

executive summary

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1 Departments spend some £350 billion a year¹ 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



Source: National Audit Office

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 | |
|--|--|---|
| <p>If the information base underlying the business case for the project delivering the policy is unrealistic, the policy may cost more than expected.</p> | <p>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.</p> |  |
| <p>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.</p> | <p>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.</p> |  |
| <p>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.</p> | <p>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.</p> |  |
| <p>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.</p> | <p>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.</p> |  |

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 | |
|--|--|---|
| <p>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.</p> | <p>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.</p> <p><i>Progress in Completing the New British Library (HC 362, 1995-96)</i></p> |  |
| <p>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.</p> | <p>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.</p> <p><i>State Earnings-Related Pension Scheme: The failure to inform the public of reduced rights for widows and widowers (HC 320, 1999-00)</i></p> |  |

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 effectively.

| | | |
|---|--|---|
| <p>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.</p> | <p>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.</p> <p><i>Committee of Public Accounts Seventh report 1999-00, The Home Office: The Immigration and Nationality Directorate's casework programme</i></p> |  |
| <p>If good practice is not identified and spread then resources are not allocated to priorities efficiently and key outcomes are not secured.</p> | <p>Prioritisation of resources for dealing with hospital acquired infection was restricted by the lack of basic, comparable information about rates of hospital acquired infection.</p> <p><i>The Management and Control of Hospital Acquired Infection in Acute NHS Trusts in England (HC 230, 1999-00)</i></p> |  |
| <p>If information and criteria to review, evaluate and measure performance are not built into implementation, the success or otherwise of policies may be unclear.</p> | <p>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.</p> <p><i>The Implementation of the National Probation Service Information Systems Strategy (HC401, 2000-01)</i></p> |  |
| <p>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.</p> | <p>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.</p> <p><i>Committee of Public Accounts Thirty Fifth report 1999-00. The Office of the Rail Regulator: Ensuring that Railtrack Maintain and Renew the Railway Network.</i></p> |  |



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 assessments"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

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).

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)*.

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.

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 paper⁶ 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

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

Understanding the needs of the client group

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).

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.

F

G

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

- 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

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

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 assessments (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.

CHARACTERISTIC

Test the policy. Has the policy been tested before implementation to determine how it might work in practice?

Policies should be inclusive

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.

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?

Policies should be forward looking

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.

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?

Policies should be evaluated and reviewed

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.

Market the policy. Is communication of policies and their benefits tailored to the client group and to those responsible for implementing the policy?

Policies should be outward looking

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.

Apply learning. Have lessons about the performance of other policies been addressed and applied in design and implementation?

Departments should learn lessons

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.

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.

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?

Policies should use evidence

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.

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?

Policies should be evaluated

For example, the effect of individual policies should be identified and evaluated, so that their cost effectiveness can be more accurately determined.

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?

Policies should be inclusive

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.

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?

Policies should be outward looking

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.

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?

Policies should be joined up

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.