makers across government have access to the best research, evidence and international experience; and to help government to learn better from existing policies.

Summer 1999 — *Policy Makers' Rapid Checklist*. This is a source of advice and guidance on impact assessments and appraisal systems in policy-making providing questions on whether and what needs to be done to take account of areas such as:
- Regulatory impact assessment
- Sustainable development
- Environmental appraisal
- Policy appraisal for equal treatment (gender, race, age, disability)
- Health impact assessment and Health and Safety
- Scientific Advice

September 1999 — *Professional Policy Making For The Twenty First Century*: report by the Strategic Policy Making Team, Cabinet Office. The report aimed to:
- Examine what professional 'modernised' policy-making should look like
- Provide a snapshot of current good practice
- Suggest possible levers for change to help bring about the Modernising Government White paper
- Promote a 'vision' for policy making

January 2000 — *Adding it Up - Improving Analysis and Modelling in Central Government* examined ways to ensure that analysis and modelling is given due weight in policy advice to ministers and senior managers, and that analysis, like policy itself, is properly joined up. The report concluded that there needs to be a fundamental change in culture to place good analysis at the heart of policy-making, requiring:
- *Leadership* from ministers and senior officials
- *Openness* from analysts and policy makers
- *Better planning* to match policy needs and analytical provision
- *Spreading best practice* across departments and professions
- *Innovative solutions* to recruit and retain the best people.

January 2000 — *Wiring it Up* - Whitehall's Management of Cross Cutting Policies and Services examined how the Government could better deal with cross-cutting issues, and what could be done to remove some of the barriers to "joining up" to improve public service delivery.

July 2000 — *Guidelines 2000. Scientific Advice and Policy-Making* published by the Office of Science and Technology, set out the key principles that should apply to the development and presentation of scientific advice for policy-making. The key messages were that departments should:
- Think ahead and identify early the issues on which they need scientific advice;
- Get a wide range of advice from the best sources, particularly where there is scientific uncertainty ; and
- Publish the scientific advice and all relevant papers

August 2000 — *Good Policy Making: A guide to Regulatory Impact Assessment* set out the importance of integrating regulatory impact assessments as a tool into the policy process for assessing the impact, in terms of costs, benefits and risks of any proposed regulation which could affect businesses, charities or voluntary bodies.

March 2001 — *Better Policy Delivery and Design* drew on case studies of policy delivery to identify the factors for success in successful policy delivery, and to encourage more rigorous thinking about delivery issues and to focus attention on what can be done to achieve better results.

The report called for a fundamental change so that good analysis was at the heart of policy-making and proposed that:

■ Training for new ministers and senior civil servants run by the Centre for Management and Policy Studies should emphasise the importance of analysis in policy-making; and

■ Departments should make more use of pilots to test the impact of policies before rolling them out nationally, make better use of the data which government routinely collects and encourage better networking and communication between specialists in government.

1.12 In November 2000 the Centre for Management and Policy Studies carried out a survey of senior civil servants in departments to identify new, innovative and professional approaches to policy-making. The survey generated some 130 case studies and the findings were published as a guide for policy-makers in November 2001 ("Better Policy-Making"). The work builds on the features of modern policy-making identified by "Professional Policy Making for the Twenty First Century" (paragraph 1.10).

1.13 In June 2001 a number of new units were established as part of the Cabinet Office to improve policy-making and service delivery:

■ The **Forward Strategy Unit** will work closely with the Performance and Innovation Unit and undertake blue sky policy thinking.

■ The **Delivery Unit** will help public service departments, particularly health, education, law and order, and transport to deliver their key objectives and ensure that the public service improvement programme is translated into improvements on the ground.

■ The **Office of Public Services Reform** will advise on how to implement public service and civil service reform. Their remit will cover the full range of public services including those provided by central and local government and other public bodies. They will look more fundamentally at current structures, systems, incentives and skills, and at the nature of services provided to see whether they are fit for purpose.

Why we did the study

1.14 For a policy to be successful the risks associated with implementing it need to be carefully identified and well managed. As policy-making often has to respond to a range of complex factors the risks of intended benefits or value for money not being achieved are increased. A number of historical examples illustrate this complexity and some of the associated risks:

■ **Consideration of policy options**. Where there is an apparent widespread consensus around the need for a policy, assumptions within the policy may go unchallenged and its development may only consider a limited range of options so 'what if' scenarios or innovative opportunities to deliver the policy more creatively may be overlooked. For example, the consensus about the need for high rise buildings to meet mass housing needs in the late 1950s may have resulted in other practical cost effective options not being given serious enough consideration[9].

■ **Assumptions about the data on which policies are based**. Where confidence in the evidence on which policies are based is apparently strong, over confidence may lead to incorrect assumptions. For example, the assumption that Bovine Spongiform Encephalopathy could not cross the species barrier to other animals[10].

■ **Taking account of the likely reaction of those intended to benefit from the policy**. Where policy is developed mainly as a result of internal review it may be based primarily around departmental or institutional interests and so fail to take sufficient account of those who are intended to benefit. For example, the introduction of the Community Charge (poll tax) in 1989 significantly underestimated the public's reaction to it[11].

■ **Policies may develop incrementally**. Where policy evolves incrementally it may be continually adapted within a long established and accepted framework when a more fundamental review may be needed. For example, between 1948 and 1976 there was general consensus among economists that following Keynesian principles was the best way of managing the economy. Economic policies were therefore developed and adapted within this framework and it was not until 1976 that a fundamental shift in policy occurred to respond to changed economic circumstances[12].

9   P Dunleavy: The Politics of Mass Housing in Britain, 1945-1975: a study of corporate power and professional influence in the welfare state - Oxford University Press 1981.

10 A Greer - Policy co-ordination and the British Administrative System: evidence from the BSE Inquiry. Parliamentary Affairs Vol 52, No.4 pages 598-615

11 P D Butler, A Adonis and T Travers. The Politics of the Poll Tax, Oxford University Press 1994.

12 T Ling The British State Since 1945, Cambridge Polity Press 1997

■ **Need for extensive consultation**. Many sections of society may have an interest in a policy and some may be more well organised and better at communicating their views. There is always a risk that those sections of society that are less well organised become marginalised. As a result a policy may be less effective as it reflects only the interests of well organised stakeholders. For example, when competition was introduced into the domestic gas and electricity industries the economic regulator, the Office of Gas and Electricity Markets, had to strike a balance between the commercial interests of powerful energy companies and protecting elderly and low income customers.

■ **Responding rapidly to external events**. Where policy is developed in response to external events or factors the need to respond rapidly may mean that policy is formed without a full assessment of all relevant information or recognition of the increased risks which designing and implementing a policy rapidly brings. For example, the Dangerous Dogs Act 1991 was introduced in response to the public's concern at the increase in incidents of dogs attacking in public but the measures brought into force - muzzling all dogs of certain breeds that were considered dangerous - proved difficult to implement[13].

1.15 There are often therefore many different factors and risks that can influence whether a policy will be successful or not. These factors and risks need careful consideration at each of the three key stages of policy development: design; implementation; and maintenance - the ongoing management and review of policies to ensure that they remain appropriate and relevant and continue to deliver their intended outcomes cost effectively **(Figure 14)**.

1.16 This report examines how departments identify and manage the risk of policies not achieving their intended outcomes and of policies not delivering value for money. Part 2 of the report covers how such risks are dealt with in designing policies and Part 3 looks at policy implementation and maintenance.

14 Key activities in the three main stages of policy-making

Policy design

Activity

- Identify the need for a policy
- Identify stakeholders and those likely to be affected by the policy
- Determine how best to meet the needs of those intended to benefit from the policy
- Review information and evidence about the problem
- Assess the historical context
- Generate and assess policy options
- Examine how options will play out in the real world
- Set an objective or objectives for the policy
- Identify and assess risks to implementation and delivery
- Identify and allocate time, skills, financial and other resources needed
- Advise Ministers on selection of options
- Consult other departments involved

Policy implementation

- Engage and manage stakeholders
- Determine the right time to launch the policy
- Set key milestones towards overall objectives
- Train staff to acquire the right skills to implement the policy
- Apply and monitor staff effort, time and resources
- Manage the policy to keep it on course
- Market the policy to implementers, to stakeholders and to those intended to benefit
- Engage with partners and other implementers

Policy maintenance

- Collect information about how the policy is working (feedback)
- Monitor and measure performance
- Evaluate against objectives
- Review resources allocated
- Review skills to maintain effective delivery
- Identify and disseminate good practice
- Review policy effectiveness and lessons learned

How we carried out the examination

1.17 We reviewed departmental annual reports, National Audit Office reports and other literature to select four case studies that represent policies developed in different circumstances:

- The Department of Health's Meningitis C vaccination programme - **a policy anticipating a specific social health need which was implemented rapidly**

- The Department for Education and Skills' National Literacy Strategy - **a policy intended to assist in tackling a long-term problem**

- The Department for Environment, Food and Rural Affairs' Arable Stewardship Scheme - **an existing policy needing modification**

- The Women and Equality Unit's Support for Women's Entrepreneurship - **a cross-cutting policy developed from within the Cabinet Office**

Figure 15 sets out our assessments of the extent to which each of the policies meet the nine characteristics which "Professional Policy Making for the Twenty First Century" recommends policies should aspire to.

1.18 In addition, we:

- Conducted structured interviews with senior policy-making staff in five departments (Treasury, Lord Chancellor's Department, Department for Work and Pensions, Department of Trade and Industry and Department for Transport, Local Government and the Regions) to supplement the case examinations and to explore the extent to which policy is evidence-based and how risk and value for money feature in the policy-making process;

- Assembled a focus group of leading academics to discuss latest academic research into policy-making;

- Consulted organisations in the private sector (Amey plc, Boots plc, EDS, Sainsbury's and Woolwich plc); voluntary sector (The National Association of Citizens Advice Bureaux, The National Trust, Save the Children, and WWF-UK); and local authorities (Blackburn with Darwen Borough Council, Kent County Council, and Torfaen County Borough Council) to identify good practice in designing and implementing policies and strategies;

- Commissioned a research paper from Professor Brian Hogwood, Department of Politics, University of Strathclyde on the characteristics of successful policy-making - "Beyond Muddling Through - Can analysis assist in designing policies that deliver?";

- Examined practice in Sweden and New Zealand to learn from other countries' approaches to policy-making; and

- Established an expert panel to advise on the study.

More detail on the methodology is given in Appendix 18.

15   **Assessing four departmental case studies against the key characteristics of policy-making recommended by Professional Policy Making for the 21st Century**

	Meningitis C Vaccination	National Literacy Strategy	Arable Stewardship Scheme	Women's Entrepreneurship
Forward looking	✓✓	✓✓	✓	✓
Outward looking	✓✓	✓✓	✓✓	✓✓
Innovative and creative	✓✓	✓✓	✓✓	✓
Using evidence	✓✓	✓✓	✓✓	✓
Inclusive	✓✓	✓✓	✓✓	✓✓
Joined up	✓✓	✓✓	✓	✓
Evaluates	✓✓	✓✓	✓✓	✓
Reviews	✓✓	✓✓	✓✓	✓
Learn lessons	✓✓	✓✓	✓✓	✓

✓   The Department's policy-making demonstrated the characteristic

✓✓   The Department's policy-making demonstrated the characteristic in a highly effective manner

Source: National Audit Office

Part 2

Designing policies

2.1 Identifying and designing the most cost effective policy to meet a particular goal such as promoting better education or improving healthcare inevitably involves risk and uncertainty. For example, the characteristics of those at whom the policy is directed or who are intended to benefit may not be fully known or it may be difficult to anticipate how they will act in response to the policy. The long-term costs of a policy option may be difficult to estimate; there may be potential unintended adverse impacts or the planned intervention may unwittingly work against another existing policy; or something unexpected may happen which demands a major rethink of a policy. All these factors represent risk that could result in policies not having their intended impacts or their benefit not being sustainable in the longer term. Such risks require careful research and management during the design of policies.

2.2 To assess the extent to which considerations of risk and value for money feature in the work of departments and other organisations as they design policies, we focused on four key requirements:

■ Identifying the need for a policy;

■ Understanding the nature of the problem;

■ Assessing how policies are likely to work in practice; and

■ Identifying and assessing risks to performance and delivery.

2.3 In addition we examined the extent to which policy-makers in departments receive appropriate training to help them develop skills to design and implement successful policies.

Identifying the need for a policy

2.4 Policy options are developed in different ways. Some departments have centralised policy units (for example, the NHS Executive); in others policy is developed by the lead division responsible for the sector (such as care for the elderly) or subject (for example promoting competition). For policies cutting across departmental responsibilities central units (often based in The Cabinet Office) are increasingly being established to tackle policy problems in new ways such as those dealing with social exclusion and issues relating to women and equality. These units may also play a role in implementing and monitoring policies.

2.5 Departments do not generally adopt one single approach or model to design and implement policies. The range of factors involved - different time pressures, the need for new legislation, shifts in public and political opinions, and the wide mix of stakeholders including both those who might be affected by a policy and those who have to implement it, mean that a single uniform "one size fits all" policy approach is not practicable. The initiative for a new policy or modification of an existing one may come from a number of sources both from within a department and from external influences **(Figure 16).** It is important therefore that departments' policy-making approaches are sufficiently flexible to respond to these different influences.

2.6 Assessing the need for a policy or change in an existing policy requires:

■ **Early consideration of the need for action by being forward looking.** If departments are unable to identify areas that require attention early enough by applying forward looking thinking the opportunity to develop policy options to tackle problems may be missed or opportunities to deliver improvements or better services for citizens not exploited. By being forward looking departments can reduce the risk of something coming out of the blue which, because it may require fairly immediate action, limits the extent to which departments can consider a range of policy options. The Department of Trade and

Industry for example, have since 1998 had a Future Unit (now Future and Innovation Unit) with the specific role to consider, using a range of forecasting techniques, future external developments such as changes in the UK's international trading relationships which might require a different policy response by the department **(Figure 17)**.
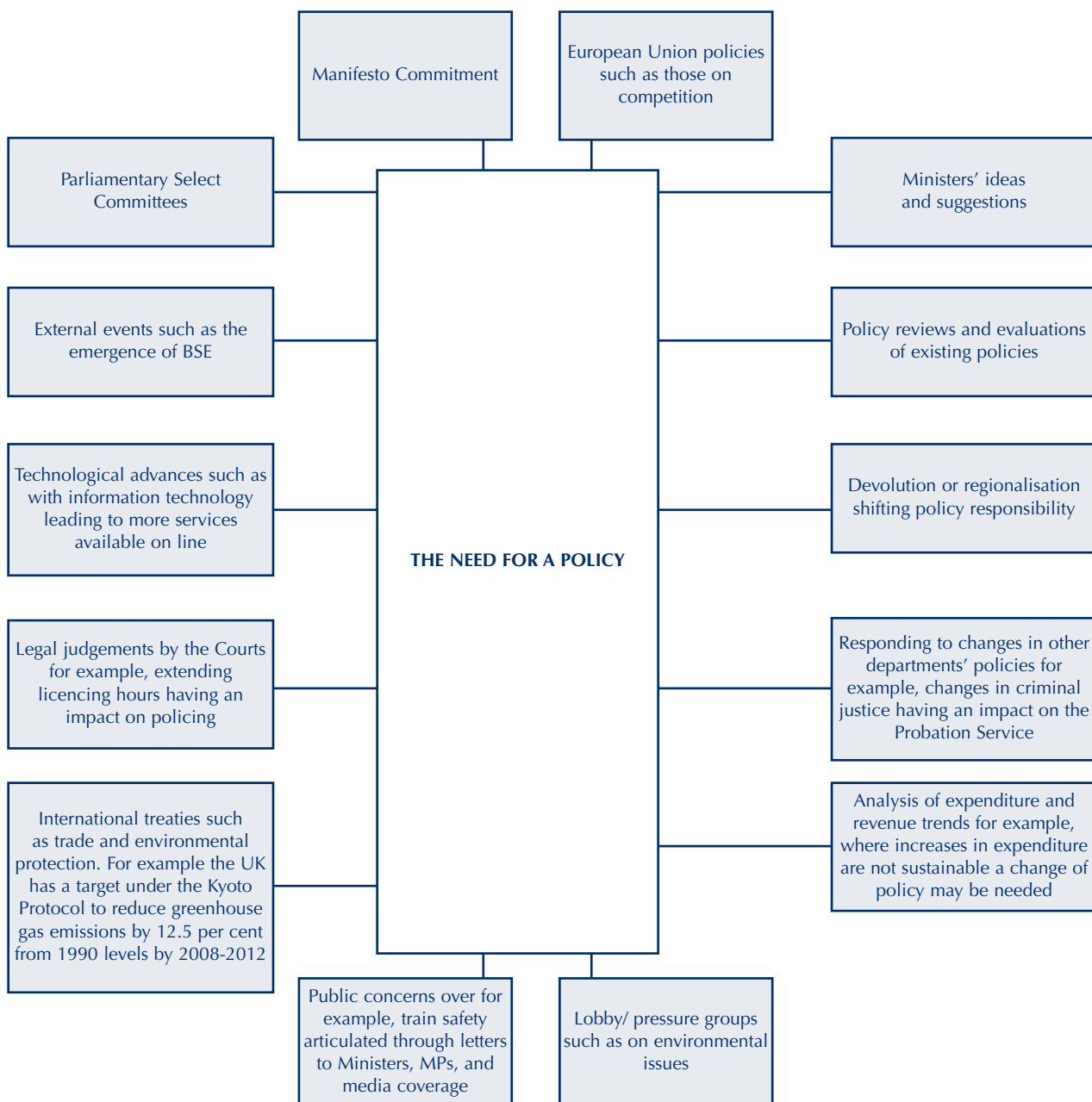
■ **Having reliable and comprehensive information.** Reliable and comprehensive information is essential in determining the need for a new policy or a change of policy, and ensuring that such decisions

are more evidence-based. Such information can take many forms for example, it can be quantitative indicating the extent of a problem, issue or under-performance such as the incidence of disease, the extent of social exclusion or levels of examination pass and failure rates. Information may also be qualitative indicating citizens' preferences or what is likely to influence them to change their behaviour. One source of information is rarely likely to be sufficient in assessing the need for a policy. A range of sources is needed to arrive at a reliable base from

16 **How the need for a policy is identified**

From outside departments   **From within departments**

Manifesto Commitment

European Union policies such as those on competition

Parliamentary Select Committees

Ministers' ideas and suggestions

External events such as the emergence of BSE

Policy reviews and evaluations of existing policies

Technological advances such as with information technology leading to more services available on line

Devolution or regionalisation shifting policy responsibility

THE NEED FOR A POLICY

Legal judgements by the Courts for example, extending licencing hours having an impact on policing

Responding to changes in other departments' policies for example, changes in criminal justice having an impact on the Probation Service

International treaties such as trade and environmental protection. For example the UK has a target under the Kyoto Protocol to reduce greenhouse gas emissions by 12.5 per cent from 1990 levels by 2008-2012

Analysis of expenditure and revenue trends for example, where increases in expenditure are not sustainable a change of policy may be needed

Public concerns over for example, train safety articulated through letters to Ministers, MPs, and media coverage

Lobby/ pressure groups such as on environmental issues

Source: National Audit Office

Scenario planning tests policy options against different forecasts and considers how events could combine to create a variety of outcomes, for example the potential impact of changes in inflation and interest rates on the projected costs of building a new hospital.

Source: National Audit Office

which to develop policies. Having comprehensive information was a key factor that contributed to the effective design of the Meningitis C vaccination programme **(Figure 17)** and the National Literacy Strategy (Appendix 3).

■ **Considering a range of scenarios.** Looking at a range of different circumstances - "scenarios" - that might arise in terms of when and what a policy may have to respond to and also in estimating the likely impact of a policy is important in determining the most cost effective policy option. We found that departments' use of scenario planning was limited largely because they often lacked the specialist expertise to apply it. Boots are a good example, where a range of scenarios and alternative views of the future are developed to help understand what is driving change in the external environment which might present risks and opportunities for the business **(Figure 17)**.

■ **Assessing the interconnection between policy needs.** Some departments have a broad range of policy responsibilities whose activities impact on a diverse mix of different groups in society. Policy developed in one part of such a department may have an indirect impact on other policies either in the same department or other related departments and agencies. The consequences of not identifying and considering such connections is that policies may be developed in isolation from other priorities. Resources may be misdirected and lessons not learned which might have wider application within departments or to related policy areas in other government organisations. One way of avoiding this is for departments to adopt a portfolio management approach across their range of policy responsibilities. Portfolio management involves departments regularly assessing and monitoring interrelationships of policies to ensure that lessons from policies are learnt for wider application. Individual units developing policies in a department may have an insufficient overview of all related policies and a portfolio approach which requires regular assessment and monitoring of the interrelationships between policies may help compensate for this. We found no examples of departments who regularly considered such interrelationships and connections between their different policy responsibilities.

■ **Being able to respond quickly to unexpected external events.** The need for a policy response can arise from an external event often requiring immediate action, such as the fuel tax protest and the widespread flooding in Autumn 2000. Departments need to have in place policies to deal with such eventualities. A good example of such an approach is Sainsbury's which since 1996 have had a Business Continuity Group with responsibility for designing strategies to ensure that Sainsbury's can respond to any unexpected event that threatens any part of the group's business. This approach ensured that Sainsbury's were able to keep their network of supermarkets open during the petrol shortages of September 2000 (more detail is provided in Appendix 12).

■ **Having early warning indicators.** Circumstances may change over time to the extent that an existing policy is no longer working as intended or is no longer needed. Alternatively, completely new requirements or circumstances may develop requiring a policy response. The Department for Education and Skills' National Literacy Strategy for example, was a new initiative in response to evidence in the mid-1990s that standards of literacy in children in the UK were unacceptably low (Appendix 3).

Early warning indicators ranging from increases in letters from the public and lobbying by consumer associations to detailed analyses of trends in the incidence of disease, falling examination pass rates or increases in the demand for social support may suggest a need to examine the effectiveness or appropriateness of a policy. A good example of a relatively simple but effective early warning mechanism is reports on the nature of citizens' requests for advice collected by the National Association of Citizens Advice Bureaux (NACAB). This enables NACAB to identify issues of significant concern which are likely to require a new policy response or modification **(Figure 17)**.

17 **Examples of good practice in identifying the need for a policy**

Being forward looking: Futures thinking in the Department of Trade and Industry (DTI). DTI established their Future Unit in 1998 to promote a greater level of future thinking within the Department. A key element of their work has focused on the identification and application of a range of different scenarios to inform policy development in the Department. The Unit have published a range of analyses for example, Converging Technologies, which explored the impact of the digital age as part of the Knowledge Driven Economy.

As part of their work, the Future Unit established a "Futures Network" which linked forward looking approaches across departments. (This has subsequently been taken forward by the Performance and Innovation Unit in the Cabinet Office as the Strategic Futures Group.) DTI have also set up a "Future Thinking Laboratory" futurefocus@dti as a collaborative venture in partnership with private sector companies ICL, SGI and Trimension. The centre uses computer simulation software to analyse different possible futures and provides the opportunity for officials to consider their policies against a range of different scenarios.

Benefits secured. DTI are better equipped to consider and plan for a range of possible external developments which may require a policy response and also to be better prepared for something coming out of the blue.

Having reliable information and research data: The Department of Health's Meningitis C vaccination programme. Without reliable information and research data on the incidence and geographic spread of Meningitis C and those most at risk the Department could not have designed and implemented an effective vaccination programme. The Department addressed this risk by monitoring epidemiological evidence from the Public Health Laboratory Service on the number of cases and deaths from the disease. From these data and specialist advice from the Joint Committee on Vaccination and Immunisation the Department assessed the likely evolution of the disease and when to act in implementing a vaccination programme. For example, the epidemiological information demonstrated that the disease peaked in the winter months and occurred in clusters.

Benefits secured. The Department assessed the impact of the disease and identified the risk of failing to immunise those in most danger through lack of sufficient vaccine by using information from epidemiological monitoring to underpin their decision-making so as to introduce the policy at the best time to prevent further deaths. (More detail is provided in Appendix 2).

Using scenarios to generate business options: Boots plc. Boots generate and test options in areas of high uncertainty by using groups of internal and external experts to develop sets of alternative scenarios. For example, they assembled a group of internal and external experts from areas as diverse as consumer behaviour, genetics, information and communications technology, media and complementary medicine to develop a set of alternative views of what the future might look like for healthcare consumers and providers across Europe. Boots then used these scenarios, which highlighted risks and opportunities, to generate a range of business options.

Benefits secured. Boots have wide ranging assessments of the factors that are likely to have an influence on demand on their business. In the face of external uncertainty, the company are therefore better able to take a variety of decisions to develop their businesses in order to maximise value for their shareholders. (More detail is provided in Appendix 10).

Having early warning indicators to identify the need for policy development or modification: National Association of Citizens Advice Bureaux (NACAB). In order to get early warning of new or growing problems NACAB ask local advice bureaux to provide reports about issues which citizens are seeking advice on. Each report provides details of cases and the impact of the problem. NACAB categorise the reports according to the various types of problem and identify emerging trends. These reports act as an early warning indicator that a policy may need modification.

Benefits secured. An example of how the report system works to provide early warning that something is wrong and trigger action to resolve the issue is the unintended interaction of two pieces of legislation. A refugee living on income support was refused a funeral payment towards the cost of burying her mother by the then Benefits Agency because a payment cannot be made if there is another close relative who is not in receipt of a social security benefit. In this case two sisters - who were unemployed asylum seekers - were not in receipt of social security benefits because they were receiving asylum seekers' vouchers instead. Using the evidence of this case NACAB approached the Department of Social Security and the Minister agreed this interaction of the two sets of regulations was an anomaly, confirmed it would be corrected in due course and invited the Bureau's client to make an application for an extra-statutory payment. (More detail is provided in Appendix 14).

Source: National Audit Office

Understanding the nature of the problem

2.7 Central to understanding the nature of the problem or issues requiring a policy response is the need for sound analysis. Without sound analysis a solution may be designed based on a misunderstanding of the problem resulting in misdirected effort and poor value for money. A prerequisite of sound analysis is, however, having reliable data and staff with the appropriate research and analytical skills.

2.8 Some £400 million is spent on policy related research by departments each year. The report "Adding it Up - Improving Analysis and Modelling in Central Government" published by the Performance and Innovation Unit in January 2000, identified a need for policy-makers to make better use of the 1,800 specialists (economists, statisticians, actuaries, social researchers and operational researchers) employed by departments. The report was also concerned at the distribution of specialists across departments and highlighted that relatively small numbers of economists and statistical experts were devoted to some high expenditure areas. We found that the number of specialists in the departments that we examined had changed little since the publication of the report.

2.9 Web based technology makes it much easier to access a range of information from across departments and also externally from research institutions, think tanks and internationally. The use of the internet and internal intranets to access information to assist in policy-making is increasing but there is scope for departments to make much greater use of this quick source of data.

2.10 Departments need to have in place well developed strategies which determine their longer term information needs, how and in what form such data are to be collected, how best to share information, and the quality assurance arrangements required to ensure that the data are accurate and reliable. The Department for Education and Skills for example, have published a research strategy to establish the Department's longer term information requirements. The aim is to encourage more academic researchers to examine issues and questions of relevance to the Department by clearly identifying for them the policy priorities where more research evidence would be welcome. Government Social Researchers, numbering some 660 across 14 departments and agencies, also assist in developing, conducting, and managing applied social research, including evaluations, to help Ministers and departments develop departmental research strategies and to draw lessons from the best available social science evidence.

Examples of types of analyses which can help improve policy-making

- **Modelling** to predict likely outcomes in different circumstances.

- **Organisational mapping** which sets out in a diagrammatic form the formal and informal relationships between and within organisations. It is particularly important in establishing the various responsibilities in partnerships and other forms of joint service delivery.

- **Logic models** to map out the various interventions, and their interrelationships, required to deliver a policy.

- **Cost-benefit and effectiveness analysis** to estimate the costs (direct and indirect) and expected benefits from policy outcomes to determine whether the policy is likely to deliver value for money.

- **Longitudinal analyses** traces the life histories of projects and programmes across time, often for many years for example, the impact of measures to reduce juvenile crime. Such analysis can help establish the causal links between inputs and policy outcomes and learn lessons for future policy development.

- **Comparative analysis** drawing on relevant experience and good practice in other countries tackling similar policy issues.

- **Multi-criteria analysis** to take explicit account of multiple, conflicting criteria in the process of informing decision-making.

- **Social research** ranging from analyses of consultation on public policy through to surveys of public opinion.

Source: National Audit Office

2.11 More generally assessing the nature of the problem a policy is intended to address requires:

■ **Analysing the main components of the problem or issue.** There may be many factors that contribute to circumstances or situations requiring a policy intervention. Ensuring that the policy adopted has maximum benefit requires departments to identify the key cause or contributory factors so that they can target their action or intervention on these. This is important not only in maximising the policy's chances of success but also in ensuring value for money. For example in the case of the Department for Education and Skills' National Literacy Strategy there were many potential causes of the low level of child literacy - social background, teaching environment, parental support, size of class, standards of teaching and lack of appropriate teaching materials. Through research the Department identified that the crucial factor most likely to secure higher standards of children's literacy was improving the teaching of literacy and this required high quality training to equip teachers with enhanced literacy teaching skills. It was on this that the Department targeted their action **(Figure 18)**.

■ **Drawing on existing knowledge and experience.** Many of the situations requiring a policy response are not new and departments have considerable cumulative experience or "Institutional Knowledge" in dealing with a wide range of policies. Drawing on this experience is therefore important to learn lessons and to avoid reinventing the wheel or repeating an aspect of a policy that has not worked well in the past. Sharing of experience can also be a stimulus for innovation, particularly if an external dimension is introduced such as subjecting analysis of problems and issues to challenge by expert opinion. The approach adopted by EDS, a major supplier of e-business services, is to provide a range of internal electronic networks to enable their staff to share experience and knowledge easily and quickly **(Figure 18)**.

■ **Consulting stakeholders**. Those affected by the issue or circumstances requiring a policy response or who have an interest in the solution usually have the most knowledge or understanding of the issue. Of course their judgement may also be influenced by vested interests. Nevertheless, it is important that in order to develop a clear understanding of the issue, departments consult key stakeholders to hear their views. Stakeholders are likely to include those who will benefit from the policy or those affected indirectly and those who may have to implement the policy. Stakeholder consultation can take many forms - through formal regular surveys for example. Blackburn with Darwen Borough Council carry out extensive direct consultation of citizens' views in their area to help ensure that policies are user focused and based on strong stakeholder analysis **(Figure 18)**. Other ways of consulting stakeholders are focus groups, direct one to one interview, and questionnaires.

■ **Understanding the needs and characteristics of the client group**. The client group which a policy is intended to benefit may have a range of different characteristics. Understanding these are important because there are likely to be behavioural aspects that need to be considered for example, the policy-maker has to think carefully about what is most likely to influence the client group to respond positively to the policy. Some form of incentive may be needed for example, a policy intended to help the long term unemployed would need to consider how those who have been out of work for many years can be encouraged to participate in training to help them develop new skills. The Women and Equality Unit's policy to encourage more women to become entrepreneurs involved stakeholder analysis so that policy was designed to provide support when women said they most needed it **(Figure 18)**. Another example is The Department for Environment, Food and Rural Affairs' Arable Stewardship pilot scheme where the Department recognised that they depended on farmers to test accurately different land management options proposed in the scheme. To help farmers, the Department appointed project officers with relevant practical and professional expertise of farming, who understood the day to day problems faced by farmers and were able to provide them with practical advice (further detail is provided in Appendix 4).

■ **Having a sound business case**. With any major investment or procurement a detailed and carefully scrutinised business case is needed. Policy development is no different and each policy proposal or major policy modification should be supported by a sound business case. This should set out as a minimum the range of possible policy options, an assessment of their costs, who will be responsible for implementation and an assessment of their capability, who is intended to benefit from the policy or whom it is directed at, the risks associated with the policy and how they will be managed. The Treasury's Green Book "Appraisal and Evaluation in Central Government" provides guidance on factors to consider in appraising different policy options.

18 | **Examples of good practice in understanding the nature of the problem a policy is intended to address**

Analysing the main components of the problem: Department for Education and Skills' National Literacy Strategy. In the mid-1990s, there was strong evidence that standards of literacy in children and in the adult population in the UK were unacceptably low. Designing an effective policy response required a thorough understanding of why standards of literacy were low. To do so the Department analysed school results data against OFSTED assessments of teachers' performance in teaching reading and writing. This revealed a match between poor teaching and low standards in children's literacy. The Department used international research into literacy teaching from Australia and USA to analyse options for the level and types of support which children were likely to require and the most effective content and delivery of literacy teaching. High quality training to improve literacy teaching was identified as the crucial factor for securing teachers' support for the Strategy and for delivering sustainable improvements in teaching and as a consequence children's literacy attainment.

Benefits secured. It remains too early to evaluate the long term effect that the Strategy will have on standards of reading and writing. National Curriculum test results for primary schools in 2001 showed, however, that 75 per cent of 11 year olds reached the expected level for their age group in English compared to 65 per cent in 1998. (More detail is provided in Appendix 3).

Learning from others through knowledge management: EDS. EDS are an international corporation providing e-business and information technology services to 9,000 businesses and government departments in 55 countries. The company recognise that they have to be innovative if they are to maintain an edge over their competitors and provide quality service to their clients. One way they seek to do this is to maximise the knowledge and creativity of their staff. EDS do this by investing money and technology in "virtual communities". For example staff who EDS consider are particularly innovative, known as "thought leaders", are encouraged to form communities to communicate electronically across the company's numerous sites in different countries. EDS task these communities with coming up with solutions to a range of strategic challenges which the company face. EDS also fund a Research Fellows programme which recognises individuals who are particularly creative and allows them to dedicate a minimum of 20 per cent of their time to solving problems which EDS have identified as having strong links to their strategic objectives. The aim is to promote a culture of "thinking out of the box" in tackling problems so that innovative solutions are more likely to be identified.

Benefits secured. EDS have improved their capacity to tackle problems which their clients, both private and public sector, face. (More detail is provided in Appendix 11).

Consulting stakeholders on policy development: Blackburn with Darwen Borough Council. The Council have developed partnership working and carried out extensive direct consultation of citizens' views in their area to help ensure that policies are user focused and based on a strong stakeholder analysis. For example the Council developed their Community Plan - a 20 year strategy with a five year implementation timetable and annual review - in consultation with Blackburn Partnership. The Partnership brings together the full range of the Council's stakeholders from the voluntary, public and private sectors. Consulting the Partnership places stakeholder views at the heart of strategic planning for the Borough's long term future. The Council have also set up a Citizen's Panel of 1,700 people who are changed every three years. The Panel respond to about six Council questionnaires each year. The Council also select random samples of the Citizen's Panel to do more specialised surveys. The Council are experimenting with electronic consultation in which about 40 of the Citizen's Panel have been involved.

Benefits secured. The strategy of direct consultation has resulted in changes in Council policy and an improvement in their reputation. For example as a result of their two yearly surveys they identified that citizens wanted streets to be cleaned more regularly and so used extra resources to introduce monthly rather than quarterly street cleaning. Since 1998 the proportion of people who feel informed and listened to by the Council has improved from 40 per cent to 60 per cent. (More detail is provided in Appendix 6).

Understanding the requirements of the client group: Women and Equality Unit's Support for Women's Entrepreneurship. The Women and Equality Unit have a policy to promote women's entrepreneurship by working with the Department of Trade and Industry's Small Business Service and the Treasury and to learn lessons about the needs of women entrepreneurs so as to encourage them to start businesses. If this policy is to succeed the Unit need to know women's specific requirements and what was likely to have most impact in encouraging them to become entrepreneurs. To do so the Unit drew on research and extensive consultation about women's employment and self employment which identified that there are differences in the way that women approach business, for example, when starting up businesses, women tend to be less confident, less likely to go to a bank for finance and are likely to be more risk averse than men. This helped the Women and Equality Unit to identify that the phase before women decide to set up businesses is the time when they most need advice, for example, whether training is available at times that fit in with family responsibilities.

Benefits secured. The Women and Equality Unit were able to target their support in a way that is most likely to meet the needs of women wanting to start a business. (More detail is provided in Appendix 5).

Source: National Audit Office

Managers should plan for adequate testing of new systems before committing to live operation, in particular for staff to learn and work the system.

Source: The passport delays of Summer 1999
(NAO report HC 812, 1999-00)

Assessing how policies are likely to work in practice

2.12 Assessing how a policy is likely to work in practice is a crucial stage in policy design because **(i)** it should identify practical constraints which need to be overcome if the policy is to be successful; **(ii)** it can help to develop more accurate estimates of the likely cost and impacts of the policy; **(iii)** it can assist in minimising the risk of social exclusion by providing opportunities to modify the policy if necessary to avoid any group in society intended to benefit being excluded; and **(iv)** it can help to determine whether the policy is likely to represent value for money and whether its benefits are likely to be sustainable in the longer term.

2.13 Departments use a range of approaches to assess whether a policy is likely to work in practice for example, piloting to test the policy in a small part of the country or on a small scale before implementing it nationally; formal consultation with intended beneficiaries and other stakeholders; assessing likely costs to determine whether the policy is likely to be cost effective, such as regulatory impact assessments[14] ; and preparing analyses about the impacts and costs of different policy options. We found good practice examples of these approaches in our case studies of departments and other organisations **(Figure 19)**. Key approaches are:

■ **Piloting to test a policy**. Piloting is a good way of obtaining a reliable assessment as to whether a policy is likely to work in practice. The underlying assumptions of the policy can be tested and validated; how well the client group responds to the policy can be observed; and greater assurance can be gained as to the likely costs of implementing the policy nationally. Piloting also provides an opportunity to identify the barriers which may not have been considered in designing the policy but which need to be overcome. The selection of the pilot is important because it should be fairly representative of the client groups or issue that the policy is directed at. There is a tendency sometimes that the best or most skilled people are put on to a pilot. This can result in such high performing staff over compensating for any deficiencies in the policy to ensure that the pilot is a success. When, however, the policy is rolled out more extensively, competent but less able staff encounter difficulties. This risk emphasises the need for comprehensive evaluation to assess the performance of the pilot and sufficient time being allowed to reflect on the results and modify the policy as needed before it is implemented more widely.

19   **Examples of good practice in assessing how policies will work in practice**

Piloting and testing policies: The Department for Environment, Food and Rural Affairs' Arable Stewardship Scheme. The Department have a policy to promote a range of new land management options to recreate wildlife habitats in rural areas. A pilot scheme was established to test the practicality and likely effectiveness of the options. The pilot scheme was open to applications for three years from 1998 until 2000, and some of the options tested in the scheme are now being rolled out nationally.

The pilot scheme was run in two arable areas of England - East Anglia and the West Midlands - over 6,000 hectares of land. Over the three years of the pilot scheme, five land management themes covering 17 different management options were applied by farmers. The scheme involved farmers entering into legal agreements with the Department which detail the options they are applying, the areas covered, and completion dates, with financial penalties for breach of agreement. Agreements last for either five or six years. The Department managed the scheme through 227 agreements with farmers, at a total cost of £8.5 million in payments to farmers over the life of the agreements.

Benefits Secured. The overall impact of piloting is that it has given the Department information on which to base decisions about longer term policy. The Department have a published Public Service Agreement target to "reverse the long-term decline in populations of farmland birds by 2020". The information from the pilot has been evaluated from an ecological, practicable, and cost effectiveness perspective. This has enabled the Department to learn about the strengths and weaknesses of the different options to inform how the policy should be rolled out nationally. (More detail is provided in Appendix 4).

Small scale testing of policies involving local experience: Save the Children. Save the Children's approach to policy development in most cases is to work on a small scale at a national or local level. Fieldworkers with local knowledge are frequently best placed to identify the opportunities for such work. For example Save the Children ran a successful small scale programme in China to demonstrate how a policy to integrate children with mild physical and learning disabilities into mainstream education could be effective. Save the Children are restricted to small scale pilots because of their size but they consider that small scale projects are effective in developing policies which are suitable for identifying solutions to localised problems and which are likely to be low in cost.

Benefits Secured. Save the Children were able to demonstrate to the Chinese authorities the feasibility and benefits of integrating children with mild disabilities into mainstream education. (More detail is provided in Appendix 16).

Assessing the potential impact of a policy: Kent County Council. Where it is appropriate for the Council to use a pilot they will employ techniques such as cost-benefit analysis to analyse the potential impact of a policy. For example the Council piloted a method of recuperative care for the elderly at the Dorothy Lucy Centre in Maidstone that aimed to help elderly people who have become incapacitated to return to live independently in their own homes. The treatment, which is based on intensive occupational therapy to restore strength and mobility, proved to be highly cost effective and the treatment has now been rolled out across the county.

The Council also seek to create a culture that actively encourages the generation of innovative ideas and potential solutions to tackle the challenges and problems they face in delivering services. The Council have formed a Corporate Policy Unit to take the lead in this work and have given them the remit of delivering a wide range of policy options and methods of implementation.

Benefits Secured. The Council have selectively used and analysed policy piloting which has, for example, resulted in the development of a cost effective model of recuperative care for the elderly. The Council's innovative approach to policy development and implementation has contributed to an improvement: the Council have benchmarked their performance as now being in the top quarter of county performance compared to their previous position in the bottom quarter. (More detail is provided in Appendix 7).

Source: National Audit Office

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14   *Good Policy Making: A Guide to Regulatory Impact Assessment - Cabinet Office (2000). This has been examined in detail by a National Audit Office report "Better Regulation: Making Good Use of Regulatory Impact Assessments"*

An example of piloting different approaches is the Department for Work and Pensions' testing of the "ONE" service intended to increase the proportion of people of working age in employment and not dependent on benefit. The pilots are testing alternative delivery mechanisms, for example use of call centres for advice and providing personal advisers for the unemployed. The first pilots were launched in 1999 and will run to March 2002. The Department is carrying out a detailed evaluation of the impact of the pilots.

The Centre for Management and Policy Studies are currently undertaking a review of policy pilots to establish how they are used in policy-making, and whether they are successful in making policy more effective. This review includes work to identify how policy pilots in other countries have been used and what effect they have had. Analysis of the impact of different policy options is also being prepared by the Economic and Social Research Council UK Centre for Evidence-Based Policy and Practice; the Department for Education and Skills' Centre for Evidence-Informed Policy and Practice in Education; the Campbell Collaboration (in education, crime and justice and social welfare) and the Cochrane Collaboration (in healthcare).

■ **Involving those who will have to implement and evaluate policy in its design**. Involving implementers and evaluators in policy design is key to assessing the practicability of a policy. We found, however, that implementers and evaluators were consulted fairly late in the design process. This view was reinforced by our focus group of academics which emphasised that not consulting those responsible for implementation and evaluation early enough increased the risks of the effectiveness of policy being undermined or not understood (for example if they are not consulted implementers may have only half hearted commitment to the policy) and more practical solutions may be missed (for example implementers have better practical knowledge of what is likely to work and what is not likely to work, conversely of course they may have a vested interest in maintaining the status quo).

> "Can I bang it into someone else's problem field is a Whitehall skill - it happens all the time".
>
> *Source: National Audit Office interviews with departments*

The departments we examined recognise these risks although they report only limited progress in bringing about the change in civil service culture needed to integrate implementation and evaluation questions more fully into policy design. This is particularly important where responsibility for policy design, implementation and evaluation is split between a department and an executive agency or where a

policy cuts across government with a range of departments and agencies having a role. An example of the latter is health prevention policies and support for young offenders both of which will involve a number of departments and agencies where if one failed to deliver the whole policy's effectiveness could be reduced.

■ **Consulting stakeholders** is also important in testing whether a policy is likely to work in practice. It is crucial, however, that departments consult all major stakeholders. If only well organised stakeholders are consulted, poorly organised stakeholders may become marginalised because they may not be able to express their views so effectively. Consultation documents may be suitable for representative groups who are used to responding to consultation exercises, but if departments are to engage the views of a wide spectrum of society, other approaches, such as involving smaller religious and community groups or running focus groups may be needed to complement more traditional approaches to consultation. For example the Department for Work and Pensions are working closely with local groups representative of stakeholders by developing a partnership arrangement to share offices with voluntary sector bodies such as Age Concern and local authorities. This approach also means that they are able to deliver services and advice about social security benefits to older people which are accessible at the same point of delivery as other services and sources of advice which older people use. The Cabinet Office have also issued guidelines - "How to consult your users" (Service First, 1998) and have set up a website (www.consultation.gov.uk) to promote better consultation.

> "We've been too ready to talk to the people we've always talked to on a given issue."
>
> *Source: National Audit Office interviews with departments*

Another example is the Department for Environment, Food and Rural Affairs which engaged early with stakeholders including the Royal Society for the Protection of Birds, the Game Conservancy Trust, and English Nature as they developed policy options for their pilot Arable Stewardship Scheme. The pilot scheme was designed to test how to improve wildlife habitats and encourage greater biodiversity in farmland wildlife. The Department approached these stakeholders and included them early in the steering group responsible for identifying the proposals that were to be tested in the pilot scheme. Stakeholder organisations were invited to present their proposals for the scheme to the Department, which used them as the basis of their pilot scheme **(Figure 19)**.

2.14 The departments we examined were generally less convinced about the value of involving outside stakeholders in the design and testing of policy options. They told us that this is because at this early stage a department may not be fully committed to the policy and involving outside stakeholders may raise expectations or public criticism in cases when a pilot initiative does not work. Fear of leaks and premature publicity may also inhibit the range of consultation with stakeholders that would otherwise be useful. A key lesson identified by the inquiry into the emergence and identification of Bovine Spongiform Encephalopathy and variant Creutzfeldt-Jakob Disease and the action taken in response to it is that, at an early stage in policy development, generating trust by openness with stakeholders, including the public at large, is key to establishing the credibility of discussions about policy options **(Figure 20)**[15].

> "Involving outsiders in policy formulation is risky because you can't expect a serious and responsible treatment of policy from the outside world."
>
> *Source: National Audit Office interviews with departments*

Identifying and assessing risks to performance and delivery

2.15 "Professional Policy Making for the Twenty First Century" found "little evidence that risks are being identified, let alone actively managed", and that "the most basic risks - that the policy might not achieve its intended outcome or that it might have unforeseen consequences - do not appear to be addressed"[16]. The National Audit Office report "Supporting innovation: Managing risk in government departments"[17] published in August 2000 also emphasised the need for well managed risk taking where it is likely to lead to sustainable improvements in service delivery. The Performance and Innovation Unit of the Cabinet Office announced a project in September 2001 to identify best practice in well managed decision-making on risks and the best methods of promoting it. Furthermore, Accounting Officers of departments and other public bodies are now required by the Treasury to report annually, in a Statement on Internal Control published alongside their body's accounts, that they have reviewed the effectiveness of their system of internal control, which should be based on an ongoing process designed to identify the principal risks to the

20 **The BSE Inquiry: Extract from key conclusions**

■ "In the years up to March 1996 most of those responsible for responding to the challenge posed by BSE emerge with credit. However, there were a number of shortcomings in the way things were done.

■ At the heart of the BSE story lie questions of how to handle hazard - a known hazard to cattle and an unknown hazard to humans. The Government took measures to address both hazards. They were sensible measures, but they were not always timely nor adequately implemented and enforced.

■ The rigour with which policy measures were implemented for the protection of human health was affected by the belief of many prior to early 1996 that BSE was not a potential threat to human life.

■ The Government was anxious to act in the best interests of human and animal health. To this end it sought and followed the advice of independent scientific experts - sometimes when decisions could have been reached more swiftly and satisfactorily within government.

■ In dealing with BSE, it was not MAFF's policy to lean in favour of the agricultural producers to the detriment of the consumer.

■ At times officials showed a lack of rigour in considering how policy should be turned into practice, to the detriment of the efficacy of the measures taken.

■ At times bureaucratic processes resulted in unacceptable delay in giving effect to policy.

■ The Government introduced measures to guard against the risk that BSE might be a matter of life and death and not merely for cattle but also for humans, but the possibility of a risk to humans was not communicated to the public or to those whose job it was to implement and enforce the precautionary measures.

■ The Government did not lie to the public about BSE. It believed that the risks posed by BSE to humans were remote. The Government was preoccupied with preventing an alarmist over-reaction to BSE because it believed that the risk was remote. It is now clear that this campaign of reassurance was a mistake. When on 20 March 1996 the Government announced that BSE had probably been transmitted to humans, the public felt that they had been betrayed. Confidence in government pronouncements about risk was a further casualty of BSE."

Source: The BSE Inquiry: The Report (October 2000). Volume 1, Findings and Conclusions. Executive Summary of the Report of the Inquiry, Key conclusions.

15   *The BSE Inquiry (October 2000). Report of the Inquiry into the emergence and identification of Bovine Spongiform Encephalopathy (BSE) and variant Creutzfeldt-Jakob Disease (vCJD) and the action taken in response to it up to 20 March 1996, Volume 1, Findings and Conclusions."*
16   *Professional Policy Making for the Twenty First Century, Cabinet Office, 1999.*
17   *NAO Report. Supporting innovation: Managing risk in government departments (HC 846, 1999-00)*

achievement of the body's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

2.16 The departments we examined said that they recognised the importance of identifying risks during policy design. In particular they said that the potential for something to go wrong was usually considered in the course of preparing policy options mainly because of a greater awareness of the consequences of failure for Ministers and a greater sense of responsibility by public officials combined with the fear of public censure if a policy went wrong.

2.17 We found, however, that while departments are spending more time on risk identification and analysis at the outset of policies, risk assessment and management still tends to be ad hoc and not done in a systematic way. The potential consequences of this are that some risks may be missed and the ability of departments to deal with something unexpected quickly and still maintain standards of service delivery is reduced. There are a number of key risks that need to be considered in designing a policy:

■ **Capability of those required to implement policy.** Key to managing the risk of policies not being successful is departments assessing the capability of those required to implement the policy. This will include an assessment of the knowledge and skills that those implementing the policy will need and how long it will take for them to acquire such knowledge and skills. These may be staff within the department, a separate agency or a private or voluntary sector partner. In the past a number of policies and programmes have encountered difficulties because departments have not given sufficient consideration to implementation risks **(Figure 21)**.

Departments that do make a thorough assessment at the design stage of the capability of those required to implement the policy increase the chances of its success. For example to tackle the risks of capacity

constraints that might affect delivery of the "Transport 10 Year Plan", which provides for £180 billion investment in new and improved transport infrastructure and services, the Department for Transport, Local Government and the Regions are working with the construction industry and other suppliers to identify and meet any skill shortages.

■ **The extent to which those intended to benefit are likely to do so.** There are many factors that can influence whether a policy reaches all those whom it is intended to benefit. The service provided must be accessible for example, a policy to provide advice to support businesses would need to consider the best way to deliver the advice so that firms can access it quickly. A number of options might be feasible such as providing advice through local offices, trade associations, electronically targeted mail shots or through Chambers of Commerce. Incentives might be required to encourage client groups to take up the service for example, to encourage citizens to complete and submit their tax returns electronically. Incentives should not, however, be so narrowly defined that they become perverse and promote unintended behaviour or become subject to manipulation or abuse, for example mandatory leakage targets had to be introduced into the water industry because most water companies failed to respond to the economic incentives to reduce leakage[18].

In general, those who are intended to benefit or be influenced by a policy will only do so if they understand what the policy is about, and what it is intended to achieve. This requires careful communication and marketing. If changes to an existing policy are not publicised widely this can cause confusion and poor value for money as illustrated by changes to the State Earnings-Related Pension Scheme **(Figure 22)**. The benefits of clearly communicating a policy are demonstrated by the Department of Health's Meningitis C vaccination programme. Through a targeted media campaign the Department was successful in managing the public's

part two

18   *NAO Report. Leakage and Water Efficiency (HC 971, 1999-00)*

44

21 **Not assessing the risks associated with implementing a policy can have significant consequences for its success - for example**

In May 1994, the **Inland Revenue awarded a ten year contract to EDS** for the provision of most of their information technology requirements. The work, most of the assets and 1,900 staff of the Department's Information Technology Office were transferred to EDS. The Committee of Public Accounts concluded[1] that the Department:

- Could do more to obtain assurance that the contract continues to be competitive by comparing the cost, efficiency and effectiveness of EDS service provision with other organisations.

- Needed to manage the risk that it might become 'locked in' to one supplier by ensuring that proposals for new systems and changes to existing information technology infrastructure did not limit its future choice of partner.

- Needed to take full advantage of opportunities by software development to improve productivity over the life of the contract.

In May 1995, The Contributions Agency let a contract to Andersen Consulting to develop by February 1997 a replacement **National Insurance Recording System** (NIRS2). The successful development of the new system was critical to providing necessary support for new pensions provisions coming into effect in April 1997. At the end of December 1998, the system was still not fully operational and 7 million items relating to benefits and rebates were outstanding, and there were 1,500 unresolved systems problems many of which were crucial to full implementation, meaning that thousands of benefits were being paid on an interim or emergency basis, and delays in payments to personal pension holders. The Committee of Public Accounts concluded[2,3]:

- Although Andersen's revised proposal was technically only on the margin of acceptability, in practice the Agency had little alternative but to accept it if they were to have any chance of delivering the pensions reforms by their deadline.

- The relationship between the Agency and their contractors is crucial to success. The two key parties to the NIRS2 contract had not developed a shared understanding of what was meant by delivery of the new NIRS2 system, and about each other's role in implementation.

The Child Support Agency was established in April 1993 as an executive agency of the Department of Social Security to implement a major new social policy enacted by the Child Support Act 1991 and to operate a new system of child maintenance by making formal assessments of the money that parents who live apart from their children may have to pay as a contribution to the upkeep of their children; enforcing assessments by collecting the maintenance due, paying maintenance to people with care and charging fees for making assessments and collecting maintenance. In 1993-94, the Agency's first year of operations, many assessments by the Agency were inaccurate. The Committee of Public Accounts found that[4]:

- A very high risk strategy had been adopted by bringing in a totally new policy, with new staff and a new computer system all at the same time.

- Staff numbers had to be increased because the time required to carry out maintenance assessments had been underestimated and was twice as long as expected.

- The sort of financial and management information that would be needed by the Agency from the computing system to administer the new maintenance arrangements was not established early enough, for example, no estimate of the amount of uncollectable maintenance meant the Agency might not know what staff resources they needed to devote to debt collection.

- Inaccurate assessments of maintenance were sent to parents because quality assurance work had started only in January 1994 and had focussed on identifying and analysing errors, and not on correcting them.

Source

1. *Inland Revenue/EDS Strategic Partnership: Award of New Work. Committee of Public Accounts, 28th Report, 1999-00. (HC 431, July 2000).*
2. *The Contract to Develop and Update the Replacement National Insurance Recording System. Committee of Public Accounts, 46th Report, 1997-98. (HC 472, June 1998).*
3. *Delays to the new National Insurance Recording System. Committee of Public Accounts, 22nd Report, 1998-99. (HC 182, July 1999).*
4. *Department of Social Security: Appropriation Accounts 1993-94: Child Support Agency. Committee of Public Accounts, First Report, 1995-96. (HC 31, December 1995).*

22 **The need to publicise changes in policy clearly and widely - an example**

"Citizens should be able to rely on the accuracy and completeness of information provided by Government departments. This is particularly true in the case of pensions where citizens need to plan ahead and where, without reliable information, they may make personal decisions that are not in their best interests.

For nearly ten years from 1986, the change in arrangements for the inheritance of State Earnings-Related Pension Scheme was not publicised adequately and in particular information was not included in relevant leaflets until 1996. As a result several thousand people who have already retired, or are due to do so soon, believe that they made decisions about their future pension provision based on incorrect information about the statutory position after 5 April 2000. The full cost of resolving this problem will be at least £2.5 billion and probably considerably more".

Source: NAO Report. State Earnings-Related Pension Scheme: The failure to inform the public of reduced pension rights for widows and widowers (HC 320, 1999-00)

23 **Examples of good practice in identifying and assessing risks to performance and delivery**

Managing demand for a programme through clear communication and promotion: The Department of Health's Meningitis C vaccination programme. The Department faced the risk that those most vulnerable to the disease would not be vaccinated first because the public might expect everyone to be vaccinated when there was insufficient vaccine to do so. The Department managed these expectations by communicating openly and clearly with the public through press releases and information produced by Health Promotion England, which is responsible for promoting health initiatives, after the announcement of the vaccination programme in July 1999. The Department were very clear in explaining that those at greatest risk of the disease would be vaccinated first followed by the other age groups and that the vaccination programme would be administered either through schools and colleges or General Practitioners' surgeries.

> **Benefits Secured.** The successful distribution between November 1999 and December 2000 of 18 million doses of vaccine, sufficient for every child under 18 years of age to be vaccinated. As a result in the six months to December 2000 there was a 90 per cent reduction in the number of cases in the under one year old and 15 to 17 year old age groups. (More detail is provided in Appendix 2).

Identifying key risks: The Department for Education and Skills' National Literacy Strategy. The main risks faced by the Department were that they would fail to:

- **Understand** why so many children could not read and write as well as they should be able to, and so fail to identify the most effective way of tackling the problem;

- **Implement the strategy consistently** and rapidly in all primary schools to enable national literacy standards to be improved as quickly as possible;

- **Provide enough support** and gain the confidence of the teaching professions so that its implementation was not slow or delayed in primary schools;

- **Ensure that primary school teachers had the right skills** and experience to make them sufficiently confident to change how they taught reading and writing;

- **Deliver effective and credible literacy training** to teachers so that the literacy hour was taught properly; and

- **Ensure that improvements** in teaching literacy could be sustained beyond the short-term.

In response the Department developed a well thought through action plan to deal with each of these risks. The Department identified that acting swiftly, creating a sense of urgency and tackling barriers head on were essential factors in driving forward the implementation of the Strategy. Timely implementation of the Strategy enabled the Department to demonstrate its merits to teachers and other stakeholders and to identify and respond speedily where there was scope for improvement.

> **Benefits Secured.** The Strategy was implemented on schedule and test results for primary schools in 2001 showed that 75 per cent of 11 years olds reached the expected level for their age group in English compared to 65 per cent in 1998. (More detail is provided in Appendix 3).

Assessing risk using specialist techniques: Amey plc. Amey plc are a company specialising in providing business support services to the private and public sectors as well as being an owner of large scale transport infrastructure concessions. They had a turnover of some £700 million in 2000 and employ around 7,000 people throughout the UK. A fundamental part of Amey's approach to risk management when they bid for work is to identify and minimise the risks they face and to factor them into the bid they submit to a potential client. Amey examine the high profile risks they face with any bid for work both to the company's reputation and to their financial position at an early stage. As work on a bid proceeds Amey continue to analyse risks using *Monte Carlo simulation* (see box opposite) which involves running a computerised model many times so that the overall risk can be analysed and an assessment made of the likelihood of it maturing. Where risks remain with a bid Amey will continue to review their importance and potential impact and where necessary make contingency plans.

> **Benefits Secured.** Amey have secured contracts with Centrica and Marks & Spencer and in the public sector their clients range from major government departments, such as the Ministry of Defence, to local government councils such as Portsmouth. Since 1999 improvements in the company's share price have propelled them into the FTSE 250. (More detail is provided in Appendix 9).

Identifying the most cost effective option and associated risks: Torfaen County Borough Council. Torfaen County Borough Council serve some 90,000 people in the 12 mile long river valley running from Blaenavon to Cwmbran in Wales. They are a unitary authority providing the full range of local government services - including education, social services, roads, social housing, encouragement of economic development and refuse collection. Their expenditure in 2000-01 was £185 million.

In cases where costs and benefits are quantifiable the Council use formal cost-benefit analysis. For example, they applied this approach to considering options as part of an overall strategy to reduce rent arrears. Their risk assessment firstly considered that continuing to have the rent collected by those responsible for housing management functions would compromise tenants' perception of the quality of service they were receiving from housing management. The Council then applied cost-benefit analysis techniques to discover whether the continued collection of water rates and splitting rent collection from housing functions would represent value for money. Torfaen's strategy to reduce rent arrears, including splitting rent collection from housing management and continuing to collect water rates, has been successful in achieving a steady downward trend in rent arrears.

The Council identify the type of risks they face at the design stage of each policy. For example, they identified that not getting World Heritage site status as the overriding risk in the development of the town of Blaenavon. They managed this risk by ensuring that there was a very good level of assurance that the site would get the status before going ahead with the policy publicly as failure would have been demoralising for the town. The Council considered there was some residual risk that getting the status might be delayed. They managed this risk by making it a priority to obtain the status by using all necessary resources and were successful in November 2000.

> **Benefits Secured.** The Council have been successful in developing and driving through well thought out and innovative policies to tackle complex development needs in Blaenavon and Pontypool and to reduce rent arrears. Identification and management of risk has allowed them to avoid policy failures that might have damaged their reputation. (More detail is provided in Appendix 8).

Source: National Audit Office

Monte Carlo Simulation involves running a model many times on a computer so that overall risk can be judged. For key risks or uncertainties, a range of possible values is input into the simulation. Each time the model runs the computer selects one of these values and builds up a full range of potential outcomes. The technique could be used, for example, to judge the demand for a public service such as retraining of the unemployed by including probability distributions for items such as employment rates, inflation, and economic growth and would produce a probability distribution for expected demand for retraining over a ten year period.

expectations and fears about the risks to health from Meningitis C. The result was that between November 1999 and December 2000 18 million doses of vaccine were administered, sufficient for every child under 18 years **(Figure 23)**.

■ **Costs of the policy are as estimated and represent value for money.** Estimating the cost of implementing a policy can be difficult because the policy may not have a finite life and extend over many years. Some estimate of costs, if only for the first two to three years of a policy is important, however, in determining whether the policy is affordable in comparison to other possible options or priorities and whether it is likely to deliver value for money. Some costs are likely to be easier to estimate than others; for example, human resource costs and investments in information technology and other infrastructure. Some costs may be influenced by the demand for the service such as the number of citizens claiming benefits or seeking training. In such cases forecasting techniques can help assess likely demand and sensitivity analysis can assist in analysing the probability of demand changes and the potential cost implications.

How well a policy or programme is implemented can also influence costs. Poor implementation due to underestimating requirements, weak project management and control over organisations contracted to implement a programme and numerous unplanned policy changes can all result in significant cost increases that should have been avoided. When this happens the consequences can be serious. For example, delays to the new National Insurance Recording System resulted in thousands of citizens being paid benefits on an interim or emergency basis and clearing the backlog diverted resources in both the Benefits and Contributions Agencies from other work[19] **(Figure 21)**.

■ **The likelihood of unforeseen adverse consequences is minimised.** A policy may have an unintended or additional impact that can be beneficial. For example, support for small businesses may not only achieve better economic growth and employment but increased profitability might increase industry's support for voluntary organisations working in the community. There may also be potentially adverse consequences. For example, the policy to make public services available electronically is driven by the opportunity to provide better quality services by them being more easily accessible, being available more quickly and at a time more convenient to citizens. There is also the risk, however, that those who are less familiar with new technology or who are disinclined to use it may be excluded from the benefits. The risk of unforeseen consequences is common to all policies and it emphasises the importance of policy-makers considering very carefully the wider implications of new proposals and the impact on people's behaviour. It is very rare that a policy operates in isolation as there are usually many interconnections with other policies as illustrated for example, by the links between transport, economic growth, the environment, agriculture and tourism.

Appropriate training for policy-makers

2.18 "Professional Policy Making for the Twenty First Century" set out the key skills needed to meet the demands of modern policy-making, such as well developed presentation skills, a broad understanding of information technology, an understanding of project management disciplines to keep policy work on track, an ability to manage risks, and a grounding in economics, statistics and relevant scientific disciplines in order to act as 'intelligent customers' for complex policy evidence[20].

2.19 Departments we examined told us that key skills needed for successful policy-making included:

■ Characteristics such as political instinct, experience and good judgement;

■ The ability to draw on many sources of information and analytical skills such as analysis of trends in quantitative and qualitative data;

■ Foresight and insight to identify problems;

■ Creativity and the ability to contribute ideas to tackle policy problems; and

■ Identifying practical solutions.

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19   *Committee of Public Accounts 22nd Report, 1998-99. Delays to the new National Insurance Recording Systems (HC 182).*
20   *Professional Policy Making for the Twenty First Century, Cabinet Office, 1999 .*

We asked departments how their staff developed these skills. They said that this is mainly by the passing on of knowledge and experience by existing policy-makers; through the desk training of new recruits rather than formal training programmes covering competencies and proven innovative approaches.

2.20 The Corporate Development and Training Directorate of the Cabinet Office provide training for the 3,500 senior civil servants in the public sector. Since 1999 there have been some 2,220 participants at seminars, conferences and training events organised by the Directorate. The Civil Service College as part of the Centre for Management and Policy Studies also provide a number of training courses to develop policy-making skills. The courses are mainly attended by civil servants early in their career (usually when they are grade 7 and below). Generally, however, the departments we examined considered policy-making a "black box" process, something which is somewhat intuitive and happens as a matter of course rather than a separate discipline with its own technical skills and professionalism.

2.21 There is a substantial amount of guidance on policy-making developed centrally by the Treasury and the Cabinet Office and departments such as the Regulatory Impact Unit guidance on Good Policy-Making, and some departments have made guidance available electronically to civil servants **(Figure 24)**. Some of this guidance is becoming an integral part of policy-making such as the need for better stakeholder consultation and the guidance on the preparation of regulatory impact assessments where policies are likely to impose costs on businesses, charities or voluntary organisations. The departments we examined said that guidance on policy-making was not well used for a number of reasons:

■ The volume of the guidance makes it difficult for policy-makers to consult it quickly;

■ The different pieces of guidance do not fit together very well;

■ The guidance tends to be inaccessible;

■ Policy-makers are often too busy to refer to guidance; and

■ Guidance reduces policy-making to a structured, logical, methodical process that does not reflect reality.

This reluctance to take advantage of existing guidance may have an impact on policy-making with the consequence that policy decisions are not made on the most robust analyses or make best use of analytical approaches.

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24 **Examples of departments' use of electronic networks for sharing guidance and information**

Department for Education and Skills

The Department have established an electronic network which disseminates to their staff information and guidance on policy-making.

Department of Trade and Industry

The Department are developing guidance which will be accessible through desktop computers to allow staff to identify and draw down information and guidance on policy-making.

Department for Transport, Local Government and the Regions

The Department have set up on their intranet a customised version of the Cabinet Office's Policy-Maker's Rapid Checklist.

The Cabinet Office

The Department have established a good practice website on service delivery. (www.goodpractice.org.uk)

Part 3

Policy implementation and maintenance

3.1 Implementing policies requires careful consideration of the resources needed, the time period over which the policy is to be delivered and how the quality of the desired outcomes is to be achieved and maintained. Any potential constraints such as the capability of information technology systems and staff expertise should be identified and resolved. A policy may need to be implemented rapidly which inevitably brings greater risk, or it may be a longer term policy where to have the desired impact modifications need to be made over time to maintain the policy's relevance.

3.2 Departments often face choices between many different routes through which policy can be delivered, for example through agencies, contractual relationships with public or private sector organisations, or through local authorities. They may also face choices about the method of delivery such as whether services can be provided electronically or whether other groups or individuals are better placed to implement policies on behalf of departments, for example the collection of indirect taxation by retail outlets.

3.3 All of these routes bring different types of risks depending on the delivery mechanisms or combination selected. Whatever the arrangements made by departments, responsibility for managing the risks associated with delivery should be allocated to the party best able to manage them. In addition, the costs and impacts of policies need to be monitored, reviewed and evaluated accurately so that policies can be adapted or terminated if necessary and lessons can be learned to inform future policy-making and minimise the risk of under-performance, where it occurs, being repeated.

3.4 If the accountability of Ministers and Accounting Officers is to be effective it is necessary for there to be one person who is ultimately responsible for the success of a policy's implementation (even if this person has to co-ordinate the work of others) and to whom the Minister and Accounting Officer can turn for appropriate reports and warning of difficulties. Failure to implement a policy as intended may arise where responsibility is diffuse. Even where lines of responsibility had been clear at the start of a policy initiative they may become blurred by subsequent changes and adjustments in the policy or the organisation relating to it.

3.5 To assess the extent to which considerations of risk and value for money feature in departments' and other organisations' work as they implement and maintain policies this part of the report covers:

■ Managing risks and opportunities during policy implementation

■ Policy maintenance

■ Evaluating and learning lessons

Managing risks and opportunities during policy implementation

3.6 How a policy is to be implemented should be an integral part of policy design. Poor value for money and under-performance often occur because implementation has not been well thought through and planned. Typical problems encountered during implementation include: overambitious timescales or resources not being available when required (for example, a number of missile defence systems have had unrealistic timescales[21]); those implementing a policy not having the appropriate skills or training (for example, introducing new information technology systems without providing suitable training for staff[22]); poor project management resulting in significant and unco-ordinated design changes contributing to cost increases and time delays (for example, during the building of the British Library[23]); insufficient contingency planning so that standards of service delivery for the public are not maintained (for example, the failure to establish detailed contingency plans during the running of the Millennium Dome[24]); and roles and responsibilities not being

21   NAO Report: Ministry of Defence Major Projects Report 2000 (HC 970, 1999-00).
22   NAO Report: The United Kingdom Passport Agency: The passport delays of Summer 1999 (HC 812, 1998-99).
23   NAO Report: Progress in Completing the British Library (HC 362, 1995-96).
24   NAO Report: The Millennium Dome (HC 936, 1999-00).

25 **Examples of good practice in implementing policies**

Exerting tight management grip: The Department of Health's Meningitis C vaccination programme

On the basis of extensive epidemiological information, the Department introduced their vaccination programme one year early to prevent a likely 1,500 cases of Meningitis C and a possible 150 deaths. As there were no stocks of the vaccine available, the Department recognised and managed the increased risks in securing enough vaccine to complete the programme by identifying those most at risk from the disease and implementing the programme in two stages - vaccinating those most at risk first and only then the remainder of the target population. The Department worked closely with the manufacturers of the vaccine, distributors in the National Health Service and implementers of the programme in GPs' surgeries, schools and colleges. The Department proactively managed the supply chain for the vaccine from its production through to the vaccination of children so that sufficient quantities of the vaccine were available when required. The Department knew that the demand for the vaccine would be high so they launched a public information campaign to manage expectations and reassure parents that all children would be called for vaccination as supplies of the vaccine became available.

Benefits secured. The Department secured their policy objective of reducing the greatest number of cases and deaths from Meningitis C in the shortest possible time. (More detail is provided in Appendix 2).

Setting clear responsibilities and timescales in an implementation plan: Department for Education and Skills' National Literacy Strategy

The Department adopted a tightly planned approach to implementing the Strategy so that it could be rolled out consistently and rapidly in all primary schools to enable national literacy standards to be improved as quickly as possible. The Department defined and published their implementation plan for the Strategy in August 1997, setting out how they would manage the Strategy, roles and responsibilities of all the key players and agreeing deadlines with all those involved in implementing the Strategy from 1997 to 2002. This was supplemented by a communications strategy with a highly visible programme of visits to local education authorities and schools to explain the Strategy and receive feedback on how it was being implemented.

Benefits secured. The Department secured the commitment of primary schools to improving the quality of literacy teaching. The teaching profession, parents and pupils are clear about what is expected of them and teachers have the support of high quality teaching material to encourage their continuing professional development. (More detail is provided in Appendix 3).

Having clear objectives to improve customer service, close monitoring and allocating resources to priorities: Woolwich plc.

Woolwich plc set clear strategic objectives to generate value for shareholders and to improve customer service. The company systematically identify risks to achieving these objectives by regularly analysing controls and their effectiveness and whether adequate resources are allocated to manage risks. Progress against corporate targets is monitored regularly to enable consequential effects of risks to be analysed across interdependent parts of the business. Woolwich plc used this approach to analyse the capacity they needed to implement their "Open Plan" strategy, which is designed to encourage customers to have multi-product relationships by organising a service around customer needs. For example customers have only to register once to gain access to the whole range of Woolwich products (such as current accounts, mortgages, investments and insurance).

Benefits secured. The approach adopted by Woolwich plc has practical relevance for departments. By setting clear objectives which focus on maintaining and enhancing the quality of service delivered to customers, by identifying and managing risks, and by carefully monitoring progress against key targets the company is better placed to achieve their business objectives, respond to change and deliver high quality services. (More detail is provided in Appendix 13).

Source: National Audit Office

clearly defined resulting in confusion and under-performance (for example, the failure of the Department of Social Security and the Post Office to establish an effective working relationship before the development of the proposed Benefits Payment Card[25]). These shortcomings are some of the risks which all policies potentially face and which require careful management. At the same time cost effective implementation requires departments to remain alert to new opportunities which might improve service delivery. For example, rapid developments in information technology mean that departments have to keep existing ways of delivering services under review so that they can take advantage of improvements in the quality of service which information technology can make possible.

3.7 Policy implementation is more likely to be successful if departments **(i)** have a well thought through implementation plan; **(ii)** identify and manage risks; **(iii)** exercise reliable project management; **(iv)** have a clear communications strategy.

Implementation plan

3.8 An implementation plan should as a minimum set out the timetable for delivering a policy, the roles and responsibilities of all those involved in delivery, the resources allocated to the policy including money, skills and infrastructure, how potential barriers are to be tackled and how performance is to be reported and monitored to ensure appropriate accountability[26]. Implementation planning is important for all policy circumstances including whether a rapid response is required (where the speed of action needed can increase the risk of failure or the unforeseen happening) or whether the policy is a long-term development. In all policy circumstances an assessment of the planned implementation's critical path can help identify the key stages in delivering a policy so that these can be organised efficiently or where there are potential problems preventive action can be taken. For example, one factor in the implementation of the Department of Health's Meningitis C vaccination programme was ensuring that manufacturers could supply sufficient vaccine when needed. The Department worked closely with suppliers to ensure that this did not become a problem. The Department for Education and Skills' National Literacy Strategy is another example of a policy that had a clear implementation plan which contributed to the success of the policy **(Figure 25)**.

3.9 Judging the best timing and urgency of policy implementation can be crucial to its success. For

> "Departments must ensure that there is clear accountability for all their operations and that everyone involved is clear who has end-to-end responsibility. This is particularly important where initiatives require co-ordination between a number of parts of the Department or with other organisations."
>
> *Source: National Audit Office* [26]

example, fairly rapid implementation of the Department of Health's Meningitis C vaccination programme was needed not only for dealing with the health risk but in managing public expectations which could have knocked the policy off course. If the public had not had confidence in the programme the potential fear factor could have resulted in a "run on the bank" syndrome with those facing no immediate health risk demanding vaccination. This would have prevented the Department from focusing resources on the key priority health risk group - the under 18 year olds **(Figure 25)**.

Identification and management of risks

3.10 The risks faced by any policy should be identified and assessed during its design and this should be followed through to implementation when risk monitoring and management are essential (paragraph 2.15). The National Audit Office report "Supporting innovation: Managing risk in government departments"[27] suggested six key questions which departments might ask themselves to assess whether they have a sound approach to managing risk **(Figure 26)**.

26 **Key questions departments should consider in assessing their approach to risk management**

- Do senior management support and promote risk management?

- Do the department support well thought through risk taking and innovation?

- Are risk management policies and the benefits of effective risk management clearly communicated to staff?

- Is risk management fully embedded in the department's management processes?

- Is the management of risk closely linked to the achievement of the department's key objectives?

- Are the risks associated with working with other organisations assessed and managed?

Source: National Audit Office[27]

25   NAO Report. The Cancellation of the Benefits Payment Card project (HC 857, 1999-00).

26   NAO Report. The State Earnings-Related Pension Scheme: The failure to inform the public of reduced pension rights for widows and widowers (HC 320, March 2000)

27   NAO Report. Supporting innovation: Managing risk in government departments (HC 864, 1999-00).

3.11 When departments enter into agreements with other organisations, both private and public, to implement policies and deliver public services they need to take great care in the allocation of risks - in particular where the services are those on which citizens depend directly. If risks are inappropriately transferred to a party not best placed to manage the risk, then service delivery to the citizen and the reputation of the department as service provider may suffer **(Figure 27)**.

27	**Allocating responsibility for managing risk**

- Ministers and officials cannot transfer responsibility for the overall service for which they are legally responsible and accountable to Parliament. Some risks, such as the delivery of benefit payments on which many people depend, are too great for private sector suppliers to absorb and departments therefore must retain a direct interest and involvement in how the service is to be delivered[1].

- Departments need to be clear about those risks that cannot be transferred to the supplier, in particular, the wider business risks that might mature if they do not have a fully operational system on the date required[2].

- Even where a supplier is proposing to shoulder substantial risk, the department should consider most carefully how to manage the residual risk which remains with them[1].

- The growth in Public-Private Partnerships, such as contracts under the Private Finance Initiative, has highlighted the importance of identifying risks and allocating responsibility for managing them to the party best able to do so[2].

Source

1. NAO Report. The Cancellation of the Benefits Payment Card project (HC 857, 1999-00)

2. NAO Report. Supporting innovation: Managing risk in government departments (HC 864, 1999-00).

3.12 An example of an organisation identifying and managing risks critical to the success of their business - providing high quality services and meeting customer expectations - is Woolwich plc. The company set strategic objectives to improve customer service and systematically identify the risk to achieving the objectives and how best to manage them **(Figure 25)**.

Project management

3.13 Implementing a policy requires reliable project management. This means setting key targets and milestones for achieving critical stages in implementing the policy, having reliable monitoring information to assess progress and indicators to alert managers to under-performance requiring remedial action. As departments increasingly enter into public-private partnerships to deliver public services they are requiring new skills to manage programmes. For example, the Department for Work and Pensions recognised that in implementing their plans for Pension Credit, they lacked the expertise to modernise provision of financial services around old information technology systems. To learn from others who had the expertise they needed, they used staff with a

private sector financial services background, and to assess the capability of private sector partners to deliver what they require they have appointed a non-executive director from the financial services industry.

> "You ignore the interactions between policy and operations at your peril - policy should be viewed as integral to the delivery of the business".
>
> *Source: National Audit Office interviews with departments.*

Clear communications

3.14 Communicating to the general public and other stakeholders, such as the business community, international trading partners, and lobby groups what a policy is about, what it is seeking to achieve and what the targeted client group can reasonably expect is important in ensuring the success of a policy. This is essential where a change in behaviour is required for example, the move towards more services being delivered electronically is requiring citizens to interact with departments in completely new ways. Communication should be considered during the initial design of policies (paragraph 2.17) and followed through in implementation.

3.15 The departments we examined said that all policy submissions to Ministers and senior officials were now required to set out how presentational issues were to be dealt with. Departments are seeking to simplify public access to information about their policies through the use of websites and national helplines. Departments recognised, however, that they need to improve the marketing of their policies. For example, information was not necessarily reaching those at whom the policy was directed, and members of the public seeking advice were often confused by the complexity and variety of government programmes. Those responsible for implementing policies, including private sector providers and regulators who may have oversight of a policy area, were not engaged by departments we examined early enough in considering how best to present and communicate policies.

> "We know that marketing is an issue - we don't think we are as good at it as we should be".
>
> *Source: National Audit Office interviews with departments.*

3.16 The Centre for Management Policies organised a Communicating Policy Seminar in December 2000 which Ministers and senior officials attended. The findings of the seminar emphasised the importance of how best to communicate and market policies being integral considerations of policy design, as well as how

best to reach the target population for example, through wider consultation of those who may be affected. One approach to addressing this is to promote simple messages and simplify the "brand identity" of public services, and ensuring consistent use of this brand in the different communication methods used by departments, such as print, audio, visual and internet. Branding can be a fairly inexpensive way of helping groups of citizens such as the elderly identify specific public services which are of particular benefit to them and so encourage them to use the services.

Policy maintenance

3.17 The circumstances that policies are designed to respond to are inevitably subject to change. Policy maintenance is about adapting to change. Firstly, departments need to be able to maintain service delivery in the event of change, or when something unexpected occurs which knocks a policy off course. Secondly, they need to be able to review policies, for example to determine when the time is right to modify a policy in response to changing circumstances so that it remains relevant and cost effective. Thirdly, departments may need to terminate policies if they are no longer cost effective or they are not delivering the policy outcomes intended.

Maintaining service delivery

3.18 Events can occur which can result in departments not being able to provide a service or deliver a policy as intended with the consequence that the well-being of citizens who depend on the service may be put at risk, or they may suffer financial loss or major inconvenience. Such circumstances can arise for example, from sudden increases in demand arising from a natural hazard such as bad weather; failure of major suppliers to provide goods and services when required; the quality and skills of the staff providing the service not being sufficient; or failure of key delivery systems such as information technology, distribution or transport.

3.19 Departments need to be well prepared to deal with such eventualities arising. They can do this in various ways for example, by having contingency arrangements well tested to prove that they can work **(Figure 28)** and business continuity arrangements to maintain service delivery such as those that were implemented by Sainsbury's to keep their supermarkets open and well stocked during the fuel shortages in Autumn 2000 **(Figure 29)**. Where departments rely on other public or private sector organisations to implement policies they need to seek assurance that these organisations have arrangements in place, and tested to ensure that they work, to maintain services in the event of unforeseen circumstances.

28	**Contingency planning - some lessons**

- Public bodies offering a demand-led service should be aware of capacity constraints and have contingency plans in place to cope with any likely surge in demand, taking full account of reasonable public expectations of service standards, the likely cost and the level of risk[1].

- Agencies should make a realistic assessment of whether they have the capacity to deal with potential problems and be prepared to seek early assistance from their parent departments and elsewhere if necessary[1].

- Departments should have contingency plans in place to maintain adequate levels of service in the event of project failures[2].

- Risks identified should be registered, assessed for impact and probability, assigned to a risk manager and used as a basis for subsequent management and contingency planning. Identification of risks must be an ongoing activity, as new risks will occur[3].

- On any major project, managers need as much flexibility as possible to respond if things do not go to plan. It is important, therefore, to set aside, and control tightly, financial provision to help deal with unforeseen events[4].

- Managers may find it difficult to respond to major unforeseen events unless they have already developed crisis plans. This is not planning for failure. It is planning to make the best of a bad situation, should it arise[4].

Source

1. NAO Report. The passport delays of Summer 1999 (HC 812, 1998-99).

2. Committee of Public Accounts First Report 1999-00 - Improving the delivery of Government IT Projects.

3. NAO Report. The Cancellation of the Benefits Payment Card project (HC 857, 1999-00).

4. NAO Report. The Millennium Dome (HC 936, 1999-00).

3.20 The departments we examined said that having contingency plans in place was not normal for policies unless the policy was considered to be high risk. Departments said that maintaining services for the public was something which was being given more attention as a result of the greater emphasis on identifying risks and how to manage them in the design of policies.

Modifying policies

3.21 A policy may need to be modified for different reasons:

- **The policy or an aspect of it may no longer be effective in its present form**. The Department for Education and Skills' National Literacy Strategy is an example. In this case methods of teaching literacy to primary and junior school children had remained the same for a number of years. By the mid-1990s, however, evidence indicated that children's literacy standards were unacceptably low. In response the Department introduced the Strategy which advises primary school teachers to dedicate at least one hour of teaching literacy each school day to primary

29 | Examples of good practice in policy maintenance

Maintaining service delivery in the event of a crisis: Sainsbury's Business Continuity Management Programme

Sainsbury's have a tested Business Continuity Management Programme to ensure that the retailer can keep their supermarkets open and well stocked in the event of a crisis. Two teams, which can be set up in 30 minutes, are on continuous standby with business continuity management as an integral part of their jobs, which they put into practice in the event of a crisis. The teams have clear roles and responsibilities and include directors or senior managers from key departments across the business, such as distribution, logistics, information technology and communications. They meet regularly during a crisis, the frequency depending on its nature and current status, for example twice daily during the fuel crisis. The teams analyse what trigger points have been reached or are likely to be reached in order to determine the actions needed to respond to the effects of the crisis.

Benefits secured. Sainsbury's were successful in keeping their supermarkets open during the petrol shortages of September 2000 and maintaining their reputation as a reliable supplier of food. Departments and agencies need similar business continuity programmes where they have responsibility for key services for the public. (More detail is provided in Appendix 12).

Having reliable up to date information to identify when policies need changing: Boots plc

Boots use information from within the business (for example data on transactions with customers from electronic point of sale systems in Boots stores and the Boots Advantage card held by some 13 million people in the UK) to analyse current performance and to identify key trends and uncertainties in their external environment by using a combination of in-house experts and external perspectives.

Benefits secured. Up to date comprehensive and reliable information allows Boots to maintain and improve their performance in a number of areas including customer satisfaction, market share and earned value. This approach has direct relevance to the public sector because where departments and agencies are responsible for delivering services to the public they need reliable information on the performance of these services including customer demand, behaviour and preference, the length of time it takes to deliver the services, the unit cost and overall quality of the service. Such information is important in deciding whether public services need to be modified to improve their effectiveness. (More detail is provided in Appendix 10).

Consulting stakeholders to assess whether a policy needs modifying: The National Trust's review of their farming policy

The National Trust have responsibility for 248,000 hectares of land in the UK and identified a need to modify their agricultural policy. This need arose from the Trust's internal monitoring which highlighted an increase in requests for advice from their employees responsible for farmland about whether farm buildings which were typical to the area, for example in the Cotswolds or Devon, and the type of farming, should be preserved even though the buildings no longer had a practical use. The Trust concluded that their farming policy had developed in a fragmented way and needed to be updated to reflect changing circumstances. The Trust carried out a series of consultations with their own staff and also external stakeholders such as tenant farmers to assess whether new policy proposals could be implemented, such as using 'Whole Farm Plans' as the principal mechanism of implementation, encouraging conversion to organic farming, providing public access routes and making further conservation gains. This feedback was used to refine the policy, which was published in August 2000.

Benefits secured. Reliable monitoring identified a need for a policy to be modified; the modifications were based on extensive consultation to ensure that they were workable; and the revised policy has enhanced the Trust's ability to manage their own land and improve the consistency between their agricultural policy and wider objectives such as promoting biodiversity and public access. (More detail is provided in Appendix 15).

Regular reviews to determine whether a policy remains relevant in changing circumstances: Department of Trade and Industry.

In preparing the 1998 White Paper on Competitiveness, the Department published a benchmarking document which examined where the UK economy stood in relation to other countries, and set up seven consultation exercises on subjects such as investment, good practice, innovation and skills. In each of these areas advisory groups, including senior business representatives, were asked to make recommendations to the Department with the assistance of a secretariat from the responsible policy area to ensure that recommendations were developed alongside existing policy. These recommendations contributed to the policy process brought together by the Department in their 1998 Competitiveness White Paper, which included a published implementation plan for the policies it contained.

Benefits secured. By regularly reviewing whether policies to promote the competitiveness of the UK economy remain effective the Department are better prepared to adapt policies to changing circumstances and ensure that existing policies remain relevant. The Department also look at new policy developments overseas on a continual basis and are increasingly doing so in the face of a rapidly changing economy.

Learning from policy evaluation to terminate a policy when it is not working: Lord Chancellor's Department non-implementation of Part II of the Family Law Act 1996

An objective of Part II of the Family Law Act 1996 was to help couples experiencing relationship difficulties save their marriage, where possible, and to assist those committed to divorcing resolve problems with minimum acrimony. One aspect of the policy was that couples contemplating divorce should attend compulsory "information" meetings. The Department tested six models of how information meetings could be organised in fourteen pilots in different parts of the country over a two year period between June 1997 and June 1999. 9,900 married people applied to attend an information meeting and 7,863 actually did attend. The meetings had two main objectives: First, to direct couples' attention to the issues which they need to consider when thinking about ending their marriage, and secondly, to provide information on the options to help resolve their difficulties and the support services which are available. These different models included, for example, face to face meetings, and meetings where information was provided electronically through CD-ROM introduced by a facilitator.

A detailed evaluation report by a team at Newcastle University showed that the information meetings were not effective in helping most people to save their marriages, as the meetings took place too late. The meetings were too inflexible to provide people with information tailored to their personal needs. In the great majority of cases, only the person seeking a divorce attended the meeting, and they did not have the willing involvement of both parties.

Benefits secured. The Lord Chancellor's Department acted on the results of their pilot evaluations and terminated the planned implementation of the policy. The Department learned that alternative approaches were needed to provide couples experiencing relationship difficulties with the information, advice and support they need at the best time to help resolve problems and, where possible, save the relationship.

Source: National Audit Office

school children (Appendix 3). Another example is the Arable Stewardship pilot scheme to test the practicality of a range of land management options to stem the loss of wildlife habitats which is contributing to the decline in the populations of a number of species of birds, insects, mammals and plants (Appendix 4).

■ **The requirements of the client group may have changed or be better understood.** For example, at one time a key initiative to help the unemployed return to work was to provide training. This policy has shifted to some degree in recognition of the needs of potential employers for a better skilled workforce by providing more vocational training and sponsored job experience particularly for the younger unemployed.

■ **There may be opportunities to deliver policies more cost effectively.** For example, advances in healthcare mean that it is no longer necessary for patients to stay in hospitals for long periods following surgery and in many cases they can be treated as day patients such as with cataract surgery[28]. High quality healthcare is provided but, in-patient nursing, accommodation, catering and other support costs are significantly reduced. Achieving this modification to healthcare policy has required a change in the behaviour of medical staff and the expectations of patients. Another example is NHS Direct, which by providing citizens with 24 hour advice on healthcare should divert people from unnecessary visits to their GP, and particularly from their local Accident and Emergency Department. With an increasing prison population the Home Office's electronic tagging system[29] allows low risk prisoners to be released back into the community early thus reducing prison costs.

■ **Policy changes in one department may require other policies to adapt.** Some policies are highly interconnected for example, the rehabilitation of offenders involves the Prison Service, Probation Service as well as the Department for Education and Skills. New initiatives or policy changes introduced by any of these cannot be made in isolation. For example, changes in sentencing policy have an impact on the level of support required by prisoners such as education and training and on social services in the community on release.

3.22 In order to know when an existing policy needs to be modified or adapted departments require:

(i) Comprehensive monitoring to assess the performance and effectiveness of policies. Decisions about whether policies need to be modified can only be made if departments have

reliable and sensitive data on their current performance, in particular about the outcomes policies are achieving, as evaluation indicators may be insensitive to measuring minor, but important changes in outcomes. This is particularly important with policies that have a direct impact on public services. Departments need to know whether these services are meeting client groups' expectations and whether the cost and quality of the service including its overall productivity are reasonable. This can include, for instance, identifying the relative cost and quality of a programme compared to no programme at all or a different programme[30]. Such information is important in deciding whether public services need to be modified, and how, to improve their effectiveness.

(ii) Policy reviews are more formal assessments of the effectiveness and performance of existing policies. They can be particularly useful where a policy has existed for a number of years and has continued unchanged. Policy reviews can address a number of issues including the value for money of a policy, how it is perceived by the public, whether there are any gaps in service provision, and how the policy might be adapted to improve its effectiveness. Mechanisms need to be in place for ensuring that issues and problems arising out of service delivery are fed back from those implementing the policy to those who can initiate policy reviews. Policy reviews are valuable in considering approaches in tackling longer term issues such as industrial competitiveness, transport and education. The value of policy reviews can be increased where some external input is provided to challenge long held assumptions. Internal reviews of policy carry the risk that they reflect primarily departmental views and interests and fail to take sufficient account of those most affected by policies emphasising the need for stakeholder consultation, as demonstrated by our case study of the National Trust's approach to reviewing policy **(Figure 29)**. In general, departments we examined told us that the decision to undertake policy reviews tended to be ad hoc and that reviews needed to be more analytical if they were to be an effective scrutiny mechanism.

(iii) Innovation. Better ways of delivering policies and improving public services and value for money are more likely to come about when departments are receptive to new ideas and actively seek them. This requires being alert to new methods of service delivery through ongoing monitoring and research of new developments in comparable organisations in the private, public, and voluntary sectors and internationally.

28   NAO Report. Cataract Surgery in Scotland (HC 275, 1997-98).
29   NAO Report. Supporting Innovation: Managing risk in government departments (HC 864, 1999-00).
30   A measure of the 'counterfactual' establishes what outcome would have occurred in the absence of a policy intervention or programme, to enable the likely impact of the policy to be better understood

Terminating policies

3.23 There may come a time when a policy has achieved its intended outcome, remedied the social or economic issue it was designed to tackle, or the policy may have become obsolete or ineffective. It may then be necessary to replace a policy with a new one to reflect different circumstances or it may be more cost effective to terminate the policy altogether.

3.24 Departments we examined told us that it was often difficult to terminate a policy. They considered that this is partly because establishing the right time to do so is often not easy and there is always a reluctance by officials and Ministers to accept that a policy solution has not worked as planned. They said that policy reviews and formal evaluations very rarely resulted in a decision to terminate policies that were no longer effective. They told us that the results of evaluations are more likely to be used to refine policies. The tendency is, therefore, for policies to develop incrementally into new forms than to be terminated completely, although in some cases the latter may offer the best value for money. New priorities are more likely to result in policies not continuing for example, where there are a number of initiatives competing for limited resources. Policies can also be terminated as a result of a major rethink in response to an issue of major public concern for example, the replacement of the Community Charge by the new form of Council Tax.

3.25 An example where a policy was not implemented following a detailed evaluation that indicated that the policy, as it was designed, was unlikely to work is the Family Law Act 1996. In January 2001, the Lord Chancellor announced that the Government would not proceed with the implementation of Part II of the Act. The Act provided for those who had decided to divorce to go through certain procedures to help explore whether it was possible to resolve problems before a decision to divorce is made irrevocably. Evaluation revealed that the proposed ways of implementing the policy were unlikely to offer the assistance intended to help couples and the policy was withdrawn in favour of exploring alternative methods of providing couples with the information, advice and support that they need **(Figure 29)**.

3.26 Another approach which some departments have experimented with is the use of 'sunset clauses' so that policies introducing regulations automatically terminate unless reviewed after a specific number of years. The advantage of this is that the case for continuing with the policy has to be rejustified before more money will be allocated to the policy. This creates a "challenge function" in the allocation of programme expenditure and the maintenance of policies.

Evaluating and learning lessons

3.27 Evaluation is important for determining the extent to which a policy has met or is meeting its objectives and that those intended to benefit have done so. Evaluation can also help departments learn lessons and share good practice in policy design and implementation **(Figure 30)**. For long term policies evaluation can identify ways in which the policy can be improved or developed to increase its impact.

"Evaluation is a disciplined inquiry that applies scientific procedures to the collection and analysis of information about the content, structure and outcomes of programmes, projects and planned policy interventions."

Source: Evaluation Research, Alan Clarke 1999

30 **Evaluation should aim to:**

■ Improve policy design implementation and decision-making;

■ Help resource allocation;

■ Enhance accountability in terms of assessing what taxpayers' money achieves; and

■ Promote organisational learning and good practice.

Source: National Audit Office

3.28 The Modernising Government White Paper published in March 1999 emphasised the need for evaluation to play a greater part in designing programmes so that policy-making is much more evidence-based. This was reinforced by the report by the Cabinet Office's Performance and Innovation Unit, "Adding It Up - Improving Analysis and Modelling in Central Government", published in January 2000. To encourage departments to make evaluation a more prominent feature of policy-making the Treasury, as part of the Public Spending Review 2000, required departments to provide an assessment of how policy objectives would be delivered; to demonstrate that their approach was evidence-based; and to show how departmental research programmes would underpin continuous improvements in performance. The approach was to be used to evaluate progress in reaching specific policy objectives such as reducing preventable deaths from cancer and heart disease, increasing pupil attainment at GCSE level, especially in the most disadvantaged areas, and cutting domestic burglary. Departments' approach to evaluation differs. Some departments, such as the Department of Trade and Industry and the Department for International Development, have specific units with responsibility for evaluating policies and have a forward programme of evaluations **(Figure 31)**. Other departments commission evaluations in-house or from specialist organisations when required.

31 | **How the Department of Trade and Industry (DTI) and the Department for International Development (DFID) undertake evaluations.**

The Department of Trade and Industry have a well established system of evaluation where activities to be evaluated are identified on an annual basis. External contractors conduct the bulk of evaluation work, although the Department do have some dedicated evaluation staff.

A Strategic Evaluation Committee, comprising senior DTI staff, provides overall direction to evaluation in the Department. Its aim is to ensure that evaluation is forward looking and feeds into policy development and resource allocation. Priority is being given to assessing progress against Public Service Agreement Targets agreed with the Treasury, and evidence that helps programmes with similar objectives to be compared. Evaluations are also being broadened to look at the impact of regulations and work undertaken by DTI staff, as well as expenditure programmes.

The Economics and Statistics Central Evaluation Team (ESCET) co-ordinate the Department's evaluation programme, reflecting the priorities of the Strategic Evaluation Committee. Evaluations across the DTI are managed by economists and researchers working directly in the area concerned. Completed evaluation reports are examined for comparability and rigour via an Evaluation Methodology Group, which is a peer group chaired by the Director of ESCET.

The Department for International Development have an independent Evaluation Department. They select three or four key themes from DFID's work annually for evaluation. Themes are selected for their scope to offer lessons for the future, but the aim is to cover all major sectors over time. However, increased attention is now given to issues of current policy interest. Within each theme, the Department commission a number of individual project evaluations. These are followed by a synthesis evaluation, which combines the project-level results with other performance information, academic work and international evidence to draw general conclusions. Evaluations typically take some 18 months, using multi-disciplinary teams made up of in-house evaluators and external experts.

Source: Department of Trade and Industry, Department for International Development

3.29 All of the departments we examined provided examples of evaluations they had commissioned **(Figures 32 and 33)**. They identified, however, a need for evaluations to be more practical in their focus. For example, showing what worked well in improving public services and why, and considering what further practical steps were needed to enhance service delivery and improve effectiveness. Departments we examined also recognised that they needed to do more to draw together and act on the common lessons and good practice which a range of different evaluations are bringing out.

3.30 Another potential constraint is allowing enough time for reliable evaluations to be completed. As new initiatives are developed by specially established units such as the Social Exclusion Unit to tackle long standing problems a range of different approaches are being piloted to test how well they work in practice. These pilots often include a requirement to evaluate their impact and learn lessons with specific funds allocated for this purpose. The issues being addressed are, however, often complex and it is important that sufficient time is allowed to collect and evaluate comprehensive data to form a reliable assessment of whether the initiatives being piloted are suitable for wider implementation nationally.

32 **Examples of evaluations commissioned by departments**

■ The Lord Chancellor's Department developed evaluation programmes which examined the impact of the Family Law Act 1996; the Human Rights Act 2000 and changes in civil court procedures.

■ The Department of Trade and Industry evaluated how effective they had been in improving performance of small firms in the automotive components sector through measuring the sustainability of process improvement techniques introduced through the Industry Forum project.

■ The Department for Work and Pensions evaluated the effectiveness of the "Better Government for Older People" programme which set up pilots in 28 local authorities to give an understanding of how public services for older people might be improved.

Source: National Audit Office

33 **Good practice in policy evaluation and learning lessons**

Building in evaluation from the outset of a policy to determine its effectiveness: The Department for Environment, Food and Rural Affairs' Arable Stewardship Scheme

The Department ran a pilot scheme to test the effectiveness, practicality and likely cost of a range of changes in management to recreate wildlife habitats in arable areas. They built an evaluation process into the pilot scheme from its outset, which focused on three areas. Specialist agriculturalists evaluated the working of the practical aspects of launching and operating the scheme, for example they evaluated farmers' attitudes to the scheme and why the scheme was heavily oversubscribed in its first year. The Department also commissioned an ecological evaluation of the scheme to determine its effectiveness in terms of environmental benefits and an economic evaluation.

Benefits secured. The Department for Environment, Food and Rural Affairs tackled the risk of failing to implement nationally the most cost effective land management options for recreating wildlife habitats in arable areas by building in an evaluation process from the outset of the pilot scheme. This enabled them to understand farmers' attitudes to the scheme and to identify those options that are most likely to be effective in providing environmental benefits and to be cost effective. (More detail is provided in Appendix 4).

Drawing on international experience to find solutions to common problems: The Women and Equality Unit's comparative research with Sweden

The Women and Equality Unit supplemented their own research by conducting a benchmarking study with their counterparts in Sweden to compare knowledge about the factors that are important to women in starting up businesses. This work involved local women's groups that were involved in supporting women's entrepreneurship, finding out about the work of similar organisations in Sweden, sharing experiences and identifying ways to influence the running of local business support projects for women in the United Kingdom.

Benefits secured. The Women and Equality Unit have tackled the risk of failing to identify potential policy options for supporting women's entrepreneurship by comparing their experiences with those of their Swedish counterparts. This has helped them establish that they need to know more about the barriers facing women starting up in business and provided a baseline to assess where further research is needed. It has also promoted links between the two organisations as a means of sharing and disseminating good practice in supporting women's entrepreneurship. (More detail is provided in Appendix 5).

Learning lessons: Swedish system of policy reviews

The Swedish system of government has a long tradition of using commissions to assess objectively a policy area. The ministry responsible for the policy area usually initiates a commission and its terms of reference and the scope of the problem to be addressed are determined through dialogue between civil servants and their ministers. A commission works independently of the ministry and is made up of relevant experts and stakeholders. A policy review by a commission typically takes between one and two years to complete and results in the publication of a report known as a "State Official Examination". The report contains a systematic review of the history of a policy area, including an examination of existing legislation and practice from abroad. The commission has a three month period of consultation to obtain views on the report from a large number of organisations, including those not directly affected by the policy, after which the ministry will assess the views and present them to the State Secretary and advise what action to take. Recent policy reviews by commissions have included examinations of humanitarian crimes against international law and discrimination on ethical grounds. Reviews may also be more technical in nature for example, on a specific aspect of the pension system or technical aspects of a particular policy.

Benefits secured. The Swedish government tackle the risk of having gaps in policy provision or new policies being launched by one department which work against the policy objectives of another by reviewing all aspects of a policy area or technical aspects of a particular policy through the use of commissions. The commissions secure a broad range of opinions from experts and those directly affected by the policy and produce objective work which is free from political influence and provide an important input into the policy-making process.

Utilising institutional memory: WWF-UK institutional memory project

WWF-UK's approach to improving its institutional memory has been to capture and deploy important information and knowledge on its intranet. In parallel, the organisation is developing a project to capture and store low usage historical information in a compact disc archive. It is testing this system using information from its successful campaign on endangered species as the basis of the pilot and is seeking to apply the approach as it develops campaigns in new areas (for example toxic substances in food and the environment).

Benefits secured. WWF-UK is tackling an identified risk that it will not learn enough from past mistakes and fail to exploit future opportunities if it is not equipped with knowledge about how it responded to similar events, problems and opportunities before. (More detail is provided in Appendix 17).

Source: National Audit Office

3.31 As departments commission more evaluations it is also important that they understand what is likely to result in a good evaluation and what they should expect from those they commission to undertake evaluations. This is crucial in ensuring that evaluations produce reliable evidence on which to base policies. **Figure 34** summarises some of the key features of good evaluation.

3.32 Other ways of learning lessons are through knowledge management and from other countries' experience of tackling similar issues.

Knowledge management to promote institutional memory

3.33 Departments may fail to learn from the strengths and weaknesses of policies if they are unable to use knowledge about the way one policy has worked to develop new policies. Disseminating good practice through use of websites or workshops can encourage sharing of experiences about what factors are more likely to make a policy successful.

> Institutional memory is the knowledge and experience which departments accumulate over many years. It is a valuable resource because it can draw on experience of previous policy-making to prevent failures and avoid reinventing the wheel. To be effective there must be mechanisms for capturing institutional memory and making it easily accessible to staff.
>
> *Source: National Audit Office*

3.34 Policy-makers we interviewed in departments acknowledged that they lacked authoritative subject experts, who really understand their subject areas and are able to build up networks across departments and with other subject specialists outside central government. Those involved in policy developments told us that to find out about good practice they often relied on personal contacts. This presents the risk that if officials spend only a short time in post, their knowledge can be lost when people move on. This risk is increased by the often rapid movement of policy-makers through policy posts as part of their natural career development. Policy-makers may have no career incentive to stay in one post for more than 2-3 years, as moving regularly is seen to offer the best opportunities for better pay, responsibility and promotion. Once people have moved on from their current post, officials who take their place (and not least those from outside the department) find it difficult to assess the state of knowledge around a policy problem and, in particular, the extent to which lessons have been learned from previous and related policies.

3.35 Departments we examined said their efforts to keep track of experience of previous policy-makers had only had limited success (databases of officials' previous experience, for example, were not generally updated when people moved and were not used). From our interviews we found that departments' ability to draw conclusions about the assessment of risks of whether a policy might work depended on whether or not someone in their team had access to information on, for example, evaluations assessing the impacts of previous policies,

34 **Features of good evaluation**

To establish effective evaluation of policies departments should:

- Build in the scope and purpose of evaluation from the outset of policy design.

- Identify all relevant stakeholders and seek their views so that the impact of the policy on all parties can be evaluated.

- Undertake formal evaluations of the success of policy pilots to identify how a policy might be improved before it is rolled out nationally.

- Ensure that the data to be used in an evaluation are fit for purpose and sufficiently valid, reliable and relevant.

- Quantify the effects of a policy in isolation from other related policies using valid measures of the counterfactual[31] from controlled comparisons.

- Distinguish between factors which are attributable to an outcome - such as ex-prisoners re-offending because they are unemployed - and factors which contribute to an outcome - such as poor counselling for released prisoners - to analyse the success or failure of a policy.

- Secure that lessons are learned from evaluation and that results are used to inform and improve the design and implementation of future policies using incentives and disincentives to bring about change where appropriate.

- Seek to share with other departments the lessons they have learned through evaluation.

- Ensure that evaluators understand the political, cultural and organisational environment in which they are working and that "what works" in one context or environment may not work in the same ways elsewhere.

- Ensure that evaluators have the appropriate skills and experience to evaluate effectively the success or otherwise of a policy.

- Ensure that they have agreed and set down with evaluators clearly specified policy objectives so that criteria to evaluate the success or otherwise of a policy can be established.

- Ensure that they have agreed with the evaluators the criteria to be used to evaluate the success or otherwise of a policy meeting its objectives and that policy-makers and evaluators distinguish between policy outputs and policy outcomes.

Source: National Audit Office

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31   A counterfactual establishes what outcome would have occurred in the absence of a policy intervention or programme, to enable the impact of the policy to be better understood.

usually as a result of having been involved in the area previously. This has implications for both cost and effectiveness at all stages of the policy process. If lessons from previous policies, research and analyses are not drawn on, unnecessary costs may be incurred and mistakes may be repeated. This has been the case, for example, with government information technology projects, where the Committee of Public Accounts are particularly concerned that problems continue to occur even where the Committee have made recommendations to improve performance in several reports[32].

3.36 One approach to learning lessons from research programmes is the development of the Centre for Management and Policy Studies' knowledge pool. This is a database of electronically available information which is designed to create a more accessible source of information on which to base future policies and to facilitate easier sharing of departments' experience of policy-making. Departments we examined acknowledged and support the work of the Centre to create a pool of knowledge in policy-making designed to promote a culture of sharing information and improving co-ordination between departments about the research available in particular policy areas. In our interviews, however, we were given no examples as yet of where and how this had been drawn on to inform particular policies.

Learning from overseas experience

3.37 Many of the issues requiring policies are not new and other countries often face or have faced similar circumstances. The experience of government departments in other countries can be a useful source of innovation, new ideas, and good practice. Learning from them can minimise the risk of departments in the UK reinventing the wheel which can be expensive, and help avoid problems which other countries may have encountered and developed solutions for. The Centre for Management and Policy Studies are designing a demonstration project, the Employment Retention and Advancement Project, to test ways of making policy by building evaluation principles into the development, implementation and delivery of policy. The experience of such projects in the United States, Canada and parts of Scandinavia provides a useful comparison for learning lessons in the UK context. Another example is The Women and Equality Unit, who in developing their policy to promote women's entrepreneurship conducted a benchmarking study with their counterparts in the Swedish Government to compare knowledge about the factors which are important to women in starting up businesses **(Figure 33)**.

3.38 Drawing on overseas experience requires, however, certain skills as what works well in one country may not necessarily do so in the UK. Policy-makers need therefore to select an adequate range of countries from which to learn potential lessons and have clear and sound reasoning for their selection. In assessing the suitability of policy approaches adopted in other countries for the UK, policy-makers need to consider:

- **Context.** The motivation behind the policy, what it is seeking to achieve, and whether it is influenced by any political philosophy. If the circumstances are different in the UK the department will need to consider how well the policy will transfer without modification.

- **Cost and resources.** Is the policy affordable in a UK context and is the department or organisation responsible for implementation likely to have the skills required?

- **Implementation.** The factors influencing the successful implementation of the policy and how barriers were overcome will need to be analysed to determine whether similar factors or constraints exist in the UK.

- **Acceptability.** How the client group in the UK is likely to react to the policy - behavioural responses will be important - and whether the policy will be acceptable to public and political opinion. For example, a highly centralist direct interventionist approach may or may not be acceptable in a UK context.

3.39 The transferability of a policy to the UK is therefore a key issue. The Centre for Management and Policy Studies have set up a Working Group to consider and advise on good practice in drawing on international comparisons in policy-making. In addition to the Centre for Management and Policy Studies, there are a number of organisations working to establish and disseminate lessons from overseas, such as the Economic and Social Research Council UK Centre for Evidence-Based Policy and Practice.

3.40 Other countries are not the only source of comparisons. Departments we examined recognise that benchmarking their own business processes with other organisations in the UK is something that should be done more frequently. For example, the Lord Chancellor's Department have commissioned research to compare the costs of legal advice which citizens may seek from a range of sources including Citizens Advice Bureaux and voluntary support organisations[33]. The cost of some of this legal advice is reimbursed by the Department and it is important therefore that they have assurance that the costs represent value for money.

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32 *For example, Committee of Public Accounts First Report 1999-00 - Improving the delivery of Government IT Projects*
33 *Quality and Cost: Final Report on the Contracting of Civil, Non Family Advice and Assistance Pilot. Legal Service Commission 2001.*

Appendix 1

Beyond Muddling Through - Can analysis assist in designing policies that deliver?
Paper by Professor Brian Hogwood, Department of Politics, University of Strathclyde

Introduction

This paper is designed to raise issues about the scope for and limitations of the role of analysis in assisting the 'modernisation' of the policy-making process in Britain. The term analysis is used in its broadest sense, covering not just formal techniques of operations research and decision analysis but a wide range of approaches to applying information and thought in the policy process. At one end this can include the use of formalised assessment checklists to ensure points are covered. It may include careful reflection on the experience of other countries or past British experience and other apparently relevant British programmes. It *must* include behavioural analysis - how might policy deliverers and clients react to a policy? At one level it is about taking care with concepts and terms and considering whether all those involved share understanding about what they imply. It can involve the stimulation of creativity, for example, in generating ideas for 'how else could we achieve this objective?', or 'in how many ways could this policy go wrong?'.

The word 'assist' is used deliberately. At its best analysis is a potential aid to the exercise of judgement by those involved at all stages of the policy process, not a substitute for it. This implies that communication of the results of analysis is at least as important as the conduct of analysis itself.

It should be stressed that while the focus is on the contribution such analysis may make in the context of modernisation, many of the techniques are far from new (though now assisted by widespread computer and communications technology) and some were actually developed within British government. There is nothing referred to here which has not been utilised in some way in the public sector in Britain[34].

What do we mean by "policies" and "policy-making"?

Policies do not all take the same form. They vary immensely in cost, numbers affected, method of delivery and duration. It is therefore unlikely that a 'one-size fits all' style of policy-making will be appropriate, and there will be a need to decide how to decide'[35]. The first stage in analysis is therefore to ask what is meant by policy or policy-making in a particular context, terms which are taken for granted, but which are in practice used in widely differing ways. Some policy utterances consist of broad indications of intent, with no indication of exactly what is to be achieved or how. Others may be very detailed targets for throughput or output with no indication of how they are to be delivered.

At one level *policies* can be thought of as *'theories'* or *sets of assumptions about what works*. All policies and proposals embody such sets of assumptions about what the problem is, how society or the economy operates, what actions government can perform, and what their consequences will be. The assumptions may not be spelled out, but they exist nevertheless. Analysis seeks to tease out those assumptions and examine the extent to which there is evidence to support them and the internal consistency of the assumptions, as well as what appears to be missed out. This apparently abstract point is of practical political relevance in the context envisaged in the 'modernisation' programme in which multiple stakeholders are to be included. If some of those involved have different sets of assumptions about what the problem is or what can be achieved, analysis can help to identify the characteristics of the different 'policy frames' of different actors - the extent to which they are shared, the extent to which one stresses something omitted in another[36]. Analysis can assess the relevance of this to policy in practice, though analysis cannot overcome conflicting perspectives.

If we focus on government and its announcement of policies, we get an impression of the centrality of that policy to an area of concern. However, if we want to see how policies will be used by those involved in delivering them, we can think of *policies as signals*, signals that the government wants to prevent something and will penalise those caught doing it, signals that money will be available if you can show you fall into certain circumstances, and so on. These signals will be interpreted by those who read them in a way that suits them best, as one of several sets of signals they are receiving, including others from government. As a consequence, such signals may be ignored, used for the recipients' own purposes, and occasionally for the reasons envisaged by government. Analysis needs to include how policies will be used by policy deliverers and clients, and this point is taken up below in discussing the behavioural reaction to policies.

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34   Many operations research approaches were developed in Britain during the Second World War. The Royal Institute of Public Administration set up a Local Government Operational Research Unit in 1965. Pinkus and Dixson (1981) analyse a number of applications of operations research to local and health decisions. One of the most accessible short guides to decision analysis was published by the Civil Service College in 1981 (Chapman, 1981).

35   For one approach to 'deciding how to decide', see Hogwood and Gunn 1984, chapter 6 on issue filtration

36   On policy frames see Schön and Rein (1994); Surel (2000).

A focus on policies as *individual programmes* is concerned with what is involved in actual delivery of policies: the relevant items of legislation, the organisations involved in delivery and their staffing, and the money allocated among them. Individual programmes may vary considerably in the mix of these different resources which make them up. Some programmes may rely heavily on law and a small enforcement staff. Others may involve huge sums of money delivered through civil servants. Others may entail the delivery of a service or care through specialised staff employed by local or appointed bodies. Programmes vary immensely in the extent to which their outputs are directly determined by central government, at the discretion of delivery organisations or individuals within them, or dependent on the responses of firms or individuals. Programmes vary considerably in their complexity, but as numerous reports from the National Audit Office have shown, even something as apparently simple as distributing social security payments according to standardised rules may be error prone and potentially capable of improvement. Particular issues of assessing value for money arise when potential alternative programmes involving different mixes can be used. It might seem self-evident that a self-funding regulatory programme is preferable to direct service delivery by the state, but assessing this would require consideration not just of cost in public funds, but efficacy and costs displaced to others.

Increasingly, *policies may be viewed as packages*. In other words, in trying to tackle a set of issues seen as interrelated, a package of measures involving several different programmes or projects will be devised. No one programme on its own may be considered as adequate. Trying to assess value for money of any one component may be difficult or even meaningless if the cumulative or interactive effect is what is seen as necessary to provide the desired outcomes, but that is not to assume that this is always necessarily the case.

Packages are most evident in issues of urban regeneration and associated social deprivation issues. In practice, packages are likely to involve a number of different types of public bodies and not just government departments. Packages may be put together in a number of different ways.

- The package of measures may be put together and announced by central government (though often with consultation in advance of announcement). Here central government has 'ownership' (though not necessarily control of delivery) and can fairly be judged on its own stated objectives (if they are in fact stated).

- Often though, packages in practice are put together at the point of delivery by organisations by using funds or other resources from a range of what are seen as separate programmes from the perspective of central government. This is now common practice

for a wide range of bodies, from universities to country parks, which have to put together a 'cocktail' of funds from a variety of sources, including but not confined to central government. Here an assessment can still be made of individual programmes, but in doing so it may be necessary to take account of whether their impact is dependent on, or contributory to, a wider set of programmes.

- Finally, an increasingly common pattern, for example, through the Single Regeneration Budget, is for central government to launch an initiative and invite bids from local authorities or partnerships for funding of packages within that initiative, with central government selecting the successful bids. Here the process is one of iterative determination of the package.

Particularly for policies as packages, there is a tension in both prospective assessment and later evaluation between target setting by central government and the ideal of inclusiveness, which would imply that the concerns of the other participants should be included in the assessment.

Risk, uncertainty and complexity

One of the standard attacks on the case for a more 'rational' approach to policy-making is that the world of policy-making is far too complex, risky and uncertain to be able to identify possible policy options and their consequences, so that the best we can manage is to 'muddle through' (Lindblom, 1959). This point needs to be met head on. Analysis cannot remove risk and uncertainty but it can offer approaches which incorporate it in assessing options[37]. Analysis cannot make the policy-makers' world simple, but it can assist in highlighting the implications of complexity. These three issues: risk, uncertainty and complexity, are sometimes treated as though they were the same, and are often all present in an issue, but it is worth attempting to show the different features they bring to a problem. They are not separate from issues of value for money, but are at the heart of difficulties of judging it.

Risk

One of the problems with considering the role of risk in making policy choices is that the term is now widely and loosely used. Risk and uncertainty are often used as though they were synonyms. They may both be present in an issue, but it is worth distinguishing between risk as the chance of something occurring within a pattern of probabilities, and uncertainty as lack of knowledge and understanding. Formal techniques are much more likely to be helpful in assessing the implications of risk for policy options than they are for uncertainty. Another problem is that 'risk' has come to be equated with adverse consequences, but the outcomes may also include desired consequences (such as winning the

37   *The National Audit Office report Supporting Innovation: Managing Risk and Government Departments (HC864, 1999-2000) contains much material of relevance to this section. However, the emphasis here is not just on risk and uncertainty in the context of innovation, and this paper also seeks to place these themes in a wider perspective of analysis in policy-making.*

lottery). Where an outcome is certain, there is no 'risk'; for example, in assessing the reaction of doctors to a 20 per cent pay cut there is no need to assess 'risk', since an adverse reaction is certain! It might be easier if we simply talked about what the chances of something happening were, or how likely it was, but the term risk, with its attendant linguistic confusion, is unlikely to disappear from the political vocabulary.

Why it may make sense to have an ambulance sitting in a lay-by in the middle of nowhere doing nothing

Many readers may have seen an ambulance in a lay-by not attending any incident and not near any particular known accident black spot. Surely the ambulance should be at its ambulance station base ready to be called out to an emergency or engaged in something useful like ferrying patients to hospital appointments? The ambulance may, in fact, be there as a result of a careful assessment of the geographical distribution of accidents or other emergencies.

In other words, examination of past patterns of emergencies cannot reveal exactly where the next incident will be, but can be used to calculate the probability distribution of timing and location. The result may be (but is not necessarily) that average response time would be lowest if the ambulance was not located near any one of the concentrations of incidents, but in a location accessible to a number of them.

Since the calculations are based on the past distribution of call-outs, there would be a need to recalculate them if the underlying conditions changed; for example, the construction of a by-pass might affect both pattern of road accidents and average response time of ambulances. The robustness of the initial analysis can, though, be tested with a variety of assumptions about future patterns.

The data and the exact calculations would vary for each health area, but this is one example of where a complex decision with literally life-saving implications can be aided by a standardised technique. Issues of priorities and judgement would still be likely to remain in determining targets for average and maximum response time in relation to costs of those targets.

Pinkus and Dixson (1981), chapter 2, provide a detailed worked example of this type of study in West Glamorgan, while Raitt (1980) provides a more general overview of operations research applied to ambulance planning.

There are a wide range of operations research and decision analysis techniques which assist the comparison of options where there are known patterns of probabilities[38]. They are most likely to be directly applicable where there is a pattern of past observed probabilities and the conditions which produced that pattern continue to apply. An example would be assessing the risk of flooding based on past patterns and various options for reducing its impact in a particular location. Typically, such techniques work on the basis of assigning a value (or cost) to an outcome by multiplying its value with its probability (for example, a high probability of winning a small sum may be 'worth' more than a very low probability of winning a large one). In other words, value for money will depend not simply on cost, but on the differing probabilities of differing levels of benefits (or outcomes avoided). Well conducted studies involving formal calculations of risk may produce results which are at first sight counter-intuitive, but on analysis produce better value for money than a 'common sense' policy, as the example in the box shows.

However, matters are not quite so straightforward as doing a calculation, particularly in a public policy context. Someone who is risk neutral may indeed simply calculate the costs in relation to the probabilities of different benefits. However, someone may be risk averse, and willing to expend extra costs to avoid an undesired outcome with a low probability. In other contexts people may be risk-seeking - willing to spend money even though the probabilities of success are low in relation to costs and benefits, as when people play the National Lottery (a policy based on an assumption of risk-seeking behaviour). Policy-makers are having to make such choices based on costs and benefits which will be largely incurred by others. To complicate matters, people may be prepared to take quite high risks in their own behaviour (e.g. by smoking or mountain climbing) but not prepared to accept very low risks resulting from policy decisions. All this in a context where the concept of risk and probabilities may be poorly understood. Indeed, there is a possible political conundrum: if formal risk analysis is conducted and it is known that a decision-maker approved a decision on the basis of a 1 in X million chance, the adverse political reaction may be greater than if a formal analysis had not been conducted at all and the decision-maker was able to claim that he or she had not been told about the risk.

The politics of risk is also affected by the intensity of effects (people may be very risk averse to a low chance of intense effect compared to a much higher risk of a lower intensity effect). Concentration of effect also generates policy concern. Thus, a train crash killing thirty people may cause more concern, even where there is a much lower risk of thirty people dying this way than by car accidents. Whether risk is distributed across a large population at any one time (death by cancer) or across time (flooding) can also be relevant to political impact. Whatever scope there may be about educating decision-makers and citizens about consistency in risk assessments, these are likely to remain considerations in policy-making.

appendix one

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38   For useful overviews of these, see National Audit Office (2000), appendix 6; Hogwood and Gunn (1984), table 10.1; Chapman (1981), chapter 10.

Uncertainty

In contrast to risk, which is about assessing the implications of a pattern of known or calculable probabilities, uncertainty is concerned with our lack of knowledge or understanding even to the extent of knowing how likely something is. In practice, the two may become intertwined. For example, the pattern of probabilities of flooding based on past data may be affected by uncertainties about future climate change. Computer simulations may be used to generate a pattern of probabilities which would enable appropriate assessment techniques to be applied, though these can never be better than the assumptions fed into them.

It may sound strange to assert that we may be uncertain about the past or the present, but this will be no surprise to economic decision-makers who have to make choices now which will impact in the future based on partial information and understanding about where we are now or were in the recent past. The British government is relatively good at trying to improve its quantitative data, but there is considerable scope for better qualitative understanding and evaluation of the impact of past and existing policies[39].

If we are uncertain about the past and the recent present, we are inevitably even more uncertain about policy relevant developments in the future. Our degree of uncertainty varies considerably: we can be more certain about the number of persons of pensionable age in fifteen years time than the number of primary school pupils. A wide range of quantitative and judgemental forecasting techniques can reduce uncertainty or generate possible scenarios, but policy-makers need to be aware of the assumptions each makes.

A particular area of uncertainty surrounds the fact that most policies involve people rather than just things. We may be uncertain about how people (foreign leaders, benefit claimants) may react to a particular policy announcement. We can draw on psychological and other behavioural studies and a degree of common sense (people will use a policy to their own benefit rather than that intended by the government), but how people react will still result in uncertainty.

One way of coping with uncertainty is to conduct sensitivity analysis. In other words, over what range of possibilities would a particular policy or option still be effective and to what extent?

One of the superficially paradoxical consequences which analysis can have is to make decision-makers more uncertain (more aware of uncertainty) than they were before!

Complexity

Complexity is inevitably related in part to uncertainty and risk. The more complex an issue, the more we may be uncertain about aspects of it. The more complex the delivery process, so Pressman and Wildavsky (1973) suggest, the greater the probability of something not being achieved or agreed. Issues vary considerably in terms of the complexity of the issues themselves, or even clarity or agreement about just what the issues are. Few issues are freestanding or present themselves in only one form. Analysis of what issues are is something which is both susceptible to analysis (how many are affected, what is the intensity of effect, what is the distribution?) but also essentially political in labelling something as an issue to be tackled.

Different participants in the policy process may have different 'policy frames', or understandings about what the problem is, how it interacts with society, what might work to deal with it. An understanding of these differing policy frames may influence the policy-makers' own perceptions of what the issue is, and may give an indication of possible reactions to policy initiatives to deal with it. The fact that policy issues are not simply 'out there' has implications also for the idea of 'evidence-based policy-making'. Evidence is a metaphor derived from a legal context where there is a defined case. What constitutes 'evidence' in policy-making is not self-evident, but only relates to a particular set of assumptions and values.

The extent of complexity varies substantially in terms of the number of stages involved in the delivery of policy and budgetary allocations, the formal organisational structure, and the complexity of delivery in practice, which may involve organisations outside the formal delivery structure. Policies also vary in the extent to which they involve one-off choices, a complex chain of decisions over time, or repetitive decisions of a similar type. The implication is that it is desirable wherever possible to develop standard routines for processing policy involving repetitive or similar decisions and concentrate scarce analytical and judgemental resources on key issues.

Techniques which assess risk and uncertainty cannot substitute for the judgement of decision-makers, though they provide guidance about the consistency of criteria used. Policy-makers might expect to be criticised for taking risks, but policy-making inevitably involves taking decisions in a context of risk and uncertainty. Criticism would more appropriately be directed at decisions taken in ignorance of risk.

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39   *Britain can reasonably claim to have been at the forefront of producing national economic accounts in the 1940s, and in the 1960s attempted to improve the availability of social data, through such publications as Social Trends. In terms of modelling the relationship between policy action and quantitative indicators, we are clearly more advanced in economic modelling (with all its limitations) than our ability to 'model' the social impact of policy change.*

Designing policies for implementability

Policy design is not simply about the selection of the optimal or best value for money option, though that is where decision-aiding techniques are most obviously applicable. It covers everything from the identification of options through to the design of delivery.

Identify options in the first place

Decision-makers are frequently presented with only a limited range of options or even only one. This may reduce 'decision costs', but it enables only a very narrow consideration of value for money. Analysis may seem to have only a limited role to play here, because imagination and creativity are desirable, but there is potential for formal search of alternatives used in other countries or other public bodies or the private sector, as well as structuring creativity through techniques such as brainstorming (see Hogwood and Gunn, 1984, 171-3).

Define options: What is actually involved

Choice cannot be meaningful if what is actually involved in an option is not clear. Yet a perusal of party manifestos and government announcements suggests that policies are often announced before they are defined. In other words, choices may be made before it is clear what has been chosen. At its simplest, defining options involves stating who will do what, when, in what order, and at what cost to whom. Considerations such as technical feasibility and potential implementability and political opposition should also be included as appropriate for each option. Whether options are mutually exclusive or have an opportunity cost (in preventing some other activity, for example) is also relevant. Some choices may involve selection of a particular level within a range, whereas other may involve choices among competing alternatives, and the choice context will affect the range of decision-aiding techniques which can be brought to bear.

Coping with risk and uncertainty

The pervasiveness of risk and uncertainty in policy-making was referred to earlier. How (in addition to carrying out the risk assessments and forecasting in the first place) can options be devised to attempt to cope? The accompanying box sets out a range of possible strategies, all with advantages and disadvantages, and some more appropriate in some decision contexts than others.

Strategies for coping with uncertainty or forecast fluctuating trends

Incrementalism	Take small step; see if it works; if not try something else. Appropriate where start-up, expansion or cutback can be achieved quickly once uncertainty has been reduced.
Contingency planning	Prepare plan to cope with event or range of events (e.g. major accidents) if they should occur. Prepare plan B in case plan A fails.
Plump for single targeted solution	The 'hope for the best strategy'. Only worth considering where the consequences of getting it wrong are low.
Build in margin to cope with most of probable range of outcomes	Worthwhile when it is extremely important to be able to respond to all likely outcomes, but is likely to be very expensive.
Flexibility (e.g. multi-use facilities)	Worthwhile when demand *has* to be met if it arises, but there is a risk of underutilization if and when demand falls. One way of attempting to cope with cycles.
Multi-stage decision-making	Design early stages so they are compatible with a range of outcomes, with later stages being selected once uncertainty is reduced. May be appropriate for some large projects with long lead times. Some versions may be very expensive (e.g. running two versions of a project at an early stage and then abandoning 'inappropriate' one at second decision stage).

Adapted from Hogwood and Gunn (1984)

Handling trade-offs in policy-making

All policy-making involves trade-offs: high benefits versus low taxes; choosing London and not Birmingham. But there are broader issues of types of trade-offs, particularly in the context of risk, uncertainty and complexity.

One trade-off at the heart of the difficulties of assessing value for money is that of *robustness versus cost*. Robustness can be considered in relation to a variety of possible considerations. One already mentioned is robustness in the context of risk, uncertainty or fluctuations over time. Here analysis can assist (both prospectively and retrospectively) in the assessment of the amount of additional certainty or preparedness which can be purchased for a given amount. Where an explicit risk preference is stated it may be possible to say which is the 'best', assuming availability of finance, but failing that options can be presented in terms of the trade-off between cost and certainty of delivery. If a robust option is explicitly chosen, and the potentially risky event does not subsequently occur, then it would be unfair, but politically inevitable in some circumstances, to claim poor value for money. The converse would apply for a cheap option explicitly chosen and an unwanted but assessed adverse risk then occurring which led to policy failure. A cheap failure may be preferable to an expensive 'success'. The best that might be hoped is that more blame might be attached to problems which arose in the context of no explicit assessment or trade-off being made at all.

Robustness can also have a more directly political dimension, where robustness is built in to cope with potential recalcitrance. This may be more generally acceptable in criminal matters than, say, where a government builds in powers to override local authorities who do not co-operate. Such judgements are less susceptible to value for money analysis.

Another trade-off which can arise in the context of the modernisation agenda is the potential trade-off between *inclusiveness and* complexity in policy delivery. There may indeed be advantages in a large number of bodies being involved, including information about local conditions, but the existence of a diversity of organisations with differing objectives and varying degrees of competence and information systems is likely to lead to goal creep and variability in success to an even greater extent than occurs in simpler delivery structures. In the end, this is a political judgement not readily susceptible to value for money analysis, since inclusiveness and partnership may be regarded as objectives in their own right, but structured case studies of issues which have arisen from complex partnerships can illuminate the implications of choices which are being made about delivery structures.

Comparing costs and benefits and for whom

The ultimate trade-off is between costs and benefits. If costs and benefits were incurred by the same people and were in easily comparable form then analysis would be simple and value for money clear. In practice, this is rarely the case. Analysis of other factors may seem to complicate the judgement, but is arguably only revealing the complexities which exist in any case. Among the complicating factors are:

- **The existence of a variety of costs and benefits,** which cannot readily be compared directly with each other. Economic cost-benefit analysis attempts to cope with this by reducing all costs and benefits to a financial equivalent[40]. This approach has been widely criticised for its cost and some of the techniques used for valuation of intangibles (though individual techniques are not intrinsic to the overall approach)[41]. Economic cost-benefit analysis is likely to be most appropriate for large scale projects where most costs and benefits can easily be quantified. Modifications and alternative cost-benefit approaches can present trade-offs in a mixture of verbal and numerical information (this landscape will disappear, but will be £5m cheaper than this alternative), though by presenting complex information requiring judgment, rather than giving an answer summarised in a single row of figures.

- **Variations in risk and uncertainty associated with different options.** These implications have been dealt with extensively already because of their central importance. Comparison here involves not simply the valuation placed on different costs and benefits but variations in the chances of their occurring. Comparison here is at its best likely to involve an interactive process, including discussion of risk preferences, rather than a simple calculation.

- **The distribution of costs and benefits.** Where the costs are simply those of the general taxpayer and the benefits attributable to a clearly defined group, this assessment is relatively simple. Typically, though, policies will involve costs and benefits, not all financial, which are imposed on overlapping sets of people. Further, there may be differences in the valuation of costs and benefits as perceived by those directly affected and government or other observers. The whole point of a policy may be to impose costs and prevent benefits to a particular group. Some versions of economic analysis assume away the distribution issue by assuming that you can sum the costs and benefits and handle the distribution issue by compensation. Indeed, the idea of compensation for a cost borne for a wider benefit is included in some policies (such as agriculture), but not others.

40   See, for example, Sugden and Williams, 1978.
41   Cost-benefit analysis was most memorably criticised by Self (1970) and (1975).

However, the distribution of particular costs and benefits is precisely the object of some policies and cannot simply be handled by assuming compensation. Some costs, such as those of regulatory compliance, are built into policy appraisals, but the picture is patchy.

The general implication of the above points is that value for money comparisons in policy-making can rarely be reduced to a single quantitative comparison and, where they are, heavy qualification will normally be necessary. Policy analysis is more likely to make a contribution by highlighting the different aspects of trade-offs, and is therefore as much about communication and discussion of the implications of analysis as carrying out the analysis itself.

What would be needed for an option to work - and putting that in place

A good quality options definition should cover all the main points here, but is likely to require a more detailed specification at implementation. This obviously includes asking who needs to do what when and what resources do they need, but it also includes devising appropriate data and communication systems. Problems with the technological side of information systems are familiar, but it is also about communicating to people involved in policy delivery and the clients. It might seem obvious that if a policy has been announced and legislated and received a lot of attention at the time, then those involved in delivering the policy must know about it. However, as the sorry and very expensive saga of the deferred reduction in State Earnings-Related Pension Scheme (SERPS) benefits shows, this cannot be assumed. So 'who needs to *know* what when' also has to be on the list. This assertion is not based simply on the benefit of hindsight; the existence of potential pathologies in communicating policies to those who have to administer or receive them is well established in the policy analysis literature[42].

Asking 'What will people use this policy for?'

One vital but sometimes neglected aspect of policy-making is to ask how a policy might be used (or abused) by organisations or individuals. In initially designing an option it is natural to focus on what government hopes to achieve by it. However, if we accept the idea put that policies are signals with benefits or penalties attached, we need to think about how people may make use of the availability of the policy. Dexter has gone so far as to propound a general law:

> Whenever a piece of legislation creates a demand for a particular service or activity or even attitude, that demand is likely to be fulfilled. . . .many demands are supplied in ways which are either irrelevant or counter-productive to the purposes of the legislation. (Dexter, 1981, 424).

How people use a policy: The Business Expansion Scheme

The Business Expansion Scheme (BES) was introduced in 1983 to fulfil a perceived equity gap for new and small business ventures (see Harrison and Mason, 1989). One of the aims of the scheme, which offered tax relief at the taxpayer's marginal rate (with top rates still high in the early 1980s), was to stimulate new venture creation in high risk activities, such as technology oriented manufacturing. However, investors naturally preferred to accept a subsidy for investing in low-risk asset-based activities. Thus, a relatively high proportion of start-ups in the early phases of the BES were in activities such as property development, racehorse-breeding, antique and fine art dealing and hotel and residential home developments, while investment in established activities included investment in agricultural land and forestry developments.

A succession of Budgets attempted to plug 'loopholes'. Farmland investment was excluded in 1984, property development investment in 1985. However, imaginative investors (or those who devised schemes for them) came up with ever more ingenious ideas still eligible under the BES, such as investment in vintage wine or antiquarian books. The 1986 Budget restricted the application of BES to asset-backed ventures and excluded ventures whose main purpose was to hold goods (such as antiques or fine wines) for investment. The 1988 Budget saw the introduction of a ceiling of £0.5m on the amount a BES company could raise, which had the side effect of benefiting financial firms which ran BES funds which pooled money to invest in several companies. The reduction of the top rate of income tax from 60 per cent to 40 per cent had the effect of reducing the attractiveness of all types of BES schemes, including those that the scheme was originally aimed at.

Reflecting the political priorities of the then government, the BES was, however, expanded in the 1988 Budget to include residential property development with the aim of reversing the decline in the private rented market. However, this clause was capable of exploitation by universities, who were able to raise finance from the sale of some new or existing accommodation to a special purpose company set up under the terms of the scheme. Effectively, this became a means for universities to borrow money cheaply, a not unworthy result, but certainly not the intention of the scheme.

In 1992-93 investment in residential property companies attracted £950m, while only £7m went to the small high-risk trading companies the scheme had originally been set up to fund (*Financial Times*, 7 April 1993).

It was announced in the 1992 Budget that the Business Expansion Scheme would terminate at the end of 1993. It died, a victim of Dexter's general law. It serves as a classic case study of the need for policy designers to think themselves into the role of those who will use the policy in the way that is useful to them rather than the intentions of the original policy-makers.

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42   See particularly Wolman (1981, 452) and Hogwood and Peters (1985, 76-9).

Policy-makers need to anticipate how people other than the intended targets might make use of a policy. This goes well beyond the familiar problem of 'deadweight' (for example, a firm applying for a grant to assist an investment it would have made anyway), to how the policy might be diverted. One of the best examples, discussed in the accompanying box, is the Business Expansion Scheme, which led to people inventing all sorts of schemes which had little to do with expanding productive businesses. People may even place themselves in a category previously regarded as demeaning or stigmatising if it becomes associated with a desired benefit; thus, if being categorised as disabled leads to an entitlement to park for free in city centres or receive a higher level of benefit, then some persons for whom the benefit was not originally intended may chose to have themselves categorised in this way. Such responses are to a considerable extent predictable, and any prospective value for money assessment must include a consideration not only of the impact in terms of intended benefits and beneficiaries, but a vulnerability assessment in terms of how it might be used in unintended ways.

'Testing options to destruction'

If policy-making can be improved by careful thought about what is necessary to make a policy or option go right, it may also be assisted by exploring all the things that might go wrong and what their impact would be. Policies considered successful or at least tolerable are more likely to have survived than those deemed failures. Unless personal or institutional memories are available, then failed policies may be reintroduced. This has occurred in practice and is not a purely hypothetical point[43]. Policy learning and 'knowledge pools' need to include studies of what went wrong and why, whether this is related to experience in other countries, in the past, or from related policy areas. Writing these up in a concise and accessible way poses challenges; Hogwood and Peters (1985, 83-5) point to some of the issues and possibilities. The availability of modern information retrieval technology may assist this task, but can only retrieve information which is entered and suitably annotated in the first place. In the absence of past examples, brainstorming about all the things that could go wrong may generate possibilities that need to be taken into account.

Ideally, policies should be tested prior to widespread implementation. A randomised experiment which assigns some potential participants to a test programme while others are a control group is the most 'scientific' method of testing. This may not, however, make political or economic sense as a general principle. In an emergency, policies can't wait. Politically it may not be acceptable to wait to test in a reliable way whether a particular way of improving employment

works; the Denver Income Maintenance experiment in the United States was intended to take twenty years to achieve its final results (see Gutman and Thomas, 1984, chapter 3). Social experiments can raise ethical issues, be very expensive, and sometimes go horribly wrong[44]. Their use or non-use should be a considered response to the need for tested evidence relative to costs and time pressures.

Pilot studies of a less rigorous kind are becoming more widespread in British policy-making, and can be one method of collecting information about what works and what doesn't. In general, their use should be regarded as a healthy recognition that ministers and officials may not be able to predict whether a policy will be effective or identify in advance all the administrative issues which may arise in implementation. The use of pilots to explore the impact of information sessions led to the abandonment of a central provision of the Family Law Act 1996. The results of the pilots showed that people behaved in a way quite different to the assumptions of the relevant provision of the Act. The relevant policy was dropped. This is best regarded as *successful policy-making* rather than a *failed policy* precisely because it did recognise the need to run trials to explore behavioural reactions.

The limitations of pilot studies also need to be recognised, though. Self-selected participants (whether delivery organisations or clients) can give very misleading indications of what might happen when a policy is introduced in a more general form. Thus, pilots on the use of nursery vouchers based on volunteer authorities would probably have given little indication of policy effectiveness or generalisable findings about implementation issues, precisely because the volunteers would be untypical. Enthusiasm associated with the launch of pilots may not be sustained several years into the general delivery of a programme. In particular, the purpose to be served by a pilot has to be clear - is it to test whether the assumptions of the policy work in practice, or alternative ways to introduce a policy already determined? The use of pilots needs to be the subject of analysis as much as the underlying policy.

Muddling through or trying to overcome limitations?

In the face of uncertainty, complexity and the political risks of making tough choices explicitly, the temptation simply to 'muddle through' is strong. Only make small changes, of a kind which have been tried before. If something works in practice, try more of it; if it doesn't, modify it or try something else and see if that works. Concentrate on reducing problems by

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43   Hogwood and Peters (1983, 261-4) discuss what they call 'rediscovering the same solution', citing as examples (a) a US foreign aid project studied by Paddock and Paddock (1979) which made similar mistakes in the same location in Guatemala without being aware that a previous project had been tried there and abandoned, and (b) allocating departmental tasks in Britain in a way which had previously been tried and found ineffective. The history in Britain of splitting and joining offices paying benefit and filling employment vacancies is one worth exploring in the context of the recent announcement of Jobcentres Plus.

44   All of these applied to the Denver Income Maintenance experiment as described in Gutman and Thomas (1984). The experiment had to be abandoned well before its end because the way it had been administered meant that no meaningful findings could arise from it. This in turn raised ethical issues about how to treat clients who had been promised benefit for up to twenty years. A decision was eventually taken to phase out the experiment with declining payments over three years.

repeated attempts; never try to reach unattainable big goals. Make policy by adjusting to others involved in the process.

This approach has attractions both as description and even as prescription. However, even Charles Lindblom, in his 1959 article the most articulate advocate of this approach, came to see by 1979 scope for what he termed strategic analysis involving both formal procedures and speculative thinking. There are limitations of cost and understanding in policy-making; they cannot be eliminated, but they can be pushed back.

Analysis may not make life 'easier' for decision-makers. It may be better at identifying difficulties than providing 'solutions'. It may confront decision-makers more explicitly with hard choices among options, all of which pose problems. It certainly does not provide a substitute for judgement and political priorities. At its best, it does provide a basis for more informed choice.

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appendix one

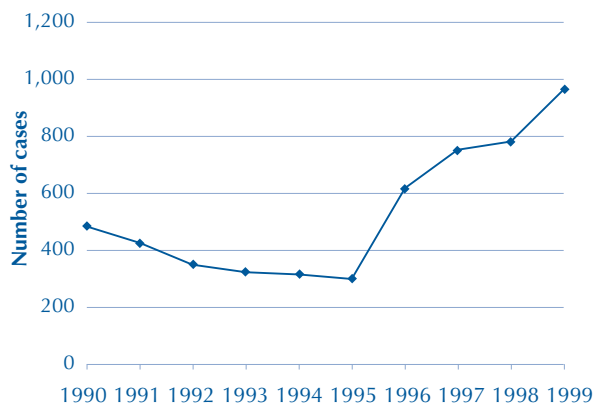# Appendix 2 The Department of Health's Meningitis C Vaccination Programme

Summary

The Department of Health implemented one year ahead of schedule a vaccination programme to tackle Meningitis C that involved administering some 18 million injections to all children up to 18 years of age. So far the programme has resulted in a 90 per cent reduction in the number of cases among the most vulnerable age groups and a 75 per cent reduction in the number of cases across all age groups.

The Department were successful in designing and implementing the vaccination programme by:

■ Using an evidence-based approach to underpin their decision-making.

■ Pro-actively managing pharmaceutical companies.

■ Identifying that the programme was cost effective.

■ Ensuring the programme was administered effectively.

■ Exerting a tight management grip on the vaccine supply process.

■ Using early warning mechanisms to identify problems.

■ Managing demand by prioritising the vaccinations of those most at risk.

■ Securing public confidence through an integrated information campaign.

1 Meningitis C is a very serious illness that causes an inflammation of the lining of the brain. During the 1990s the number of confirmed cases of the disease began to increase **(Figure 1)** and during 1998 the disease resulted in some 150 deaths mainly amongst children and adolescents. Of those who survived the disease around one in four suffered complications such as amputation, brain damage and deafness.

1 **Cases of Meningitis C (Laboratory confirmed) 1990-1999**

Source: PHLS Meningococcal Reference Unit

2 In response to the impact and growth of Meningitis C the Department of Health (the Department) in July 1999 announced the development of a new safe and effective vaccine and a vaccination programme with the objective of reducing the greatest number of cases and deaths from the disease in the shortest possible time. The programme was implemented one year ahead of schedule.

3 The Department administered some 18 million vaccinations between November 1999 and December 2000 and co-ordinated their work with some 29,000 schools, 100 health authorities and around 30,000 General Practitioners. The vaccination programme was the largest since the introduction of the polio vaccine in the 1950s and cost some £300 million including the cost of the vaccine, the cost of delivering the programme through General Practitioners and nurses, and the costs of an information campaign. It also involved the Department managing a complex pattern of stakeholders **(Figure 2)**.

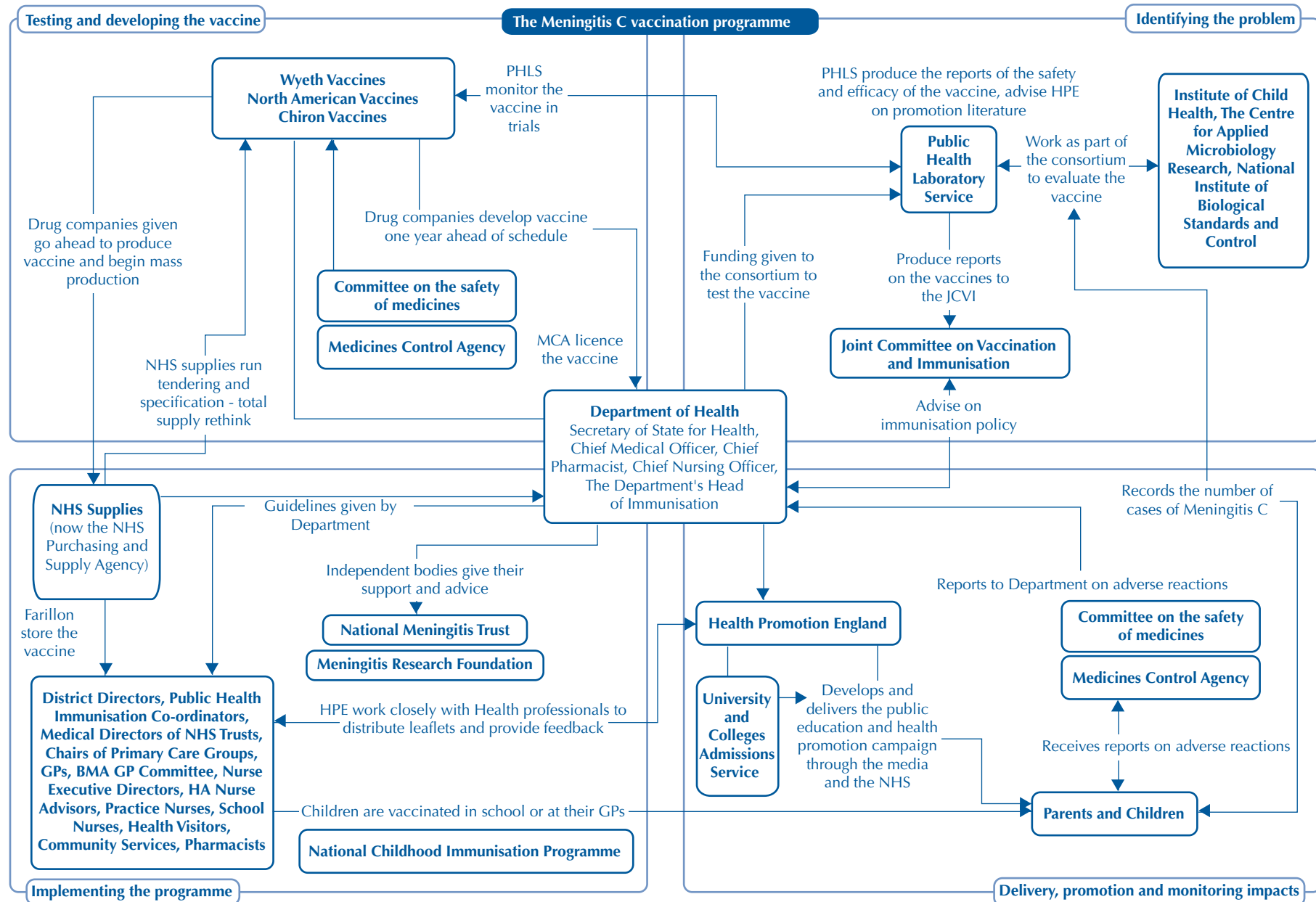# What risks did the Department have to address during the design and implementation of the policy?

4 The Department faced a number of major risks during the design and implementation of the policy. To tackle these risks they needed:

■ information on the incidence of Meningitis C and the deaths it caused, the age groups most likely to be affected by the disease and the tendency for the number of cases to peak in the winter months to design the most effective vaccination programme;

■ to design and implement an affordable vaccination programme that would reduce the number of cases and deaths from Meningitis C;

■ the pharmaceutical industry to develop and introduce a safe and effective vaccine that would immunise people against Meningitis C;

■ enough vaccine to immunise all those at risk from the disease to reduce rapidly the number of cases of Meningitis C;

■ nurses in schools and colleges and General Practitioners to identify and immunise all those who required the vaccine and prioritise those age groups who were most vulnerable to the disease;

■ pharmaceutical companies to meet deadlines for the manufacture, supply and distribution of sufficient quantities of safe and effective vaccine;

■ the public to have confidence in the safety and effectiveness of the vaccine and to understand that the limited availability of the vaccine meant that those who were most vulnerable to the disease would be immunised first.

How did the Department manage the risks?

i) Obtaining information on Meningitis C

5 Without sufficient information the Department could not have identified the need to introduce a vaccination programme at the right time. The Department addressed this risk by monitoring epidemiological evidence from the Public Health Laboratory Service on the number of cases and deaths from the disease. From these data and specialist advice from the Joint Committee on Vaccination and Immunisation the Department assessed the likely evolution of the disease and when to act in implementing a vaccination programme because they demonstrated the disease's peak in cases in the winter months and the occurrence of cases in clusters.

appendix two

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MODERN POLICY-MAKING: ENSURING POLICIES DELIVER VALUE FOR MONEY

2 **The Department managed complex stakeholder relationships**

Testing and developing the vaccine

The Meningitis C vaccination programme

Identifying the problem

Wyeth Vaccines North American Vaccines Chiron Vaccines

PHLS monitor the vaccine in trials

PHLS produce the reports of the safety and efficacy of the vaccine, advise HPE on promotion literature

Institute of Child Health, The Centre for Applied Microbiology Research, National Institute of Biological Standards and Control

Public Health Laboratory Service

Work as part of the consortium to evaluate the vaccine

Drug companies given go ahead to produce vaccine and begin mass production

Drug companies develop vaccine one year ahead of schedule

Committee on the safety of medicines

Funding given to the consortium to test the vaccine

Produce reports on the vaccines to the JCVI

NHS supplies run tendering and specification - total supply rethink

Medicines Control Agency

MCA licence the vaccine

Joint Committee on Vaccination and Immunisation

Department of Health Secretary of State for Health, Chief Medical Officer, Chief Pharmacist, Chief Nursing Officer, The Department's Head of Immunisation

Advise on immunisation policy

Records the number of cases of Meningitis C

NHS Supplies (now the NHS Purchasing and Supply Agency)

Guidelines given by Department

Reports to Department on adverse reactions

Farillon store the vaccine

Independent bodies give their support and advice

Health Promotion England

Committee on the safety of medicines

National Meningitis Trust

Medicines Control Agency

Meningitis Research Foundation

District Directors, Public Health Immunisation Co-ordinators, Medical Directors of NHS Trusts, Chairs of Primary Care Groups, GPs, BMA GP Committee, Nurse Executive Directors, HA Nurse Advisors, Practice Nurses, School Nurses, Health Visitors, Community Services, Pharmacists

University and Colleges Admissions Service

Develops and delivers the public education and health promotion campaign through the media and the NHS

Receives reports on adverse reactions

HPE work closely with Health professionals to distribute leaflets and provide feedback

Children are vaccinated in school or at their GPs

Parents and Children

National Childhood Immunisation Programme

Implementing the programme

Delivery, promotion and monitoring impacts

Source: National Audit Office

6   The Department's evidence showed that:

- the number of laboratory confirmed cases of Meningitis C was increasing **(Figure 1)**;

- the disease was the commonest cause of infectious death in those under 20 and was the commonest cause of death overall in children aged one to five;

- the quality of life of those who survived the disease was affected by consequences such as amputation, brain damage and deafness;

- with regard to infectious diseases the parents of young children were consistently most concerned about the seriousness of Meningitis, demonstrated by a bi-annual survey by Health Promotion England which asked parents about their reactions and levels of support for a vaccination programme.

ii)   Designing an affordable and effective vaccination programme

7   The Department have limited resources to treat illness and disease and consequently have to set priorities in healthcare to ensure they achieve value for money. The Department examined the costs that would be involved in a vaccination programme with the likely gains in health of those immunised by commissioning cost-benefit analyses which showed:

- the likely gains in health in terms of the additional life years of the people who would no longer be likely to die from the disease;

- the increased quality of life of those who would not suffer resulting disabilities such as amputation and deafness;

- the costs in purchasing and delivering the vaccine;

- the cost savings through reductions in the number of hospital admissions and long term treatment of those who suffered disabilities caused by the disease.

8   The Department identified that it would cost some £1,400 for each year a potential victim remained free from disability as a result of immunisation. The Department compared the cost effectiveness of the vaccination programme with other forms of healthcare intervention that had been assessed using the same criteria and were able to conclude that a vaccination programme delivered good value for money.

iii)   Developing and introducing a safe and effective vaccine

9   The Department faced the risk that pharmaceutical companies had no incentive to develop an effective Meningitis C vaccine with only limited global commercial opportunities. They addressed this risk by talking to all major pharmaceutical companies in 1994, five years before the start of the vaccination programme, to assess whether any of the companies were planning to produce vaccines for the treatment of Meningitis C. They identified three who were in the early stages of developing potentially suitable vaccines.

10   The three pharmaceutical companies had confidence in the Department because their policy objectives and strategy for achieving the objectives had been demonstrated successfully in previous vaccination campaigns. This reduced some of the commercial uncertainty and unpredictability facing the companies. The Department secured the companies' assurance that they would continue to develop suitable vaccines and established with the companies very clear procedures for the development of the vaccine. For example, the Department would not disclose research results from one company to another and no company was given a guarantee of any future market share.

iv)   Having enough vaccine to immunise all those at risk from the disease

11   The Meningitis C vaccine was brand new which meant that the Department had not been able to build up stocks. By analysing the supply chain from the pharmaceutical companies' manufacture of the vaccine, through to its licensing and distribution, the Department identified that if they wanted to run the programme without risk of supply shortages they would have to build up stocks which would delay the programme by at least one year. The Department's epidemiological evidence identified that some 1,500 cases and 150 deaths could occur if the campaign were to be delayed in this way.

12   The Department therefore decided to introduce the programme one year early and to manage the risk of not having sufficient vaccine by designing the programme so that it targeted those age groups facing the greatest risk, and by carefully managing the supply chain for the vaccine to ensure that enough was available when needed.

13 The evidence showed that the disease was most common in children under five years followed by young people but that the risk of mortality was much higher in the older group. Consequently the Department made the vaccine available in two stages **(Figure 3)**.

3	**Introducing the Meningitis C vaccine**

Stage 1

From 1 November 1999 the Department made the vaccine available to those aged between 15 and 17 years as many of this age group entered Further Education colleges and at the end of November extended the programme to babies under one year going for their routine primary vaccines.

Stage 2

From January 2000 onwards the Department made the vaccine available to children between one and five years of age and those aged up to 15 years.

v) Identifying and immunising all those requiring the vaccine

14 The Department addressed the risk that the programme would fail to immunise all those who required the vaccine by engaging in the design of the programme those with experience of an implementing role in the National Health Service (NHS). For example a Consultant in Communicable Disease Control with experience of similar programmes was commissioned to work with the Department to identify the nature and amount of NHS resources that would be required for the programme to be implemented effectively.

15 The Department planned, scheduled and co-ordinated the programme in 100 health authorities on the basis of detailed statistical information. Health authority immunisation co-ordinators within each health authority supplied the Department with data on the number of children in each age group that were attending every school within their authority. The Department checked this information against Office for National Statistics figures that, for example, showed there were some 2.2 million young people in the most vulnerable 15 to 17 year old age group. The Department also used historical usage data from other childhood vaccines to identify and model individual general practitioner requirements for the Meningitis C vaccine.

16 Between the start of the programme on 1 November and mid-December 1999 to meet their Stage 1 objectives for implementing the programme the Department matched these figures to the amount of vaccine available and told immunisation co-ordinators to schedule vaccinations in schools for the priority 15 to 17 year old age group.

(vi) Getting pharmaceutical companies to distribute enough vaccine

17 The Department faced the risk that during the vaccination programme there could be a breakdown in the supply chain for the vaccine underpinning the programme's effectiveness. The Department managed this risk by exerting a tight management grip on the supply process and communicating explicitly to the pharmaceutical companies their expectations of them in terms of the deadlines for the delivery of the vaccines. The Department's expectation of the supply of vaccine was detailed in their contracts with the pharmaceutical companies, including the facility to offset some of the cost of any potential vaccination programme failure.

18 Close, frequent and regular contact with the pharmaceutical companies enabled the Department to obtain, monitor and act upon detailed and precise information on the vaccine supply. For example the Department knew to the day when a particular batch of vaccine would be manufactured, tested internally by the company, tested externally by the National Institute for Biological Standards and Control (NIBSC) and licensed by the Medicines Control Agency (MCA). The Department used sensitivity analysis to identify how to act in response to any potential shortfall or excess supply of vaccine by, for example, telling immunisation co-ordinators to bring forward or delay the vaccination programme for particular schools.

19 The Department reinforced a high degree of communication and co-operation between the organisations involved in the supply chain by their own management of stakeholders. For example there was daily contact between NIBSC and MCA and the pharmaceutical companies so that the Department were clear when batches of the vaccine would be released for distribution and could be used for vaccination.

20 The Department worked closely with the pharmaceutical companies during the vaccination programme to secure their policy objectives. For example when the Department decided to introduce the programme one year earlier than originally intended they asked the pharmaceutical companies to think creatively about how they could increase the supply of the vaccine. The companies responded by changing their manufacturing priorities and committed themselves to producing the Meningitis C vaccine rather than other products.

21 The Department also used early warning mechanisms to monitor any problems during the implementation of the vaccination programme, for example, if parts of the country were running low on supplies of the vaccine. They identified ten immunisation co-ordinators, nursing professionals and pharmacists who provided weekly status reports on the supply and distribution of the vaccine to the Department.

(vii) Securing public confidence

22 The Department faced the risk that those most vulnerable to the disease would not be vaccinated first because the public might expect everyone to be vaccinated when there was insufficient vaccine to do so. The Department managed these expectations by communicating openly and clearly with the public through press releases and information produced by Health Promotion England after the announcement of the immunisation programme in July 1999.
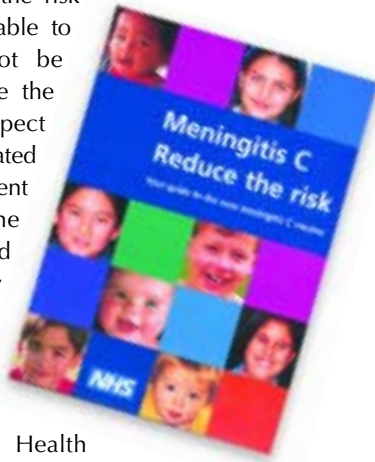
23 The Department were explicit in explaining that those at greatest risk of the disease would be vaccinated first followed by the other age groups and that the vaccination programme would be administered either through schools and colleges or General Practitioners' surgeries.

The impacts of the policy

24 The Meningitis C vaccination programme has achieved the following impacts:

■ the successful distribution between November 1999 and December 2000 of 18 million doses of the vaccine sufficient for every child under 18 years of age;

■ in the six months to December 2000 a 90 per cent reduction in the number of cases in the under one year old and 15 to 17 year old age groups;

■ in the six months to December 2000 a 75 per cent reduction in the number of cases across all age groups;

■ in the six months to December 2000 the saving of around 50 lives;

■ raising public awareness about other forms of Meningitis through the health promotion campaign.

Lessons learned

27   The Department designed and implemented successfully the Meningitis C vaccination programme and secured their objective of reducing the greatest number of cases and deaths from the disease in the shortest possible time because they:

Using information to determine when to introduce the programme

- Assessed the impact of the disease and identified the risk of failing to vaccinate those in most danger through lack of sufficient vaccine by using information from epidemiological monitoring to underpin their decision-making about when to introduce the policy at the right time to prevent further deaths.

Managing stakeholders

- Engaged with the pharmaceutical companies on whom they depended for a reliable supply of vaccine, five years before the vaccination programme to encourage them to develop a safe and effective vaccine. They managed them proactively before and during the programme so that the companies were clear how much vaccine was needed and to what timetable for the programme to be implemented as planned.

Estimating costs and benefits

- Tested whether the vaccination programme would achieve value for money by estimating the likely financial costs and long term savings of the vaccination programme and the improvement in the quality of life for those who would no longer suffer the disease and compared the results with similar health care programmes.

Implementing the programme

- Ensured that the programme was administered effectively at the primary health care and school and college level by commissioning individuals with knowledge and experience of similar campaigns to identify the levels of support that would be required and by basing their planning on detailed statistical information.

- Identified ten immunisation co-ordinators, nursing professionals and pharmacists who provided weekly status reports on the supply and distribution of the vaccine to the Department to provide early warning of problems with implementation, such as whether supplies of the vaccine had not been received from the distributors as expected.

Managing the supply chain

- Exerted a tight management grip on the supply process of the vaccine from manufacture to distribution so that they knew when and how many children they could vaccinate in different parts of the country and in different age groups. By day to day monitoring of the manufacturers and distributors they ensured that they had precise and up to date information on the supply of the vaccine, so that they could adjust the numbers scheduled for vaccination if necessary.

Managing demand

- Secured public confidence in the programme and managed demand for the vaccine which they knew parents were keen for their children to receive by making explicit to the public through an integrated information campaign, including television advertising and promoting the programme in colleges, that those at most risk from the disease would be vaccinated first and others would be vaccinated as more vaccine became available.

Appendix 3

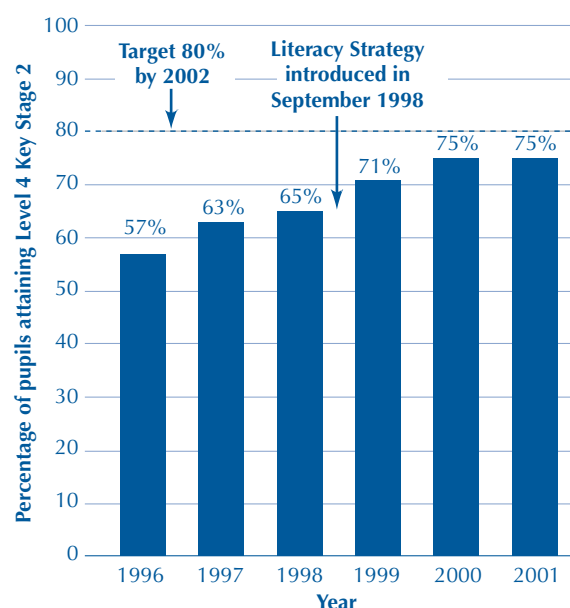**The Department for Education and Skills' National Literacy Strategy**

The Department for Education and Skills introduced the National Literacy Strategy in all primary schools in September 1998 to improve standards of reading and writing through more effective teaching and management of literacy. National Curriculum test results in 2001 showed that 75 per cent of 11 year olds reached the expected level for their age group in English compared to 65 per cent in 1998.

The Department were successful in designing and implementing the National Literacy Strategy by:

■ Using an evidence-based approach to identify the problem.

■ Testing options for implementation to learn what was cost effective.

■ Developing an implementation plan setting out responsibilities.

■ Tackling barriers to implementation head on.

■ Marketing the strategy to implementers.

■ Introducing flexibility to improve quality.

■ Securing a change in the culture of teaching literacy.

1   The ability to read and write contributes to the personal development of individuals, provides them with the basic tools for their further learning and provides the economy with skills contributing to productivity, efficiency and competitiveness.

2   In the mid-1990s, there was strong evidence that standards of literacy in children and in the adult population in the United Kingdom were unacceptably low[45]. In 1996, only 57 per cent of 11 year olds reached the literacy standards expected of children of their age. International studies also demonstrated that literacy in the UK was a persistent, long-term problem, with UK adult literacy levels during the mid-1990s below those of most European countries and Australia, performing similarly to the United States[46].

3   In response, in September 1998 the Department for Education and Employment - now the Department for Education and Skills - (the Department) introduced the National Literacy Strategy (the Strategy) in all primary schools. The aim of the Strategy is to improve standards of reading and writing by more effective teaching and management of literacy in primary schools. This is underpinned by a national target that by 2002 80 per cent of 11 year olds will achieve the standards expected for their age in English as measured by the National Curriculum Key Stage 2 tests developed by the Qualifications and Curriculum Authority[47].

4   The Strategy advises 190,000 primary school teachers to dedicate at least one hour to teaching literacy each school day to three million primary school children. Specific guidelines about how the teaching of literacy can be organised are set out in the "*Framework for Teaching*". 350 local literacy consultants support schools in implementing the Strategy through the provision of training and training materials. More intensive training was made available to those schools which needed it most, determined from a school by school analysis of Key Stage 2 results. The Strategy has cost up to £100 million a year since 1998-99 **(Figure 2)**.

1   **National Curriculum English test results at age 11 in primary schools**

Level 4 in the Key Stage 2 National Curriculum tests for English is the standard expected for 11 year olds.

Source: Department for Education and Skills

2   **The cost of the National Literacy Strategy**

In 2000-01, £100 million has been spent on the Strategy:

- £75 million directed at training and continuing professional development of teachers in primary schools.

- £5 million on the mechanisms for managing the Strategy (for example, regional literacy directors, project management, and production and preparation of teaching and training materials).

- Some £20 million on 'booster classes' for pupils in the year before their literacy tests.

45   *The research on literacy standards reviewed by the Department is detailed in "National Literacy Strategy, Review of Research and other Related Evidence", Department for Education and Employment Standards and Effectiveness Unit, 1998.*
46   *"Adult Literacy in Britain". S. Carney, S. Low and J. Hansbro, Office for National Statistics, 1997.*
47   *The Qualifications and Curriculum Authority are responsible for the National Curriculum test arrangements. They have in place a range of measures to ensure that the annual tests are of good quality and reliable, and to ensure year-on-year consistency of standards. They are also responsible for managing the external marking of the tests.*

What were the risks with the policy?

5 The main risks faced by the Department during design and implementation of the Strategy were a failure to:

■ understand why so many children could not read and write as well as they should be able to, so that the most effective way of tackling the problem could be identified;

■ implement the Strategy consistently and rapidly in all primary schools to enable national literacy standards to be improved as quickly as possible;

■ provide enough support and gain the confidence of the teaching profession so that the implementation of the Strategy was not slow or delayed in primary schools;

■ ensure that primary school teachers gained the right skills and experience to make them sufficiently confident to change how they taught reading and writing;

■ deliver effective and credible literacy training to teachers so that literacy was taught as effectively as possible;

■ ensure that improvements in teaching literacy could be sustained beyond the short-term.

How did the Department manage the risks?

i) Identifying the problem

6 The Department analysed school results data from the Key Stage 2 National Curriculum tests developed by the Qualifications and Curriculum Authority and inspection evidence from the Office for Standards in Education (OFSTED) on the performance of schools and the teaching of reading and writing. The National Literacy Strategy was based on recommendations of the Literacy Task Force, which had since 1996 been examining the effectiveness of literacy teaching in primary schools in the UK and abroad. The Task Force drew on international research evidence - for example from the USA, Australia and New Zealand - and recognised good practice in this country before making recommendations on effective methods of teaching literacy and the level of support that schools and teachers would require.

7 The Department concluded that some 80 per cent of 11 year olds would achieve the literacy standards expected for their age as a result of being taught well by teachers during a dedicated hour of literacy teaching (the literacy hour); 15 per cent of children would require extra group tuition and some 5 per cent would need individual support. During policy design, the Department identified that to secure higher standards and quality of literacy, improvements in teaching would need to be universal to all schools, but some would need additional targeted support. High quality training to improve literacy teaching was identified as the crucial factor for securing teachers' support for the Strategy and for delivering sustainable improvements in literacy teaching.

8 A project trialling the Strategy in 300 schools also enabled the Department to identify cost effective ways of rolling out the Strategy on a national basis. By testing and reviewing the impact of different approaches to teacher training the Department recognised that nationally not all schools would need the intensive support that was given to many of the schools in the trial project. The Department differentiated between "intensive support schools", where expensive dedicated training would have to be given to teachers, and other schools that would only need the basic teaching framework and training materials. As a result of learning from the testing of teaching materials and guidance the Department were also able to launch the policy with a clear and speedy timetable in September 1998.

ii) Implementing the policy consistently and speedily

9 The Department tackled this risk by defining and publishing their implementation plan for the Strategy in August 1997. The plan set out how they would manage the Strategy and the roles, responsibilities and deadlines for the Department, schools, local education authorities, OFSTED, headteachers, teachers, pupils and parents from 1997 to 2002.

10 In late 1997, the Department appointed a national director and 11 regional directors to manage solely the implementation of the Strategy and deliver it to timetable. The regional directors have been responsible for advising local education authorities on the recruitment of 350 local literacy consultants to deliver training to teachers and for maintaining the quality of teaching and training materials provided to teachers to support the Strategy.

11 From the outset, the Strategy implementation team of national and regional directors has adopted a highly visible programme of visits to local education authority officers, headteachers, and teachers in schools to explain the Strategy and take feedback on how the Strategy was being implemented. For example, in mid-1998, conferences were held in every local education authority to deliver briefings about the Strategy to headteachers and governors from each primary school.

12 Although not statutory, the Department's implementation plan made it clear that the Strategy should be adopted in every primary school unless a school could demonstrate to their local education authority that they had an approach that would be at least as effective in delivering improvements to literacy **(Figure 3)**. To overcome the risk of the policy not being applied consistently by schools the Department specified a core hour for literacy teaching - the literacy hour - rather than spreading literacy teaching throughout the school day. The daily literacy hour lies at the heart of the Strategy, and breaks down the teaching of reading and writing into four main elements **(Figure 4)**.

13 OFSTED supported the Department and the implementation of the Strategy by ensuring that the principles of the Strategy were incorporated into the OFSTED Inspection Handbook and Guidance. All OFSTED inspectors were trained to understand the principles of the Strategy and what a well delivered literacy hour would look like in the classroom.

14 The Department had a planned approach to tackling the literacy problem by rapidly implementing the Strategy. They identified that acting swiftly, creating a sense of urgency and tackling barriers to implementation head on were essential factors in driving forward the implementation of the Strategy. Timely implementation of the Strategy enabled the Department to demonstrate its merits to teachers and other stakeholders and to identify and respond speedily where there was scope for improvement.

iii) Managing potential resistance to change and providing central support and resources

15 The Department set a clear objective to assess and manage risks by identifying and removing potential barriers to the implementation of the Strategy. The literacy hour placed an additional planning burden on many teachers, particularly in the first year. Potential resistance to change from teachers responsible for implementing the Strategy in primary schools could also be compounded by the profession's experience of insufficient resources and central support during previous education initiatives. To counter this risk the

Department adopted a "high challenge - high support" approach by setting challenging standards for the teaching profession, whilst providing sufficient support to improve standards. **Figure 5** shows the main elements of support that teachers receive.

3 Examples of what literate primary pupils are expected to do

- Read and write with confidence, fluency and understanding
- Understand the sound and spelling system and use it to read and spell accurately
- Know, understand and be able to write in a range of different contexts
- Be interested in books, read with enjoyment and assess and justify preferences
- Have an interest in words and their meanings and a growing vocabulary

4 Four main elements of the National Literacy Strategy

- Class work on a shared text where the teacher models effective reading or writing
- Class work at word or sentence level including spelling and sentence construction
- Pupils work independently to apply their literacy skills in pairs or in groups and the teacher works with small groups to improve specific skills through guided reading or writing
- Final plenary session where teachers and children reflect on and assess what has been learnt

5 Support for teachers to implement the National Literacy Strategy

- A detailed teaching programme which sets challenging teaching objectives covering every school year from age 5 to 11 to inform teachers' planning for English and literacy (the Framework for Teaching Objectives).
- A professional development programme delivered by literacy consultants designed to enable primary school teachers to learn to understand and use proven good practice in teaching literacy.
- The appointment of expert literacy teachers who provide practical demonstrations of good practice and work in schools alongside teachers and headteachers.
- A relaxation of the statutory requirement in non-core curriculum subjects to enable at least one hour of the school day to be dedicated to literacy.

iv) A reliance on the skills, experience and confidence of primary school teachers to change how they taught literacy

16 The Department identified that a crucial factor in delivering the Strategy was changing the way in which primary school teachers taught reading and writing. To manage this risk the Department ensured that the Strategy focused on how literacy should be taught most effectively in the classroom and established very clear teaching objectives making explicit the expectations of teachers. They backed this up with support and training from literacy consultants appointed by the local education authority and part funded by the Department.

v) Credibility in the delivery of literacy training to teachers

17 By establishing and monitoring clear communication lines with staff in schools through their team of regional directors and local education authority consultants, the Department encouraged a collaborative ethos for the implementation of the Strategy. Regional directors explained the Strategy and the literacy hour to headteachers and local education authorities and literacy consultants gave support to teachers in the classroom by explaining and disseminating good teaching practice. A critical factor to tackle the risk that teachers might be sceptical about being told in an explicit manner how they were expected to do their job was the appointment of regional directors and literacy consultants whose credibility was underpinned by relevant teaching experience and a willingness to tackle poor performance.

vi) Securing improvements in literacy beyond the short-term

18 During the first year of implementation schools were expected to deliver the Strategy as prescribed in the "Framework for Teaching" in order to achieve consistency. Following assessment of the implementation of the Strategy at the national, local education authority and school level more flexibility was introduced to teaching literacy to prevent a perverse effect in limiting improvements in schools that already had an effective approach. From the initial trialling of the Strategy, flexibility has been a key element to overcome the risk of not delivering sustainable improvements in literacy. The Department used the trialling of the Strategy, the "Framework for Teaching" and the teaching materials in over 300 schools to gain feedback about how to define more clearly the teaching framework and teaching objectives of the literacy hour. They also provided information about the effectiveness of the teaching material in the classroom and enabled it to be improved on the basis of teachers' experience, and enabled identification of the most effective method of delivering training to teachers.

19 This approach to using feedback has continued as the Strategy has been implemented so that high performing schools have been encouraged to extend and improve their existing good practice by recognition of 'expert literacy teachers', who are encouraged to disseminate their skills and experience to other local schools.

20 In addition to the Key Stage 2 test results, the Department are taking into account other information to assess the impact of the strategy, for example Key Stage 1 test results (taken at age 7), OFSTED's evaluation evidence and monitoring by the regional directors managing the implementation of the Strategy.

21 The Department are addressing the risk of schools' dependency on the additional support and resources made available for the Strategy by encouraging a culture where schools and teachers make the Strategy their own by recognising the benefits it can bring in terms of continuing professional development of teachers, and secondary benefits which have flowed from the introduction of the literacy hour in terms of better planning and management of teachers' time.

The impacts of the policy

22 The National Literacy Strategy was introduced in September 1998 and it remains too early to evaluate the long-term effect it will have on standards of reading and writing. Its implementation is being externally evaluated up to 2002[48]. In the three years since its introduction, however, the Strategy has achieved the following impacts:

- National Curriculum test results for primary schools in 2001 showed that 75 per cent of 11 year olds reached the expected level for their age group in English compared to 65 per cent in 1998.

- It increased the ability and the number of teachers who are trained to teach reading and writing effectively in the classroom.

- It resulted in schools improving the organisation and focus with which they teach literacy.

- It has improved the skills and confidence of teachers to teach literacy.

- It provided many lessons for the design and implementation of the Department's National Numeracy Strategy, which began in schools one year later.

48 Watching and Learning 1 and 2. Evaluations of the Implementation of the National Literacy and Numeracy Strategies. Ontario Institute for Studies in Education, University of Toronto (2000 and 2001)

Lessons learned

23 The Department were able to design, plan and implement the National Literacy Strategy successfully because they:

Getting information to identify the problem

■ Analysed international research on literacy teaching and recognised good practice to understand the options for improving the teaching of literacy, to design the structure of teaching that was most likely to deliver improvements in literacy, and to identify that high quality training provision for teachers was the crucial factor for securing teachers' support for the Strategy.

Testing options to learn what was cost effective

■ Reviewed the impact of different approaches to teacher training to identify which schools needed more intensive training and which would need more basic training materials. Learning from the testing of teaching materials enabled them to launch the policy with a clear and rapid timetable for implementation.

Planning implementation

■ Published an implementation plan for the Strategy setting out how the Department would manage the Strategy and the responsibilities and deadlines for all those involved - the Department, local education authorities, schools, headteachers, teachers, pupils, parents and OFSTED.

Managing barriers to change

■ Tackled barriers to implementation head on, such as a potential resistance to change from teachers responsible for implementing the Strategy in schools. The Department adopted a "high challenge - high support" approach by setting challenging standards for teachers whilst providing support to improve teachers' skills.

Marketing the Strategy to implementers

■ Used a highly visible programme of visits which involved regional literacy directors explaining the Strategy to local education authorities, headteachers and teachers and taking feedback on how it was being implemented. For example, conferences were held for primary headteachers and governors in every local education authority to deliver briefings about the Strategy and training materials.

Introducing flexibility

■ Secured the support of teachers implementing the Strategy by identifying the need for high quality training and teaching materials for teachers. The teaching materials were modified on the basis of testing and feedback from 300 schools, and on the basis of subsequent feedback from teachers.

Securing a change in the culture of teaching literacy

■ Changed the way in which teachers taught literacy and secured their longer term commitment to the Strategy by encouraging a culture where schools and teachers recognised the benefits it can bring in terms of continuing professional development of teachers, and better planning and management of teachers' time.

Appendix 4

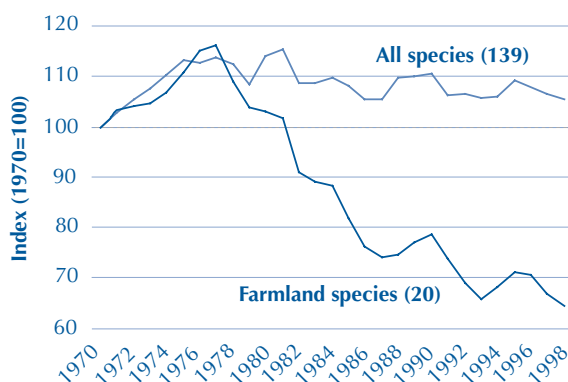**The Department for Environment, Food and Rural Affairs' Arable Stewardship Scheme**

Summary

The Department for Environment, Food and Rural Affairs ran the Arable Stewardship pilot scheme from 1998 until 2000 to test the effectiveness, practicality and likely cost of a range of changes in farming management to recreate wildlife habitats in arable areas. A number of the options tested in the pilot are now being rolled out nationally.

The Department were successful in designing and implementing the pilot scheme to modify existing policy by:

- Engaging key organisations outside the Department in generating options.

- Promoting and marketing the scheme directly to farmers.

- Designing a competitive application system.

- Managing the expectations of key organisations.

- Employing advisers with practical and relevant expertise to help farmers.

- Building in the evaluation of the cost, effectiveness and practicality of the options.

- Identifying the resources needed to implement different options.

1   Farmland bird populations have been declining from the mid-1970s **(Figure 1)**. Populations of some farmland birds such as the skylark and corn bunting have fallen by more than half. Birds are regarded as good indicators of the broad state of wildlife and the countryside, because they are supported by many different types of habitat, and tend to be at or near the top of the food chain.

1   Populations of farmland bird species have declined since the mid-1970s

Source: Department for Environment, Food and Rural Affairs, Royal Society for the Protection of Birds, and the British Trust of Ornithology

2   The Department for Environment, Food and Rural Affairs (the Department) identified that changes in arable farming practices had led to a loss of wildlife habitats and contributed to the decline in the populations of a number of species of birds, insects, mammals and plants.

3   In response to this problem, the Department introduced the Arable Stewardship pilot scheme. The aim of the pilot scheme was to test the effectiveness and practicality of a range of changes in management to recreate wildlife habitats in arable areas. The pilot scheme was open to applications for three years from 1998 until 2000, and some of the options tested in the scheme are now being rolled out nationally, subject to European Union approval.

4   The pilot scheme was run in two arable areas of England - in East Anglia and the West Midlands - and involved over 6,000 hectares of land. Over the three years of the pilot scheme, five land management themes covering 17 different management options were applied by farmers.

5   The scheme involves farmers entering into legal agreements with the Department which detail the options they are applying, the areas covered, and completion dates, with financial penalties for breach of agreement. Agreements last for either five or six years. The Department managed the scheme through 227 agreements with farmers, at a total cost of £8.5 million in payments to farmers over the life of the agreements.

2   The Department's timetable for testing the policy options

August 1996. The Department asked the Game Conservancy Trust, English Nature and the Royal Society for the Protection of Birds to devise policy options for achieving the desired policy aim of supporting farmland bird populations and improving arable biodiversity.

October 1996. The three organisations jointly submitted a proposal for an arable scheme with proposed policy options.

February 1997. The Department announced their intention to implement a proposed pilot scheme.

June 1997. The Department developed and refined the proposals and issued their consultation document on the working of the Arable Stewardship Pilot Scheme.

January 1998. The Scheme launched and promoted in the two pilot areas, in East Anglia and the West Midlands.

November 2000. The Project Officers' evaluations of the working of the practical aspects of the promotion and operation of the scheme submitted to the Department.

April 2001. Results of ecological evaluation and preliminary results of economic evaluation available. Proposals for a range of options to be rolled out and prepared.

May 2001. Main stakeholders consulted on the proposals to incorporate successful options into the Countryside Stewardship scheme.

June 2001. Ministers agree to incorporation of options from the pilot into the main Countryside Stewardship programme, subject to EU approval.

What risks did the Department face during the testing of the policy?

6   The Department faced a number of major risks during the piloting of policy options. They needed:

■   Information to identify how quickly certain species of wildlife were declining and on the types of farming practice which were most likely to result in an increase in the number and range of wildlife on farms.

■   To identify what effect the different options in the scheme would have.

■   To balance possible environmental benefits against the practicability of policy options at the farm level.

■   To attract a sufficient number of farmers to take part in the scheme so that they could test the effectiveness and practicality of different land management practices in two parts of the country.

■   Farmers to understand how to implement different practices such as reducing their use of herbicides and pesticides on their farms so that the different policy options were properly tested.

■ To understand the cost of the different options in the scheme so that they could estimate the cost of the policy options if implemented nationally.

■ To construct the pilot scheme so that it was consistent with EU agricultural policy and could also be modified to fit into the existing Countryside Stewardship Scheme.

How did the Department manage the risks to the policy?

i) Obtaining information about wildlife on arable land

7   Without information about wildlife on arable land the Department could not have identified the type of scheme to introduce. To address this risk they reviewed research commissioned by the Department during the 1980s and 1990s on the reasons for the decline, and reviewed research prepared by three national bodies with an interest in conservation and wildlife habitats:

■ English Nature, a non-departmental public body responsible for wildlife and conservation issues in England;

■ The Game Conservancy Trust, a charity whose main interest is in conserving habitats to sustain game populations such as hare and partridge; and

■ The Royal Society for the Protection of Birds (RSPB), which has one million members.

8   The Department's review of the research evidence showed that:

■ Farmland wildlife species such as birds, the brown hare, grey partridge, certain types of spiders, butterfly, bat and rare arable plant species, were all showing a sharper decline than species not found on farmland.

■ There was no existing intervention or scheme designed to encourage farmers to conserve and develop habitats which supported these species.

■ Several factors combined to cause the decline in species populations - no single factor was responsible so a range of solutions would need to be tested.

■ There were some farming practices that had been tested on a small scale in individual farms, which indicated that some changes in farming practice had the potential to deliver the improvements in wildlife habitats being sought by the Department.

ii) Identifying the effects of the scheme

9   The Department had to strike a balance between testing as wide a range of options as possible to find out what might work and what might be attractive to farmers, and limiting the range of options so that sufficient information could be collected about each option to test properly its effectiveness.

10 The pilot was designed to test effectiveness and practicality. The Department tested the scheme in two areas of the country which have very different soil types and geological characteristics. At the design stage of the pilot, the Department did five key things. They:

■ Sought scientific advice from ecologists about what options should be included in the scheme which were most likely to achieve the outcomes of improved wildlife habitats and a reverse in the decline of species, and commissioned an ecological evaluation of the scheme.

■ Sought practical advice from specialist agriculturalists (Project Officers) about what would fit with patterns of farming in the pilot areas, what might interest farmers in those areas, and what could realistically be measured. They asked the Project Officers to examine how practical the options were for farmers to implement. This provided advice to the Department on how the options should be implemented at the farm level to maximise the environmental benefits from the scheme. Later on they also commissioned an evaluation from Project Officers on their experiences in operating the scheme.

■ Examined how the administration of the scheme would fit in with the wider policies of the Countryside Stewardship Scheme, which the successful options from the pilot scheme would be included in. As part of this they identified how they would track the costs and commissioned an economic evaluation of the scheme.

■ Budgeted for environmental monitoring costs over the life of the scheme and included monitoring of the scheme in its design from the outset.

■ Determined not to intervene with the operation of the pilot scheme as it progressed so that they could test properly the options it included.

iii) Balancing desired environmental outcomes against the practicability of different policy options

11 The Department were under pressure from the partner organisations to introduce options that would give the best environmental benefits in terms of improved habitats for birds and wildlife. If the Department had included options which were difficult for farmers to implement then there might have been insufficient numbers of farmers applying for the pilot scheme. The Department struck a balance between testing for the outcomes desired and the options that could be implemented by farmers by:

■ Issuing a consultation document before the pilot began with the options proposed for the scheme and using the feedback to modify the options included in the pilot.

■ Managing the expectations of the partner organisations who had proposed the original options to the Department through twice yearly meetings of a steering group which included the main stakeholders (the partner organisations and the National Farmers' Union, Country Landowners' Association and the Farming and Wildlife Advisory Group).

■ Seeking the professional advice of agronomists and farm business management specialists to examine the costs to the farmer of implementing the different options and adjusting payments to farmers where more complicated management had to be followed to secure the desired habitat outcome.

iv) Attracting farmers to the scheme

12 The Department built on research proposals for a scheme put forward jointly by three organisations in October 1996 - English Nature, the Game Conservancy Trust, and the RSPB. These three organisations subsequently became 'partner organisations' with the Department, helping to market it to farmers and encouraging applications for the scheme.

13　The Department first announced their intention to pilot a scheme for Arable Stewardship in February 1997, and issued their first consultation document about the proposed scheme in June 1997. They faced a high level of interest in the scheme in both pilot areas from the outset.

14　Promotional methods to market the scheme at its launch included the use of 'flyer' leaflets to farmers, launch meetings where the scheme was presented, farm walks to advise farmers on the suitability of their land for different options and meetings with individual farmers to advise them about their applications. The Department also took advantage of the resources and contacts of the partner organisations and the National Farmers' Union in reaching farmers who might have an interest in the scheme.

15　Over the three years of the pilot, there were 158 applications and 107 agreements in the East Anglia Pilot area, and 248 applications and 120 agreements in the West Midlands area. Applications were assessed on a competitive basis in terms of value for money - whether the farmer's involvement was likely to deliver significant environmental benefits and enable proper testing of the option at a good price.

16　The scheme was heavily oversubscribed, particularly in its first year. To examine why this was so, the Department asked Project Officers to include in their evaluation an assessment of the promotion of the scheme and also farmers' attitudes to the scheme including factors which motivated farmers' applications, so that this information could be used to manage the promotion of the scheme when it was rolled out nationally.

v)　Ensuring farmers implemented the options accurately

17　The Department faced the risk that if farmers did not apply the options to their land accurately, the effectiveness of those options would not be clear, and money would have been wasted on failing to test options correctly.

18　To counter this risk, the Department appointed two Project Officers in each pilot area. Their role was to launch and operate the scheme, by providing practical, technical and administrative help to farmers implementing options in the scheme. This included helping farmers with the preparation and management of the agreements made by the farmer with the Department, advising farmers how the options should be applied, and preparing newsletters and notes for farmers on what was being learned from the scheme as it progressed.

19　These Project Officers all had a working knowledge of commercial arable farming and agronomy, and were trained agronomists. This meant that they had the right skills and knowledge to gain credibility from farmers, on whom the successful testing of the options depended.

vi)　Obtaining information about the cost effectiveness of different options

20　The Department needed to know if better environmental benefits could be secured by paying farmers more and whether paying more for some options might improve farmers' take up of the options in the pilot scheme. To understand what would provide value for money in terms of the cost effectiveness of different options, the Department commissioned an economic evaluation of the scheme.

vii)　Constructing the pilot scheme to fit with wider European Union and domestic policies

23　The European Union Common Agricultural Policy requires the Department to ensure that any scheme which provides income to farmers is transparent and compliance with EU rules can be verified. To address this the Department:

- Examined the enforceability of compliance when they designed the options to be included in the pilot scheme.

- Made transparency and ease of understanding of the options a key feature of the pilot.

- Worked backwards from when they wanted to introduce the scheme and built into their timetable the time needed to consult the European Commission.

The impacts of the pilot scheme

24　The overall impact of the scheme is that it has given the Department information on which to base their decisions about longer term policy. The Department have a published Public Service Agreement target to "reverse the long-term decline in populations of farmland birds by 2020". This is underpinned by data which are collected and published by the Department as a national statistic, which means that the data have been objectively and impartially prepared according to agreed statistical professional principles and quality assurance standards.

25　The information from the pilot has been evaluated from an ecological, practicable, and cost effectiveness point of view. This has enabled the Department to learn about the strengths and weaknesses of the different options to inform how the policy should be rolled out nationally.

Lessons learned

26   The Department were able to test successfully how their policies on arable farming needed to be modified because they:

Managing stakeholders and obtaining information

■ Engaged stakeholders outside the Department and built on their research proposals to include criteria for practicability and cost effectiveness.

■ Managed expectations of stakeholders by convening a steering group with all main stakeholder groups represented, with whom they shared emerging results from the scheme.

■ Appointed Project Officers who had the right professional backgrounds to advise on the workability of the scheme and to gain credibility with the farmers implementing the scheme.

Testing a range of options

■ Promoted and marketed their scheme directly to farmers in the two pilot areas to attract them into the scheme so that a range of policy options could be properly tested.

■ Designed a competitive application system to enable them to choose a spread of the best applications across the range of options.

Assessing cost effectiveness

■ Built in evaluation of the options in the scheme from the outset to determine what the effectiveness of the scheme was in terms of environmental benefits, whether farmers could implement the options and whether the Department could afford the options on roll out and whether they would be acceptable to the European Union.

■ Tested the resources required in terms of the practical assistance farmers needed to implement different options in the scheme and used this to inform the choice of the options selected for national roll out.

Balancing policy and practical requirements

■ Ensured they organised the input to the scheme to balance three things: the policy requirement; the technical solution (what happens on the ground) and the administrative simplicity (operation and compliance).
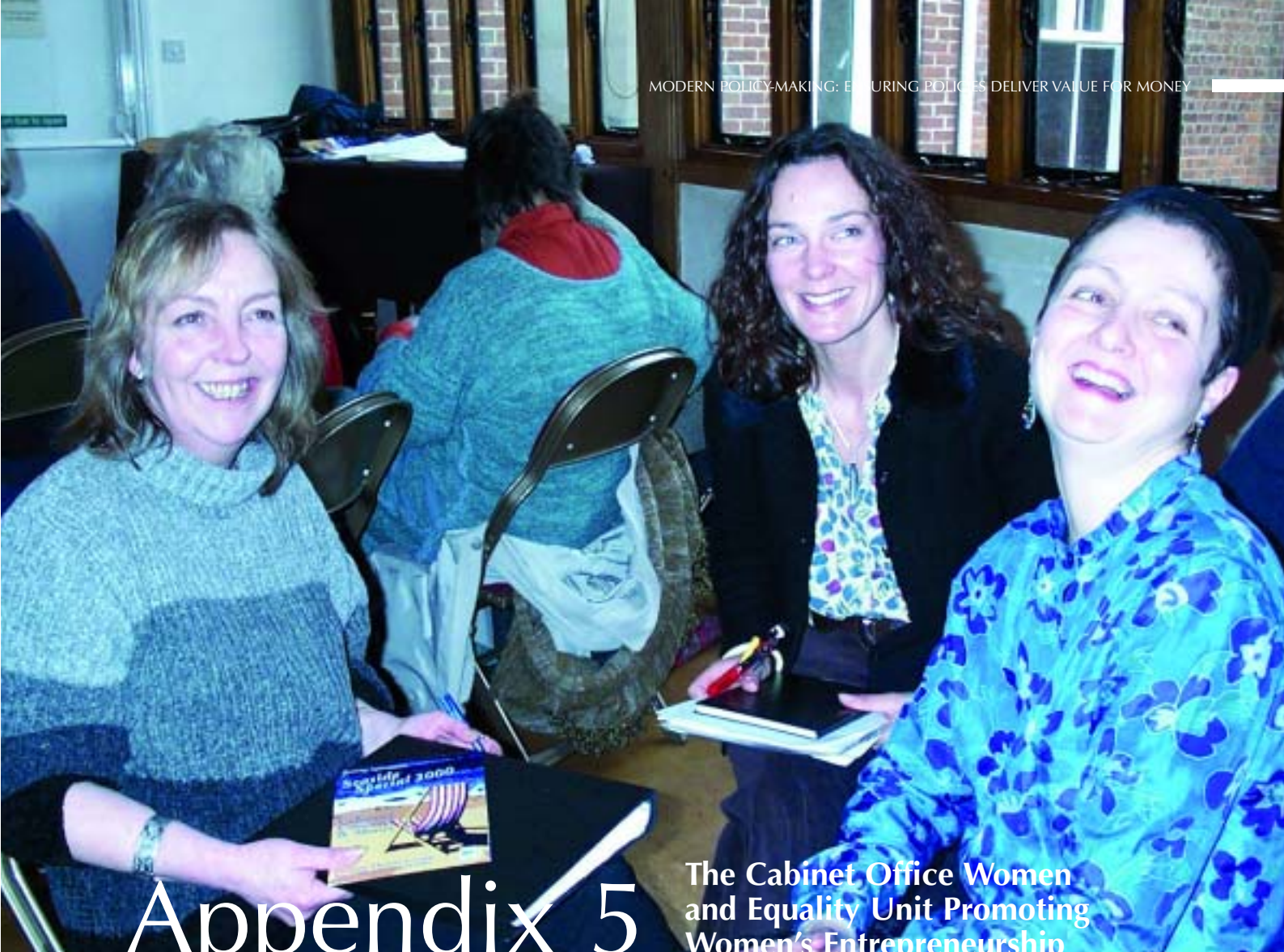
Appendix 5

The Cabinet Office Women and Equality Unit Promoting Women's Entrepreneurship

The Women and Equality Unit have promoted women's entrepreneurship by working with the Small Business Service, the Department of Trade and Industry and the Treasury and identifying the opportunities for learning lessons about the needs of women entrepreneurs.

The Women and Equality Unit have been successful in promoting women's entrepreneurship by:

- Building an evidence base to learn lessons.

- Engaging in active stakeholder consultation.

- Exerting influence through others.

1   One of the Women and Equality Unit's objectives is to promote women's entrepreneurship in the United Kingdom. The Women and Equality Unit have no direct operational responsibility for the delivery of a greater number of businesses started by women. However, they approach their role by influencing the work of the Department of Trade and Industry's Small Business Service and the Treasury and by identifying opportunities for learning lessons about the needs of women entrepreneurs through research and establishing good practice, for example, encouraging women's groups to learn from the experience of other groups in the UK and abroad.

What were the risks with the policy?

2   Two main risks faced by the Women and Equality Unit are:

- They might fail to understand well enough what kind of support women need to help them set up businesses.

- Other departments' work and priorities might not be consistent with objectives for women's entrepreneur-ship.

How did the Women and Equality Unit manage the risks?

i)   Identifying what support was needed for women entrepreneurs

3   The Women and Equality Unit drew on research and extensive consultation about women's employment and self-employment which identified that there are differences in the way that women approach business, for example, when starting up businesses, women are less confident, less likely to go to a bank for finance and are likely to be more risk averse than men. This helped them to identify that the phase before women decide to set up businesses is the time when they most need advice, for example, whether training is available at times that fit in with family responsibilities.

4   To supplement existing research, the Women and Equality Unit conducted a joint benchmarking study with the Swedish Government comparing the state of knowledge in the UK and Sweden and took the opportunity to publish this during the Swedish Presidency of the European Union. This involved local women's groups supporting entrepreneurship finding out about the work of similar organisations in Sweden to learn from sharing experiences, the most effective ways to run local business support projects for women in the UK.

5   The exercise built on existing good practice in supporting women's entrepreneurship and established that they needed to know more about the barriers to women setting up in business and so provided an important baseline to assess where further research was needed. It has also had the benefit of promoting links between similar organisations in the UK as a means of sharing and disseminating good practice in providing advice and support to women starting up their own businesses.

ii)   Establishing consistency with the work of other departments

6   By constantly looking for opportunities and levers to influence other departments effectively, the Unit convinced the Treasury and the Department of Trade and Industry's Small Business Service that support for women's entrepreneurship was consistent with their own departmental objectives, by timing their influence to coincide with a wide range of opportunities for securing public statements which the Women and Equality Unit could then use to reinforce their policy objectives.

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1 **WEETU: The Women's Employment, Enterprise and Training Unit, based in Norwich**

This is an independent not-for-profit organisation which provides services and support to women in Norfolk and North Suffolk on education, training and enterprise, and builds partnerships with local enterprise and education agencies.

Supported by the Norfolk Small Business Service, the Regional Development Agency and the local development partnership of local authorities, development agencies, private and voluntary sector organisations, the project is delivering good practice in the delivery and development of a range of services through a Centre of Excellence. The services provided include training, access to finance, and childcare provision for low-income women starting and developing businesses in Norfolk and North Suffolk.

The outcome expected from this work, measured by a series of milestones, targets and monthly monitoring, is to help over 150 people into self-employment and setting up in business, by means of group information sessions, business development workshops and courses about access to WEETU's microcredit loan fund. The service is targeted at low income women living in disadvantaged urban and rural areas, for example, those in receipt of income support.

The impacts of the policy

7   The Women and Equality Unit's role has had the following impacts:

■ They published a benchmarking document in February 2000 with the Swedish Government, "Different Perspectives", comparing the state of knowledge about women's entrepreneurship and self-employment in the UK and Sweden to raise awareness about the state of knowledge about women's entrepreneurship.

■ The proposal to develop a new website "Women's On-Line Business Centre", building on specifically commissioned content within the Small Buisness Service's website (www.businesslink.org), which, in response to research by the Women and Equality Unit, now provides information targeted at and tailored for women.

■ They have maintained momentum through other departments' work programmes for support for women's entrepreneurship **(Figure 1)**.

8   The Women and Equality Unit have recognised three factors as vital for a small cross cutting unit with no direct operational responsibility:

Lessons learned

Building the evidence base and learning lessons

■ They undertook comparative research jointly with the Swedish Government, involving women's groups to learn from others' experiences, and sought an opportunity to promote the work when it would make most impact, by publishing it during the Swedish Presidency of the European Union.

Active stakeholder consultation

■ They learned from others and consulted widely by, for example, running seminars that examined the barriers faced by women in setting up businesses and developing close relationships with practitioners who support women setting up businesses in deprived areas to identify the most effective ways of carrying out their work.

Exerting influence through others

■ The Unit recognised that without direct influence they could only meet their objective of supporting women's entrepreneurship by building up good relationships with groups providing services to women and by influencing other departments who had resources and finance.

Appendix 6

Blackburn with Darwen Borough Council

Blackburn with Darwen Borough Council's experience indicates the benefit of consulting stakeholders and the public and involving implementers in policy design. The Council have also benefited from using structured project management to deliver policies and a small ad hoc team headed by the Deputy Chief Executive, to manage the authority's response to unexpected events.

Blackburn with Darwen Borough Council

1   Blackburn with Darwen Borough Council are the local authority responsible for providing services including education, social services, housing, planning and leisure to some 140,000 people who live in the borough. The Council's expenditure in 2000-01 was about £130 million.

Risks and value for money issues

2   The Council face a number of risks during policy design. They may:

  ■   Design policies that do not meet the needs of citizens.

  ■   Not think through how best to design a policy because of the pressure to implement it rapidly.

  ■   Fail to react to an unexpected crisis so that customer services may suffer.

How do Blackburn with Darwen Borough Council manage these risks?

i)   Identification and consultation of stakeholders and service users.

3   The Council have developed partnership working and carried out extensive direct consultation of citizens' views in their area to help ensure that policies are user focused and based on a strong stakeholder analysis. For example the Council developed their Community Plan - a 20 year strategy with a five year implementation timetable and annual review - through the Blackburn Partnership. The Partnership brings together the full range of the Council's stakeholders from the voluntary, public and private sectors. Consulting the Partnership and citizens directly places stakeholder views at the heart of strategic planning for the Borough's long term future. The Council's Community Plan is entirely consistent with the Government's guidance on community strategies and local strategic partnerships.

4   The Council also ensure that their policies are user focused by obtaining directly the views of the public. They carry out independent surveys every second year which are particularly aimed at measuring citizen and customer satisfaction with the outcomes of the Council's policy. Although the Council's surveying pre-dated the Government's mandatory surveying of satisfaction with outcomes under the 'Best Value' initiative their survey now incorporates the questions required by 'Best Value'.

5   The Council have also set up a Citizen's Panel of 1,700 people who are changed every three years. The Panel respond to about six Council questionnaires each year. The Council also select random samples of the Citizen's Panel to do more specialised surveys. The Council are experimenting with electronic consultation in which about 40 of the Citizen's Panel have been involved.

6   This strategy of direct consultation has resulted in changes in Council policy and an improvement in their reputation. For example as a result of their two yearly surveys they identified that citizens wanted streets to be cleaned more regularly and therefore used extra resources to introduce monthly rather than quarterly street cleaning. Since 1998 the proportion of people who feel informed and listened to by the Council has improved from 40 per cent to 60 per cent.

ii)   Project management to ensure that policy design is not de-railed

7   The Council avoid the risk to cost effectiveness from hurried or disorderly policy design and implementation by adopting a project planning basis for all key policies showing what key actions need to be taken and when they need to be taken. The Council have designed their organisational structure so that for most policies those who implement them are included in the design stage helping to ensure that the policies designed will be deliverable. They monitor progress on implementation using a performance management database, for example how often broken streetlights are repaired, and by quarterly reports on key performance indicators to the Executive Board and Executive Committee.

8   Where time is restricted and there is pressure that 'something must be done', the Council's strategy is:

■ To develop a project implementation plan;

■ To identify the gaps and deal with them;

■ To share problems and issues with stakeholders and make them part of the solution.

iii)   Managing unexpected events

9   In the event of the unexpected the Council will create a small team headed by a member of senior management to spearhead their response. The Council's Executive Directors do not directly manage departments but co-ordinate strategic issues and delivery. For example during the petrol crisis in Autumn 2000 the Executive Strategy Group appointed the Deputy Chief Executive at the head of a team of six to co-ordinate the response. The Deputy Chief Executive and his team were able to concentrate on making sure emergency users had petrol, schools stayed open and the media were briefed. Internally the team briefed the elected members and Chief Officers each day by e-mail. Because the problem was taken out of the management structure by the team the rest of the Council were able to get on with their jobs largely unaffected.

Impacts

10   The Council's approach to policy design and implementation has led them to develop a Community Plan that reflects the views of their stakeholders, including the citizens who will ultimately benefit from the service delivery, as well as meeting the Government's guidelines on developing community strategies and local strategic partnerships. The Council's extensive consultations identified a need for them to increase street cleaning and also increased the public's perception that they were being consulted and listened to.

11   The Council's strategy for responding to unexpected events enabled them during the petrol crisis of Autumn 2000 to make sure emergency users had petrol, schools stayed open, senior management and elected officers were kept informed daily and the media were briefed.

Lessons learned

12   Blackburn with Darwen Borough Council have developed an effective strategy for managing the risks to value for money and delivery of policies because they have:

On consultation with stakeholders including the public

■ Used extensive and regular consultation with stakeholders as an effective basis for both long-term strategy decisions and directing resources to meet citizens' priorities for more immediate service delivery outcomes.

On delivery

■ Developed project planning and the monitoring of performance indicators as a successful means of delivering a range of outcomes targeted as part of a strategy.

■ Structured project design teams which include implementers to manage the risk that the policies they design will be impractical to deliver.

On responding to the unexpected

■ Appointed small dedicated teams headed by Executive Directors to tackle unexpected crises to uphold service delivery and to minimise disruption to services.

Appendix 7

Kent County Council

Kent County Council's experience of policy-making indicates the value of a systematic strategy for encouraging innovation, effective partnership management, appropriate use and evaluation of pilots and contingency planning based on a network of established relationships across the county.

Kent County Council

1   Kent County Council provide a number of important services to some 1.3 million people living in Kent, such as education, social services, and highway maintenance. The Council have an annual budget of some £1.3 billion.

Risks and value for money issues

2   Kent County Council face a number of risks to value for money and service delivery during policy design and implementation. They may:

- Fail to identify opportunities to improve the economy and effectiveness of service delivery.

- Implement poorly designed policy or face difficulties in implementing well designed policies through inadequate stakeholder management.

- Waste resources on piloting policies and select less favourable policy options through poor analysis of evidence.

- Fail to deliver services during the course of unexpected events if they do not have appropriate contingency planning.

How do Kent County Council manage these risks?

i)   Identifying opportunities to improve service delivery

3   The Council have created a culture that actively encourages the generation of innovative ideas and potential solutions to tackle the challenges and problems they face in delivering services. The Council have formed the Corporate Policy Unit to take the lead in this work and have given them the remit of delivering a wide range of policy options and methods of implementation.

4   The Policy Unit are led by an individual with experience of working in other organisations which have placed an emphasis on innovative thinking. To facilitate the generation of new ways of thinking and to avoid individuals becoming stale in their work the Policy Unit have individuals, including secondees, join and leave the group at frequent intervals.

ii)   Managing stakeholder relationships

5   The Council have a number of key partners such as the Local Health Authority, the Police, the Fire Brigade and District Councils. The Council have managed the risk of implementing poorly designed policies or having difficulties in implementing well designed policies by co-operating closely and communicating regularly and frequently with their stakeholders.

6   The Council identify and agree with stakeholders the priority of the outcomes that they are all aiming to achieve. The Council consider that effective working relationships established and maintained at the political, senior management and middle management level have been essential to the design and implementation of policies that have successfully delivered targeted outcomes.

7   One example of how the Council have enhanced the coherence and effectiveness of their working partnerships is through their joint working with stakeholders on the Kent Inter-Agency Steering Group which oversee the Kent Public Service Agreement and projects on joint working relating to the Criminal Justice Agency. The Group have examined the impact of the projects on local neighbourhoods.

iii) Piloting policies

8   The Council pilot[49] policies selectively as they recognise that the technique of piloting is more effective in assessing those policies which are designed to deliver outcomes in the short to medium-term rather than the long-term. It would not be cost effective, for example, for the Council to pilot a policy that is designed to reduce the number of family break-ups, which by its nature can only have an impact in the longer term.

9   Where it is appropriate for the Council to use a pilot they will employ techniques such as cost-benefit analysis[50] to analyse the potential impact of a policy. For example, the Council piloted a method of recuperative care for the elderly at the Dorothy Lucy Centre in Maidstone that aimed to help elderly people who had become incapacitated to return to live independently in their own homes. The treatment, which is based on intensive occupational therapy to restore strength and mobility, was shown to be highly cost effective and the treatment has now been rolled out across the county.

iv) Planning for the unexpected

10   The Council's approach to planning to maintain service delivery during a crisis or emergency is based on establishing a network of agreed co-operation with other key organisations rather than formulating specific contingency plans. The Council have adopted this approach because they consider that unexpected events will always be unpredictable in different sets of circumstances.

11   The Council operate with the knowledge that they are able to engage all the key organisations in Kent - such as the Emergency Services and the Armed Forces - at any time in the event of an emergency. The Council consider that it is equally important that they have established a known location for the emergency office that will be used in all such events.

12   During the petrol crisis in September 2000 there were considerable problems in Kent including a lack of fuel for priority use at designated outlets. The Chief Executive of Kent County Council called together all the key organisations in Kent - including the District Councils, the Police and the Army. The Council were able to draw on the different experiences and backgrounds of the organisations present - for example Trading Standards Officers were able to supply crucial information on potentially available fuel stocks - to develop a fuel sharing plan that ensured that priority users were able to obtain fuel.

Impacts

13   Kent County Council's approach to policy design and implementation has resulted in their developing excellent working partnerships with the key organisations involved in service delivery throughout Kent which, for example, facilitated an effective response to the problems encountered in the county during the fuel crisis.

14   The Council have selectively used and analysed policy piloting which has, for example, resulted in the development of a cost effective model of recuperative care for the elderly. Their innovative approach to policy design and implementation has contributed to an improvement in their performance. The Council have benchmarked their performance using the 48 Audit Commission indicators that are relevant to the services they provide and consider that the Council have improved from the bottom quarter to the top quarter of performance by counties.

Lessons learned

15   Kent County Council have developed an effective strategy for designing and implementing policy because:

On innovation

- They have recognised the importance that innovative approaches and thinking can make to identifying ways in which policy can be designed and implemented to deliver continued improvements in service delivery.

- They have created a working environment which actively seeks out and encourages those who are able to think innovatively and have given a designated group of individuals the specific remit of delivering a wide range of policy options and methods of implementation.

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49   *Piloting is the testing of a policy on a small scale before deciding whether to implement it.*
50   *Cost-benefit analysis studies the relationship between costs and outcomes, usually expressed in monetary terms.*

On working with partners

■ They have identified the key organisations involved in service delivery in the county and recognised the importance of close co-operation and communication with them.

■ They have established effective working relationships with stakeholders at the political, middle management and senior management level to agree on the priority of the outcomes that all the organisations involved are aiming to achieve.

On piloting policies

■ They recognise that piloting is only appropriate in certain circumstances - the processes must not be too complex to measure or the outcomes occur beyond the time available to make the decision - and the results must be assessed appropriately by, for example, the use of cost-benefit analysis.

On planning for the unexpected

■ They have an effective chain of communication with stakeholders to deal with an unpredictable crisis and have established a prepared meeting location rather than develop precise contingency plans that may not be appropriate for the actual crisis faced.

Appendix 8

Torfaen County Borough Council

Torfaen County Borough Council's experience of policy-making indicates the importance of creative thinking to design policy options, the identification and management of core risks, strong leadership in policy implementation and media campaigns to help modify behaviour.

Torfaen County Borough Council

1   Torfaen County Borough Council serve some 90,000 people in the 12 mile long river valley running from Blaenavon to Cwmbran in South East Wales. They are a unitary authority providing the full range of local government services - including education, social services, roads, social housing, refuse collection and encouragement of economic development. Their expenditure in 2000-01 was £185 million.

Risks and value for money issues

2   Torfaen County Borough Council face a number of potential policy risks and threats to value for money during policy design and delivery. They may:

■   Miss opportunities to inject innovative thinking into policy design where problems have no ready-made solutions.

■   Select more costly or less effective options that will not achieve the best value for money.

■   Fail to identify and manage risks to the policy during the design stage resulting in the policy suffering unexpected problems that either increase cost or reduce the delivery of the planned outcomes.

■   Deliver the policy late or over budget reducing its value for money.

■   Fail to change behaviour risking that the outcome of the policy will be undermined and prevent it from delivering value for money.

How do Torfaen County Borough Council manage these risks?

i)   Designing innovative policies

3   The Council's officers use a variety of methods to get creative answers to questions of policy such as encouraging a wide programme of learning by policy and other staff, considering policy questions in depth at "away days" and using brainstorming to identify and design a much wider range of options. The Council's senior managers then lead the design of the policy by outlining the initial options in a draft paper and developing the policy further through a series of iterative steps.

4   In prime policy areas the Elected Members play a critical role. Where innovation is central to the successful implementation of a policy the Council's senior managers assist the Members by presenting to them the policy choices and their consequences for consideration at a 'Policy Day' seminar outside the formal decision-making machinery.

ii)   Identifying the most cost effective options

5   When deciding between options the Council assess the risks and, where costs and benefits are quantifiable, use formal cost-benefit analysis. For example, the Council applied this approach to considering options as part of an overall strategy to reduce rent arrears. Two of the sets of options they considered were:

■   whether or not to continue collecting water rates;

■   whether or not to split rent collection from the housing management functions.

6   The Council's risk assessment considered that continuing to have the rent collected by those responsible for housing management functions would compromise tenants' perception of the quality of service they were receiving, that is it is difficult to be seen to provide a good service on repairs while pressing for rent arrears. They then applied cost-benefit analysis techniques to discover whether the collection of water rates and splitting rent collection and housing management functions represented value for money. Torfaen's strategy to reduce rent arrears, including splitting rent collection from housing management and continuing to collect water rates, has been successful in achieving a steady downward trend in rent arrears.

iii)   Identifying and managing risks during policy design

7   The Council identify the type of risks they face at the design stage of each policy. For example, they identified not getting World Heritage Site status for their historic industrial landscape as the overriding risk in the development of Blaenavon. They managed this risk by ensuring that there was a very good level of assurance that the site would get the status before going ahead with the policy publicly as failure would have been demoralising for the town. The Council considered there was some residual risk that getting the status might be delayed. They managed this risk by making it a priority to obtain the status by using all necessary resources and were successful in November 2000.

iv)   Driving through policy implementation to obtain value for money

8   The Chief Executive's leadership contributes to driving through the implementation of policy. The Chief Executive chairs the important project boards, such as the re-development of Pontypool, which is currently a high priority for the area. The Council consider that as well as focusing commitment on achieving objectives they should have the flexibility to allocate extra resources where necessary to counter threats to the achievement of the core objectives of the policy.

9   Project organisation is a key success factor. The Council encourage a tightly organised and authoritative project management approach tailored to the size and scale of the undertaking. The approach is largely based on "PRINCE"[51] methodology to accomplish key objectives in policy implementation where barriers need to be overcome.

10   The Council also place considerable emphasis on developing institutional memory to ensure continuity between the original objectives and the current activity by developing clear documentation that carries a summarised history of the objectives and action completed to date. This narrative approach has carried the re-development of Blaenavon through the key development stages including obtaining recognition of the site's World Heritage Status.

v)   Managing the risks of policy not working

11   The Council increase the chances of their policies working through carefully designed media campaigns. A crucial element is the involvement and support of elected Members. This is primarily achieved by presenting the issue in a Policy Seminar where Members have the opportunity to ask questions, discuss, review and reflect so that when they go into policy-making forums they are equipped to make decisions and are prepared for the difficulties that may arise. For example the Council boosted the chances of the success of their policy to reduce rent arrears with a publicity campaign over the Christmas period - "The biggest present you can give your family this Christmas is to pay the rent". The campaign resulted in rent arrears not increasing between November and January. Although there was some strong adverse comment about the policy the Members were supportive of it because they had been fully involved and had bought in to the policy.

Impacts

12   The Council have been successful in designing and driving through well thought out and innovative policies to tackle complex development needs. Gaining World Heritage Site status for Blaenavon and the reduction of rent arrears are good examples of the application of tight project management to deliver successfully innovative policies. Identification and management of risk has allowed them to avoid policy failures that might have damaged their reputation.

51   *"PRINCE" (Projects In a Controlled Environment) is the standard method for project management in government information technology projects*

Lessons learned

13 The Council have been successful in policy design because they:

On building in value for money

■ Use formal cost-benefit analysis where costs and benefits are quantifiable.

On identifying and managing risk

■ Identify the types of risk faced by a policy at the outset and where it is a significant risk, prioritise its management to ensure that policy will be implemented successfully.

On driving through implementation

■ Use leadership with the Chief Executive chairing important project boards to focus commitment and to give maximum flexibility in bringing in necessary resources quickly.

■ Use a very tightly organised project methodology to plan how to overcome barriers and to monitor progress.

■ Involve elected Members from the early stages.

■ Increase the chances of policy working through carefully designed media campaigns to help modify the behaviour of client groups, for example tenants with rent arrears.

Appendix 9

Amey plc

Amey have benefited from adopting a successful strategy that harnesses innovative thinking, recognises the need to identify and analyse the potential consequences of risk, and manages policy implementation by monitoring progress at the key stages of delivery.

Amey plc

1   Amey plc are a company specialising in providing business support services to the private and public sectors as well as owning large-scale transportation infrastructure concessions. They had a turnover of some £700 million in 2000 and employ around 7,000 people throughout the UK.

Risks and value for money issues

2   Amey face a number of risks during policy design and implementation. They may:

- Fail to identify opportunities to innovate and to deliver improvements in service delivery.

- Fail to identify how policy options are likely to play out in reality and consequently implement more costly or less effective policies.

- Implement policies which are subsequently de-railed and fail to deliver targeted outcomes to those intended leading to the company's reputation being damaged.

How do Amey manage these risks?

i)   Identifying opportunities to innovate and improve service delivery

3   Amey have recognised that innovation is necessary for them to gain a competitive advantage over their commercial rivals. They have established teams of staff who are dedicated to thinking creatively in order to generate innovative solutions to traditional challenges and problems.

4   When Amey bid for work they seek to understand the potential client's expectations and to identify through innovative thinking what additional or higher quality services they could provide. Amey's creative teams take the lead in suggesting improvements and work in conjunction with those involved in implementation to develop proposals and those which are cost effective are included in the bid.

5   Amey's approach to identifying opportunities to innovate and improve service delivery contributed to their success in securing a contract to refurbish secondary schools in Glasgow. Amey's bid was accepted on its quality rather than its low price because it included an information strategy that would deliver a personal computer onto each pupil's desk.

ii)   Failing to identify how policy options are likely to play out in reality

6   Amey have adopted a risk averse approach to managing their business but recognise that they have achieved success through taking and effectively managing risks. A fundamental part of their approach to risk management during the bidding process is to identify and minimise the risks they face and to factor them into the bid they submit to a potential client.

7   Amey examine the high profile risks involved in a bid, both to the company's reputation and to their financial position, at an early stage of the process. As work on the bid proceeds Amey continue to analyse risks using "Monte Carlo" simulations, which involves running a model many times on a computer so that the overall risk can be judged. Each time the model runs the computer selects a particular value and builds up a full range of potential outcomes. Where risks remain within the bid Amey will continue to review their importance and potential impact and where necessary make contingency plans.

iii) Policies being de-railed and failing to deliver targeted outcomes

8   Amey have recognised the importance that measuring performance against targets and communicating results can make when delivering services to their clients. They manage the risk of policy initiatives being de-railed and failing to deliver intended outcomes by using the Business Excellence Model[52] to monitor progress against key objectives over a range of outputs.

9   The information produced by the Business Excellence method of monitoring progress is then cascaded down the management chain. This means that performance against targets cannot be overlooked by those involved in delivering services to clients.

Impacts

10   Amey have secured contracts with Centrica, Marks & Spencer and Railtrack. In the public sector their clients range from major government departments, such as the Ministry of Defence, to local government councils such as Portsmouth. Since 1999 improvements in the company's share price have propelled them into the FTSE 250.

Lessons learned

11   Amey have developed an effective strategy for designing and implementing policy because they have:

On innovation

- Adopted a successful strategy to harness innovative thinking. This involves engaging clients to determine what they require; using a systematic mechanism to identify potential innovations and improvements to service delivery and examining which of the proposals can be cost effectively implemented.

On risk

- Recognised the need to identify systematically the risks to service delivery and to examine the likelihood of the risks having a detrimental impact before deciding on a course of action. Using techniques such as Monte Carlo simulation enhances their analysis of complex interrelated risks.

On implementation

- Recognised that implementation can be more effectively achieved if there is a systematic identification of intended outcomes and an explicit understanding of the key stages involved in delivery. They have systematically monitored progress of delivery against targets and disseminated the information to all management levels.

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52   *The European Foundation for Quality Management Excellence Model is a diagnostic tool to help organisations measure where they are on the path to Excellence, helping them to understand the gaps, and then stimulating solutions.*

Appendix 10

THE BOOTS COMPANY

BOOTS plc

Boots' experience of strategy design and implementation indicates the benefits of defining a clear strategic objective; developing better information by use of data from within the business and by identifying key trends in their external environment; generating business options by developing alternative views or scenarios of what the future might look like; and selecting the best option in the face of uncertainty, using approaches such as simulation modelling, to assess the uncertainty and value associated with each alternative.

Boots

1   The Boots Company are a 'wellbeing' business spanning retail of health, pharmaceutical and beauty products, product development and manufacturing, international marketing, and property management. Their main public face is Boots The Chemist, which one in three adults visit each week, and the group also own well known household product brands such as 'Nurofen' and 'Strepsil'. The Company have 83,560 staff, with an annual turnover of around £5.2 billion.

Risks and value for money issues

2   The two main factors which impact on Boots' business are increased competition and uncertainty. In this context, they face three key risks:

■   The strategic risk that they may not have the right strategy to respond to competition and uncertainty.

■   The operational risk that something may go wrong in the delivery of their business to customers.

■   The competitive risk that competitors may 'get there first' in products or markets.

How do Boots manage these risks?

i)   Managing for Value underpins decisions

3   The Managing for Value approach enables Boots to take rational decisions, strengthening and growing the company over time for the benefit of all their stakeholders. It also establishes a clear link between shareholder returns, performance of the businesses, and individual rewards by providing an unambiguous measure of achievement.

4   The overriding management objective for Boots is to ensure that shareholders will get the best possible return on their investment in Boots over time, through dividend payments and share price increases. This objective is central to the way Boots do business and they have embedded it in activities and decisions through a managing for value framework. Boots recognise that every decision (however large or small) either creates or destroys value and the managing for value framework aims to ensure a consistent approach is adopted for strategic planning and for everyday decision making at all levels in the organisation. The managing for value framework is a continual cycle linking five key elements in the development and implementation of strategy in Boots **(Figure 1)**.

5   Adopting this approach not only ensures that decision-making is clearly focused on value but, by explicitly considering uncertainty at each stage in the cycle, also addresses risks associated with developing and implementing within the managing for value framework.

ii)   Better Information

6   'Better information' in Boots is characterised by:

■   Being based on factual information.

■   Recognising uncertainty.

■   Being value based with clear and agreed units of measurement.

7   Boots build a better understanding of where and how value is being created or destroyed as well as where and how value could be created or destroyed. The starting point for their strategy development is a Strategic Position Assessment that has three core components:

■   **Assessment of current performance** by analysing and identifying where and how the company are currently creating or destroying value. This analysis draws on a wealth of information collected within the business including, for example, transaction data generated from electronic point of sale systems in Boots stores and from the Boots Advantage Card (a loyalty card currently held by some 13 million people in the UK).

1 Boots' Managing for Value Framework

Continuous development of strategy enables Boots to capture the impact of effective decision-making and improve performance so that strategy happens.

Managing for Value - The way Boots manage ...
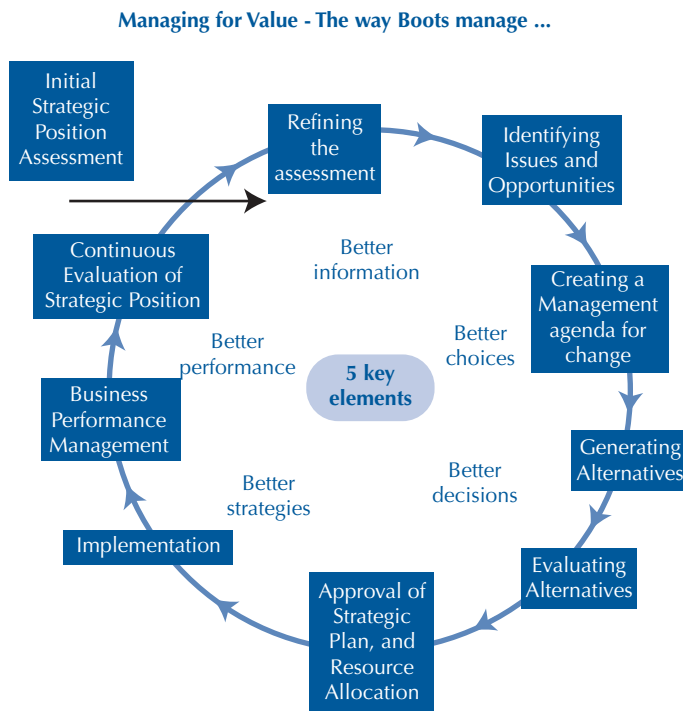
…is a Continuous Process

At any point in time, the managers should have:

- An agreed **strategy** that is being implemented.

- An agreed **Management Agenda** setting out the highest priority strategic and organisational opportunities, as well as the ongoing operating focus.

- **Initiatives** in place to address the opportunities on the Management Agenda.

- An **ongoing dialogue** with group management about the Agenda and decisions that could influence the Agenda.

Source: The Boots Company plc

- **Assessment of the strategic competitive environment** gains them a better understanding of the forces driving value in the future. In particular understanding the economics of the markets that the company are either operating in or are considering entering and the factors that influence their competitive position. Boots take a 'future back' approach to this, using a combination of in-house and external perspectives to identify key trends and uncertainties across a number of segments (including social, technological, political and economic) of the external environment (see **Figure 2**).

- **Organisational assessment** to maintain and develop competitive advantage, as they evolve strategy. Examples of the questions Boots ask themselves are:
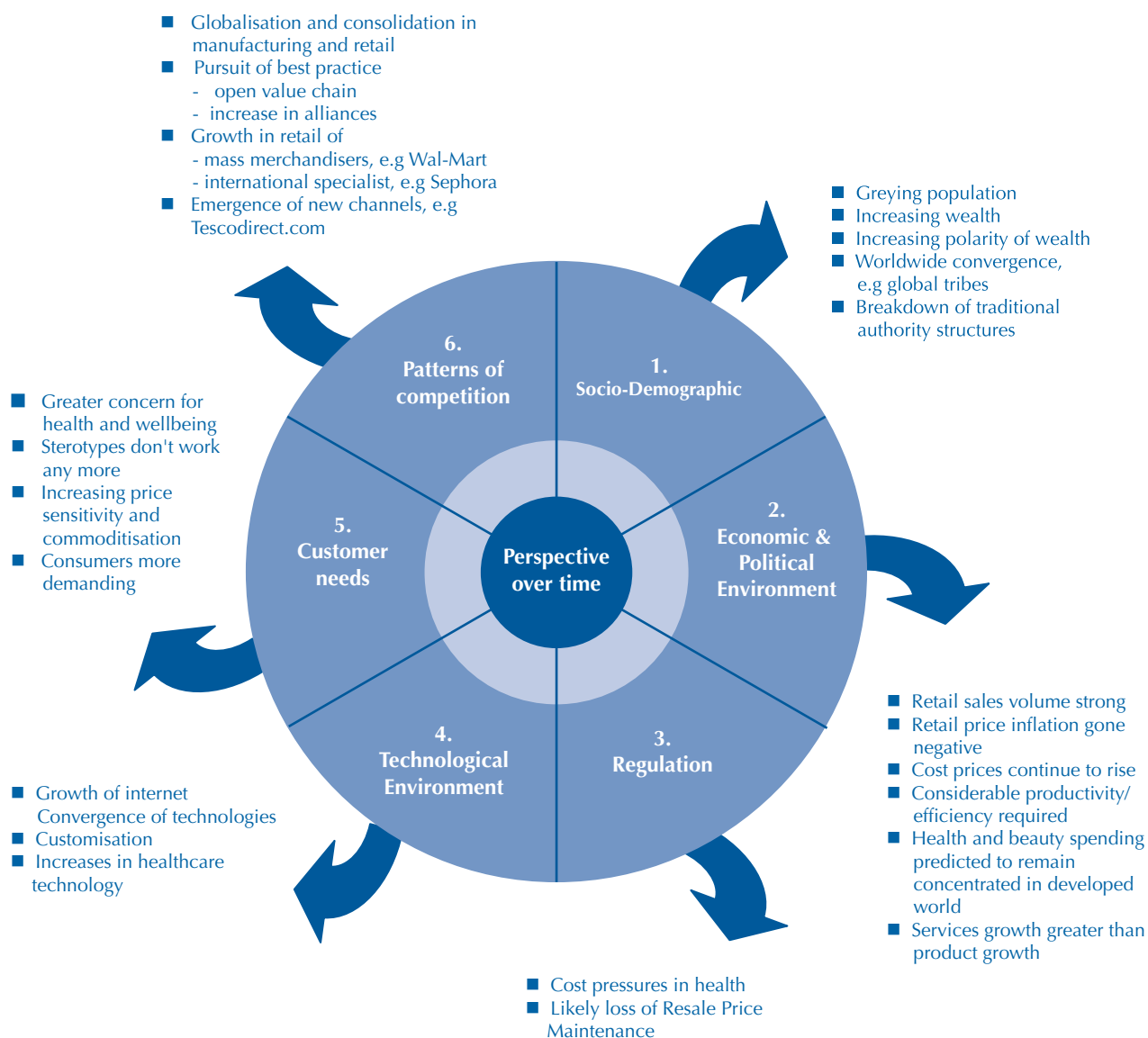
  - What is our ambition and how can we use this ambition to stretch the organisation?

  - What are the right processes to ensure that we consistently focus on the 'right' organisational and strategic issues and make the 'best' decisions?

  - How should we structure and assign roles, responsibilities and accountabilities in order to support the 'best' strategy?

  - How should we recruit, develop, allocate and reward people, individually and as a team to ensure we have the right capabilities in place over time?

  - How can we develop the capabilities to provide information that can be acted on and are necessary to make better decisions?

iii) Better Choices

8   Boots identify issues and opportunities to generate alternative solutions that will inform decision-making. Armed with the understanding developed from the Position Assessment, they are then able to generate, develop and test strategic options for the company. When they are looking at areas of high uncertainty they find it useful to develop and express their understanding of what is driving change in the external environment in a set of alternative views or scenarios. For example, they assembled a group of internal and external experts from areas as diverse as consumer behaviour, genetics, information and communications technology, media, and complementary medicine. The group developed a set of alternative views of what the future might look like for healthcare consumers and providers across Europe. These scenarios, which served to highlight the risks and opportunities faced by the business, were then used to generate a range of business options.

2   Identifying threats and opportunities to the business

- Globalisation and consolidation in manufacturing and retail
- Pursuit of best practice
  - open value chain
  - increase in alliances
- Growth in retail of
  - mass merchandisers, e.g Wal-Mart
  - international specialist, e.g Sephora
- Emergence of new channels, e.g Tescodirect.com

- Greying population
- Increasing wealth
- Increasing polarity of wealth
- Worldwide convergence, e.g global tribes
- Breakdown of traditional authority structures

- Greater concern for health and wellbeing
- Sterotypes don't work any more
- Increasing price sensitivity and commoditisation
- Consumers more demanding

6. Patterns of competition

1. Socio-Demographic

5. Customer needs

Perspective over time

2. Economic & Political Environment

4. Technological Environment

3. Regulation

- Retail sales volume strong
- Retail price inflation gone negative
- Cost prices continue to rise
- Considerable productivity/ efficiency required
- Health and beauty spending predicted to remain concentrated in developed world
- Services growth greater than product growth

- Growth of internet Convergence of technologies
- Customisation
- Increases in healthcare technology

- Cost pressures in health
- Likely loss of Resale Price Maintenance

Source: The Boots Company plc

iv)   Better Decisions

9   Boots apply the philosophy and principles of Managing for Value, that is better information and better choices, to enable them to make the best decisions that lead to quicker actions. In an ideal world with no uncertainty, they could use value as a simple criterion to select the best option. In the real world, they make explicit and take account of the uncertainty that exists. A number of approaches are used. Simulation modelling techniques, for example, allow them to value options, even where each option contains a wide range of uncertainty. They can explicitly compare both the return (value) and risk (uncertainty) associated with each option. This approach reduces the need to make assumptions, and hence reduces the danger of basing decisions on value estimates of unknown accuracy.

appendix ten

v) Better Strategy Implementation

10   Boots develop strategies down to levels at which they can be actioned and implemented. Better decision-making creates the conditions that allow strategy to 'happen' in a more dynamic way. Strategy is a continuous process of identifying, prioritising and resolving issues and opportunities. At any point in time, managers should have:

■   An agreed strategy to implement.

■   An agreed Management Agenda of the highest priority strategic and organisational opportunities, as well as their ongoing operating focus.

■   Initiatives in place to exploit the opportunities on the Management Agenda.

11   One important element of strategy within Boots is the management of uncertainty. They use risk mapping to assess internal and external risks in the business and to identify the likelihood and potential impact of these risks on the business. They then use this to identify risk indicators that will trigger action if they are reached in the future.

vi) Better Performance

12   The combination of better information, choices, decisions and strategies help Boots to deliver better performance by building competitive advantage. The outputs of their strategy development process are implementation plans with specific performance commitments and specific resource requirements. They bring these together in a performance contract that includes both financial and non-financial key performance indicators setting specific targets for initiatives at specified milestones. The Chief Executive and the Managing Directors of the Business Units manage performance through ongoing dialogue around the terms in the performance contract.

13   Boots link individual performance contracts to Business Unit Performance Contracts. This link is either direct - where individuals have accountability for financial performance of an element of the business or for delivery of a strategic initiative - or indirect, where individuals' actions are focused on influencing one or more of the drivers of value for the business for example, improving advertising effectiveness.

Lessons learned

14   Boots have developed their reputation as a leading 'wellbeing' business because:

On identifying strategic objectives

■   Boots overriding management objective is managing for value, which recognises that every decision, however large or small, creates or destroys value for their shareholders. The managing for value framework aims to ensure a consistent approach is adopted for strategic planning and everyday decisions at all levels in the organisation.

On generating better information

■   Boots draw on information collected within the business (for example data on transactions with customers) to analyse current performance, and identify key trends and uncertainties in their external environment by using a combination of in-house experts and external perspectives.

On generating options using scenarios and alternative views of the future

■   Boots generate options using groups of internal and external experts to help understand what is driving change in the external environment by developing sets of alternative scenarios. For example, they developed a set of alternative views of what the future might look like for healthcare consumers and providers across Europe and used these scenarios, which highlighted risks and opportunities, to generate a range of business options.

Appendix 11

EDS

EDS have benefited from a clear strategy to promote innovation by developing creativity through experience to solve problems the company have identified as strategic priorities. EDS improve services by systematically reviewing external factors that might impact on delivery, agreeing responsibility for managing risks with their clients, including plans for service delivery. They keep policies on track through a culture of openness to encourage managers to report problems, undertaking peer review of major projects and monitoring real time feedback from clients.

EDS

1   EDS are an international corporation providing e-business and Information Technology services to 9,000 business and government clients in 55 countries. These include companies from a wide variety of sectors including manufacturing, retail, finance, transportation, healthcare, energy, communications, entertainment, media and government affairs. They have 118,000 employees world wide and earned income of just over $19 billion in 2000.

2   The company recognise that they need to have the ability to inject radical thinking into policy development if they are to be innovative and maintain an edge over their competitors and provide a quality service to their clients. As a service company they need to have systems and arrangements in place to uphold service delivery in the event of the unexpected happening, and they need to be able to identify and monitor risks which may have an impact on the services they deliver to their customers.

Risks and value for money issues

3   EDS face a number of risks during policy design and delivery. They may:

   ■ Lose business if they fail to deliver improvements in services to their customers.

   ■ Lose out to competitors if they fail to innovate and do things differently.

   ■ Develop policies that fail to deliver what is intended or become derailed so that their customers do not receive the service they expect.

How do EDS manage these risks?

i)   Delivering improvements in services to their customers

4   To identify risks in service delivery EDS identify and manage risk by agreeing with their clients who is responsible for which risks in service delivery and who is best placed to manage those risks. The solution offered to the client would then include alternative strategies for managing risks to demonstrate where EDS can add value.

5   To identify how external factors might affect the service they can offer to clients, EDS undertake systematic reviews each year of their programme areas. These examine how the outcomes of their programmes might be affected by, for example, changes in their skills base, changes in their business environment and changes in technology.

ii)   Promoting innovation

6   EDS have a number of mechanisms designed to promote innovation:

   ■ EDS consider that much of their creativity comes from their junior staff, and that exposure to 'real life' issues in client organisations is the lifeblood of creativity in a company whose business is service provision. To promote an innovative culture the company engage their junior staff in direct contact with clients, and their problems and opportunities, early in their careers.

   ■ EDS promote creativity across their organisation by investing money and technology in "virtual communities". These bring together through electronic networks groups of specialists with similar interests, for example public sector business, across different sites and in different countries. EDS then charge these communities with solving defined problems or with addressing challenges that the company face, and draw on practical experience and analysis across the many different service areas in which the company are involved.

■ EDS fund a 'Research Fellows' programme which recognises particularly creative individuals and dedicates a minimum of 20 per cent of their time to solving problems that EDS have identified as having a strong link with their strategic objectives.

iii) Keeping policies on track to provide the service their customers expect

7 EDS guard against policies being derailed and failing to deliver their objectives by:

■ Promoting a culture of openness which encourages project managers to recognise when things are going wrong and to provide early advice to senior management on the remedial steps needed.

■ Using business assurance reviews to bring projects through a regular peer review cycle, drawing on expertise and experience from managers working on similar projects for other clients to learn lessons and spread good practice.

■ Monitoring closely outcomes of projects that account for 90 per cent of revenue. EDS generate client feedback via a service excellence questionnaire which can be completed online, and is accessible via the web so it provides EDS with an instant snapshot of the clients' satisfaction with the service being provided.

Impacts

8 EDS are a fast growing business developing their ability to partner with large organisations that are driving through change involving the exploitation of new technology. New business acquired in 2000 included the largest Information Technology contract ever - the $6.9 billion agreement between EDS' Information Strike Force and the US Navy and Marine Corps.

Lessons learned

9 EDS have developed their reputation as a leading technology and change management partner for public sector organisations because the company:

On innovation

■ Recognise the importance of giving new and potentially innovative staff early exposure to working with clients to stimulate creativity and learn how to identify opportunities for clients.

■ Draw on experience and expertise beyond their own institutional boundaries by creating virtual communities of leading thinkers across the same industry group and inviting this community to apply their expertise to defined problems which EDS face.

■ Identify particularly creative staff as research fellows and allocate part of their time to working on solving problems linked to strategic corporate priorities.

On improving services

■ Conduct systematic reviews of external factors which might have an impact on the service they can deliver to clients.

■ Identify and agree responsibility for managing risks with their clients, including alternative plans for service delivery.

On keeping policies on track

■ Promote a culture of openness which encourages managers to pay attention to problems as they are identified so that action can be taken.

■ Undertake a cycle of peer review of major projects to draw on the expertise of managers across the organisation.

■ Seek real-time feedback from clients so that arising problems can be swiftly addressed.

Appendix 12

Sainsbury's

S ainsbury's experience indicates the benefits of having a business continuity management programme in place with selected teams and a tested methodology to ensure that the company can respond quickly to unforeseen events such as the petrol crisis in September 2000 that potentially threatened Sainsbury's business and their reputation.

Sainsbury's

1   J Sainsbury plc are a retail group operating a food retail chain, a bank and a property development company in the UK and a supermarket chain in the US. Through these operations, J Sainsbury plc serve more than 15 million customers a week, employing 179,000 staff with total annual sales of some £18 billion. Sainsbury's is the name of the UK food chain and the case study refers to this part of the J Sainsbury plc group.

Risks and value for money issues

2   Sainsbury's face a number of risks if an unexpected event prevents them from supplying and operating their retail activities. They may:

■   Lose money through being unable to sell goods and services.

■   Lose their reputation as a reliable retailer because they are unable to supply the goods and services that their customers expect, particularly if their core food business is affected.

■   Be unable to carry out the administrative tasks necessary to keep the group operating, for example ordering goods, distributing goods and paying suppliers.

How do Sainsbury's manage these risks?

i)   Business Continuity Plan[53]

3   Sainsbury's set up a Business Continuity Group in 1996 sponsored by a Board member and they developed a Business Continuity Management Programme using a methodology based on standards developed within the Business Continuity Institute. They developed a planned

strategy designed to allow them to respond to any unexpected events that threaten part or all of the group's business. Following this strategy Sainsbury's created two groups to implement plans in an emergency:

■   The **Business Continuity Management Team** is responsible for directing and managing the response as well as ensuring effective communications are in place. The team members selected are directors or senior managers who have business continuity management as an integral part of their job, which they might be called upon to apply at any moment, and they are relied upon to deliver the actions agreed in their areas. The departments represented on the team are those whose input is most likely to be crucial during a crisis - distribution, logistics, Information Technology, corporate communications, retail, e-commerce, human resources, group property, marketing, business continuity planning, security, finance and insurance.

■   A second group called the **Business Continuity Administration Team** providing the central hub for information and communications. This team is manned from Sainsbury's Retail Communication department whose normal job is communicating with Sainsbury's network of retail stores.

4   Sainsbury's activated the two teams in September 2000 triggered by reports from their supermarkets of disruption to their business due to the growing petrol crisis caused by a tanker drivers' strike and panic buying of petrol. A team was set up to respond to the crisis within 30 minutes. In addition to the usual team members additional representatives from Sainsbury's petrol department and Company Secretaries were added to meet the particular characteristics of the crisis. The Company Secretaries provided a direct link into Government through the Department of Trade and Industry who were a crucial source of information as the crisis unfolded.

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53   *Business Continuity Planning is a strategy to ensure that an organisation can respond to any unexpected event that threatens any part of its activities or business.*

ii)   How the teams worked

5   The Business Continuity Management Team operated by holding two meetings daily and used a methodology that allowed them to get 'ahead of the game' by focusing on:

- The current status, i.e. what had happened up to that point.

- Trigger points, which were thresholds that if reached would initiate immediate action.

- Action Plans - the plans they developed on which immediate action would be based. The members of the Business Continuity Management Team were responsible for ensuring that the Action Plans triggered were delivered in their departments.

6   Sainsbury's teams had acquired considerable skill in using these techniques from running simulated rehearsals before the petrol crisis. They had learned from that experience to concentrate on the effects of the event rather than the event itself as it is the effects that their action has to focus on.

Impacts

7   Sainsbury's were successful in keeping their supply chain network running at very high levels of efficiency and supermarkets open during the petrol crisis of September 2000 and maintaining their reputation as a reliable supplier of food.

Lessons learned

8   Sainsbury's were able to reinforce their reputation as a supermarket that could be relied on even in a crisis because they:

On contingency planning

- Developed a Business Contingency Programme and plans including a Business Continuity Management Team responsible for directing and managing the response as well as ensuring effective communications and a **Business Continuity Management Team** providing the central hub for information and communications.

- Developed a methodology using Trigger and Action Plans that allowed the Business Continuity Management Team to get 'ahead of the game' as they did not then have to plan responses after the Trigger event had occurred.

On senior management commitment

- Identified that a Board level commitment and sponsorship by an individual Board member was a critical factor to underpin the development of their business continuity plan in order for business critical decisions to be made and implemented with authority from the top of the organisation.

- Appointed sufficiently senior members to their Business Continuity Management Team to ensure that the Action Plans would be delivered.

On piloting

- Gained experience in teamwork and raised awareness by piloting the methodology with simulated incidents over the five years that the Business Continuity Programme had been established.

Appendix 13

THE **WOOLWICH**

The Woolwich

The Woolwich have benefited from having clear success criteria, using small pilots to test new practices, selecting policy options using cost-benefit analysis and 'what if' techniques to challenge policy assumptions. The Woolwich balance the effectiveness of controls with the value of risks covered, deliver new policies by carefully selecting project leaders and by regular monitoring of results against targets.

The Woolwich

1   The Woolwich are a high street bank specialising in delivering personal financial services to customers through a network of integrated channels, including branches, call centres, internet, phone and digital television. In 1999 the Woolwich, in their last year of independent trading, advanced in excess of £7 billion to borrowers and held loan balances of about £27 billion (principally mortgages). In recent years, the Woolwich have become more customer focused particularly with the launch of the 'Open Plan' proposition, which provides integrated products and facilities. These include a consolidated financial statement, automatically moving excess funds from current accounts to savings accounts to maximise the customers' interest earned ('sweeping') and offsetting of savings and current account balances against the mortgage balance to minimise interest paid. The Woolwich were acquired by Barclays in Autumn 2000 and have continued to trade as a separately branded entity.

Risks and value for money issues

2   The Woolwich face a number of risks to value for money and delivery. They may:

   ■ Miss opportunities for improving value for money by selecting policy options that are neither part of their core business nor maximise the return on human and financial capital.

   ■ Miss opportunities to introduce new and better ways of delivering services to their customers by not adequately testing and assessing new methods of delivery.

   ■ Lose opportunities for improving performance if policies are not identified as needing modification or, if this is not possible, termination.

   ■ Suffer loss if they do not identify and manage the risks to their business.

   ■ Suffer loss to their competitiveness, finances, customer service base and reputation if they do not successfully drive through the implementation of policies involving major change.

How do the Woolwich manage these risks?

i)   Defining clear strategic objectives

3   The Woolwich had an overriding strategic objective of maximising shareholder value. To achieve this the Woolwich recognised that they needed to be the best consumer bank with a customer based focus in the market. They set targets for value generation and only continued to stay in activities that demonstrated growth in shareholder value or were core to their business.

4   This clarity of purpose helped them to select policy options like outsourcing the administration, or 'back office', of their mortgage and credit card businesses. These activities were not an essential part of the focus on customer relationships, nor did they generate sufficient extra value for shareholders on the scarce financial or human capital involved in making them successful. The Woolwich also use these criteria to decide what type of business to be in, for example they decided to sell their estate agency business because it had not developed with their strategy for sales of financial products as expected and therefore had not become part of their core business.

ii)   Testing and assessing new policies

5   The Woolwich test new policies by pilot testing on a small scale with formal evaluation of whether pilots have worked. If the results or responses from potential customers do not demonstrate sufficient success they will modify the pilot but if the problems are fundamental and cannot be improved through refinement they will stop the pilot.

6   The Woolwich successfully piloted their new customer focused strategy - Open Plan - to develop deeper relationships with customers. Technology also helped to improve customer service, for example the customer only has to provide their details when they buy their first product and do not have to repeat the process for subsequent products. Since the Woolwich rolled out Open Plan nationally, it has been successful in raising the average number of products sold per customer to slightly over three, almost double the number in a typical retail banking relationship.

7   The Woolwich use both formal cost-benefit analysis and less formal scenario planning when assessing policy options for providing new services. They always do cost-benefit analysis on decisions regarding options, quantifying the net benefit in financial terms, and these underpin the analysis to their Management Committee and Board recommending which option to select. They apply 'what if' questions to assess the strengths and weaknesses of the range of options identified. For example, when the Woolwich were faced with increasing competitive pressure on their core mortgage and savings product margins they considered the option of doing nothing, as changing would involve significant investment and resources. They concluded that this would lead to lower profitability as margins were eroded and therefore this was not the best option to create shareholder value in the future. As a result they developed their new customer focused Open Plan strategy of increasing profitability and customer value through the number of products sold per customer but at lower individual margins.

iii)   Identifying policies that should be modified or terminated

8   The Woolwich identify activities that need modifying or terminating by monitoring results against targets on a weekly or monthly basis. They set the targets from experience gained in managing a network of branches and from a 'data warehouse' that measures the potential of each area mainly on the basis of a demographic analysis of numbers and types of customer or potential customers and the existing competition. The Woolwich are able to identify branches that are not reaching their potential and take remedial action, for example training staff. They also identify branches that are not profitable and have limited potential and close or re-locate them, ensuring wherever possible customers have an alternative outlet.

iv)   Identifying and managing risk

9   The Woolwich systematically identify risks across their business. They assess all risks ultimately in financial terms, for instance a risk to reputation threatens value to shareholders in the longer term. The Woolwich will:

- Analyse the controls that are in place to manage the risk and evaluate the effectiveness of those controls.

- Compare the value of potential losses to the effectiveness of control department by department across the organisation.

- Analyse whether there is an imbalance between the significance of risks and the level and effectiveness of controls applied.

- Ensure appropriate resources are applied to match the significance of risks.

v)   Keeping policies on track

10   The Woolwich rely partly on ensuring the right people are in place to push through implementation of change, including large scale change, but also use a "hands on" approach of close monitoring.

11   They monitor progress against targets on a regular basis. For projects of high importance this could be as frequently as weekly as it is easier to catch up when a project is less than a week behind schedule rather than several months. Where delays cannot be overcome, weekly monitoring allows them more time to analyse the consequential effects on interdependent parts of the business and to put in place arrangements to minimise problems. For example where a new service is being offered across the customer base over several years the rate may be slowed down because of the need to take longer developing automation or increasing call centre capacity. The Woolwich used these methods to implement its Open Plan strategy in a controlled way that ensured the maintenance of customer service. They had to re-engineer their systems and business practices to provide the capacity they required to deliver services organised around customer needs, for example registering with the Woolwich only once to gain access to the range of products offered.

Impacts

12   The Woolwich have been able to identify which areas of business they should allocate resources to by having a clarity of purpose and vision and they have also developed and implemented a way of delivering services designed around their customers whilst securing continuing value to shareholders.

Lessons learned

13 The Woolwich have further developed their reputation as a leading and innovative bank because they:

On clear success criteria

■ Recognise the benefits of having clear strategic success criteria to measure all their activities against.

On piloting

■ Use small pilots to determine whether new ways of doing things will work and if they do not they halt them.

On cost-benefit analysis

■ Analyse the prospects of new policies by using formal cost-benefit analysis and applying 'what if' questions to maximise the chances of selecting the best policy option for the future.

On risk management

■ Manage risks by evaluating and balancing the potential losses due to each risk with the effectiveness of controls to manage it.

On project management

■ Seek to maximise the chances of delivering new policies by selecting the right project leaders and by monitoring progress against targets on a regular basis, so that they can take remedial action to tackle emerging problems, or, where this is not possible, to manage the consequences for the interdependent parts of the business on which their customers rely.

Appendix 14

National Association of Citizens Advice Bureaux (NACAB)

NACAB's experience indicates the value of early warning indicators to identify new or growing problems that require attention, the management of knowledge by distributing information in a bulletin and enhancing institutional memory by maintaining a long-term record of evidence about problems their clients encounter.

National Association of Citizens Advice Bureaux

1   The Citizens Advice Bureau Service consists of some two thousand nation wide outlets, all of which belong to National Association of Citizens Advice Bureaux (NACAB) that set standards for advice, training, equal opportunities and accessibility. The network of Citizens Advice Bureaux advise some five million people each year on issues including debt and consumer problems, benefits, housing, legal matters, employment and immigration. NACAB also use their store of client information to identify where national services and policies are failing locally and need to change.

2   NACAB seek to achieve changes by publishing reports, responding to consultation papers, writing letters to ministers, giving parliamentary and media briefings, attending meetings and making speeches. They raise policy issues that affect a group of Citizens Advice Bureaux clients and do not normally take up individual cases. Citizens Advice Bureaux receive funding from local authorities, the Community Legal Service, trusts and the private sector. All the bureaux and NACAB are independent charities and NACAB's funding in 2000-01 was some £22.6 million mostly from government grants.

Risks and value for money issues

3   NACAB face three main risks during policy design and delivery:

   ■ They may miss opportunities to identify and report to Government the policy and operational problems experienced by their clients due to the small team at NACAB and the considerable work pressures on the mainly volunteer staff in the network of bureaux.

   ■ Some individual bureaux or NACAB may apply resources to the same issue that are either well known to other bureaux or are well known to NACAB, possibly wasting scarce resources.

   ■ NACAB may fail to recall how they or an individual bureau have responded to similar problems in the past because their retrieval systems are underdeveloped and rely on a paper based model.

How do NACAB manage these risks?

i)   Early warning indicators of new or growing problems

4   In order to understand new or growing problems NACAB have developed a system of getting local Citizens Advice Bureaux to provide reports to the National Association about issues clients are bringing to the bureaux for advice where the solution may lie in changes to legislation or practice in the public or private sector. These reports describe the details of the case, the apparent cause of the problem and, whether the local bureau has been able to provide a solution. NACAB categorise the reports according to the various types of problem and are able to analyse changes due to government policy and company behaviour or social changes. Where the cause or solution are not immediately apparent NACAB and the local bureau are able to carry out further research based on the clients' cases.

5   An example of how the report system works to provide an early warning of where something is wrong and to trigger action to resolve the issue relates to the unintended interaction of two pieces of legislation. A refugee living on income support was refused a funeral payment towards the cost of burying her mother by the then Benefits Agency because a payment cannot be made if there is another close relative who is not in receipt of a social security benefit. In this case two sisters - who were unemployed asylum seekers - were not in receipt of social security benefits because they were receiving asylum seekers' vouchers instead. Using the evidence NACAB approached the Department of Social Security and the Minister agreed this interaction of the two sets of regulations was an anomaly, confirmed it would be corrected in due course and invited the bureau's client to make an application for an extra-statutory payment.

ii) Management of information and institutional memory

6 NACAB manage knowledge and enhance institutional memory in two ways. In the short-term, they send out a bulletin each month that updates the network of over two thousand bureaux on developments in various problem areas or topics illustrated by summaries of interesting cases they have received from local bureaux. For example, one bulletin highlighted cases of debt management companies that were failing to pass on repayments from their clients to creditors with whom they had made agreements. The bulletin reports to the network of bureaux on:

- Policy issues NACAB have taken up to achieve change and the progress they have made.

- Issues taken up on behalf of clients by single bureau and groups of bureaux and the progress they have made.

- Evidence needed by NACAB from bureaux to reply to consultation requests where deadlines allow sufficient time. Otherwise, NACAB staff rely on the evidence that the bureaux have already reported to draw attention to the issues raised by their clients' problems.

- Wider policy developments including issues under consideration by Parliament and major pieces of research of interest to the Citizens Advice Bureaux Service.

7 In the longer term NACAB enhance institutional memory by retaining the individual evidence reports from bureaux on file organised by topic for up to twenty years. They also retain indexes of evidence reports, analysis and action they have taken over time. This allows them to track the causes and impact of problems over a long time period. It also allows them to identify when a problem recurs and gives them the opportunity of using the information to understand a previous problem to enlighten their analysis of a current problem.

8 NACAB address the challenge of retrieving information about case reports for use in policy research from paper based records by a highly specific system of categorisation they apply to over one thousand files. NACAB is currently developing an electronic case recording system that should significantly enhance its information management.

Impacts

9 NACAB are a much respected organisation who are equally effective in providing advice to their clients on how to tackle their problems and to Government on the problems their clients encounter. The evidence collected from the network of local bureaux provides an early warning that a national policy may not be producing the intended outcomes.

Lessons learned

10 NACAB have developed their reputation of being able to offer sound and independent advice based on Citizen Advice Bureau client evidence because they:

On early warning mechanisms

- Collect evidence on individual cases that give them an early warning of new or increasing problems and the basis to gain an understanding of the causes of these problems.

On managing information

- Manage information by publicising issues and solutions illustrated by cases in a bulletin sent to the network of bureaux each month.

On institutional memory

- Maintain a long-term record of evidence on problems so that they have an institutional memory of long running or recurring problems.

Appendix 15

THE
NATIONAL
TRUST

The National Trust

The National Trust's experience demonstrates the importance of monitoring requests for guidance from stakeholders to indicate when a policy needs modifying; monitoring shifts in key external policy trends; and consulting and managing stakeholders during policy design, particularly those involved in implementation, whilst allowing sufficient time to complete this process.

The National Trust

1   The National Trust are an independent charity who preserve places of historic interest or natural beauty permanently for the nation to enjoy. The Trust's environmental policy is not just centred upon their own activities but seeks to influence the wider outlook through advocating positive environmental solutions to politicians and the public. The Trust aim to lead by example through adopting best practice on their own sites which include about 248,000 hectares of countryside, almost 600 miles of coast, 200 historic houses and gardens and 49 industrial monuments and mills. The National Trust employ nearly 4,000 staff, 4,000 seasonal staff, and are assisted by about 38,000 volunteers. In 2000 the National Trust's income was almost £145 million and they had 2.7 million subscribing members.

2   The Trust acquired their upland and coastal farmland for their intrinsic landscape or conservation value but acquired lowland farmland often to provide income or as a setting for country houses they had acquired. Conservation of the landscape of all these types of land now depends on agriculture, for example grazing by livestock, to achieve the desired levels of vegetation. By 1998 the Trust's income from farming was 4 per cent (£6.9 million) of their total income compared to 20 per cent about 25 years ago. The decrease in the importance of farming income has been due to increases in membership fees, gifts and donations.

Risks and value for money issues

3   The National Trust face a number of risks during policy development and implementation. They may:

- Fail to identify when a policy requires modification and lose money or fail to deliver services to their customers.

- Develop a policy that would not be accepted by the Trust's employees and stakeholders and would be less likely to achieve the targeted outcomes.

- Develop a policy that was in practice unworkable through lack of understanding of policy implementation.

How did the National Trust manage these risks?

i)   Identifying the need for policy modification

4   The National Trust identified the need for a modification of their agricultural policy by monitoring the requests for advice from their employees who were responsible for decisions about farmland and by analysing changes in key external policy trends. For example one frequently asked question was whether the Trust had to preserve those farm buildings traditionally typical in an area when their usefulness was ended. The National Trust's managers in thinking about responses to these questions realised that their policy on agriculture was fragmented, having been developed on an ad hoc basis, and needed to be updated to meet changing circumstances. The ongoing debate over European Union agriculture policy and how this is delivered at a Member State level, together with the widespread understanding that agricultural practices needed to change, also played a significant role in stimulating the review. A new organisational focus by the National Trust on understanding these external policy trends enabled them to understand this context and to contribute to the shape of the policy development process and outcomes.

ii)   Managing and consulting stakeholders

5   The central policy-makers - the Head of Land Agency and the Agricultural Advisor - developed a modified policy through a series of consultations covering all the relevant stakeholders:

- The National Trust's Head of Land Agency and their Agricultural Adviser produced in 1998 an issues paper flagging up the key issues including the need to enhance environmental quality, declining income and the pressure to amalgamate farms. They circulated the paper for comment to all the National Trust staff and committee members around the country who had an interest in agriculture.

- The lead agricultural adviser analysed the feedback from this consultation on the issues paper, used it to produce a draft agricultural policy, and circulated this to the same internal stakeholders as the issues paper and used their Estates Panel, responsible for developing the Trust's policy on agriculture, to promote discussion.

- The feedback was used to produce an advanced draft policy document. They sent the advanced draft in January 2000 to a range of interested external organisations and their regional offices circulated it to the tenant farmers and held meetings to gather feedback.

- The policy-makers took the feedback from this stage and produced a final draft that they passed in April 2000 to the council of the National Trust, who decide major policy. The National Trust published their policy in August 2000.

Impacts

6   The National Trust have enhanced their ability to manage their own land and advise government on environmental issues by identifying that their policy on agriculture needed modifying. They ensured that their new policy was practical to implement and would have stakeholder buy-in to enhance its chances of success by widely consulting all those who would implement it and be affected by it.

7   The Trust have focussed on delivering high quality landscapes, bio-diversity and public access objectives, rather than seeing these as barriers to be overcome, which was a weakness of the previous policy. In consequence, they addressed some practical conflicts between aspirational environmental objectives and the tenant's need to make a living.

8   In accepting that in some cases rents might have to be reduced to compensate tenants for delivering these wider objectives, the Trust accepted that overall corporate income would also fall. In particular they have decided to use 'Whole Farm Plans' as the principal mechanism of implementation at the individual farm level, to encourage an integrated approach to the delivery of sustainable land use practices which puts environmental quality at the heart of new ways of farming. These include the promotion of public access, the conservation of natural resources, and the preservation and enhancement of cultural and natural landscapes and sites. The new policy also places negotiation, advice and pragmatism at the centre of policy implementation.

Lessons learned

9   The National Trust have developed their reputation as a leading environmentally-focussed land manager and advocate for policy improvement based on the testing and promotion of practical solutions because the Trust:

On monitoring the views of stakeholders

- Recognised that monitoring requests for guidance from implementers provides an indication of when the policy needs modification.

On analysing changes in policy and market trends

- Understand and engage with shifts in key external policy and market trends.

On consultation with implementers and stakeholders

- Consulted those close to implementation early on in the design of policy to reduce the risk of the policy developed being impractical or failing to achieve the intended outcomes.

- Built in sufficient time to the planned timetable to consult effectively all stakeholders during each stage of policy development.

Appendix 16   Save the Children
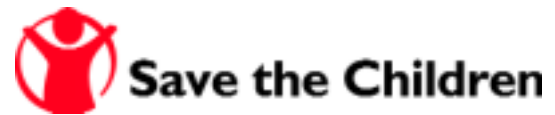
Save the Children

Save the Children's experience of policy development indicates the benefit of consulting those directly affected by the policy and using small scale, local projects to assess whether the policy is suitable for more general application.

Save the Children

1   Save the Children are an international non-governmental organisation made up of an international alliance of 32 organisations. They base their programme work on a commitment to the fulfilment of the human rights of children as expressed in the United Nations' Convention on the Rights of the Child. Save the Children's role is focused on developing policies that will be implemented locally.

Risks and value for money issues

2   Save the Children face two main risks during policy development and implementation. They may:

■   Design policies that are not effective in terms of achieving their objectives and consequently do not deliver intended benefits to stakeholders.

■   Insufficiently consider and test policy options so that once the policy is implemented locally it may fail to deliver intended outcomes.

How do Save the Children manage these risks?

i)   Designing policy to deliver intended outcomes

3   Save the Children manage the risk of their policies on child labour not delivering the intended benefits to stakeholders by consulting directly with working children whenever this is practical. For example Save the Children have researched the hazards faced by children in the shrimping industry in Bangladesh and the links between child poverty and the need to work.

ii)   Testing policies

4   Save the Children's approach to testing policies is to carry out small scale projects or programmes at a local level. Fieldworkers with local knowledge are frequently best placed to identify the opportunities for such work.

For example Save the Children ran a successful small scale project in China to demonstrate how a policy to integrate children with mild physical and learning disabilities into mainstream education could be put into practice.

5   Save the Children are restricted, in most cases, to developing small scale projects or programmes because of their size. They consider, however, that small scale projects are effective in developing and informing policies, which can then identify and demonstrate solutions to localised problems. These results can then be used to influence policy and practice on a larger scale.

Impacts

6   Save the Children's research in Bangladesh has fed into the national level working group on child labour. It has also led to the start of work with the private sector on identifying potential solutions to the problems associated with child labour.

7   Save the Children were able to demonstrate to the Chinese authorities the feasibility and benefits of integrating children with mild disabilities into mainstream education within one province. This approach was then adopted more widely in other parts of China.

Lessons learned

8   Save the Children have been effective in consulting with stakeholders and piloting policies because they:

On consultation with stakeholders

■   Consult, wherever possible, with those who will be directly affected by the policy. This is crucial in ensuring that the policy will be implemented in a way that will most effectively benefit those children it is designed to help.

On piloting policies

■   Use small scale local piloting of policies which are cost effective in assessing the impact that the policy will have if it is to be applied to a larger system.

Appendix 17

WWF-UK

WWF-UK's experience indicates the importance of managing the risk to reputation by systematically assessing the suitability of potential commercial partners, the benefit of using multi-disciplinary groups by communicating electronically to formulate the organisation's response to crisis, and developing an information technology-based pilot to enhance its institutional memory.

WWF-UK

1   WWF (formerly the World Wildlife Fund) was launched in 1961, and WWF-UK was the first National Organisation in the WWF International network. The mission of WWF is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable resources is sustainable, and promoting the reduction of pollution and wasteful consumption. Its strategy is to conserve endangered species, to protect endangered spaces and to address global threats to nature by seeking long-term solutions for the benefit of people and nature. In 2000, WWF-UK's income was £27 million.

Risks and value for money issues

2   WWF-UK faces the following risks during policy design. It may:

■   Damage its reputation if businesses with whom it co-operates are found to have adopted environmentally unsound practices, but it also risks losing opportunities to influence and gain funding from business if it does not co-operate with them at all.

■   Fail to grasp the opportunities that arise when unplanned or unexpected events occur.

■   Fail to learn from past mistakes and miss opportunities to build on past successes if it cannot recall how it responded to similar events, problems or opportunities in the past.

How does WWF-UK manage these risks?

(i)   Managing the risk to reputation

3   WWF-UK manages the risk of needing to co-operate closely with business while retaining its reputation by closely scrutinising all companies before becoming involved with them. It uses a Business and Industry Core Group which brings together experts from its programmes, fundraising and communications divisions to consider whether to co-operate with a particular company. The Business and Industry Core Group usually has to balance the interest of fundraising against ideal standards - the risk of missing an opportunity against the risk to reputation. For example, WWF-UK turned down an opportunity of funding for research into environmental impacts from Shell because it wished to influence the petroleum company's global environmental record before agreeing to co-operate. Subsequently, after improvement in Shell's environmental performance, WWF-UK accepted funding from the Shell Foundation.

(ii)   Responding to unexpected events

4   WWF-UK uses a group called a 'spike' to focus and develop its response to unexpected events. These spikes are multi-disciplinary groups - each one having the appropriate mixture of experts for the issue under consideration - and are led by one senior manager. The groups are not normally co-located and they communicate mostly electronically so that as events unfold, each expert can make their contribution speedily. The leader is then able to advise the senior management on what response to make or what policy to propose. An example of a spike in action was WWF's response to the petrol crisis of Autumn 2000 where it was able to determine its policy stance very speedily and concluded that any tax reduction would lead to more fuel being used and an increase in environmentally damaging pollution.

(iii) Developing institutional memory and managing information

5 WWF-UK is developing an institutional memory programme to aid future policy-making. It has identified a lack of institutional memory as causing a risk of failing to learn from past mistakes and missing opportunities to build on past successes if the organisation cannot recall how it responded to similar events, problems or opportunities in the past. To counter this problem, WWF-UK is piloting an institutional memory programme that will initially capture and deploy important information and knowledge on its intranet. In parallel, it is developing an information technology project to capture and store low usage historical information in a compact disc-based archive.

6 WWF-UK is initially using information from its successful campaign on endangered species as the basis of the pilot and it expects this information to be particularly useful as it develops its campaigns in new areas, such as the relationship between toxic substances in food and the environment. It expects that what has worked on endangered species should also work on toxic substances - for example arranging a scheme to certify that timber has been produced in a sustainable way.

Impacts

7 WWF-UK has successfully engaged with industry without damaging its reputation, it has demonstrated speed and depth of thinking in responding to events such as the petrol crisis of Autumn 2000, and has an innovative programme to improve institutional memory and knowledge management.

Lessons learned

8 WWF-UK has gained a reputation as a leading environmental campaigner because:

On managing risk

■ Its Business and Industry Group drawn from all relevant parts of the organisation conducts systematic reviews of companies to evaluate the risk to the organisation's reputation before agreeing to become engaged in joint projects.

On responding to events

■ Its multi-disciplinary groups (spikes) are effective at bringing together a range of expert views to advise senior management at each stage as events unfold, often rapidly.

On developing institutional memory

■ It is piloting an information technology-based method of preserving, retrieving and giving access to the experience and lessons learned from past campaigns.

Appendix 18

Study Methodology

The main aspects of our methodology were:

- We undertook four case examinations by conducting structured interviews with senior staff in departments to understand the different circumstances under which policies are designed and implemented and to identify the lessons that have been learned which have the potential for wider application:

  - The Department for Health's Meningitis C vaccination programme represented a rapidly implemented policy anticipating a specific social health need;

  - The Department for Education and Skills' National Literacy Strategy is a policy intended to assist in tackling a long term problem;

  - The Department for Environment, Food and Rural Affairs' Arable Stewardship Scheme modified an existing policy;

  - The Women and Equality Unit's support for women's entrepreneurship represents a cross-cutting policy developed from within the Cabinet Office.

- To support the findings of our interviews for our Departmental case studies we also met with the following organisations:

(i) Meningitis C vaccination programme:

- Health Promotion England

- NHS Supplies (now the NHS Purchasing and Supply Agency)

- Public Health Laboratory Service

- Wyeth plc (vaccine manufacturers)

(ii) National Literacy Strategy

- Barking and Dagenham Local Education Authority

- Centre for British Teachers (project managers for the NLS)

- National Association of Headteachers

- Office for Standards in Education (OFSTED)

- West Sussex Local Education Authority

(iii) Arable Stewardship Scheme

- English Nature

- The Game Conservancy Trust

- The National Farmers' Union

- The Royal Society for the Protection of Birds

(iv) Women's Entrepreneurship

- The Small Business Service, Department of Trade and Industry

- Women's Education, Employment and Training Unit (WEETU)

In addition;

- We conducted structured interviews with senior policy-making staff in five departments (Treasury, Lord Chancellor's Department, Department for Work and Pensions, Department of Trade and Industry and Department for Transport, Local Government and the Regions) to supplement the case examinations and to explore the extent to which policy is evidence-based and how risk and value for money feature in the policy-making process.

- To identify good practice in designing and implementing policies and strategies we also consulted:

  - five organisations in the private sector (Amey plc, Boots plc, EDS, Sainsbury's and Woolwich plc);

  - four organisations in the voluntary sector (The National Association of Citizens Advice Bureaux, The National Trust, Save the Children, and WWF-UK); and

  - three local authorities (Blackburn with Darwen Borough Council, Kent County Council, and Torfaen County Borough Council).

- We reviewed previous reports by the National Audit Office and the Committee of Public Accounts to identify the scope for lessons to be learned in policy-making.

■ We constituted a focus group of leading academics to obtain the latest views on policy-making. The members of the focus group were:

- Professor Christine Bellamy, Professor of Social Administration, Nottingham Trent University.

- Dr. Tony Forster, Research Director, Defence Studies Department, King's College London.

- Professor Bill Jenkins, Professor of Public Policy and Management, University of Kent

- Professor Michael Moran, Department of Government, University of Manchester

- Professor Ed Page, Professor of Political Science, London School of Economics

- Professor Rod Rhodes, Professor of Politics (Research) at University of Newcastle-upon-Tyne

- Bill Solesbury, Associate Director (Methods), National Centre for Evidence-Based Policy at Queen Mary and Westfield College, University of London

- Professor Ken Young, Professor of Politics at Queen Mary and Westfield College, University of London

■ We commissioned an academic research paper from Professor Brian Hogwood (Department of Politics, University of Strathclyde) on the characteristics of successful policy-making entitled - "Beyond Muddling through - Can analysis assist in designing policies that deliver?"

■ Examined practice in Sweden and New Zealand to learn from other countries approaches to policy-making.

■ We constituted an expert panel comprising Sue Duncan (Director of Policy Studies, Centre for Management and Policy Studies), Ed Page (Professor of Political Science, London School Of Economics) and Philippa Drew CB (Director for Education, Training, Arts and Sport, Department for Culture, Media and Sport) to advise on technical aspects of the study and to ensure the case studies focused on practical guidance for departments.

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Websites

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Centre for Management and Policy Studies http://www.cmps.gov.uk

Department for Education and Skills http://www.dfes.gov.uk

Department for Environment, Food and Rural Affairs http://www.defra.gov.uk

Department of Health http://www.doh.gov.uk

The Lord Chancellor's Department http://www.lcd.gov.uk

Department of Trade and Industry http://www.dti.gov.uk

Department for Transport, Local Government and the Regions http://www.dtlr.gov.uk

The Treasury http://www.hm-treasury.gov.uk

The Women and Equality Unit http://www.womens-unit.gov.uk

Department for Work and Pensions http://www.dwp.gov.uk

Public Sector Benchmarking Service http://www.benchmarking.gov.uk

Public Services Productivity Panel http://www.hm-treasury.gov.uk/pspp

Other

Blackburn with Darwen Borough Council http://www.blackburn.gov.uk

Kent County Council http://www.kent.gov.uk

Torfaen County Borough Council http://www.torfaen.gov.uk

Society of Local Authority Chief Executives (SOLACE) http://www.solace.org.uk

Amey plc http://www.amey.co.uk

The Boots Company http://www.boots-plc.com

Confederation of British Industry http://www.cbi.org.uk

EDS http://www.eds.co.uk

Business Continuity Institute http://www.thebci.org

Glossary

Benchmarking

Process of identifying scope for improving performance by comparison with performance and good practice in other organisations.

Business case

Sets out the range of available policy options and assesses their resource implications; identifies responsibility for implementation; who is intended to benefit and how the risks associated with the policy will be managed.

Business Continuity Plan

Strategy to ensure that an organisation can maintain their performance when responding to unexpected events that may threaten any part of their activities or business.

Contingency planning

Arrangements in place to minimise the impact of something going wrong or the unexpected happening to maintain standards of service to the public and the delivery of programmes.

Cost-benefit analysis

Studies the relationship between costs and outcomes, usually expressed in monetary terms.

Counterfactual

An analysis to establish what outcome would have occurred in the absence of a policy intervention or programme, to enable the impact of the policy to be better understood.

Decision analysis

Explores how decisions are made and reflects on whether the right apparatus is in place to make the best decisions, in its simplest form it identifies the criteria of a decision and the relative importance of each criterion.

European Foundation for Quality Management (EFQM) Excellence Model

The Excellence model is a diagnostic tool to help organisations measure their progress in improving business quality; identify the scope for improvement and stimulate solutions.

Data mining

The analysis of vast amounts of data with the use of specialised software programmes to identify key trends and patterns.

Logic model

Maps out logical linkages between resources, activities and short, medium and longer term outcomes in the delivery of a policy.

Modelling

Establishes causal and formal mathematical relationships between variables to identify potential outcomes.

Monte Carlo Simulation

Involves running a model many times on a computer so that the overall risk can be judged. Each time the model runs the computer selects one of these values and builds up a full range of potential outcomes.

Multi Criteria analysis

A formal technique that seeks to take explicit account of multiple, conflicting criteria in the process of informing decision making.

Option analysis

Appraisal of the identified methods of delivering a policy to select the most cost effective one.

Piloting or pilot testing

The testing of a policy on a small scale, for example in a specific location or on a sample of the client group.

Portfolio analysis

Ranking of policy options by relative benefits, costs and risks.

Portfolio management

The regular assessment and monitoring of interrelationships between policies to ensure that lessons are learnt for wider application across the range of departments' policy responsibilities.

"PRINCE"

(Projects IN a Controlled Environment) is the standard method for project management in government information technology projects.

Project Management

Controlling the project by setting key targets and milestones for achieving critical stages, allocating resources, roles and responsibilities and having reliable monitoring information to assess progress and indicators to alert managers to under-performance requiring remedial action.

Public Services Productivity Panel	A small group of senior business people and public sector managers established to advise government on improving public sector productivity.
Public Sector Benchmarking Service	A partnership between the Cabinet Office and HM Customs and Excise with the key aim of promoting effective benchmarking and sharing of good practice across the public sector.
Risk	Something happening that may have an impact on the achievement of objectives. It includes risk as an opportunity as well as a threat.
Risk assessment	The process and approach used to prioritise and determine the likelihood of risks occurring and their potential impact on the achievement of objectives.
Risk management	Having in place a corporate and systematic process for evaluating and addressing the impact of risks in a cost effective way and having staff with the appropriate skills to identify and assess the potential for risks to arise.
Scenario Planning	A technique for examining the consequences of various possible states of the world for anything from an individual investment project to an entire corporate strategy. A scenario is not a forecast, but an internally consistent description of a possible future economic and political environment.

Reports

Reports by the Comptroller and Auditor General, Session 2001-2002

The Comptroller and Auditor General has to date, in Session 2001-2002, presented to the House of Commons the following reports under Section 9 of the National Audit Act, 1983: