



National Audit Office

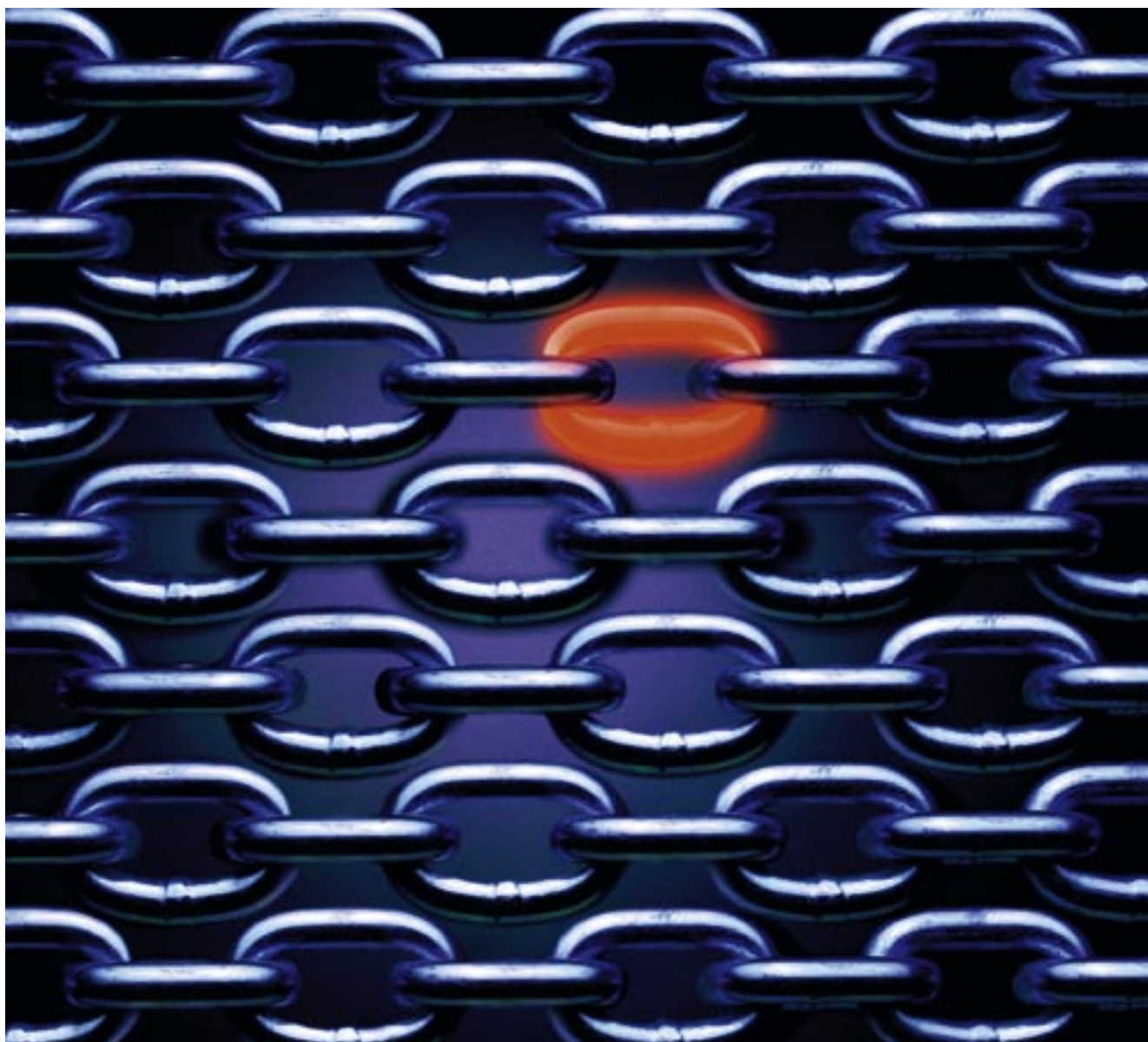


# Delivering Efficiently: Strengthening the links in public service delivery chains

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## EXECUTIVE SUMMARY



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

### Delivery chain

A 'delivery chain' refers to the complex networks of organisations, including central and local government, agencies, and bodies from the private and third<sup>1</sup> sectors, that need to work together to achieve or deliver an improved public sector outcome defined through a central government Public Service Agreement (PSA) target.

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

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

## Findings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Assessment**

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





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

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

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

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

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

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

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

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

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

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

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

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



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

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

Highly effective and efficient