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Case Studies

Managing resources to deliver better public services



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Comptroller and Auditor General 25 November 2003

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The Highways Agency is using and developing a range of responses to deliver a large programme of strategic road building and develop its wider role in managing road use and congestion, at a time when there has been a loss of capacity in the civil engineering industry.

The role of the Highways Agency

- 1 The Highways Agency (the 'Agency') manages, maintains, and improves the network of trunk roads and motorways in England. The Agency aims to deliver safe roads, reliable journeys and informed travellers. It employs 1,600 staff across four regions and manages annual programme expenditure of £5.4 billion and assets worth £60 billion, the second largest asset base of any central government body (**Figure 1**).

1 Agency asset value and programme expenditure 2002-03

	£ billion
Fixed assets (mostly the trunk road network)	60.0
Annual programme:	
Annual cost of capital charge	3.7
Capital expenditure	0.6
Current expenditure	1.1

NOTES

The Annual cost of capital charge is based on a 6 per cent discount rate. From 2003-04 onwards, the rate will be reduced to 3.5 per cent which will reduce the annual cost of capital charge to £2.2 billion.

The 2002 Spending Review provides a 12 per cent average annual real growth in Department for Transport expenditure over the subsequent three years¹. Over the longer period of the Government's 'Ten Year Plan for Transport' the Department plans to invest some £22 billion in the strategic roads for which the Agency are responsible².

Source: Highways Agency Business Plan 2002-03

- 2 The Agency currently manages some 50 major road building projects (average cost around £40 million each). The delivery of these major capital projects can take up to a decade (**Figure 2**). It is vitally important given the

long lead times and the sums of money involved that resources are managed and controlled effectively. Ongoing maintenance expenditure, while on a similar scale to major projects, operates on a shorter timescale and is affected less by external factors such as policy change and is therefore more predictable year on year.

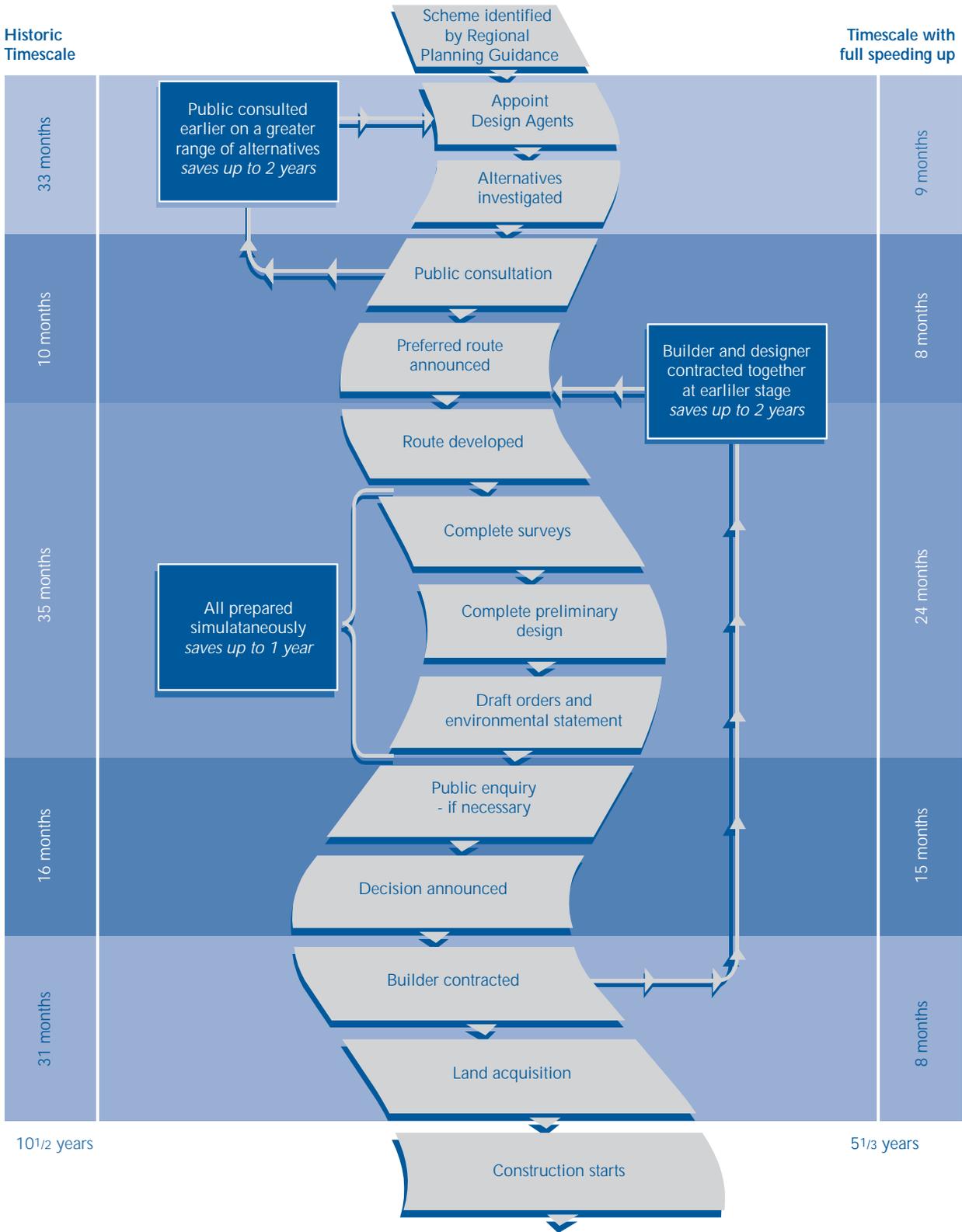
- 3 Up to 2001-02 the Agency allocated resources between regions for maintenance work in line with historic patterns of spending³. From 2002-03 these resources for maintenance are now allocated according to the condition of the network so as to maximise the impact of spending on performance targets. This has led to a significant redistribution of resources between regions. For ongoing maintenance programmes the move to three year budgets has allowed the production of firm forward programmes of maintenance work, enabling work to be packaged together and procured through longer term contracts and framework agreements. The stability afforded by such agreements encourages contractors to invest in developing their workforce skills and capacity, and to use them in successive projects.

The performance of the agency

- 4 The Agency's contribution to the Department's targets is measured by 21 quantified key performance indicators. The Agency has developed a strategic planning process, covering both road building and maintenance, to help ensure resources are allocated to achieve its targets, and in 2001-02 it met all but one. For example, it had to ensure that at least 90 per cent of major road works during the year were no more than 2.5 miles long and at least 6 miles apart. It exceeded this target by 6 per cent. For 2002-03 new targets include:
 - ensuring 98 per cent of all road lanes are available at all times;
 - 90 per cent of routine road maintenance is carried out outside of peak hours.

1 2002 Spending Review Opportunity and Security for All: Investing in an Enterprising, Fairer Britain New Public Spending Plans 2003-2006 July 2002 (page 75).
 2 Department for Transport report 'Delivering Better Transport' (Progress Report, December 2002).
 3 Comptroller and Auditor General's report 'Highways Agency, Maintaining England's Motorway and Trunk Roads', HC 431, Session 2002-2003.

2 The lead time involved in the delivery of a major road building project



Source: The Highways Agency

Progress in improving resource management

A. A strategic approach to resource management

- 5 The introduction of a Ten Year Plan for Transport is an important part of the Government's approach to the delivery of its policy objectives. The Ten Year Plan allows the Agency to plan with greater certainty about the Government's commitment to long term road building projects. It identifies a number of main targets and priorities for roads which are in turn reflected in the Department's Public Service Agreement targets agreed as part of the 2002 Spending Review. The Agency's strategic planning process has independently been described as a "model for all organisations that are responsible for implementing the 10 Year Transport Plan"⁴. The key feature of the process are summarised in **Figure 3**.
 - 6 A constraint on Agency planning is that decisions on major projects are not taken by the Agency in isolation but by Ministers often following wider discussions such as the recent series of "multi-modal studies". These studies are designed to consider highways investment in relation to other modes of transport within the wider context of regional plans for economic development. To avoid delays in project start dates the Department initiated early studies of the deliverability and viability of schemes likely to emerge from the multi-modal studies so that they and the Agency can proceed rapidly following decisions to include them in the Ten Year Plan.
- ### B. Developing the capability to deliver major projects more efficiently and effectively
- 7 In recent years the average preparation time from programme entry to start of major works has been ten or more years. This lead time puts at risk the delivery of targets within the Ten Year Plan. Since the Agency launched its first Procurement Strategy in 1997 it has aimed to reduce the delivery time of new schemes to between five and seven years. Initiatives to speed up procurement and to manage risks to the delivery programme are being developed by the recently established Supply Chain Management Teams tasked with developing new processes and building relationships with suppliers (**Figure 4**).
 - 8 Since the projects being procured under these new arrangements are only now underway it is not yet possible to assess whether they have resulted in speedier

3 The Highways Agency's strategic approach to resource management

Guides business processes at all levels:

- *10 Year National Roads Strategy* detailing how the Agency will meet each of the Government's aspirations for the strategic road network as set out in the 10 Year Transport Plan.
- The *Corporate Plan* sets out how the Agency needs to change and develop over a five year period in order to deliver improvements in service quality.
- The *Business Plans* set out the Agency's role as Network Operator, key deliverables over a three year period to meet the outcomes of the 10 Year Plan and Ministerial targets for the coming year.
- The *Management Plan* provides the detail and sets out specific roles and responsibilities for all directorates within the Agency.
- The *Team Plans* are the fundamental building block in the annual management planning process. The high level targets set out at Directorate level are broken down in detail into team plans for action and tracking at individual project or scheme level.
- The *Performance and Development Plans* manage individual performance and development needs, and define the purposes of jobs and their main functions.

Provides for monitoring of progress towards final and interim targets:

- The Performance Management Action Group (PMAG) monitors on a monthly basis performance against the performance indicators and target values set out in the management plan.

Has a detailed implementation plan:

- The Agency has Management Plans which, while setting out how it will invest in information systems, research and development, and training and development, concentrates on delivering services to road users as the network operator.

scheme delivery and improved value for money. The Agency was, however, in 2001 awarded Client of the Year in the Contract Journal Construction Industry Awards. Its latest Procurement Strategy, published in 2001, has been endorsed by the Director of the Office for Government Commerce as forward thinking and very much in line with the best practice promoted by the Office of Government Commerce and the Government Construction Clients' Panel (through the Achieving Excellence initiative).

⁴ *The Select Committee, op cit p 91, and the Government's response to the Transport, Local Government and the Regions Select Committee report '10 Year Plan for Transport', Cm 5569.*

4 Effective procurement and risk management - current Agency initiatives

Streamlined Tendering Processes

- Prospective bidders have to satisfy basic standards of financial and technical capacity before they can be short listed for contracts with the Agency. In the past bidders would have had to provide information to allow the Agency to evaluate whether they meet these standards. Now the Agency uses an electronic supplier database, linked with the information available through 'Construction Line' (an online service run by the Department for Trade and Industry). This service provides the information necessary to assess whether the supplier meets the basic standards, reducing the amount of documentation needed from bidders.

Early creation of the delivery team

- Early involvement of industry partners and their specialist sub-contractors and suppliers, increases the opportunities for innovation and identification of optimal solutions as practical design issues are considered before project parameters are fixed. This in turn leads to shorter construction periods and reduced costs.

Clear points of responsibility with no unnecessary layers of supervision

- The Agency has clarified roles and responsibilities to reduce unnecessary supervision, and make best use of scarce specialist expertise by developing and empowering its own staff to act as effective clients. A senior person in the Agency acts as the Project Owner and is personally accountable for the success of the project; the ongoing management on behalf of the owner is carried by the Project Sponsor while project management remains the responsibility of the suppliers.

Supplier selection on the basis of best value

- The Agency has moved away from the use of lowest price to award contracts. The key to the assessment of best value is to identify what aspects of quality add real, affordable value to the delivery of the service. Assessment procedures are being improved to achieve greater transparency of requirements and consistency between assessments, and reality checks introduced to validate tender submissions. Once the contract has been awarded audits are carried out to ensure the anticipated quality of service is being delivered.

A partnership approach with contractors based on long-term relationships

- The Agency has introduced new Managing Agent Contractor arrangements in which contractors are themselves responsible for their own programming, setting their own targets and demonstrating how they are performing against them. Leading, managing and co-ordinating the project team on a day to day basis is now normally the responsibility of the Agency's partners. This strong partnership is only possible with contracts of up to seven years, a significantly longer period than traditional maintenance contracts.
- Measuring performance, learning the lessons and delivering continual improvement are even more important in the context of longer-term relationships. The Agency is using the Confederation of Construction Clients 'Clients' Charter' as the basis for establishing a programme of improvement and performance measurement.

Managing the risks of devolving greater responsibility to managing agents to deliver contracts

- A programme of Financial Review and Audit currently examines whether agents are complying with Agency agreements, implementing best practice and delivering value for money. The emphasis on partnership is being enhanced by using Performance Review Improvement Delivery groups to support operational teams in the development of robust quality and compliance systems in the new contractual arrangements.

C. Using new flexibilities to manage expenditure

- 9 Once projects are under construction, acceleration or deceleration of projects will affect final overall costs since these are directly linked to the time that contractors are on site and incurring costs. Minimising these costs depends on active management of the phasing of expenditure between years. The Ten Year Plan and the move to three year budgets along with the introduction of end year flexibility, allowing the Agency to carry forward under or overspends, has assisted in managing the phasing of expenditure and reducing end year surges. The extent of end year flexibility provided to the Agency, however, depends on over spending or under-delivery pressures elsewhere in the Department. The Agency also considers that as the Ten Year Plan progresses and more schemes commence it will become increasingly difficult to control the phasing of expenditure, requiring even better estimating and risk management processes to ensure the Agency remains within total resource limits.

D. Developing financial and management information to make better use of resources

- 10 The Agency is introducing a new integrated financial and management information system (System for Managing). The first phase of the new system introducing accruals accounting became operational in 2002. The second phase to enhance the Agency's business and programme management capability will become operational in 2003. The project has taken longer to introduce than expected owing to the complex accounting, data collection and implementation issues that arose during the first phase. The lessons learnt should prevent a recurrence in the second phase, especially as the interim arrangements have served to sharpen the Agency's awareness of its management information requirements. The Agency is seeking to transfer financial expertise from consultants and contract staff to permanent staff and has started to train its own professional accountants. It has also recognised

that business improvements will be achieved with the closer integration of finance staff and business managers supported by the adoption of the same financial procedures throughout the whole Agency.

- 11 The Agency considers there are already early indications of the likely benefit of resource accounting and accruals based management information. For example, surplus assets will be more easily and quickly identified and managers will have an incentive to dispose of them to reduce the capital charges for holding assets. This is also likely to result in the holding of stocks of materials for highways maintenance being replaced by "call off" contracts with suppliers. The purchase of expensive items in advance of need, such as variable message signs, as a means of utilising cash at the year end has also been discouraged. If such an item was purchased before it was needed, the Agency would incur an unnecessary capital charge until it was used or face a loss if it was disposed of as obsolete.

Key Lessons

- Using longer term planning and budgeting to improve the allocation and management of resources.
- A strategic planning process designed to ensure resources are allocated to achieve targets throughout the whole organisation.
- Implementing new procurement and project management practices to encourage greater partnership and innovation with delivery partners such as construction firms.
- Implementing an integrated financial and management information system to improve monitoring and decision making on resources.
- Using accruals based management information to better match expenditure to need and reduce costs.





The Teacher Training Agency

Ensuring the supply of good quality newly qualified school teachers is crucial to improved educational standards. The Teacher Training Agency is responsible for the development and marketing of teacher training, for funding training providers and regulating the quality of training provision. In its first five years it failed to increase numbers of newly qualified teachers, but from academic year 1999-2000 onwards it has improved its performance through better management and use of its resources and more effective collaboration throughout the entire delivery chain.

The role of the Teacher Training Agency

1 The Teacher Training Agency (the 'Agency') was established in September 1994⁵, partly to address concerns about the supply and quality of newly qualified teachers and restore public confidence in the teaching profession. It was charged with increasing the number of able and committed people recruited to Initial Teacher Training and improving quality through:

- developing and marketing teaching as a profession and the different ways to train as a teacher;
- advising potential recruits, and paying incentives to trainees;
- funding and regulating third party training providers such as higher education institutions and specialist teacher training colleges;
- identifying and promoting successful practice.

2 The Agency is one of the largest UK recruiters of graduates, seeking to attract over 30,000 each year. Since 1999-2000 growth in the demand for new teachers and improvements in the Agency's performance have led to a doubling of Agency funding (**Figure 1**) and in 2001-02 it was responsible for allocating over £417 million of grant-in-aid funded programme expenditure, with the majority spent on funding Initial Teacher Training (£187 million) and student bursaries (£128 million). The Agency itself is small; comprising some 150 members of staff with an annual administrative budget of some £9 million.

1 Five Year Grant-In-Aid Profile

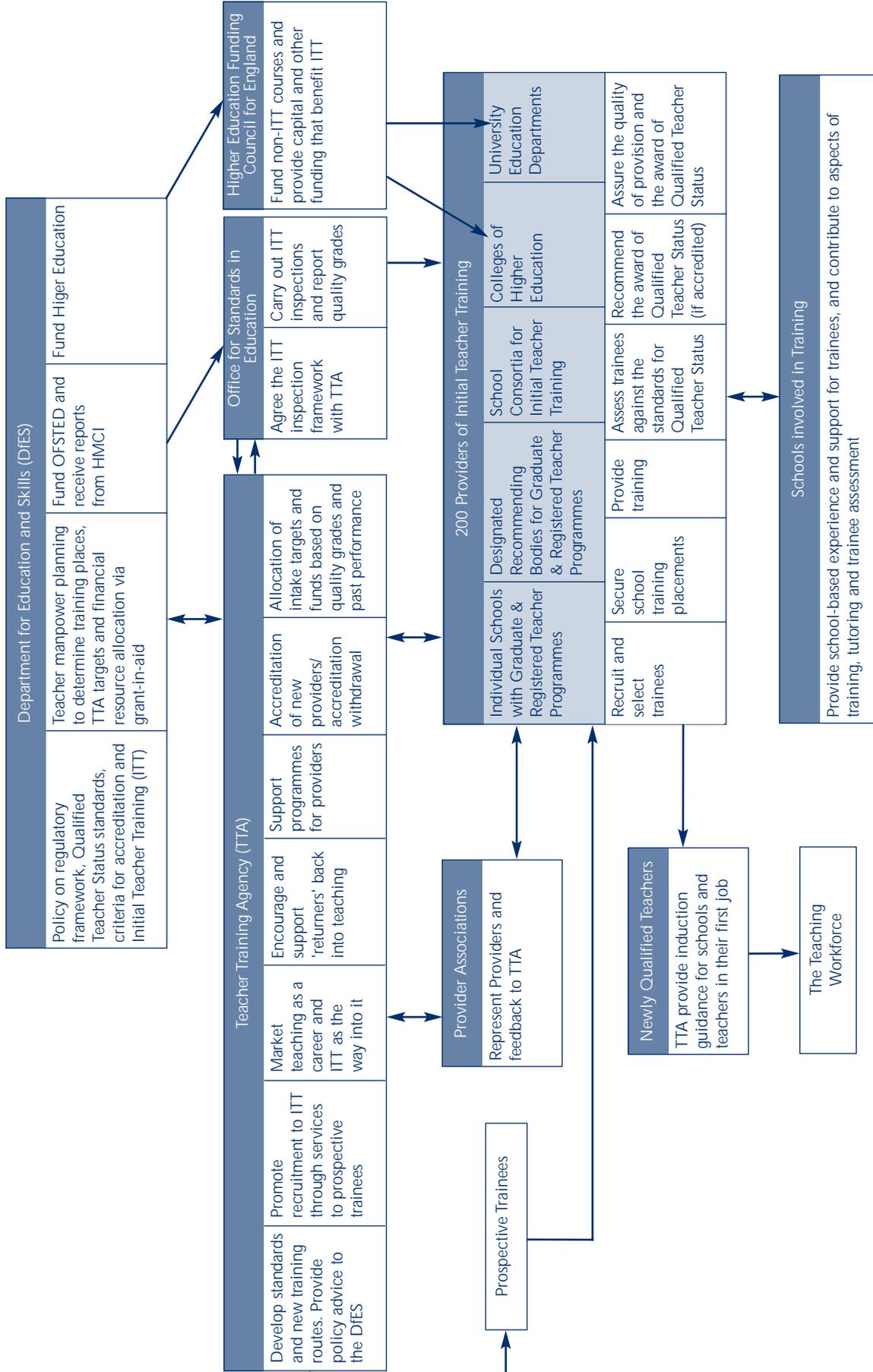


Source: Agency's Annual Report and Financial Statements 2002-03

3 The Agency is part of a wider delivery network where effective partnerships are critical to successful delivery (**Figure 2**). For example, the Agency is dependent on providers who are themselves responsible for securing practical work-based training placements for trainee teachers at schools (a one year postgraduate course requires between 18 and 24 weeks to be delivered on placement). The availability of sufficient high quality school placements is a limiting factor on the number of teachers that each provider can train in any one year.

⁵ The Education Act 1994 established the Teacher Training Agency as a Non-Departmental Public Body sponsored by the Department for Education and Skills.

2 Roles and responsibilities of the main organisations involved in teacher training



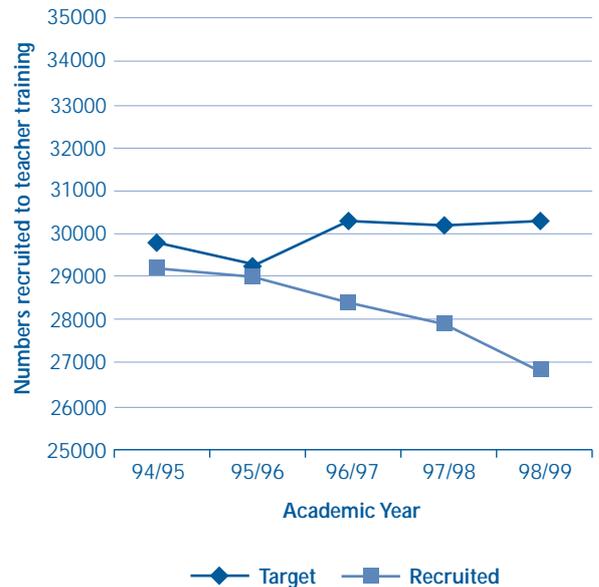
Agency performance up to academic year 2002/03

4 Following its establishment, the Agency, working closely with the Office for Standards in Education (OFSTED), initially concentrated on developing new standards for Qualified Teacher Status, a framework for the inspection of Initial Teacher Training and procedures for provider accreditation and funding. Building on this work the Agency's remit was extended, for example, developing standards in new areas such as special needs and head teachers. It also developed and implemented a methodology for setting recruitment targets and allocating funding to providers dependent on the quality of their training provision and their ability to achieve recruitment targets. Despite these achievements the Agency was not meeting national recruitment targets, with a significantly worsening performance from academic year 1996/97 onwards (**Figure 3**).

5 A number of factors explain the Agency's performance up to 1998/99:

- **Expansion of its remit had deflected the Agency's attention away from its core purpose.** In part this reflected the predominance of Board members involved in delivering traditional forms of teacher training, as well as board planning and monitoring processes that did not concentrate on the Agency's main priorities. In addition, mechanisms did not exist for the Agency to influence the Department's planning and target setting, which as a consequence was less likely to reflect sector capacity and emerging priorities.
- **Limited understanding of the needs of potential teacher trainees,** leading to limited exploitation of new routes for teacher training and the unsuccessful marketing of teaching as a profession.
- **High staff turnover within the Agency (40 per cent at its peak),** limiting its development of in-house programme and financial management capacity.
- **Limited understanding of training providers' business priorities and capacity to deliver.** The Agency did not have effective arrangements for liaising with providers and allowing them to influence the criteria and priorities for resource allocation.
- **Limited incentive for providers to encourage innovation.** A rigid and heavily prescribed set of standards and inspection demands on providers, along with heavy penalties for poorly performing providers, created a culture of risk aversion amongst providers. Consequently many providers ran traditional training courses in familiar subjects, and bid for recruitment targets they knew they could comfortably fill.

3 Teacher recruitment against targets 1994/95 to 1998/99



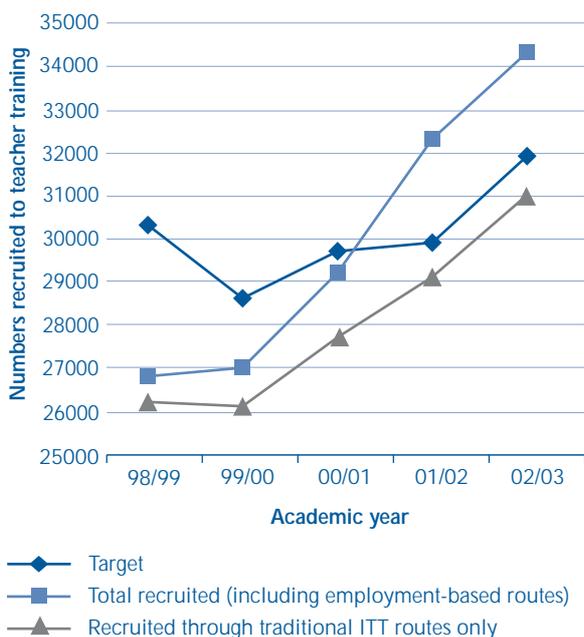
Source: The Teacher Training Agency

- 6 A review in 1999⁶ pinpointed many of the underlying problems and concluded that the Agency should re-focus on its two core priorities, trainee teacher recruitment and Initial Teacher Training. Following the review, peripheral tasks were allocated to other organisations and some major tasks such as continuing professional development were removed or drawn back into the Department. A new Chief Executive was appointed, and over the next eighteen months all senior staff and all members of the Board, apart from the Chairman, were replaced.

Progress in improving resource management

- 7 Since 1999 the Agency has increased teacher recruitment and exceeded its targets (**Figure 4**).
- 8 Improved performance has been based on the better allocation and use of resources in four areas summarised in **Figure 5** and set out in more detail below.

4 Agency performance since academic year 1998/99



Source: The Teacher Training Agency

A. Implementing clear and simple planning arrangements involving:

- **Greater collaboration between the Agency and the Department.** Since the 1999 review the departmental sponsoring teams have worked more closely with the Agency to develop a better understanding of the reasons for poor performance and co-ordinated action needed to address these. In particular, the Agency is now actively involved in the Department's modelling of teacher supply involving joint analysis of the results. It can use its understanding of the sector to: (i) ensure recruitment targets are likely to be achievable by providers; (ii) identify emerging priority areas not necessarily identified by the model such as the demand for training in secondary vocational subjects in 2002; (iii) help the Department to understand the unit of resource that will reflect more accurately providers' costs and enable them to deliver.
- **Simplified planning concentrated on priorities and targets.** The planning model now adopted by the Agency is simple. It is clear where Departmental and Agency responsibilities start and finish, with the Department setting and agreeing with Ministers the policy context for resource allocation. The Board establishes strategic priorities and concentrates on developing and approving the criteria for allocating resources to providers, informed by the Agency's analysis of the implications of different courses of

5 The four main areas where the Teacher Training Agency has made better use of resources

- A. Implementing clear and simple planning arrangements involving:**
 - Greater collaboration between the Agency and the Department;
 - Simplified board planning concentrated on priorities and targets;
 - Wider representation from the delivery chain at Board level and more transparent decision making.
- B. Understanding and responding to the needs of potential trainee teachers by:**
 - Using market research to identify where new training routes could be effective;
 - Developing an integrated advertising and recruitment campaign;
 - A more active approach to managing enquiries and new recruits.
- C. Understanding and improving delivery capability and capacity by:**
 - Improving the resource management capabilities of the Agency;
 - Formally consulting with providers to improve the Agency's understanding of sector capacity;
 - Developing the capabilities of training providers;
 - Promoting partnerships in the delivery chain.
- D. Encouraging growth and innovation through:**
 - Incentives to achieve recruitment targets and invest in new types of training;
 - Incentives that reward higher quality training.

action. The Board also approves operational plans and provides clear and quantifiable objectives for the Agency. There is a greater commitment to objectives by the Agency's staff underpinned by governance arrangements whereby the Board promotes better delivery by challenging the Agency on performance and advising on policy development as early as possible.

- **Wider representation from the delivery chain at Board level and more transparent decision making.** The Agency has increased Board representation from the teaching profession and a wider range of training providers and has granted Board observer status to the Higher Education Funding Council for England, the Welsh assembly and OFSTED. To improve the transparency of decision making Board papers are now publicly available.

B. Understanding and responding to the needs of potential trainee teachers by:

- **Using market research to identify where new training routes could be effective.** In response the Agency has developed and expanded innovative employment-based routes, such as the Graduate Teacher Programme, that enable recruits to train 'on the job' instead of at a training provider, whilst in receipt of an annual salary (around £13,000). This has attracted a new type of recruit previously deterred from entering teaching by the financial consequences of having to leave employment and enter a training course. Employment-based routes now account for one in ten of all training places.
- **Developing an integrated advertising and recruitment campaign.** The Agency has raised the profile and status of teaching as a career and developed better lines of communication with potential recruits. Action has included: **(i)** an award winning marketing campaign (the "Can Teach campaign") to re-brand the image of the teaching profession and communicate to potential recruits the availability of a wider range of training opportunities and incentives **(ii)** the 'Teacher Information Line' (handling up to 12,000 enquiries and registrations of interest a month) **(iii)** a website launched in October 2000 to provide on-line application facilities (registering some 240,000 visits per month).
- **More active management of enquiries and new recruits** based on best practice models in direct marketing and customer relationship management in the private sector. Enquirers are now categorised according to the likelihood of them successfully applying for a training course. The higher the 'quality' of the enquiry and the closer enquirers are to being eligible, the greater the resource input from the Agency. The Agency also organises extended support and training provision for potential, as well as current, trainees intending to teach a priority subject such as mathematics where their degree does not give an exact match to the subject knowledge needed.

C. Understanding and improving delivery capability and capacity by:

- **Improving the resource management capabilities of the Agency.** The Agency conducted a range of human resource initiatives, including staff surveys, to understand and respond to staff concerns and reduce the 40 per cent staff turnover. These actions, alongside improved working relations with other organisations, have improved staff recruitment and retention enabling the Agency to invest in developing its programme and financial management skills. When the Agency secured its renewed Investors in People status in November 2002, it was complimented by the assessors for an 'exemplary' public sector approach to staff development.
- **Formally consulting with providers to improve the Agency's understanding of sector capacity.** The Agency now meets around 80 per cent of providers each year to identify problems and practical solutions, and to formally consult on recruitment targets and to improve the criteria for allocating resources. For example, providers were unwilling to increase their targets to recruit in priority subjects such as mathematics where traditionally there are problems in recruiting sufficient trainees. To encourage growth in priority subjects financial premiums are now provided for recruitment of candidates to offset the financial risk to providers of failing to hit intake or quality targets. Providers have also been given more flexibility to offset recruitment shortfalls in one subject with extra recruitment in others.
- **Developing the capabilities of providers.** Workshops are run for all providers to help improve their recruitment strategies. Some 300 'Teaching Advocates' (qualified teachers) are trained by the Agency to speak at recruitment events, and to work on the Teacher Information Line and directly with providers. Agency Regional Advisers work with providers in areas of marketing, recruitment practice and dissemination of good practice, and around 100 Agency Recruitment Managers are now working within local education authorities to understand employers' needs and help schools recruit sufficient numbers of teachers.

- **Promoting partnerships in the delivery chain.** Developing effective provider-school partnerships is now a statutory requirement on providers. The Agency's guidance states that all members of the partnership should be clear about how resources will be shared and how each partner will be rewarded for the contributions it makes towards training. For example, as well as or instead of payment, schools providing practical work-based training placements may gain access to the facilities and services of training providers. The Agency has also established new support mechanisms and new forms of financial incentives to encourage new types of partnerships for delivering teacher training such as 'Designated Recommending Bodies' where groupings of schools take on more of the training with the support of their local education authority and under the guidance of a higher education institution⁷.

D. Encouraging growth and innovation through:

- **Incentives to achieve recruitment targets and invest in new types of training.** For example, under the previous allocation method providers could retain 40 per cent of the funding they received for all unfilled secondary shortage subject places. This provided little incentive to achieve their targets. The Agency now applies a sliding scale where providers receive higher percentage payments for unfilled places the closer they are to their targets. This allows successful providers to plan ahead with confidence and invest in expanding current or new types of provision.
- **Incentives that reward higher quality training.** In response to providers concerns over the regulatory framework, the Agency has agreed a more streamlined inspection programme with OFSTED to increase efficiency, maintain quality⁸ and reward the highest quality providers with fewer full inspections (every six years instead of three). In addition, lower quality providers are now re-inspected within a year to give them an opportunity to restore their status with any financial penalty deferred until the final result is known. In the intervening period these providers are given support in addressing weaknesses.

Other priority areas for improving resource management

- 9 The Agency acknowledges that sustainable performance improvement is dependent on ensuring resources continue to be used effectively, in particular:
 - **Planning that responds to regional needs.** The Agency is looking to address regional issues as part of the drive to meet national targets and address inequalities of access to teacher training. Regional information is being developed to support the Department's national modelling exercise and providers are being asked to consult with the Agency's Regional Advisers before submitting bids for growth. While quality and recruitment performance remain the top priorities, the allocation of resources to providers now also takes account of local needs. For example, addressing particular shortages in London by offering a premium to London based training providers to recruit more trainees.
 - **Addressing the risks associated with designing and marketing new 'products'.** To achieve significant change in teaching numbers the Agency would need to launch new training routes. Developing new training 'products', however, brings new risks: **(i)** the failure of one product could reflect badly on the Agency as a whole **(ii)** initially attractive but unproven products might substitute products of proven quality but in the longer-term prove unsuccessful **(iii)** financial incentives might generate perverse results. For example, while the training bursaries made available to postgraduate entrants to Initial Teacher Training boosted postgraduate recruitment they also contributed to an accelerated decline in undergraduate take-up.
 - **Addressing the under-delivery of qualified teachers in priority subjects.** For example, the Agency would need to recruit 43 per cent of all mathematics graduates to fulfil the nation's requirement for mathematics teachers. It is looking to address these issues by refining its marketing and product design, such as possibly offering conversion courses to graduates with degrees containing a mathematical element such as economics.

⁷ The Agency have established criteria for becoming a Designated Recommending Body to enable better monitoring of quality and performance, and provide schools with greater certainty over numbers of training places.

⁸ Based on evidence from the Office for Standards in Education, Initial Teacher Training provision has increased in quality since 1998/99: the percentage of Primary providers in the Agency's allocation category C or above rose from 85 per cent in 1998 to 98 per cent in 2002; the equivalent for Secondary providers in the same period was 95 per cent to 99 per cent.

- **Encouraging greater commitment from schools for training their future workforce.** As numbers of recruits increase there is increasing demand for school placements, particularly in priority subjects, and schools have concerns about the impact of larger numbers of trainees on site. The Agency is actively seeking to identify and share good practice, both in the management of school placements as well as employment based training, and looking at how incentives might be better used.
- **Securing the consistent and long-term quality of work based routes.** As more teacher training routes are developed there is a risk that inconsistencies will appear in the quality of provision. There is also uncertainty about the long-term effects of employment-based routes on the quality of teaching. The Agency is providing increased support to providers, with an emphasis on the consistent interpretation of the standards for qualified teacher status and how to develop trainees to meet them, and is conducting ongoing evaluations of the effectiveness of different training routes.
- **Tackling new challenges.** The Agency has been tasked with the recruitment and training of Higher Level Teaching Assistants, a considerable expansion in its remit that will attract increased resources and require the establishment of new objectives and strategies suitable to the job in hand. The Agency will have to apply quickly the lessons of the last nine years to meet this challenge. The Agency is also closely monitoring possible changes arising from the Government's White Paper *Future of Higher Education* (2003) such as the possible effect of student fees on teacher recruitment.

Key Lessons

- **Implementing clear and effective board planning and monitoring arrangements that focus on core priorities and targets and involve those in the delivery chain.**
 - **Collaborating with the sponsoring department to inform decisions on methods of delivery, allocation of resources and targets, to ensure targets are likely to be achievable by those in the wider delivery chain.**
 - **The value of market research, including drawing on best practice in private sector recruitment, in understanding the needs of potential trainees and implementing innovative publicity and recruitment campaigns and new training 'products'.**
 - **Implementing arrangements to understand and develop the capabilities and capacity of training providers and promote partnership.**
 - **Incentives to achieve targets and quality standards, such as greater certainty over funding, used to encourage innovation and improved performance.**
-



The Housing Corporation

The Government is seeking to address shortages in housing particularly in the south-east of England through building affordable homes, while at the same time reversing the abandonment of northern cities where there is a surplus of property. The Housing Corporation is working with a wide range of partners to maintain and increase the supply of affordable housing as part of a wider agenda of economic regeneration involving the building of roads, schools and other infrastructure.

The role of the Housing Corporation

- 1 The Housing Corporation (the Corporation)⁹ is responsible for (i) investing public money in housing associations and other registered social landlords¹⁰ in England to ensure the supply of affordable homes and services for residents (ii) regulating the performance and financial management of registered social landlords. The Corporation employs some 600 staff, based at nine offices throughout England, performing three main functions: investment and regeneration; regulation and best value; and corporate services.
- 2 The Corporation's annual grant-in-aid sets the limit on the resources available to fund investment in social housing through annual grants to registered social landlords, as well as its own administrative costs (**Figure 1**). The Corporation, through its Approved Development Programme, is investing around £4 billion over the next three years to fund some 85,000 new homes. It also aims to encourage private sector investment in social housing, in part by building confidence in the quality of registered social landlords' financial management. Since 1989, private sector lenders have invested almost £26 billion in registered social landlords.
- 3 In February 2003 the Deputy Prime Minister published his action programme for the delivery of thriving communities *Sustainable Communities: Building for the Future* which sets out, amongst other things, new regional planning arrangements to tackle housing shortages in the south of England and other hotspots and issues of low demand and abandonment in the north and parts of the midlands. From April 2004 the Corporation's Approved Development Programme and local authority Housing Investment Programme will be replaced in each region by a single fund for housing investment. Resources for major new housing developments will be allocated to the Corporation,

1 Housing Corporation expenditure 2002-03

	£ million
Staff costs	25.2
Other running costs	11.2
Total administration	36.4
Total Approved Development Programme 2002-03 (Corporation's financial contribution to housing schemes)	1,031.0

NOTE

The Total Approved Development Programme has grown from £824 million in 2001-02 to just under £1.5 billion in 2003-04.

Source: *Housing Corporation*

enhancing its strategic role, while resources for renewal and small scale developments will be allocated to local authorities and other agencies. The Housing Corporation is changing its resource allocation processes to integrate them with the new arrangements.

The Corporation's performance in delivering social housing

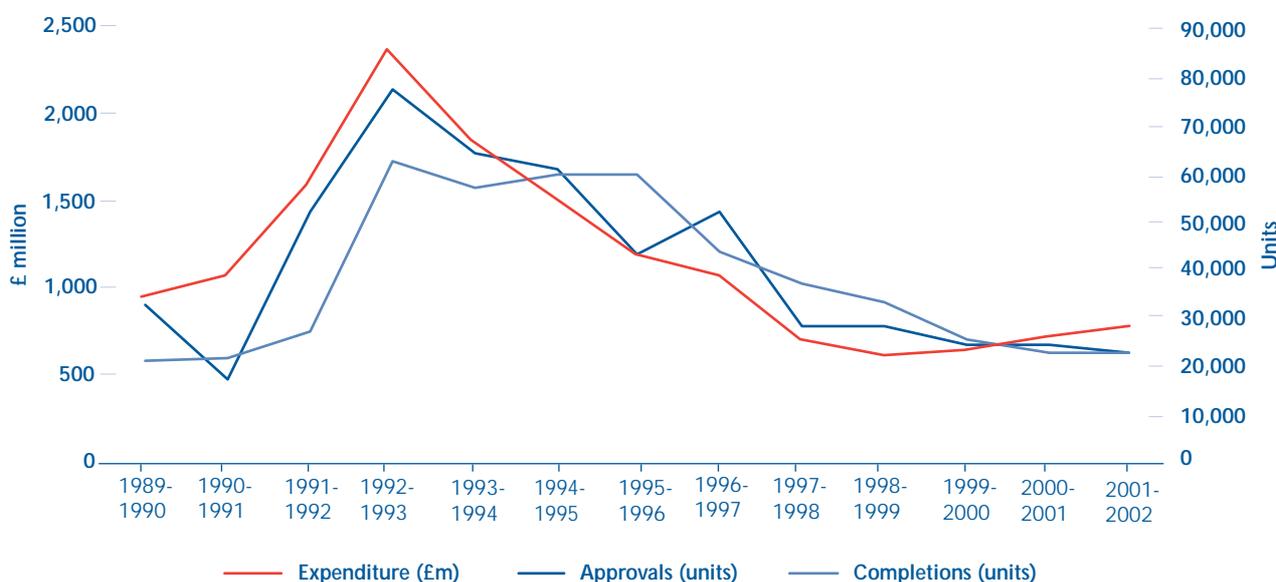
- 4 Between 1992-93 and 1997-98 there was a general decline in both the level of resources available for investment in housing and in the volume of homes being built each year. During this period the Corporation met its targets for investment. After 1998-99 the volume of completed homes continued to reduce despite increasing levels of resources (**Figure 2**). This apparent discrepancy is largely explained by the increased investment for new housing in the areas of highest housing need, such as central London, where it is increasingly expensive to purchase land and build new homes.

⁹ A Non-Departmental Public Body sponsored by the Office of the Deputy Prime Minister.

¹⁰ Social landlords registered with the Housing Corporation. Most are housing associations, but there are also trusts, co-operatives and companies, and all are run as not for profit businesses.

2 Corporation expenditure and volume of housing produced

Approvals, Completions & Expenditure



NOTE

In 1998-99, 27,491 new homes were approved by the Corporation using grant of about £607 million. By 2001-02, however, a larger grant of £772 million funded 22,592 new homes reflecting increased investment in areas of the highest housing need, such as central London, where buying land and building new homes was increasingly expensive¹¹.

Source: Housing Corporation

Progress in improving resource management

A. Adopting a strategic approach to allocating resources

5 The Office of the Deputy Prime Minister sets targets each year within which the Corporation has the flexibility to develop a programme that reflects local and regional circumstances, as well as meeting national priorities such as the number of homes to be provided and improved construction processes. The Corporation's present resource allocation system is designed to meet regional and national priorities in the following way:

- The Board's Investment Committee advises the Board on strategic policy for the Corporation's investment programme taking account of the balance to be struck between national and regional priorities.
- The Corporation's National Investment Strategy, agreed between the Office of the Deputy Prime Minister and the Corporation, is an annual framework for allocating resources through the Approved Development Programme. Most resources are at

present distributed to the ten Regional Investment areas using the Office's Housing Needs Index, based on levels of deprivation and homelessness.

- Each Government Office for the Regions, in partnership with the Corporation's Investment Regions, draws up a Regional Housing Statement which provides a concise analysis of the regional housing market and the options for addressing the main problems. Drawing on Regional Housing Statements and relevant Local Authority Housing Strategies, each of the Corporation's Field Offices produces a Regional Investment Strategy setting out priority housing needs in the region and criteria against which the Corporation will assess bids from registered social landlords for funding of individual schemes.
- In each region the Corporation's assessment of bids takes into account issues identified in the National Investment Strategy, Regional Housing Statement and Regional Investment Strategies, the relevant Local Authority Housing Strategies, and the availability of other sources of funding. The approach also involves detailed stakeholder consultations at regional and local level on funding priorities (Figure 3).

3 Stakeholders involved in setting regional priorities

Local Authorities: local strategic partnerships to ensure that affordable housing contributes to sustainable communities.

Regional Development Agencies: to ensure economic development is matched by housing provision.

English Partnerships: to identify land holdings that tie in with the Housing Corporation Regional Investment Strategies.

National Health Service Housing Co-ordinators: on the provision of affordable housing for key health service workers.

- 6 A programme of impact assessments is used to evaluate the effect of completed schemes on the local housing market and on the development of sustainable communities, and whether they have met the objectives envisaged at the planning stage. The lessons from the impact assessments are fed back into the National Investment Strategy.

B. Developing the capability to convert resources into improved services

- 7 The Corporation's objectives and targets are set out in its corporate plan, *Building on Success 2001-2004*. A plan has been drawn up for each of the objectives identifying the key tasks to be completed during the first year, timetable and responsible officers. An important priority has been the introduction of a new Regulatory Code setting out the standards to be met by registered social landlords. A number of organisational changes were made to implement the new regime, in particular the introduction of more project and financial management expertise, and separate directors for regulation and investment, in the field areas. The Corporation has attracted new, and re-trained existing, staff to increase the skills it has to manage a more strategic approach to resource allocation and a more flexible regulatory regime.
- 8 The Corporation has put in place arrangements to target resources towards those schemes more likely to be delivered on time and budget, and to identify resources so that they can be reallocated quickly and effectively (Figure 4). The Corporation targets resources towards those registered social landlords known to have developed strong capabilities in delivering social housing projects, which reflects a pragmatic response to the shortage of development skills and resources within the social housing sector. As part of its regulation responsibility, the Corporation regularly assess the quality of registered social landlords' corporate governance and business planning processes, and supplements this knowledge with analysis of past delivery performance to identify those with the best delivery capability.

4 Ensuring full utilization of the Approved Development Programme

Joint commissioning of projects. Stakeholders - English Partnerships, Regional Development Agencies and especially local authorities - are involved in agreeing forward procurement strategies, the selection process for registered social landlords and a rolling programme of specific schemes. Joint Commissioning permits the development of more complex longer term projects, streamlines the bidding process because there is a single programme supported by all the key stakeholders, and provides a focus for monitoring of programme delivery.

Early involvement of the Corporation in the development of large or complex schemes: Achieved through a two stage bidding process in which outline bids are invited before a shortlist of associations are invited to produce more detailed proposals.

Flexible response to new opportunities: Registered social landlords can submit bids for Approved Development Plan funding throughout the year, allowing a more flexible response to new opportunities as they arise. To fund these schemes the Corporation has scope to re-allocate in-year resources between regions or pre-allocate from the next years' Approved Development Plan.

Forward planning: Field Offices are able, within a corporately determined limit, to commit resources to future years beyond the period of the Approved Development Programme. This allows schemes that meet regional and national priorities, and will therefore be included in future Approved Development Programmes, to be initiated early giving registered social landlords more time for effective procurement.

- 9 This approach to resource allocation has placed new disciplines on registered social landlords since they now have to produce high quality bids demonstrating compliance with regional and national strategic criteria. The Corporation provides support for this by, for example, publishing good practice advice, such as the Toolkit of Sustainability Indicators designed to help registered social landlords assess whether there is local long-term demand for new social housing.
- 10 The Corporation is conscious of the need to balance this approach to resource allocation with its commitment to encouraging a wider diversity of registered social landlords with a range of other strengths such as housing management in rural areas or within ethnic minority communities. It will continue to consult registered social landlords on how to refine its approach.

C. Flexibility to adopt a longer-term perspective to investment

- 11 The overall level of resources for the Corporation is determined by the Spending Reviews. While the three year budget is subject to annual revision or confirmation by the Office of the Deputy Prime Minister, the Corporation is still able to commit a significant proportion of the last two years of its three year budget - 85 and 70 per cent respectively - on social housing investment. The Office of the Deputy Prime Minister also permits the Corporation to retain 80 per cent of its under spending in any year under end year flexibility rules, although in reality the sums involved are minor because the Corporation has consistently been able to use the resources allocated to it: for each financial year from 1998-99 to 2002-03 it has been able to commit almost 100 per cent of the allocated resources into social housing investment.
- 12 The flexibilities provided to individual registered social landlords vary depending on the scale of the investment programme and the nature of the work. In general, however, registered social landlords have flexibility to roll forward unused allocations from one year to the next after obtaining the approval of the Corporation.

D. Encouraging innovation within the delivery chain

- 13 Many registered social landlords, through mergers and growth, have become larger businesses and moved away from being traditional asset based organisations providing housing towards service based organisations providing care, hospital and student accommodation. Following consultation with registered social landlords, the Corporation has refined its regulatory framework to reflect these developments and to provide greater flexibility with an increased emphasis on self regulation.
14. To achieve its targets the Corporation is dependant not only on establishing successful partnerships with registered social landlords but also with the construction industry which designs and builds the accommodation. Its resource allocation process is designed to promote best and innovative practice in this area, including:

- Requiring from 2003-04 onwards that all new building funded through the Annual Development Programme must be constructed according to recognised best practices set out in the report of the Construction Task Force chaired by Sir John Egan in 1998¹²;
- Establishing a £300 million Challenge Fund to encourage, amongst other things, greater use of innovative methods of construction, in particular enabling selected registered social landlords to enter into long term contracts with construction firms using off-site methods¹³. This creates greater confidence within the construction industry about the future market for its products and means they are willing to invest in increased capacity. Registered social landlords in turn benefit from the economies of scale delivered by steady high volumes of production and more efficient construction methods.

E. Developing and using information to make better use of resources

- 15 In August 2000 the Corporation implemented an Internet based Investment Management System, releasing resources employed in routine processing tasks, and permitting redeployment of staff into strategic investment and regulatory functions. Now registered social landlords directly input the data required to calculate the level of grant to which each of their schemes may be entitled. Registered social landlords have a strong incentive to use the system since it makes the Corporation's bidding and allocation process more transparent and flexible and they can monitor the progress of their schemes through the Corporation's approval processes.
- 16 To address the risks attached to its reliance on management information supplied by registered social landlords, a compliance audit process has been developed to monitor compliance with the Corporation's laid down data collection procedures. It is also introducing a new regulatory requirement for larger registered social landlords to provide evidence of independent external validation of their performance reporting systems.

¹² *The report of the Construction Task Force to the Deputy Prime Minister 'On the Scope For Improving the Quality and Efficiency of UK Construction', 1998.*

¹³ *Off-site methods involve the manufacture of modules in a controlled factory environment, using technology similar to car production, and the completion on site of pre-prepared foundations.*

- 17 Registered social landlords must meet quarterly targets for the completion of housing units and the associated drawdown of their grant entitlement. The monitoring of on-line updating of forecasts enables the identification of any material divergences from development targets, and registered social landlords are required to report the reasons for this to the Corporation. The new information management system enables the Corporation to monitor more closely the performance of registered social landlords and to make timely adjustments to resource allocations where an association is not achieving its quarterly targets. It also uses up to date accruals based financial information to actively monitor registered social landlord financial management performance. The Corporation has established a model based on a range of financial indicators to establish an overall picture of the financial health and performance of each registered social landlord. For example, monitoring trends in the 'return on assets' helps to identify the ability of registered social landlords to repay borrowings, manage contingencies and re-invest in social housing.

Key Lessons

- **Working with stakeholders to develop a strategic planning and resource allocation process to reconcile national and regional priorities.**
 - **Developing a better understanding of the capacity of registered social landlords to deliver the required level and quality of investment, and targeting its investment accordingly.**
 - **Creating a supportive regulatory regime and incentives to encourage growth in priority areas and the use of innovative construction methods.**
 - **Developing management information systems with delivery partners to actively monitor performance and support a flexible and transparent approach to the use of resources.**
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Serious Fraud Office

The Serious Fraud Office

The Serious Fraud Office has targets to investigate and successfully prosecute more serious fraud cases in a shorter average time, while facing a reduction in resources due to the withdrawal of police support.

The role of the Serious Fraud Office

- 1 The Serious Fraud Office ('the Office') was created in April 1988¹⁴ to address public concerns about the management, investigation and prosecution of serious and complex fraud. The Office plays a specialist role in the criminal justice system in tackling fraud and maintaining confidence in UK business and financial institutions. Each year it handles around 70-90 serious fraud cases in the United Kingdom (excluding Scotland). Most are referred by the police after initial investigation, but other departments, regulators and individuals may refer matters for the Office's attention. The decision to investigate is dependent on a number of criteria such as the value of the fraud exceeds £1 million, the existence of widespread public concern or the requirement for specialised knowledge, for example, on financial markets.
- 2 The Office's four operational divisions are staffed by lawyers, accountants and other financial investigators and support staff. In 2002-03 the Office had a total budget of £28.7 million, the largest components of planned expenditure being staff (£9.4 million) and outside accountants and counsel to work on cases (£6.7 million). It manages assets valued at around £2 million.
- 3 Much of the Office's case work is demand-led and the scale, length, timing and costs involved are difficult to predict and often outside the Office's control. For example, collecting evidence may be more difficult than expected if witnesses are abroad. There is limited scope for reallocating resources as the sole activity and output is cases investigated and prosecuted and the conduct of cases is largely determined by the law and associated rules.
- 4 The costs to the Office of conducting serious fraud trials are increasing. For example, increased use of electronic presentation benefits the courts in shortening trials, but the equipment required represents a major investment in IT by the Office. The nature of fraud is also constantly evolving, including greater use of the internet and the ability to transfer monies electronically across national boundaries, and tackling them requires new types of expensive financial and technical expertise. These developments require the Office to be increasingly efficient in how it goes about its work to deliver its service delivery targets.

The Office's operational performance

- 5 The Office's performance is measured against targets for the level of active caseload and the average time taken to investigate and prosecute cases which are set every two years in the Spending Review. By the end of 2000-01 the Office almost achieved its active case load target of 77 cases. It has also achieved an average prosecution rate of 71 per cent in the cases taken forward to prosecution since its establishment, with a general upward trend in recent years to 83 per cent in 2002-03. An unusually high proportion of cases not reaching prosecution would raise questions about the effectiveness of the Office's case selection and investigation. It has also since its establishment reduced the proportion of cases not reaching prosecution - 8.8 per cent in 2002-03, compared with an average since it started of 10.0 per cent.

¹⁴ *The Serious Fraud Office, an independent government department, was established by the Criminal Justice Act 1987 following on from a recommendation in the 'Roskill Report' (the Frauds Trials Committee Report). Under this statute, the Office is headed by a Director who is appointed by and operates under the superintendence of the Attorney General.*

6 The Office, however, based on estimated performance, will not meet its targets for 2003-2004 set in the 2002 Spending Review:

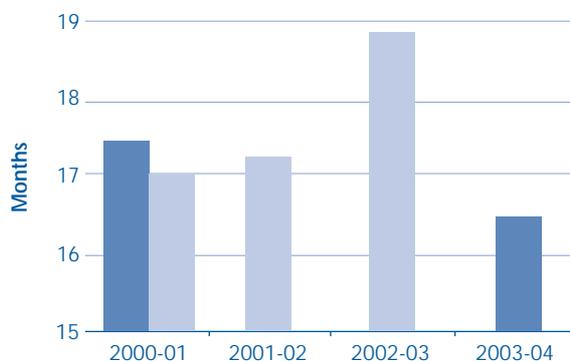
- **Total active case load:** while the 91 active cases in 2002-03 were the highest in its history, it is still unlikely to achieve its target of 110 cases by the end of 2003-04.
- **Investigation stage** (the time from accepting a case to completing the investigation): The Office was well within its targets for 2000-01, but since then the average time has increased from 17.2 months in 2001-02 to 18.9 months in 2002-03. Given this trend it is unlikely that it will achieve its targets for 2003-04 of 16.5 months (**Figure 1**);
- **Prosecution stage** (the time from transfer or sending to court and a verdict by the court): The Office was well within its targets for 2000-01, but since then average prosecution time has increased from 15 months in 2000-01 to 16 months in 2002-03. It is unlikely it will achieve its target of 14.5 months by 2003-04 (Figure 1).

7 When the Office was established there was an underlying assumption about the level of support it would receive from the police on investigation work (an average of 2.5 officers per case at the time of the Comprehensive Spending Review in 1998). It considers an important factor in its failure to achieve targets has been a fall in police support to about one officer per case, reflecting the lower national priority given to tackling fraud by the police. This equates to the loss of around 135 officers against the assumptions underlying the Office's targets set during the 2000 Spending Review. The Office has received extra resources to increase its staff numbers by 72 over the same period (44 per cent), but this has not been sufficient to offset declining police support and, together with the increased caseload, has resulted in an increase in average investigation time. In the 2002 Spending Review, the Office has been allocated £7 million extra for 2004-05 and £12 million extra for 2005-06 to recruit more investigators, to respond to the growth in fraud and meet its increased accommodation needs. The Office cannot tell whether these additional resources will be sufficient to fill the gap left by the withdrawal of police support.

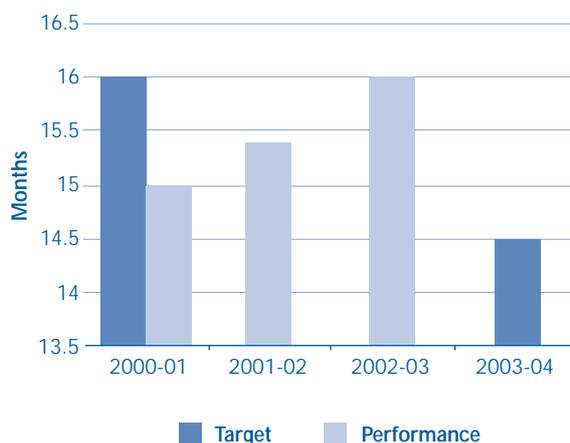
8 In the 2002 Spending Review the Office were also allocated extra funds for capital expenditure - £3.5 million in 2004-2005 and £3.5 million in 2005-06. Resource accounting is encouraging the Office to adopt

1 Average length of investigation and prosecution stages compared to targets

Average length of Investigation stage compared to Target



Average length of Prosecution stage compared to Target



Source: Serious Fraud Office

a very rigorous approach to decisions on capital spending. It cannot afford to purchase assets that do not make a substantive contribution to the achievement of service delivery targets, because once purchased assets will incur significant costs of capital¹⁵ and depreciation¹⁶. For example, if the Office fully uses the extra capital allocation to purchase Information Technology, the combined costs of capital and depreciation could be £1.4 million in 2004-05 and some £2.8 million in 2005-06 - about a third of the Office's extra administration resources in each of the two years.

¹⁵ Capital charges are levied on departments' net assets to reflect the opportunity cost of capital - i.e. reflecting that the Government has had to borrow to finance investment and that resources tied up in assets could be (re)deployed elsewhere.

¹⁶ A charge for depreciation spreads the cost of assets over their useful lives rather than when they were purchased - typically 20 to 30 years for a hospital or a prison, or 3 to 5 years for Information Technology equipment.

Progress in improving resource management

- 9 The Office is taking steps to improve its efficiency and to make better use of its resources to improve performance through more effective partnerships and use of resource based management information.

A. Improving efficiency

- In 2001-02 the Office set up multi-disciplinary review groups to identify ways of improving efficiency in those areas it can control (Figure 2). The reviews identified five areas for improvement: case planning and monitoring; human resources; training of investigators; standards and quality; and tools and methods for investigations.
- Over the three year period 1999 to 2002 the Office has reduced non-operational staff as a proportion of total staff (from 30 per cent in 1999-00 to 20 per cent in 2001-02). Every time a non-operational post becomes available the Office determines whether the service provided by the post holder can be delivered elsewhere or done without, and the post replaced with an operational one.
- Identifying best practice from analysis of variations in performance in investigating and prosecuting cases, and highlighting these across the Office. For example the Board are currently considering a case management best practice proposal on the use of a case management framework developed and used by one investigation team to organise and progress investigation work more efficiently.
- To improve the speed of cases and increase caseload, the Office in 2002-03 invested nearly £0.5 million in 'Docman', a system for scanning and logging the documents involved in cases and allowing them to be electronically searched, viewed and published. It is expected that when 'Docman' is fully operational it will reduce the time needed to complete an average case by up to six months.

B. Developing capacity through better partnerships

- The Office participates in wider networks of public and private sector organisations that have joint interests in tackling frauds - it is increasingly common that in individual fraud cases more than one organisation will have an interest. Such networks help ensure members are aware as soon as possible of any changes in the number or size of cases that may be referred to it, and that each case is dealt with by the most appropriate organisation. For example, the Office is a member of the Financial Fraud Information Network which brings together

2 Areas where the Office can improve efficiency

The efficiency review groups have identified six areas where investigation teams can improve the efficiency of case work:

- improved vetting of each case referred to the Office;
- focusing the investigation more tightly on key offenders and charges;
- terminating investigations, which are not going to lead to a prosecution, as quickly as possible;
- speed of referral to the Crown Court;
- better working with the Court Service and others to achieve an early hearing;
- case presentation (fairness, conciseness, clarity).

regulatory and law enforcement agencies and other bodies with public functions. The Financial Services Authority provides the secretariat for the network. The objective of the network is to encourage the exchange of information between its members on actual or suspected criminal activity that makes use of or impacts on the UK financial system. The Network provides a framework for the secure pooling and dissemination of information to members of the Network.

- The Office's cases are among the longest and most resource intensive that go before the courts. It has established arrangements to pass on to the Court Service an advance listing of the cases that are coming forward for prosecution, helping the Court Service to expedite the availability of a judge experienced in fraud cases and a courtroom, and the special arrangements for jury selection as early as possible. The Office has also sought to improve the visual impact of evidence presented in fraud trials and to reduce the dependency on paper based material by providing the Court Service with equipment to enable them to present evidence in electronic format.

C. Better information to improve resource management

- The introduction of resource budgeting and accounting has led to some direct benefits for the Office. For example, drawing up a list of the Office's assets has highlighted previously unaccounted debtors valued at some £4 million - costs awarded against fraudsters and owed to the Office but not collected. It has also, however, exposed deficiencies in the Office's financial management. Following its Excess Vote for the year 2001-02 it acknowledged that the absence of monthly or at least quarterly information on accruals and creditors masked overspends until after the year-end by which time

the excess had been incurred¹⁷. To help avoid Excess Votes in future years, the Office is developing and implementing financial systems capable of providing timely resource based management information on spending to allow its managers to monitor the risks and likelihood of over spends.

- Monitoring barristers' fees has been a particular problem as they often bill up to a year in arrears. From April 2003 the Office has implemented a new Purchasing Order Processing system, completing its electronic accruals based accounting system, enabling them to monitor financial commitments such as unpaid work done on cases by barristers. The Office plans to develop a new case monitoring system and integrate this with its new financial management system to provide management information that links resource usage with operational and financial performance.

Key Lessons

- **Setting up multi-disciplinary review groups to identify ways of improving efficiency.**
 - **Seeking to control administrative support costs, for example by reducing the number of non-operational staff as a proportion of total staff.**
 - **Working within wider public and private sector networks to generate early intelligence on likely workload and decide on which organisation is best placed to investigate any individual fraud case.**
 - **Using technology to improve efficiency and support partner organisations within the criminal justice system.**
-