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Improving Service Delivery
The Role of Executive Agencies

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Improving Service Delivery
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Preface

Executive agencies provide services direct to the public, support service delivery by other parts of government or act to safeguard the public. Agencies operate at arm's length from their parent departments and have considerable autonomy and freedom of action. This freedom is accompanied by obligations to meet specific financial and operational targets set by their departments. Their annual expenditure of £18 billion places them at the heart of the Government's drive to improve public services - a key objective of the Prime Minister.

This report presents an assessment of whether executive agencies have successfully used targets to achieve continuous improvement in service delivery. It highlights the common themes that all agencies must address to achieve this goal. Targets need to be challenging and focused on those aspects of the service that deliver most benefit to service users. Timely and credible information is needed to alert agencies to new demands and opportunities to improve their performance. At the same time, agencies must ensure that they can demonstrate that they are cost effective. In taking forward the issues highlighted in our report, we conclude with a set of questions for those who manage and work in agencies when seeking to improve service delivery.

The starting point for this report was an overview of the performance of 30 agencies in meeting their targets, and improving service delivery in recent years. This work was further refined by more detailed analysis of eight agencies to determine how the achievement of targets is monitored and lessons learned. Finally, we have incorporated the good practice points identified from in-depth examinations of three different public bodies: two executive agencies, the **Veterans Agency** and the **Forensic Science Service**, and a Non-Ministerial Department - a rather different type of arm's length body - the **Food Standards Agency**. These organisations were examined because they reflect three types of service delivery. The specific results of our investigations are published in parallel as separate reports[1].

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1   The other three related reports are Improving Service Delivery: The Veterans' Agency (HC 522, 2002-03). Improving Service Delivery: The Forensic Science Service (HC 523, 2002-03); and Improving Service Delivery: The Food Standards Agency (HC 524, 2002-03);

executive summary

The Role of Agencies in Service Delivery

1   Since 1988 executive agencies have had a crucial role in service delivery. They now employ some 277,000 staff - just over half the Home Civil Service - and provide many services that have a high impact on the public. As a consequence they are of great importance in the achievement of better public services.

2   There is no typical executive agency. They exhibit great diversity in function and scale of operation. Some, such as the Passport Office, provide a direct service to the public while others, such as the Forensic Science Service, contribute indirectly by supporting other government services. At the same time, Jobcentre Plus has around 90,000 staff while, at the other end of the scale, Wilton Park Conference Centre has 50.

3   A common feature of executive agencies is that they operate at arm's length from their parent departments and have considerable autonomy and freedom of action. Agency framework documents set out the structure for interaction between agencies and their parent departments. They also cover arrangements for reporting and performance assessment. Their performance is regulated by key targets covering their financial and operating performance that are agreed with their parent department or Minister.

4   There are a range of other possible constitutional and administrative arrangements for establishing organisations able to operate at arm's length from Ministers. These include non-departmental public bodies, which normally report to, and may be wholly or partly funded by, a sponsor department but are usually governed by a non-executive board; and non-ministerial departments, which are small government departments in their own right (that is, they are not funded via a sponsor department) governed by a non-executive board or a statutory office holder. This report makes reference to one such body, the Food Standards Agency - a Non-Ministerial Government Department set up in 2000. Some agencies may also be departments in their own right, for example the Public Record Office.

5 To deliver better public services the Prime Minister has outlined four principles of public service reform. Services should be designed around the customer and embody:

- **National Standards** and clear frameworks of accountability;

- **Devolution and Delegation** to the local level to encourage diversity and creativity;

- **Flexibility and Incentives** to encourage excellent performance at the frontline; and,

- **Expanding Choice** for the customer.

6 These key principles are intended to re-inforce the drive towards service delivery across the public sector, including the performance of executive agencies. There is, however, an absence of comparative data on agencies' performance. This was highlighted by a review of delivery policy that examined executive agencies, non-departmental public bodies and services delivered directly by departments - and examined the relationship between delivery bodies and their sponsoring departments, published by the Cabinet Office and the Treasury in July 2002[2]. This report draws on this work and considers these issues as part of a wider analysis of performance.

7 There are two components to this examination of improving service delivery. The first, which is published in this report, is a high level assessment of the role of targets in improving service delivery in 30 executive agencies. The second is composed of three in-depth studies, published in separate reports examining the different ways in which service delivery issues have been addressed by three public bodies:

- The **Veterans Agency** (an Executive Agency of the Ministry of Defence);

- The **Forensic Science Service** (an Executive Agency of the Home Office); and,

- The **Food Standards Agency** (a Non-Ministerial Department in its own right).

8 To make the overall assessment of how agencies are seeking to improve service delivery, we analysed 306 targets set by 30 agencies and used interviews with eight agencies to determine how the achievement of targets was monitored.

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2   *Better Government Services. Executive Agencies in the 21st Century. The Agency Policy Review - report and recommendations. HM Treasury and the Office of Public Services Reform, July 2002. <http://www.pm.gov.uk/output/page5625.asp>*

Findings

On whether targets are sufficiently stretching	9	Agencies most commonly use historical performance and an assessment of what would be a realistic and achievable incremental improvement as a basis for setting targets. Agencies for which there is no alternative service provider found it difficult to use external comparators to determine whether their targets were sufficiently challenging. International comparisons were not feasible because of, for example, different legal systems and different approaches to delivering similar services, as well as different expectations. Target-setting was generally not clearly linked to agencies' assessment of risks to service delivery. To some extent, therefore, potential internal and external factors which could prevent targets from being met might not be identified and reliably managed.
On how well targets focus on improving aspects of performance which are likely to deliver most benefits to users of Agencies' services	10	Agencies adopt a range of approaches to ensure that their targets are sufficiently focused on their users' needs. Customer feedback was often used by agencies as a basis for negotiating with their sponsor departments the level of service which they should provide, the resources needed, and the underpinning targets against which their performance should be measured. The extent to which agencies had reliable and comprehensive information on the different characteristics of their key customers and users was, however, variable. Most agencies have targets directed at achieving specific outcomes or financial management, or focused on speed of delivery, rather than improving access to services or measuring cost and effectiveness. Compliance with the Prime Minister's four principles for delivering high quality public services was variable, largely because of the difficulty agencies had in matching the principles to the types of service they provided.
On performance achieved and how this is monitored	11	Agencies were able to demonstrate that almost three-quarters of the targets we reviewed in 2001-02 were achieved. The picture is much less clear when an attempt is made to assess performance against earlier years since statistics were not presented on a consistent basis, and nearly a third of the agencies we examined did not provide information in their annual reports enabling performance to be compared year on year. Most of the agencies we examined in more detail reported that achievement against performance targets was checked and verified by internal auditors. Published performance targets and indicators tended not to be used in the day to day management of service delivery - the need to improve service delivery was more likely to be identified from information collected from customers such as surveys of customers and customer complaints.
On initiatives being taken to improve service delivery	12	Many agencies have used established quality standards (such as the Charter Mark, or an accreditation against an external standard, such as the British Standards Institution or the International Organisation for Standardisation) to evaluate their service delivery. All agencies we examined used more than one approach to assess service delivery, and complaints from customers were often used as a basis for improving services, although in some cases there was no formal mechanism for making changes to services as a result of complaints data.
On how agencies ensure that services are cost effective	13	While agencies generally have systems in place for identifying and monitoring costs, these are not often linked to key outputs and outcomes. As a consequence, productivity is not often measured or monitored. Unit costs were frequently hard to measure so agencies were not well informed about comparative performance or the cost of incremental improvements in service delivery.

Recommendations

1   **Agencies need to be proactive in seeking ways to test whether their targets are sufficiently stretching**. Basing targets largely on historical performance carries the significant risk that opportunities to improve service delivery might be lost. Targets should be set that reflect both changes in public expectations and the opportunities offered by new technologies and partnerships. To minimise the risk of targets not being sufficiently stretching, targets should be subject to some external challenge, for example through benchmarking with similar organisations, independent review, or by involving organisations representing customer interests.

2   **Agencies should have in place a programme of continuous service quality improvement** based on comprehensive and up to date information on service user needs and preferences together with users' assessment of the quality of service which they receive and how far this meets their expectations. Such information should inform the setting of performance targets and the review of their continuing appropriateness, whether customers are the public or other departments and agencies. Although customer surveys and informal feedback can be useful to gauge user needs, agencies need to use a wider portfolio of approaches to understand their customers and guide improvements in services.

3   **Agencies should publish reliable information on performance achievement to ensure accountability for public money and also as a means to achieving continuous service delivery improvement**. Reliable performance information enables agencies to remedy poor performance by identifying unsatisfactory trends early enough to take remedial action and to report clearly to external stakeholders. Agencies need to give more attention to the consistent measurement and reporting of performance over time, and should design targets and other performance measures so that they are a meaningful and useful tool which those involved in service delivery can use to manage and improve public services.

4   **When assessing initiatives to improve service delivery, agencies should explicitly take into account their likely impact on users**. With most public services there will be a number of key drivers which will have most influence on the overall quality of service, such as the speed with which a service is delivered, accessibility of the service or reliability of advice and information provided. Agencies need to target their action, using appropriate tools and techniques, on the key drivers which have the most potential to achieve sustainable improvements in the quality of public services which are likely to be of real value to users.

5   **Agencies should ensure they have sufficiently comprehensive cost information to enable them to assess the cost effectiveness of service delivery**. The pursuit of improved service delivery must be balanced by the need to provide value for money. Agencies need to adopt more sophisticated approaches to measuring costs and productivity, for example by benchmarking their processes and unit costs with similar organisations, if they are to be able to identify the costs and benefits of alternative means of service delivery.

In order to take forward the lessons from this and the other more in-depth reports on the three specific bodies examined, the study concludes with a set of key questions which bodies should consider to improve service delivery. These are shown in Appendix 3.

Annex 1

Good practice in improving service delivery: Three examples

Example of an executive agency delivering
services directly to the public
The Veterans Agency

VeteransAgency
An Executive Agency of the Ministry of Defence

Example of an executive agency
as part of a supply chain
The Forensic Science Service

THE FORENSIC SCIENCE SERVICE

Example of an organisation building
confidence and credibility
The Food Standards Agency

FOOD
STANDARDS
AGENCY

Example of an executive agency delivering services directly to the public
The Veterans Agency

The Veterans Agency delivers services directly to people who are likely to be older and more isolated than the general population. Delivering a quality service requires sensitivity to minimise anxiety and inconvenience for claimants. How the Veterans Agency achieves this demonstrates some good practice that agencies delivering services to similar groups should find useful. This includes:

Adopting a customer driven approach to developing and delivering services	**The Agency has set targets for completing the processing of claims and appeals in consultation with the recipients of its services.** Based on regular feedback from war pensioners, the Agency has re-engineered its internal working processes to reduce the time taken to reach a decision on a claim.
Having the capacity to meet sudden changes in service demand and workload so that service delivery is not put at visible risk	**The Agency set up a dedicated specialist team to manage a sudden increase in claims.** In the face of additional unexpected demand, the Agency has maintained a timely service for its core business of processing claims and appeals, so earning praise from ex-service organisations.
Giving special attention to the timeliness of service delivery	**The Agency closely monitors its workload at each stage of the claims process and targets the oldest claims outstanding.** The Agency's operational team monitors closely the number of cases awaiting medical opinion and identifies the longest outstanding claims to ensure they are given priority by the Agency's doctors.
Working closely with organisations which have detailed knowledge of the client group and their interests and concerns	**The Agency works closely with ex-service organisations to meet the needs of war pensioners.** To improve the likelihood of war pensioners gaining access to their services the Agency maintains close relationships with ex-service groups at national and local levels.
Adopting a portfolio approach to quality management	**The Agency brings together the monitoring of all aspects of its quality of service performance.** The Agency has, since April 2001, monitored its overall quality performance - in terms of the speed and accuracy of administering claims and welfare services, and the efficiency of administration - through a Quality Standards Committee.
Seeking regular external assessments of the quality of service delivery	**The Agency has sought external assessments of its service delivery and the quality of the services it provides through applications for Charter Mark[3] and the Service Excellence Awards Programme[4].** The Agency won back its Charter Mark in 1998 and, furthermore, in 2001, was named winner of the Public Services category of the Mangement Today/Unisys Service Excellence Awards. It has also been selected as a Government Beacon[5].

3   Charter Mark is a customer-focused quality improvement tool which concentrates on the results of the service received by the customer.
4   The Agency competed with other public sector providers in the Public Services category of the Mangement Today/Unisys Service Excellence Awards.
5   The Central Government Beacon Scheme is run from the Cabinet Office and identifies the best performing parts of central Government.
    In 2002-03, there were 39 central Government beacons.

Example of an executive agency as part of a supply chain
The Forensic Science Service

Service delivery in the Forensic Science Service is an important part of the criminal justice system. To be effective the Agency has to work closely with other organisations that depend on their services. How the Forensic Science Service has done this reflects some good practice, which other agencies should find useful. This includes:

The need to work closely with other organisations in the programme delivery chain	**The Forensic Science Service works closely with the police to meet the needs of the criminal justice system**. The Agency and the police are partners in the criminal justice system and work closely on many levels to ensure that the impact of forensic science on the delivery of justice is maximised.
The need to have reliable information on the demand for services and to ensure that sufficient resources with the right skills are in place	**The Forensic Science Service recognises the importance of demand forecasting**. The consequences of the Agency being unable to carry out forensic analysis on time can be serious in some cases, for example, a suspect could be re-bailed. The Agency has recognised that the key to having the right resources in the right place at the right time is to have a reasonable expectation of future demand levels by involving all 43 police forces in England and Wales.
The need to ensure consistent performance by all parts of an organisation involved in delivering a national service	**The Forensic Science Service monitors performance across its laboratories to ensure consistent performance and to spread best practice**. A risk of providing a national service on a regional basis is that customers in different parts of the country may receive different standards of service. The Agency monitors performance across sites on a monthly basis to identify weaknesses at certain laboratories and best practice at others.
The need to promote and encourage innovation to improve services	**The Forensic Science Service has a rigorous business development process to help ensure the best use of limited resources**. The Agency has a business development process which allows investment in innovation in line with corporate strategy and customer requirements. All new ideas are captured in an Opportunity Assessment Database, evaluated in terms of outcomes and costs and a business case put forward to the Executive Board for funding approval.
The need to seek regular feedback from service users and re-engineer existing working practices as necessary	**The Forensic Science Service surveys customers on what is important to them as well as their satisfaction**. When surveying customers the Agency identifies priority areas by asking what their satisfaction levels are with particular aspects of the service, and what their expectation of an excellent service would be.

Example of an organisation building the trust and confidence of the public
The Food Standards Agency

Public bodies often need to build the trust and confidence of the public, pre-empt issues of concern to the public and engage a wide range of stakeholders if they are to perform effectively and ensure their actions are soundly based. The Food Standards Agency is a Non-Ministerial Department, established by the Food Standards Act 1999 to protect the health of the public and to protect the interests of consumers in relation to food. It demonstrates a range of good practice which agencies and other public bodies delivering services where public trust and confidence are key should find useful. This includes:

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The need to demonstrate transparency in decision-making	**The Food Standards Agency holds decision-making Board meetings in public and all its scientific advisory committees include lay or consumer members**. Transparency of decision-making is crucial in strengthening the credibility of the Food Standards Agency and helping to engender confidence in the Agency's evidence-based approach. Lay and consumer members on the Agency's scientific advisory committees representing the concerns of consumers can ask the questions that a member of the public would want asked, and help to ensure the expert members address the issues which are of concern to the public.
The need to build trust by open and active engagement with all stakeholders	**The Food Standards Agency develops policy through actively engaging with a wide range of stakeholders**. Stakeholder input is secured through a range of activities including formal groups, workshops, informal discussions and written consultations. In the development of policy, the Agency recognises the importance of engaging such stakeholders from an early stage - including consumer representatives, those involved in enforcement of food law and industry representatives. This helps to build trust and confidence. It also makes for more informed decision-making as it enables the Food Standards Agency to seek the views of stakeholders on the practical implications of different options for risk management.
The need to provide clear, unambiguous information and advice to the public	**The Food Standards Agency always seeks to explain why it is issuing advice so as to promote greater understanding of what the advice means**. It evaluates the effectiveness of its communications to help it learn from experience. The Agency's website has been developed with a different 'look' and interactive features for consumers. Food Standards Agency staff, who are often expert scientists in their own right, give interviews to the media and explain the basis of the Agency's decisions or advice to consumers. The Agency sets out scientific uncertainties and what is being done to resolve them, basing its advice on the current state of knowledge, updating it as necessary.
The need to tailor information and advice to reach target groups for whom it is most relevant	**Where a food issue puts specific groups of the population potentially at greater risk, the Food Standards Agency targets its information and advice**. While the Agency seeks to reach a wide audience it also targets groups which may be at higher risk because of their consumption of certain types of food or their behaviour, and tailors the information presented to them accordingly. Targeting information also builds credibility and confidence that the Agency is acting in the interests of all consumers.

Part 1

The Role of Agencies in Service Delivery

1.1 Since 1988, executive agencies have undertaken a range of the executive functions of government and they are now an integral part of the delivery of government services and objectives. Executive agencies employ some 277,000 staff (57 percent of the Home Civil Service)[6] with annual expenditure of some £18 billion[7]. Agencies provide a wide range of services which have a direct impact on the public including, for example, the provision of passports and vehicle licences, administering pensions, running prisons, providing forensic services to the police and the management of financial affairs of people who are mentally incapacitated.

1.2 Executive agencies should deliver services so that they meet the reasonable needs of their customers, who may be the public or other departments and agencies. For example some agencies are an integral part of a larger programme such as criminal justice so if one agency, such as the Forensic Science Service, fails to meet its key objectives the performance of the whole programme may be put at risk. Agencies are usually well defined business units with a clear focus on delivering specified outputs within a framework of accountability to Ministers. Each agency has a Chief Executive who is responsible for its performance and for the efficiency and effectiveness with which resources are used. Agency framework documents set out the responsibilities of the Minister, department and Chief Executive and arrangements for liaison, reporting and performance assessment. Some agencies earn revenue through fees and charges for the services which they provide. The Forensic Science Service, for example, earns income from the forensic analysis it provides to the police, while the Valuation Office Agency earns income from asset valuations carried out on behalf of the whole of the public sector, including the Health Service.

1.3 At 1 January 2003 there were 127 agencies of which 92 reported to Whitehall departments. Forty-nine of these delivered services mainly to the public including businesses; 45 agencies (nearly all Ministry of Defence Agencies) provided services to government departments; 12 agencies had responsibility for research and development and 21 had a regulatory function.

1.4 Agencies vary considerably in size, function, their type of customer and the financial regime under which they operate. Staff numbers range, for example, from Jobcentre Plus (which was established in April 2002) with around 90,000 staff, to the Wilton Park Conference centre with 50 staff. **Figure 1 (on page 12)** shows the range of Agencies in terms of the number of staff each employs.

1.5 Some Agencies have policy responsibility, for example the Pesticides Safety Directorate of the Department for Environment, Food and Rural Affairs has responsibility for determining how best to protect the public from the risk of pesticides. Other Agencies have more operational responsibility but with some discretion to influence policy, for example the Prison Service has day to day responsibility for the running of prisons together with the Home Office, but will also contribute to the development of criminal justice policy.

1.6 The Treasury and the Cabinet Office both have central roles and responsibilities with respect to executive agencies:

■ The Treasury has responsibility for agreeing three-year Spending Plans with departments, following the Government's Spending Review conducted every two years. These Spending Plans are expected to provide a clear framework within which departments can establish three-year funding agreements with their agencies and which, in turn, enable three-year business plans to be prepared by agencies. The Treasury[8] requires that agencies have key targets covering their financial and operating performance.

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6   *In addition, staff in Customs and Excise, Inland Revenue and the Immigration and Nationality Directorate of the Home Office account for another 95,000 (which is a total of 373,000 or around 78 per cent in executive functions of the Home Civil Service).*

7   *National Audit Office calculation of the total operating expenditure of 101 Agencies. This figure excludes 24 executive agencies in Northern Ireland and two new Agencies of the Scottish Executive.*

8   *Executive Agencies: A Guide to Setting Targets and Measuring Performance. HM Treasury, 1992.*

1 Agencies by the number of staff they employ
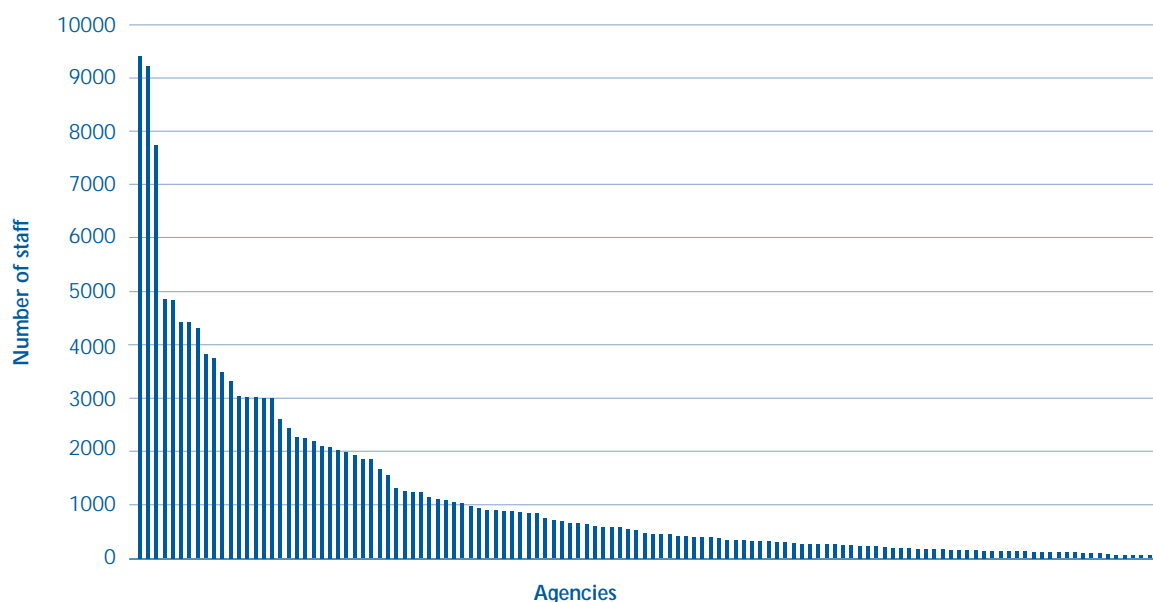
NOTE

Jobcentre Plus employing 90,000 staff and the Prison Service employing 42,000 are off this scale.

Source: Better Government Services. Executive Agencies in the 21st Century. Cabinet Office and HM Treasury.

■ Following the Agency Policy Review, departments are no longer required to undertake quinquennial reviews of agencies and non-departmental public bodies (NDPBs). The new approach shifts the focus from scrutiny of individual service delivery organisations to the effective delivery of outcomes. A one-off "landscape" review will help departments to see their delivery resource in its entirety and examine - at a strategic level - its alignment with departmental objectives, its customer and service groupings and its governance arrangements. From this overview a structured rolling programme of "end-to-end" reviews - whose subjects will be agreed between departments, the Treasury and the Cabinet Office - will examine the delivery of individual objectives or Public Service Agreement targets. The first tranche of these reviews is to be completed in time for their results to inform discussions in the 2004 Spending Review.

■ In addition, the Treasury and Cabinet Office[9] require agencies to disclose, in their annual reports to Parliament, performance against their key targets supplemented with other performance information. There should be a clearly identified relationship between agency performance targets and the outcome targets in Public Service Agreements for the main government departments.

1.7 In July 2002 the Cabinet Office and the Treasury published a review of delivery policy[10] that looked at executive agencies, NDPBs and services delivered directly by departments, and examined the relationship between delivery bodies and their sponsoring departments (**Figure 2**). It also emphasised that no information or comparative data was collected centrally on agencies' performance and that, without such information, it was difficult to identify where agencies were more or less successful than others in carrying out similar functions and processes.

1.8 In addition, the Government has set up several new units within the Cabinet Office to improve delivery and quality of public services - the Prime Minister's Delivery Unit, the Office of Public Services Reform, and the Strategy Unit (**Figure 3**). These supplement the range of initiatives which the Cabinet Office and Treasury have in place centrally to assist improvements in service delivery (**Figure 4 on page 14**).

9   *Next Steps Agencies: Guidance on Annual Reports. Cabinet Office, October 1998.*
10 *Better Government Services. Executive Agencies in the 21st Century. The Agency Policy Review - report and recommendations. HM Treasury and the Office of Public Services Reform, July 2002. <http://www.pm.gov.uk/output/page5625.asp>.*

2   **Main recommendations of the Agency Policy Review published in July 2002**

The review concluded that the agency model had provided a flexible, responsive and accountable framework for delivery of executive functions from within central government but that, in some cases, agencies had become disconnected from their departments. To build on agencies' success and address areas of weakness, the review recommended that departments should:

- Carry out a high-level review to ensure that delivery mechanisms are appropriate to the tasks required today and that effective governance structures are in place;

- Focus on delivery as well as policy to achieve outcomes for customers, and bridge the gap between policy development and implementation;

- Maintain simple and clear frameworks with agencies to ensure active strategic engagement, for example at least one discussion a year with the Minister, and a senior sponsor within the parent department to provide strategic direction;

- Ensure agency and departmental business planning are integrated, that agency and departmental targets are aligned, that the numbers of agency targets are kept down and focus on areas that relate to departmental objectives and service standards, and that where there are agency-specific and cross-cutting targets the priority attached to each should be specified;

- Replace quinquennial reviews with business reviews of the end-to-end processes involved in achieving specific outcomes; and,

- Ensure that agencies have three-year funding agreements to support three-year business plans and benefit from as much managerial flexibility and freedom as possible in order to deliver more effectively.

Source: Better Government Services. Executive Agencies in the 21st Century. Cabinet Office and HM Treasury.

3   **New units established in June 2001 in the Cabinet Office to improve the quality and delivery of public services**

Unit	Function and progress

Office of Public Services Reform (OPSR), a team of 30 staff with public and private sector backgrounds.	■ Strengthening the capacity and performance of public service to deliver the Government's objectives, and embedding the Prime Minister's four principles for reform.
	
	■ Work programme based around three projects:
	  1) Communicating the principles of reform;
	  2) Customer led services; and,
	  3) Fit for purpose public services (covering the Civil Service, local government and devolved delivery).

Prime Minister's Delivery Unit (PMDU), a team with practical experience of delivery, drawn from the public and private sectors.	■ Working with the departments central to delivering key public service commitments on 17 "delivery priorities" which represent a combination of manifesto commitments and Public Service Agreement targets. ■ PMDU has asked departments to draw up a delivery plan for these priorities, including details of accountability and responsibility for delivering the target at each level in the service; the risks; constraints and how they are being managed, and key milestones for implementation.
Strategy Unit (SU), a team including unpaid part-time independent advisers working alongside civil servants on a range of projects.	■ Undertaking a range of forward-looking and cross-cutting projects for the Prime Minister and Cabinet. External advisors to the Unit are unpaid and work alongside permanent civil servants in addressing strategic issues.

4 **Examples of central initiatives to improve service delivery**

Initiative	What the initiative is about
Charter Mark	Charter Mark is an award supported by the Cabinet Office for which public sector organisations can apply. Organisations that achieve the Charter Mark are recognised as putting users first and, by listening more to users, improve their performance. The Charter Mark is displayed in their publications, for example literature for users and annual reports. To achieve the award an independent assessment is made by trained Charter Mark assessors of how well the applying organisation meets user needs, for example how effective it is at putting things right when they go wrong and how far it encourages access to its services. In 2001, 744 Charter Marks were awarded. Each Charter Mark is held for three years after which time organisations must reapply for Charter Mark accreditation.
EFQM Excellence Model	The European Foundation for Quality Management (EFQM) Excellence Model is a self assessment framework which helps organisations to identify strengths and areas to improve and to develop prioritised action plans to make improvements. It covers what an organisation has achieved, how it manages its staff and how it reviews and monitors the processes needed to achieve results. Organisations undertaking a self assessment score their performance against nine criteria which enable them to monitor their performance over time, and also to compare their scores with other public sector organisations. Six hundred and eighty-seven organisations registered as users of the model in 2000.
Central Government Beacon Scheme	The Scheme identifies the parts of central Government which have performed best in raising standards and improving service delivery. Those applying to become a beacon must have achieved recognition under one of the schemes to be eligible (for example Charter Mark, EFQM Excellence Model, or an International Quality Standard). If an organisation is selected as a beacon by the Cabinet Office it has to organise events to share its experiences with others from across central Government. In 2001-02 there were 23 Government Beacons and in 2002-03 there were 39.
Public Services Productivity Panel	The Panel is a team of senior business people chaired by the Treasury to advise on ways of improving the productivity and efficiency of departments and agencies. The Panel has published 19 reports since November 1998 covering, for example, improving the focus of departments on their customers and the translation of high level targets in Public Service Agreements into real improvements in front line service delivery. Recommendations are made to departments and implementation of them is monitored by the Treasury.
Public Sector Benchmarking Service	The Public Sector Benchmarking Service was launched in February 2001. Its website provides information about benchmarking, enabling organisations to share knowledge of good practice and to learn from the experience of others. The Service also supports benchmarking by providing practical advice and information about how to carry out the process and arranging possible partners for organisations to benchmark against. The Service is a partnership between HM Customs and Excise and the Cabinet Office. By November 2001, over 1000 members had registered with the Service, including 65 central Government bodies and 300 local authorities.

Source: NAO Examination

Improving public services

1.9 The wide range of responsibilities and functions that agencies have means that they are key to delivering improvements in public services. To deliver better public services the Prime Minister has outlined four principles which all those involved in service delivery should follow (**Figure 5**). Many reports by the Committee of Public Accounts and the NAO have drawn attention to the consequences for value for money where these and other elements of service delivery are not well managed (**Figure 6**).

1.10 These principles are intended to establish a culture of delivery which should be the guiding ethos of all public services. They introduce a new emphasis on customer-led service design and delivery within an overall framework of national standards, incentives and reward for effective frontline operations. Successful implementation of these principles requires that they are given full consideration at each of the three key stages of service delivery (**Figure 7**).

5 **The Prime Minister's four principles of public service reform**

Services should be designed around the customer and embody:

■ **National Standards** and clear frameworks of accountability;

■ **Devolution and Delegation** to the local level to encourage diversity and creativity;

■ **Flexibility and Incentives** to encourage excellent performance at the frontline; and,

■ **Expanding Choice** for the customer including the ability, if provision falls below acceptable standards, to have an alternative provider.

Source: Cabinet Office, Office of Public Services Reform

6 Examples of Reports by the Committee of Public Accounts and National Audit Office which have identified risks to public services

Risks to value for money in service delivery	Example
Delivering what was planned. If the service does not deliver as planned, those intended to benefit will not do so, and resources may be used inefficiently.	"The Benefits Payment Card Project suffered delays and in May 1999 the payment card was removed from the project. Cancellation of the benefit payment card had cost the parties and the taxpayer upwards of £1 billion in abortive costs, the write down of assets and delayed reductions in benefits fraud." (*The Cancellation of the Benefits Payment Card Project, Committee of Public Accounts 3rd report, 2001-02*)
Timeliness. If service delivery is not prompt or timely, citizens waste time and money waiting for a service to be delivered, and restoring timeliness may require additional short-term costs such as overtime.	"During the summer of 1999, many members of the public encountered great difficulty in obtaining passports from the United Kingdom Passport Agency. At the peak of the crisis, maximum processing times in the Agency's regional offices ranged between 25 and 50 days, compared to a target of 10 working days. By June 1999, around 565,000 applications were awaiting processing - a backlog of over a month's work. Over 500 people missed their travel dates, many thousands were forced to travel to passport offices to obtain a passport, and many more suffered inconvenience and distress." (*The Passport Delays of Summer 1999, Committee of Public Accounts, 24th Report, 1999-00*)
Meeting standards. If service standards are not adhered to consistently or are unrealistic, people may be confused and frustrated by the service they receive and service deliverers incur additional costs to reschedule the service.	"There had been a total backlog of 151,000 cases awaiting processing and decision by the Directorate. By June 1999 this had increased to 219,000 cases. The continuing backlogs are causing misery for applicants and their families as well as a significant burden on taxpayers of paying benefits to applicants for longer than should be necessary. The Home Office are not living up to their responsibilities towards asylum seekers and others caught in these unacceptable delays and we expect the Government to demonstrate a rapid improvement in the level of service made available." (*Home Office: The Immigration and Nationality Directorate's Casework Programme, Committee of Public Accounts 7th Report, 1999-00*)
Reliability. If a service is unreliable it will not deliver the standard of service expected, some groups may receive a poorer standard of service than others and departments may be exposed to unintended costs.	Patients whose receivership is managed by the Public Trust Office should be visited every year, yet only two-thirds of visits were made in 1996-97. At 1,700 in 1997-98, visits to private receivership patients remain at little above the low level criticised by our predecessors. It is unacceptable that the Public Trust Office cannot fully explain why patients in the London area are six times less likely to be visited than patients in the North of England. (*Public Trust Office: Protecting the financial welfare of people with mental incapacity, Committee of Public Accounts 35th report, 1998-99*)
Accuracy. If services are not administered accurately, the service may not be delivered as intended and the wrong services may be delivered to the wrong people.	"Innaccurate assessments of maintenance were sent to parents because quality assurance work had focussed on identifying and analysing errors and not on correcting them." (*Department of Social Security: Appropriation Accounts 1993-94: Child Support Agency, Committee of Public Accounts, First Report, 1995-96*)
Responsive. If the service is not flexible and responsive to individuals' needs and situations, the benefits that it can offer may not be realised and opportunities for improved efficiency may be missed.	"Existing donors are stopping giving blood at the rate of 200,000 a year, and although over 400,000 new potential donors enrol each year, the Service has only managed to convert 60 per cent of them into donors. If the Service is to continue to meet the demand for blood, there now needs to be a step change in the way it treats donors at every stage. This will involve investment in information technology, wider adoption of good practice, and further changes in working practices" (*The National Blood Service, Committee of Public Accounts, 16th Report, 2000-01*)
Avoiding exclusion. If a service is not designed and delivered taking account of all those intended to receive it, some groups may be excluded from the benefits.	"The wide geographical differences in levels of applications relative to recorded violent crime identified suggest that access to the Criminal Injuries Compensation Scheme may be uneven, and that some social groups could be disproportionately inhibited from applying." (*Compensating Victims of Violent Crime, Committee of Public Accounts, 30th report, 1999-00*)
Providing choice. If there is no visible choice of service provider for citizens, they may be left with no alternative provider should the service fail to meet the standard expected.	"It is clear that millions more people could save money by changing their electricity supplier. But, without a maths degree, it is very difficult for consumers to determine which company is best for them. Ofgem must urgently find a way for people to be provided with clear information to use as a basis for making decisions. Without this, domestic electricity competition can never fully succeed." (*Mr Edward Leigh MP, Chairman of the Committee of Public Accounts. Press Notice on Office of Gas and Electricity Markets: Giving Domestic Customers a Choice of Electricity Supplier, Committee of Public Accounts, 11th Report, 2001-02*)
Accessibility. If citizens cannot or do not know how to access a service, the service may not reach those for whom it is intended.	"Not all citizens will have access to information technology or have the skills to use it, and some citizens will prefer more traditional face to face communications or written correspondence with departments. It is important that as more services are delivered electronically that these citizens are not excluded from the benefits which the Web makes possible." (*Government on the Web, Committee of Public Accounts, 21st Report, 1999-00*)

Source: Committee of Public Accounts and National Audit Office Reports.

part one

7   **Key elements of service delivery**

Designing the service	Implementing the service	Assessing achievement
Ensuring that:	Ensuring that:	Ensuring that:
■ Customer needs are clearly identified;	■ Service delivery is consistent regardless of where it is delivered from;	■ Quality of service is independently and regularly reviewed;
■ Reasonable expectations are set;	■ Services are simple to understand and receive; and,	■ Customers have easy right of redress for poor quality services;
■ Services are easy to access, responsive, timely and reliable;	■ Services are cost effective.	■ There is a programme of continuous improvement; and,
■ Social exclusion is avoided;		■ Costs are kept under regular review and as necessary, action is taken to improve cost effectiveness.
■ Where practicable some choice is provided for users; and,		
■ Those delivering the service have the right skills.		

Source: National Audit Office.

1.11 In designing and delivering services agencies have to be alert to the costs involved and how best to ensure that value for money is achieved. In many cases an Agency may be the sole provider of the service. Unlike in the private sector, where customer demand can be a good indicator of what the public are prepared to pay - if customers consider the service to be too expensive they may seek an alternative provider - agencies often lack a reliable means to assess whether their services are cost effective. This emphasises the importance of agencies regularly benchmarking their costs and performance with other organisations providing similar services in both the public and private sector and internationally. Where Agencies deliver services from a number of different locations, the costs involved and quality of service delivered should also be regularly benchmarked to identify opportunities to improve performance.

Focus of the NAO examination

1.12 In light of the important role that agencies have in delivering public services we have carried out a series of studies to assess how they are seeking to improve their performance. Our examination was carried out at two levels: (i) We reviewed the performance of three organisations; two are Executive Agencies and the third is a Non-Ministerial Department, but they nonetheless provide examples of the types of services which are provided by agencies (**Figure 8**). The results of these examinations are published in three separate reports.

Each report highlights a range of good practice which agencies might follow in the drive to improve service delivery. (ii) In addition, we reviewed the overall performance of all agencies assessing in particular the extent to which their targets focus on improving service delivery and what they have achieved. The results of this examination (the methodology is explained in Appendix 1) are set out in this report which also brings together the range of good practice that we have identified as essential to improving public services.

8   **Three in-depth examinations of performance in improving service delivery:**

The Veterans Agency (an Executive Agency of the Ministry of Defence) - delivering services directly to a specific client group - (HC 522, 2002-03)

The Forensic Science Service (an Executive Agency of the Home Office) - delivering services as part of a wider service delivery chain - (HC 523, 2002-03)

The Food Standards Agency (a Non-Ministerial Department) - delivering services where building the trust and confidence of the public is key for the organisation to perform effectively[11] - (HC 524, 2002-03)

11   *The Food Standards Agency accounts to Parliament in the same way as other small departments; that is, by producing a Service Delivery Agreement, an Annual Report and Accounts, and a Departmental Report.*

Part 2

Achieving Improvements in Service Delivery

2.1 To assess how agencies are seeking to improve service delivery we focused on:

■ Whether the targets that agencies set to improve their performance are sufficiently stretching;

■ How well targets focus on improving aspects of performance which are likely to deliver most benefit to users of agencies' services;

■ Performance achieved and how this is monitored;

■ What initiatives are being taken to improve service delivery; and,

■ How agencies ensure that services are cost effective.

Each of these elements should be an important consideration at each stage of designing and delivering services and assessing their impact and quality.

2.2 Our findings are based on an analysis of 306 targets set by 30 agencies (details are provided in Appendix 2); interviews with eight agencies[12] to determine how achievement of targets was monitored and an examination in more detail of the progress made by three organisations[13] to improve service delivery.

Whether targets are sufficiently stretching

2.3 Executive agencies are required by the Treasury, in consultation with their sponsoring departments, to set targets that cover both their financial and operating performance. Agencies should report achievement against these targets in their annual reports. Reported achievement may be validated internally by internal auditors, or externally by internal auditors from the sponsor department or by external auditors. Validation is, however, an irregular - rather than a regular, formal- process. Targets can be an important tool to improve service delivery by ensuring that agencies focus on priorities and that their resources are used to deliver sustainable improvements in outputs and ultimately outcomes such as improvements in healthcare, and that the cost of achieving service improvements are clearly identified. There are, however, risks which can undermine the effectiveness of targets. For example, targets may:

■ **Focus too much on the delivery process** rather than the output or outcome desired. If, for example, the emphasis of targets is exclusively on how quickly a service is delivered, this may be at the detriment of the overall quality of the service;

■ **Not be sufficiently integrated** with the main activities of the agency or sponsoring department. If targets for an agency are not integrated or aligned with the wider policy programme of a department its targets may not be sufficiently consistent with or support wider policy objectives, such as reducing crime. In these circumstances the contribution which the agency makes to improving service delivery may be undermined;

■ **Have a perverse effect**. Targets may inadvertently encourage behaviours in staff which mean that their efforts are not consistent with the overall aims of the agency. For example, to meet a target to process a certain number of benefit claims might result in staff giving priority to claims which are more easy to deal with increasing the risk that some beneficiaries may be excluded or receive a lower standard of service; and,

■ **Not be sufficiently challenging**. If targets are consistently set on the basis of historical information and past performance existing ways of delivering services may continue and opportunities to make significant improvements or to be innovative may be lost.

2.4　Our examination found:

- In our review of 30 agencies' targets, the number of targets for each agency ranged from four targets to over 20 targets in two cases - the Public Guardianship Office and the Office for National Statistics. Two thirds of agencies in our sample had between six and 16 targets;

- The main way by which targets were set by the eight agencies we examined in more depth was on the basis of historical performance and an assessment of what would be a realistic and achievable incremental improvement. Half of the agencies benchmarked their targets either against similar organisations in the UK or internationally;

- Agencies for which there is no alternative service provider found it difficult to use external comparators to determine whether their targets were sufficiently challenging. International comparisons were not feasible because of, for example, different legal systems and different approaches to delivering similar services, as well as different expectations;

- Targets were most likely to be changed because they had not been achieved, agencies' priorities had altered or the quality of key services was considered to not be meeting users' expectations;

- Targets varied to the extent that they were aligned to those of the agency's sponsoring department for example, all five of the Court Service's Ministerial targets could be found in some related form in the Lord Chancellor's Department's Public Service Agreement, whereas none of the Valuation Office's nine targets were referred to in Inland Revenue's Public Service Agreement; and,

- Target setting was generally not clearly linked to agencies' assessment of risks to service delivery. To some extent, therefore, potential internal and external factors which could prevent targets from being met might not be identified and reliably managed.

2.5　The environment in which agencies operate continues to change and develop. For example, advances in technology provide opportunities to deliver new and better services; people have rising expectations of the quality of service which the public sector should be able to provide; and increasingly a range of public, private and voluntary organisations are involved in delivering services often in partnership. The targets which agencies set themselves need to reflect these developments and basing them largely on historical performance carries the significant risk that opportunities to improve service delivery might be lost. To minimise this risk, targets should be subject to some external challenge either through benchmarking with similar organisations or, where this is not practicable, through independent review by professional sector experts, independent non-executive boards and committees involving organisations representing consumer interests.
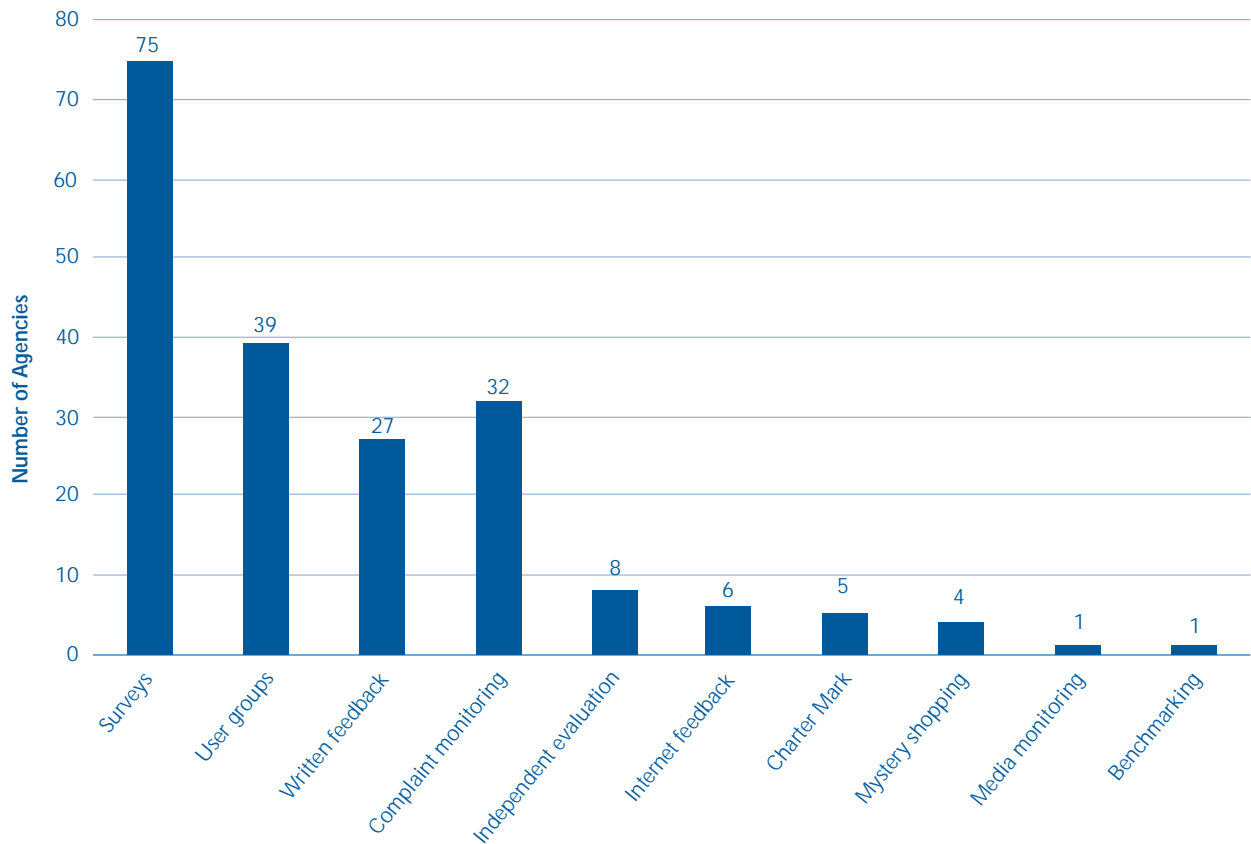
How well targets focus on improving aspects of performance which are most likely to deliver benefit to service users

2.6　Regardless of whether the key recipient of the services provided by agencies are members of the public or other departments and agencies in the service delivery chain, certain key requirements are likely to apply. Users will generally demand timely, accessible, accurate and cost effective services that satisfy their expectations. The priority given to these requirements will differ depending on the type of service. For example, recipients of benefits are likely to be interested only in the speed and accuracy with which their own claim is processed. In contrast, for agencies involved in safeguarding the interests of the public, greater emphasis needs to be given to activities which promote public confidence more widely. The Food Standards Agency Service Delivery Agreement, which includes a target to reduce foodborne illnesses, provides a useful example.

2.7　Our examination found that:

- Agencies adopt a range of approaches to ensure that their targets are sufficiently focused on their users' needs. All of these involved some assessment of what customers expected of the service the agency provided (**Figure 9**). Customer feedback was often used by agencies as a basis for negotiating with their sponsor departments the level of service they should provide, the resources needed, and the underpinning targets against which their performance should be measured;

- The extent to which agencies had reliable and comprehensive information on the different characteristics of their key customers and users was, however, variable. In the private sector it is common to segment customers by, for example, their age, preferences, socio-economic grouping and geographic location. In this way, services can be designed and delivered best to meet the needs of different consumers. While such an approach may not be appropriate for all agencies, it is highly relevant for those involved in delivering services directly to the public, particularly in ensuring that no-one entitled to a service is excluded from accessing it;

9 Agencies use a range of approaches to seek feedback about customer needs

| Approach used to seek feedback		Example
Surveys	Agencies send questionnaires or contact, by telephone, a representative sample of customers who have recently had contact with the agency or used its services.	Veterans Agency widows surveys
User groups	Agencies convene groups representing users to understand their concerns, to seek their views and ascertain their receptiveness to changes to services.	Valuation Office Agency
Written feedback	Agencies may seek formal written feedback on proposed changes to services.	Public Guardianship Office Consultative Forum
Complaint monitoring	Agencies have formal complaints procedures and monitor the number and content of these as a means to identify the need to adapt and improve services. Effectiveness can be enhanced by an Independent Complaints Reviewer.	Public Record Office
Independent evaluation	Agencies commission independent reports from consultants and academics to examine aspects of service delivery and identify how they might be improved.	Public Guardianship Office
Internet feedback	Feedback may be received by e-mail direct from customers or interest groups or the agency may convene web-based focus groups.	The Patent Office
Charter Mark	Agencies receive feedback from independent external assessors about how well they meet their customers' needs.	HM Land Registry and Veterans Agency
Mystery shopping	Agencies test the effectiveness of service delivery by commissioning someone independent of the agency to use the service unbeknown to agency staff and report on the quality of service received.	The Patent Office
Media monitoring	Agencies monitor patterns in media coverage to identify emerging issues of concern to the public.	Food Standards Agency
Benchmarking	Agencies test the quality and cost of their services through comparison with other organisations providing similar services.	Public Record Office

NOTE

The organisations referred to are selected examples and may use other approaches in addition to the examples given.

Source: Better Government Services, Executives Agencies in the 21st Century, Cabinet Office and HM Treasury - survey of agencies March 2002.
Examples - National Audit Office.

■ Most agencies have targets directed at achieving specific outcomes, financial management and the speed with which services are delivered, for example, processing 80 per cent of all land registrations within 25 working days (HM Land Registry). Eighty-seven per cent of the 30 agencies we examined had targets which covered these aspects. Less common were: improving access to services (30 per cent had a target related to this), and measures of cost effectiveness (23 per cent had a target measuring the cost of service delivery) (**Figure 10**); and

■ Compliance with the Prime Minister's four principles for delivering high quality public services by the eight agencies we examined in more depth was variable (**Figure 11**). This was largely because the agencies had some difficulty matching the principles with the types of service they provided.

2.8 Agencies need to have in place a programme of continuous service quality improvement. This should be based on comprehensive and up to date information on service user needs and preferences together with their assessment of the quality of service they receive and how far this meets their expectations. Such information should be used to set performance targets and to review - regularly - their continuing appropriateness. Agencies should use a portfolio of approaches to understand and assess the needs of their service users. One agency, for example, which achieved very good customer satisfaction results through its surveys found that mystery shopping yielded very different results and provided valuable information about service improvements that were needed.

10 Most agencies have targets directed at improving outcomes, financial management, and delivering services more quickly
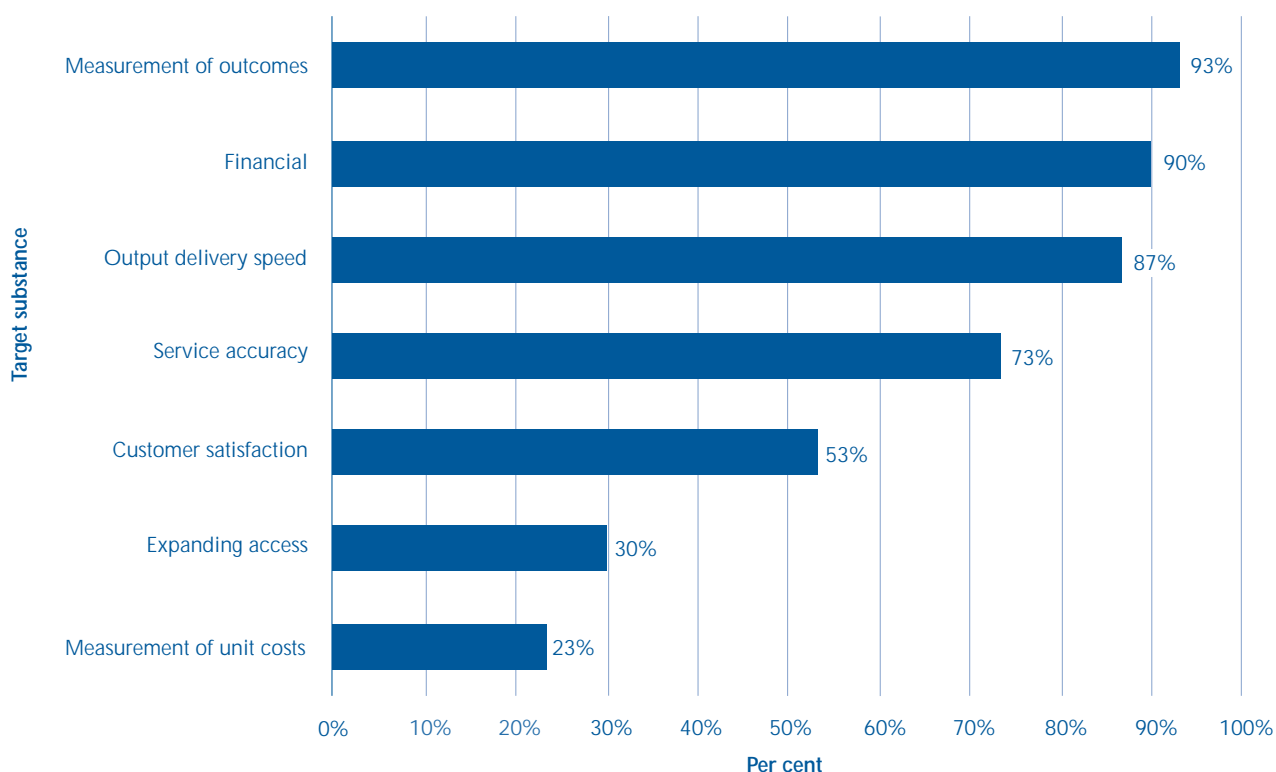
Examples:

■ **Measurement of outcomes** - Reduce the number of people killed and seriously injured on trunk roads to 4713 (Highways Agency)
■ **Financial** - Achieve a six per cent return on average capital employed (HM Land Registry)
■ **Output delivery speed** - 99 per cent of documents to be processed within five days (Companies House)
■ **Service accuracy** - Ensure that no more than 0.35 per cent of passports are returned by customers (UK Passport Service)
■ **Customer satisfaction** - Carry out a customer satisfaction survey and respond positively to the results (Pesticides Safety Directorate)
■ **Expanding access** - Improve web access availability (Companies House)
■ **Measurement of unit costs** - Reduce the unit cost of selecting and preserving the public records per metre (Public Record Office)

Source: NAO examination of 30 agencies

11 How eight agencies match up to the Prime Minister's four principles which should be applied in order for excellent public services to be delivered

Principle 1 - National standards and clear frameworks of accountability.

Six of the eight agencies we examined in more detail had national standards, for example the Patent Office sets national standards for processing patent search reports and registering applications for trade marks and designs. Some standards were determined according to devolved arrangements in place for Scotland and Northern Ireland.

Principle 2 - Devolution and delegation to the local level to encourage diversity and creativity.

Where agencies have a network of local offices they often have budgetary responsibility devolved to them together with some discretion to set targets within a national framework of standards. Some agencies considered that balancing greater local autonomy with meeting national standards required careful management. Other agencies, for example the Public Guardianship Office, were testing the extent to which services could be developed locally.

Principle 3 - Flexibility and incentives to encourage excellent performance at the frontline.

Some agencies with a network of offices across the country encouraged local flexibility. For example, The Valuation Office Agency had flexibility to recruit staff locally, but had less discretion to offer differential pay rates with the exception of an allowance for staff working in London. The Employment Tribunals Service also had flexibility to recruit staff locally, but has, as yet, chosen not to offer differential pay rates with the exception of an allowance for staff working in and around London. Some agencies paid bonuses for better performance but this approach was not universal. Two agencies (the Patent Office and HM Land Registry) specifically linked an element of pay to achievement of published targets.

Principle 4 - Expanding choice for the customer including the ability, if provision falls below acceptable standards, to have an alternative provider.

Seven of the eight agencies were monopoly service-providers and for only one - The Valuation Office - was there an alternative provider as the agency is subject to private sector competition for parts of its service. Some agencies operating as a monopoly do, however, seek to provide customers with some choice. For example, by developing a range of ways the public can access services - such as via the internet, by telephone and through intermediaries such as banks and retail outlets.

Performance achieved and how this is monitored

2.9 Having reliable information to identify where something has not gone as planned, where quality of service standards are not met or where costs are higher than expected, is essential if agencies are to be able to remedy under-performance. Information about achievement of targets should be supplemented by good quality and consistent performance information, which can provide a relevant and useful measure of success or failure, in particular for customers. We examined how agencies monitor performance and how they use their targets to remedy under-achievement. We found:

- Almost 75 per cent of the 306 targets which we reviewed were reported by their agencies as having been achieved in 2001-02;

- Performance over the three years 1999-00 to 2001-02 is less clear (**Figure 12**). For example, in 2000-01, 29 per cent of targets indicated that performance had improved compared to 1999-00

12 How agency performance reported in 2000-01 and 2001-02 compared to 1999-00
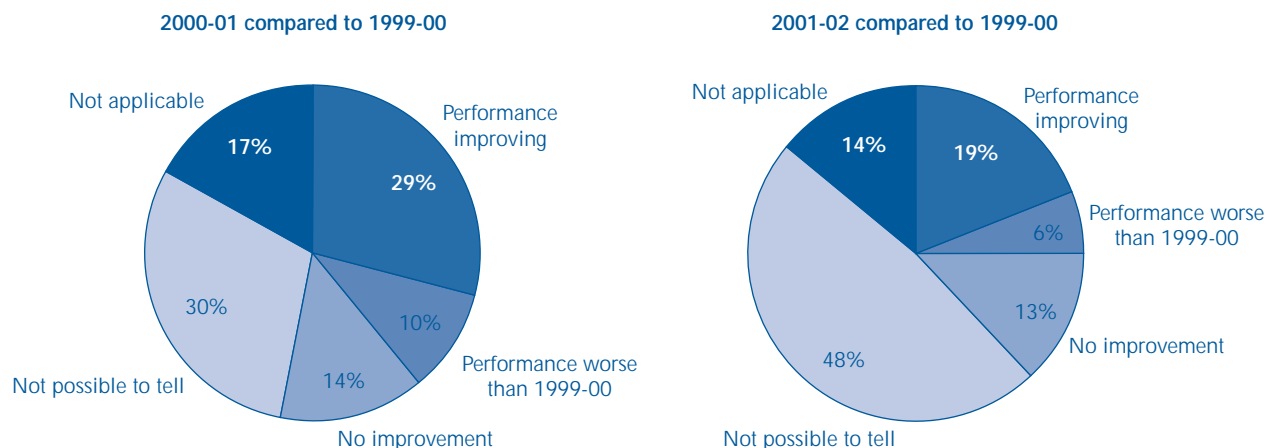
Source: NAO examination of 306 targets in 30 agency annual reports

with 24 per cent of targets indicating that performance had not improved or had got worse. For 30 per cent of targets it was not possible to determine whether performance had improved mainly because the targets had changed and were not comparable;

■ Comparing reported performance achieved in 2001-02 with that reported in 1999-00 indicated that 19 per cent of targets showed better performance. But for nearly half of the 306 targets which we examined it was not possible to identify whether performance had improved because the targets were no longer comparable;

■ Twenty-seven of the 30 agencies which we examined had been in existence for more than three years. But, of these, nearly a third did not provide information in their annual reports to make it possible to compare performance year on year. Cabinet Office guidance (**Figure 13**) specifically sets out that agencies' annual reports should include a comparison of the current year's performance with the previous two years;

■ Seven of the eight agencies we examined in more detail reported that achievement against performance targets was checked and verified by internal auditors (often from the sponsoring department). For example, by examining a sample of cases or source documents supporting reported performance;

■ Performance targets and indicators published in agencies' annual reports tended not to be used in the day to day management of service delivery. Targets were used more as a means to demonstrate accountability. The need to improve service delivery was more likely to be identified from information collected from customer surveys including complaints or where costs were increasing significantly; and,

■ Where similar services were provided by a network of local offices there was increasing use of benchmarking to identify where performance or costs were below or above the average achieved by all offices.

2.10 Reliable information on performance achievement is important for both ensuring that agencies are accountable for their use of public money and also as a means to achieve continuous improvements in service delivery. To meet these two fundamental requirements, targets need to have a fair degree of consistency so that trends in performance can be assessed over a number of years. Targets and other performance measures need also to be designed so that they are a meaningful and useful tool which those involved in service delivery can use to manage and improve public services.

13   Cabinet Office Guidance on Annual Reports

Cabinet Office guidance applies to all government agencies and trading funds. Annual reports must include a copy of the externally audited accounts providing a full picture of the financial performance of the organisation. Deadlines for publication of annual reports depends on the type of agency:

■ Agencies which are part of departments - Summer recess after the financial year end.

■ Agencies which are whole departments - 31 October after the financial year end.

■ Agencies which are trading funds - Summer recess with a final deadline of the 30 November.

To ensure a measure of consistency of performance data the following must be included in the main body of annual reports:

■ The aims and objectives of the agency.

■ The Annual Review of activity should provide a commentary on the year's achievements and changes in efficiency, quality, throughput, financial performance and the names of key staff including the management board.

■ Performance against targets - should report details of performance against all Ministerial targets over the past year covering efficiency, quality, financial performance and throughput. Agencies must include at least a three-year summary of performance data.

■ Information on commercial activity undertaken by the agency.

■ Information on the agency's future strategy.

Other information relevant for inclusion is: involvement in benchmarking schemes; public private partnerships and other forms of partnership; and progress towards investors in people accreditation.

Source: Next Steps Agencies: Guidance on Annual Reports - Cabinet Office (April 2002)

Initiatives being taken
to improve service delivery

2.11 Setting targets is the first stage in focusing agencies' efforts on improving their performance but they should also be used to re-examine existing ways of delivering services as a means of achieving longer-term sustainable improvements. We examined the initiatives agencies were taking to improve service delivery. We found that:

- Of the 30 agencies we examined, 15 held a Charter Mark award, which provides independent recognition that an organisation is effective in meeting its users' needs. Eleven held the award for their whole organisation, such as the UK Passport Agency and Companies House, and four held the award for constituent parts of the organisation (such as individual prisons in the Prison Service). Fifteen of the 30 agencies did not hold a Charter Mark, either because they did not apply for one or because their application had been unsuccessful;

- Of the eight agencies we examined in more detail, two had accreditation against a standard set by the British Standards Institution[14] or an international standard set by the International Organisation for Standardisation (ISO), and another was seeking accreditation. For example, the Public Record Office is in the process of achieving BS5454 which is the recognised standard for storage of records, and the Patent Office was seeking an ISO 9001 standard for its patent-granting process. Some agencies considered, however, that such standards were not appropriate for their services. The value of such accreditations is that they provide independent assurance of the quality of processes used to deliver services;

- Of the eight agencies, three were using the EFQM Excellence Model whilst most of the remainder had used the model at some stage. Where it was not being used, other approaches such as Charter Mark were considered more appropriate;

- The eight agencies we consulted used a range of approaches to improve service delivery depending on the circumstances they faced. Those dealing with the wider public were more likely to apply for Charter Mark. Those whose processes must also meet precise standards for clients interested in high technical standards of quality, for example those making applications for grant of a patent to the Patent Office, were likely to apply for a quality standard (such as BSI or ISO) as well as a Charter Mark. All agencies we examined used more than one approach to assess service delivery - for example, the Patent Office had achieved customer satisfaction results through its customer surveys and found that mystery shopping of the patent application process produced a different perspective which provided valuable information about service improvements which were needed;

- Complaints from customers were often used as a basis for improving services. The Public Record Office, for example, has used customer complaints and feedback to improve the access to historical information for the public. Other agencies treat complaints separately from service delivery improvements or do not have a formal mechanism for making changes to services as a result of complaints data; and,

- Agencies responsible for demand-led services such as the Employment Tribunals Service faced particular constraints when seeking to balance demand for their services against the resources available to them. They found, in particular, that in the context of the three-year Spending Review, forecasting likely demand for a service three years ahead was extremely challenging.

2.12 With most public services there will be a number of key drivers which will have most influence on the overall quality of the service. In some cases, it will be the speed with which a service is delivered, for example in processing an application for a passport. In others, it might be the accessibility and reliability of advice and information such as the support provided to small businesses seeking to export overseas. In services influencing a person's well-being, the key quality drivers are likely to be the quality of healthcare and social support, the accessibility of such support to avoid any social exclusion, and public confidence in professional standards. Agencies need to target their action, using appropriate tools and techniques, on key drivers which have the most potential to achieve sustainable improvements in the quality of public services. These improvements must be likely to be of real value to users, and agencies' assessment of the likely value of initiatives to improve service delivery should explicitly take into account their likely impact on users.

14   An independent body working for both the public and private sectors to advance the development and application of standards in the UK.

part two

23

How agencies ensure that services are cost effective

2.13 In seeking to improve performance, agencies have to ensure that costs are reasonable and likely to deliver value for money. This requires identifying the costs of services and assessing whether expenditure is justified in terms of the benefits the agency delivers. Where costs appear high, this should alert agencies to consider alternative ways of delivering a service or to investigate how existing methods of delivery might be streamlined or re-engineered to improve their efficiency. Comprehensive cost information is also important in determining how best to match resources to priorities. Our examination found that:

■ While agencies generally have systems in place for identifying and monitoring costs, these are not often linked to key outputs and outcomes. It can, therefore, be difficult to assess the relative cost effectiveness of delivering services or the likely impact on costs of increases or reductions in service levels;

■ Unit costs such as the cost of processing a claim or providing welfare support to a war veteran can be a valuable tool for comparing the efficiency of an organisation from year to year, as a basis for comparing efficiency with similar organisations, and for keeping users informed of the value for money of services provided by agencies. Unit costs can, however, be difficult to assess because of the complexity of aggregating different types of costs (**Figure 14**) involved in delivering a service and allocating them to a unit of output. One quarter of the 30 agency annual reports we examined nevertheless had some form of cost measurement target. These included, for example, the Public Guardianship Office's target to reduce the cost per case handled in dealing with the financial affairs of a person who is mentally incapacitated;

■ Some agencies were developing more sophisticated methods of weighting costs so that they could be allocated in accordance with the relative contribution they made to delivering an output (**Figure 15**). This was to recognise that agencies often deliver a range of services which consume different levels of resources. For example, the costs involved in reaching a decision on a complex claim for financial assistance (possibly requiring a medical opinion and a range of supporting evidence) are likely to be more than with a relatively straightforward claim where entitlement is not disputed;

14 **Examples of costs involved in delivering services**

Providing infrastructure and equipping staff with the right skills to ensure that the service meets the ultimate need of the service user.

Implementing changes in staffing allocations or improved training to enable resources to be targeted to improve operational efficiency by addressing differences in practice between offices delivering a national service.

Ensuring services are provided within promised time limits may involve **investment in process monitoring systems, or expenditure on training** to improve end-to-end customer management and service.

Delays in service delivery may incur, beyond the impact on users, additional costs from rescheduling services.

Providing a reliable standard of service in the face of unexpected events requires the **development of continuity and contingency plans** and testing them to ensure they work in varying demand situations.

Developing flexible services which take account of the needs of different users requires information, research and planning in relation to customer segmentation. For example, the costs of providing a personal service which accommodates the needs of those donating their blood.

Researching, designing and delivering a service so that it is inclusive and does not exclude certain groups. For example, the cost of researching compensation schemes for differences in take-up by social groups and geographic location.

Providing clear and visible information as a basis to help users choose between different delivery options, for example which energy supplier to select.

Marketing and advertising to help ensure that those intended to benefit from services do so. For example, producing and promoting public information campaigns and training staff to explain to users new options for accessing services.

Source: National Audit Office

15 **Developing unit cost measures for a range of complex outputs - HM Land Registry**

The Agency processes a range of different land registry products. These have differing levels of complexity and some registrations take longer than others to complete. The agency compiles an overall unit cost measure by weighting the effort required to complete registrations of different types. For example, a single time-consuming application such as a transfer of part of a unit of land (weighted 4.9), is equal to approximately five registrations of whole plots of land (weighted 1). The numbers of each category of product are multiplied by their weighted value then the overall costs of the Land Registry are divided by this total to provide a measure of the overall cost per unit.

Source: HM Land Registry

■ All initiatives to improve service delivery inevitably have cost implications but how these costs are assessed varies. The agencies we covered in this examination tended to pilot new approaches or service enhancements to test how they were likely to operate in practice and assess the likely cost implications. For example, the Valuation Office Agency set up pilots to test new ways of providing local rate payers with clearer explanations of how property valuations had been arrived at to minimise the likelihood of appeals; and

■ Staff productivity and how well assets and infrastructure such as buildings and local offices are utilised, will also influence costs and quality of service. We found that productivity was not routinely measured or monitored. Some of the agencies we examined were developing some productivity measures or compared productivity internally between different units. For example, the Forensic Science Service compared the length of time it takes its different laboratories to analyse forensic evidence and the resources required to do so. Similarly, the Court Service compared the performance of different courts in handling cases.

2.14 Agencies have to reconcile the investment required to deliver better services with the longer term sustainable improvements in quality likely to be achieved. Such decisions require careful judgements to determine where best to target resources often between conflicting priorities. Decisions of this nature must be made on the basis of reliable cost benefit information. Quantifying potential benefits can be difficult and in many cases some broad approximation may be necessary. There can, however, be no substitute for reliable cost information and agencies need to ensure that this is sufficiently comprehensive, accurate and complete, for example by benchmarking their processes and unit costs with similar organisations.

Appendix 1 Methodology

Issue	Approach
The degree to which targets focus on service delivery	**Analysis of annual reports** of 30 executive agencies to determine: ■ how targets focus on inputs, outputs and outcomes; ■ what aspects of service delivery targets are directed at improving (such as speed of delivery, accuracy of the service, experience of the customer); and, ■ the extent to which targets were linked to departmental public service agreements. **Semi-structured interviews** with eight agencies to examine how targets were determined and how the level of targets were set so that they are sufficiently stretching.
Whether service delivery is improving	**Analysis of annual reports** of 30 agencies to assess whether they reported on improvements in service delivery and to evaluate the extent to which performance against service delivery targets had been achieved. **Semi-structured interviews** with eight agencies to examine how the degree of target achievement 'on the ground' was monitored against targets. **Examination of three cases** in detail to examine performance and service delivery achievements.
Initiatives being taken to improve service delivery	**Semi-structured interviews** with eight agencies to evaluate approaches taken to improving services, what barriers were faced and what incentives were used. **Analysis of annual reports** of 30 agencies to assess the extent to which customers' views of service delivery were reflected in agency targets. **Review of approaches suggested by the Cabinet Office** to determine the range of approaches available to agencies when considering how to improve delivery. **Examination of three cases** to review the approaches used in different circumstances, including: ■ the extent to which services are targeted at specific groups; ■ efforts to reach client groups with specific needs; and, ■ factors to address when operating as part of a service delivery chain.
Reconciling costs with quality	**Semi-structured interviews** with eight agencies to determine how cost and quality are measured and the extent to which they are reconciled during service delivery. **Analysis of annual reports** of 30 agencies to assess the extent to which Agencies adopted targets focused on specific aspects of quality (such as accuracy and speed of service) and cost (such as unit cost measurements). **Examination of three cases** to review the extent to which approaches to identifying and managing service delivery and cost are reconciled.
	Additional information. We convened an **Expert Panel** comprising Stephen Mitchell (HM Treasury) and Ian Spurr (Cabinet Office) to advise on the study.

Appendix 2 The thirty agencies whose targets we examined

Executive Agency	Department	Function
Appeals Service Agency	Department for Work and Pensions	Arranges independent hearings for appeals on decisions on social security, child support, vaccine damage, housing benefit, council tax benefit, tax credits and compensation recovery.
Child Support Agency	Department for Work and Pensions	The assessment, collection and payment of child maintenance, ensuring that children receive the financial support to which they are entitled.
Companies House	Department of Trade and Industry	The registration and provision of company information.
Court Service	Lord Chancellor's Department	To carry out the administrative and support work of Courts and Tribunals and to promote their impartial and efficient operation.
Driver and Vehicle Licensing Agency	Department for Transport	The licensing of drivers in Great Britain, and the registration and licensing of vehicles and the collection of vehicle excise duty in the United Kingdom.
Driving Standards Agency	Department for Transport	To improve road safety in Great Britain through the advancement of driving standards, particularly by testing drivers (including motorcycle riders) and regulating driving instructors fairly and efficiently.
Employment Service	Department for Work and Pensions	To contribute to high levels of employment and growth and to individuals leading rewarding working lives, by helping all people without a job find work and employers to fill their vacancies.
Employment Tribunals Service	Department of Trade and Industry	To provide administrative support to Employment Tribunals and their appellate body, the Employment Appeal Tribunal.
Forensic Science Service	Home Office	To aid the investigation of crime through the provision of scientific support and expert evidence in the courts.
Highways Agency	Department for Transport	Manages, maintains and improves the network of trunk roads and motorways in England on behalf of the Secretary of State and integrates the service with other forms of public transport.
HM Land Registry	Lord Chancellor's Department	To maintain and develop stable and effective land information systems for England and Wales.
National Savings	Her Majesty's Treasury	To help reduce the costs to the taxpayer of government borrowing and to support government savings policies.
National Weights and Measures Laboratory	Department of Trade and Industry	To regulate weighing and measuring equipment in use for trade and the UK focus for legal metrology.
Office for National Statistics	Her Majesty's Treasury	To collect and provide economic and social statistical information on individuals and businesses to improve decision-making, stimulate research and inform debate - and to administer the registration of key life events.
Ordnance Survey	Office of the Deputy Prime Minister	Responsible for the official, definitive topographic mapping of Britain. It produces and markets maps and computer data products for government, business, administrative, educational and leisure use.
Patent Office	Department of Trade and Industry	To grant patents and register designs and trademarks for goods and services, and to renew them on request.
Pesticides Safety Directorate	Department for Environment, Food and Rural Affairs	To protect the health of human beings, creatures and plants, to safeguard the environment through the regulation of pesticides and to promote safe, efficient and humane methods of pest control.
Planning Inspectorate	Office of the Deputy Prime Minister	Deals with planning appeals, enforcement appeals, local plan inquiries and a range of other appeals work.
Prison Service	Home Office	To regulate and administer the UK prison service and population.
Public Record Office	Lord Chancellor's Department	The National Archive for England, Wales and the United Kingdom. It administers the Public Record System of the UK.

Executive Agency	Department	Function
Public Guardianship Office	Lord Chancellor's Department	To manage the private assets and financial affairs of people who are unable or unwilling to manage these matters themselves.
Radiocommunications Agency	Department of Trade and Industry	The management of the civil radio spectrum in the UK. Involves licensing, monitoring, enforcement and international negotiations.
The Rent Service	Office of the Deputy Prime Minister	To carry out rental valuations for housing benefit purposes, make fair rent determinations and advise local authorities about the effects on rent of housing renovation grant applications by landlords.
Royal Mint	Her Majesty's Treasury	To provide circulating coinage for the UK and to compete actively in the world market for circulating coins, coin blanks, collector coins and medals.
UK Hydrographic Office	Ministry of Defence	To meet national, defence and civil needs for navigational charts, publications and other hydrographic information.
UK Passport Agency	Home Office	To issue passports to British Nationals in the UK.
Valuation Office	Inland Revenue	To provide valuation services to government departments and the public sector for various statutory and non-statutory purposes.
Vehicle Certification Agency	Department for Transport	The national vehicle approval authority: tests and certifies new vehicles and vehicle parts to UK and international safety and environmental standards.
Vehicle Inspectorate	Department for Transport	To improve road safety and environmental standards through vehicle testing, including the MOT scheme and enforcement of vehicle standards.
Veterans Agency	Ministry of Defence	To administer and regulate the provision of pensions to War Veterans.

Source: Executive Agencies 1999 Report (Cm 4658), executive agency annual reports and executive agency websites.

Appendix 3 Questions for agencies to consider to improve service delivery

Aspect of service delivery	Type of service delivery		
	Direct service delivery	Acting as part of a supply chain	Building confidence and trust of the public
Target setting	Have recipients of services been consulted during the target-setting process? Have targets been benchmarked against organisations providing similar services or undertaking similar operations, either in the UK or abroad, to test whether they are sufficiently stretching yet achievable?	Do targets reflect outcomes and outputs being delivered by customers of the agency further down the delivery chain? Are the targets sufficiently stretching and realistic when compared against similar functions outside the organisation?	Are targets directed at securing outcomes for the public or client group? Have outcome targets been assessed against international indicators to determine that they are sufficiently stretching? Has baseline data been gathered to assess the starting point for progress?
Focus of targets	Do targets set a clear standard against which individuals using the service can measure the service they receive? Do internal working processes for meeting targets give priority to improvements most likely to benefit users of services?	Have users been consulted about the elements of supply which are a priority for users of the agency's services (for example timeliness)?	Is sufficient attention directed at the importance of gaining and maintaining trust and confidence in the role of the agency? Do targets set out clear and consistent standards which users can expect?
Reporting and monitoring performance	Are the aspects of quality of service performance important to users brought together and assessed by senior management? Are samples of users' experiences taken to monitor performance 'on the ground'? Is workload managed throughout the service-delivery process so that bottlenecks in workload can be rapidly identified and addressed? Is a strategy in place for rapid deployment of staff in the event of increases in demand for specific services or provision of new services (for example as a result of policy changes)?	Where a service is delivered across a number of sites: ■ Is consistency of performance monitored and managed to ensure a common high standard of service delivery for users irrespective of where they access the service? ■ Is good practice identified and captured effectively to raise service standards and rectify under-performance across sites? Is reliable information captured about demand and how resources and skills will be deployed to meet increased demand? Is up to date information available to users about performance?	Is clear, unambiguous information and advice provided which is tailored to the needs of the public and/or client group? Are flexible approaches adopted to ensure information and advice reaches those sections of the public or client groups for whom it is most relevant (for example, the elderly or minority groups)? Are outcomes against which progress is being assessed reported on accurately, promptly and in a way that is readily accessible (such as on the agency's website)? Is the impact of work undertaken in the interests of the public evaluated? Are indicators in place which enable reliable information to be extracted on the economy and efficiency with which resources are used to deliver key services?

Aspect of service delivery	Type of service delivery		
	Direct service delivery	Acting as part of a supply chain	Building confidence and trust of the public
Initiatives to improve service delivery	Has the gap between users' expectations and satisfaction been identified and are plans in place to address the gaps? Are outcomes achieved being evaluated in a sample of cases to identify areas needing attention? Are opportunities exploited to work closely with organisations delivering services to the same or similar client groups? Are external assessments of service delivery sought which take account of users' views (for example, the Charter Mark scheme)? Are the ways in which users find out about the services available known - and is this information used to reach intended beneficiaries of the services provided?	Are customers in the delivery chain consulted about planned new initiatives, and are benefits explained to them whilst forewarning them of any adverse impacts on services in the short-term? Are opportunities taken to innovate whilst managing risks to maintain continuity of service delivery? Is the gap between users' expectations and satisfaction identified to target priorities for improvement which really matter to users?	Is transparency of decision-making demonstrated in the way that the agency does things, for example, is there user involvement in advisory groups and are specialists required to include a lay perspective in their advice? Is there sufficient awareness amongst the agency's client group (and, where appropriate, the general public) about the standards that they can reasonably expect to receive when the service is delivered? Are efforts to build trust and confidence being independently evaluated?
Ensuring services are cost effective	Is the cost of operations monitored so that cost and efficiency of outputs can be assessed against service delivery?	Are meaningful measures of cost of products and cost effectiveness in place against which users can assess whether the service delivered provides them with value for money?	Is reliable and comprehensive cost information available to assist in allocating resources and assessing the cost effectiveness of programmes so that maximum benefit can be delivered to the public?