National Audit Office

Roundtable Summary

Summary Note – 3 April 2014

Introduction

Government uses private providers to deliver a vast range of public services in many different market contexts. The purpose of the National Audit Office (NAO) Roundtable was to consider what principles should guide government to help it achieve value for money where public services are marketized. The seminar built on a recent report by the NAO which outlined principles for effective pricing by government in public service markets,[1] and VFM principles set out in a previous NAO report published in June 2012 *Delivering public services through markets: principles for achieving value for money.*[2]

The NAO is keen to foster dialogue across government and stakeholders to help improve the delivery of public services. A previous NAO roundtable seminar held in November 2012 provided a spring-board for dialogue within and across different areas of government where policymakers and practitioners have a common interest in overseeing markets effectively. Along with other parties, the NAO undertook to play its part by helping this conversation to develop and by helping to share experience of what works. In the interim various parties have maintained this momentum and contributed to this on-going dialogue and exchange of ideas and experience.[3] The impetus behind the NAO organising this latest roundtable at the Competition and Markets Authority in April 2014 was to continue this dialogue and explore further value for money principles in public service markets with an invited audience of stakeholders.

We were also gratified that the new Competition and Markets Authority kindly agreed to host the event, not only because of its strategic role in overseeing public service markets (as well as private markets), but also because a strong complementarity exists between the Authority's agenda for competition and consumers and the National Audit Office's focus on securing value for money for the taxpayer.

1 National Audit Office Report, *Deciding prices in public services markets: principles for value for money*, December 2013 (available at **www.nao.org.uk**).

2 National Audit Office report, *Delivering public services through markets: principles for value for money*, June 2012 (also available at **www.nao.org.uk**).

3 For example contributions have included: The Institute for Government's *Making public service markets work*, July 2013 (**www.instituteforgovernment.org.uk**); Clive Maxwell, CEO of the Office of Fair Trading, '*Competition in public services*' speech 23 May 2013, and '*OFT Cross-government roundtable on continuity regimes in public markets*' August 2013 (**www.oft.gov.uk**).

This summary note gives an outline of the seminar's presentations and discussion which was held under the Chatham House rule. The contents of this note do not represent the views of the National Audit Office.

The Roundtable heard from a range of leading practitioners and commentators on public service markets including:

Amyas Morse
Comptroller and Auditor General, National Audit Office

Alex Chisholm
Chief Executive, Competition and Markets Authority

Emeritus Professor Andrew Kerslake
Associate Director, Institute of Public Care, Oxford Brookes University

Ian Casey
Childcare Markets, Department for Education

Dr Xeni Dassiou
Director of Centre for Competition and Regulatory Policy, City University

John Kirkpatrick
Senior Director, Competition and Markets Authority

Iain MacBeath
Director of Health and Community Services, Hertfordshire County Council

Ric Marshall
Director of Pricing, Monitor

Sonia Sodha
Head of Public Services and Consumer Rights policy, Which?

Alex Scharaschkin
Director of Regulation, Competition and Consumers, National Audit Office

Brief speaker biographies can be found at Annex One.

The invited audience for the Roundtable included representatives from a range of organisations; a full list is at Annex Two.

The seminar was divided into five sessions which covered the following topics:

- effective markets and value for money;
- government oversight of public service markets;
- risks to effective competition in public service markets;
- price setting frameworks and models for public services; and
- market outcomes: the experience of service users.

Effective markets and value for money

Risks from consolidation of the market: Diversity and effective competition in markets rarely happens on its own unless government actively helps to facilitate and develop a healthy market of providers. However, markets for public services can rapidly become consolidated. Before long a small number of companies may come to dominate the market. Some companies active in a number of public markets have grown fast partly by winning contracts but also by acquisition of smaller rivals; growth rates of 25 per cent a year have been known. Whilst this is perfectly legal, it is not desirable from the taxpayer's perspective if market consolidation ultimately leads to upward pressure on prices through a lack of effective competition. Whilst public contracts typically include 'change of control' provisions that can be exercised where a risk of consolidation exists, in practice government rarely exercises them. This may be through fear of not having the resources to take on a large commercial organisation and its lawyers, and one on which the department relies for the delivery of essential public services. Civil servants may also feel more comfortable dealing with familiar people they know in an incumbent provider. Unless government pays more attention to the up-skilling of public officials and adequately resources the contract monitoring function, it is always likely to be an uneven contest with the private sector companies coming out on top. When this happens the taxpayer loses.

Policy goals versus contractual relationships: In private markets typically you get what you pay for, as contracts govern the relationship between parties. In the public sector, there can be a mismatch between the political aspirations which can be difficult to define at the outset in the original contract (for example in terms of expected service levels), and the de facto contractual terms. The complexity of out-sourced public sector contracts today (such as payment by results in probation services) is on a totally different scale from the original contracting-out of activities such as waste management that began in the late 1980s. To meet politicians' expectations contracts are modified in action, which normally comes with heavy variation penalties. Once this happens public officials lose control of the process and the contractor is in the driving seat. This can damage the government's reputation for delivery and for achieving value for money.

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Another dynamic has been gaining ground recently. In the past, when government and its private contractors became involved in a dispute, firms' high-powered lawyers would often win contractual disputes. Recently, however, ministers have cottoned on and have changed their strategy. If government is let down by a supplier, it hits back by publicly criticising the companies involved and damaging their reputation and brand. Companies that deal with government need to be aware of this dynamic and help establish a reputation for fair-dealing that does not leave the taxpayer to pick up the bill.

In addition, if government knows it is likely to have to modify a contract after a few years then flexibility should be built in from the start. Government needs to have a better appreciation of how difficult it can be to make out-sourcing or marketised provision work for certain types of services. A prudent approach might be to move incrementally and row back if necessary where the impracticalities of trying to make a market solution work are just too problematic.

Pricing of services: the level at which prices are set in a new market such as healthcare will determine very quickly which providers survive and which do not. Government should not assume that it is itself a smart customer as experience has shown that often it is not. An effective approach where the costs of providing a service are not known is for government to base the pricing of public services on 'open-book' contracting, to help establish the true costs of provision so an informed decision can be made. Government should be exploiting the fact that it is a major buyer and leverage its power to tell suppliers what they expect. For example in the United States there are provisions for disgorgement whereby states can audit contractors' profits for a period of up to 5 years and reclaim unfair profits.

This first session also explored five key features found in markets, how successful private businesses deal with these features and potential learning for how public service markets could become more effective:

- complexity;
- innovation;
- responsiveness;
- risk; and
- resource allocation.

Complexity: Markets can deliver some complex products very well. The radio spectrum market was transformed by introducing the market mechanism to determine the most efficient/effective use of the spectrum, which replaced the longstanding and out-moded command and control approach. Could similar improvements be introduced in complex markets such as healthcare where command and control has been the norm by giving more power to patients to drive improvements and the best use of resources?

Innovation: A combination of available risk capital and experimentation are vital conditions for innovation. Ocado developed an e-commerce system for online grocery shopping but invested approximately £500 million in its development. Other notable examples that illustrate innovative thinking that helped to develop a better product include: the computer manufacturing company Dell that innovated its processes to only make a PC when the customer ordered it, rather than having capital tied up in pre-made computer stock. Another corporate innovator, Ryanair, realised that the longer a plane is on the ground, the more potential revenue it lost, so it reduced its turnaround times to 20 minutes. The state-provider Aer Lingus took a while longer to copy and catch up with its rival. The public sector can be notoriously poor at long term investment due to funding constraints and frequent changes to the political agenda, and slow to adapt and take up innovative solutions found in the private sector.

Responsiveness: In private markets, businesses that tend to succeed are those that constantly listen to complaints by customers, invest time in analysing, and work out an effective response to deal with the issue. In the public sector this rarely seems to happen. This means that what drives changes to the 'business' in the public sector is very different, and rarely as a result of it responding to customer feedback and complaints. It can also be difficult to value and price public services, especially ones that are new or were not initially charged for; it is akin to 'flying blind'. Pricing has to respond to market feedback or else it can have a distorting effect on competition in the market.

Risk: In the public sector risks can arise from insufficient visibility of losses, which often get hidden. This can have negative effects, namely a lower quality of service and inefficiently priced goods. The public sector is often too risk averse for example requiring several years' worth of published accounts before a firm can qualify to tender for a contract, this can have the effect of excluding some of the younger, more dynamic and efficient companies around. Entry and transaction costs can deter potential new entrants and favour incumbents.

Resource Allocation: In the private sector rivalry between managers can be an important dynamic in harnessing energies to improve a firm's productivity and increase its market share. In principle this process allows efficiencies and productivity to be transferred to the best performing companies. In the public sector, this transfer is unlikely to take place as there is a cap on success. A hospital or school that is performing well is constrained in its ability to expand and increase the number of patients/pupils; and there are limits to the extent of financial incentives that may deter leaders of these organisations from taking on additional responsibility. Demand for public services is not necessarily driven by excellence – patients attending the best performing hospitals in treating prostate cancer have a three times better chance of being treated successfully than the worst performing. And yet many users still appear to value convenient treatment (i.e. at their local hospital) rather than the best possible treatment.

Finally the session ended by outlining how the new Competition and Markets Authority will help achieve effective outcomes in public service markets by influencing market behaviour and practices in three main ways:

- Market guidance – through updating and issuing guidance to market participants.
- Market design – engaging early with public officials when setting up marketised delivery of services; and for example suggesting structural remedies where appropriate.
- Market maintenance – preventing and acting against cartels; and encouraging new entry by helping bear down on 'red tape' and regulations that favour large incumbent suppliers.

Government oversight of public service markets

The presentations in this session focussed on aspects of government oversight in two public services – the social care and the early years' childcare markets.

Social care market

The discussion explored the provisions in the new Care Bill for financial scrutiny of large and difficult to replace care providers. The legislation is part of the Government's response to the weakness in oversight arrangements revealed by the demise of England's largest residential home provider (Southern Cross) after it got into financial difficulties in 2011.

An outline of the proposed new regime includes: division of the market into large and small providers; a focus not on company rescue but on securing continuity of care when failure occurs; the Care Quality Commission (CQC) nominated as the regulator responsible for market oversight; and local authorities (LAs) responsible for managing post provider failure in the case of small providers.

The proposed approach was critiqued and various questions raised and discussed about the challenges in its practical implementation:

- the difficulty of defining the boundaries of which providers should be in the new financial oversight regime;
- the care regulator being well versed in the sector but not in financial scrutiny, (and the potential danger of over-expectations);
- traditional indicators, like EBITDAR, not being necessarily a good test of viability in the residential care sector (as many large providers carry a large debt burden);
- the need for government to be able to differentiate between potential provider failure and market failure; and
- a hypothetical rescue plan may not work in reality and if companies are publicly identified as failing it potentially becomes predictive.

Furthermore, questions were raised about the capacity of local authorities to take on new duties of promoting the efficient and effective operation of a market to meet the local needs, and ensuring continuity in cases of provider failure, as:

- there is little new money to discharge these duties;
- a lack of knowledge of or training on how markets work amongst commissioners;
- a danger exists of poor coordination between local authorities and the CQC; and
- a duty to all users (including private-funders) who receive care when LAs only really know about those who receive state funding.

Potential solutions or ways to address some of these concerns were put forward:

- adopt a looser structure of which providers are in and which are outside the regime, (i.e. more providers should be required to submit to financial assessment, but CQC then exercises greater discretion);
- the regulator needs investigatory powers rather than collecting routine information, and to invest in market intelligence rather than market bureaucracy;
- LAs need to have more market expertise amongst their commissioning staff; and
- some basic rules about the relationship of debt to earnings, company viability and ownership need to be put in place.

Early years' childcare market

The presentation provided a general oversight of the childcare market and government's role in it, as well as an outline of the government's reform agenda, and the challenges and questions that lie ahead:

Government role

Government directly participates in the childcare market as a provider of maintained nursery schools and school nurseries in state schools. It also funds the free entitlement of 15 hours per week for all 3 and 4 year-olds which is delivered in maintained settings as well as by private, voluntary and independent providers. The entitlement will be extended to 40 per cent of 2 year-olds by September 2014.

Government also has an indirect role in regulating the sector through Ofsted's registration and inspection of quality standards in all providers, as well as standards setting for the qualifications of staff.

Local authorities have a role to help all local providers judged by Ofsted as 'requiring improvement', to strengthen the quality of their provision. Other providers in the local authority's area may also seek advice, information and training from the local authority.

Government provides around £5 billion per year support to the childcare market on funded early education, and through tax credits and childcare voucher schemes.

Government reform agenda

Government wishes to improve the use of resources in the sector through:

- economies of scale – larger nurseries and more chains;
- greater use of schools – longer hours for nursery provision;
- better staff deployment; and
- simplified regulations.

It also wishes to strengthen quality through:

- inspection focused on outcomes;
- more graduates and improved qualifications;
- improving standards of teaching.

Challenges and questions

The challenges in this market include:

- fragmentation of the market – does it provide equal choice for all? And should government have a national policy for all children, or target certain groups?
- better use of resources – are there models for greater efficiency that are replicable? There are also questions around growth and investment in the sector, the role of the informal and un-regulated childcare, and different approaches to funding.
- improving quality – and its affordability?

Finally, there is recognition that it is important to look across and to learn from experience in other markets in public services, and beyond, in terms of how to make the childcare market as effective as possible.

Risks to effective competition in public service markets

This session discussed the characteristics of public service markets, the similarities and differences with private and regulated markets, and questions that arise as to their efficiency and effectiveness.

Characteristics of public service markets

Public services like education, social care and health are merit goods. They are characterised by large positive externalities which mean that they will be undersupplied if left to the private sector so there is a need for: on the one hand, tax funded provision to avoid under consumption, and on the other, gate-keepers (e.g. GPs) to help prevent over-consumption when excludability is difficult where users do not pay. In some cases 'markets' are entirely tax funded with no private market alongside (e.g. work programmes for unemployed, probation services, etc.).

With the demise of direct provision of public services by the state, separation of commissioning and provision exists on the supply-side. This has lead to the emergence of plurality of types of provider in some sectors: (voluntary sector, social enterprises, mutual, for profit companies etc). This can however create inefficiencies:

- coordination problems.
- transaction/contracting costs as product is difficult to define and hence price.
- difficulty in verifying the quality and value for money of provision.
- dearth of data or inconsistency in data collection between different areas.
- monopsony power if purchaser is the local authority.

On the demand-side of public service markets: separation can also exist among user, buyer and purchaser:

- Principal-agent problems (e.g. in health, choice is exercised by patient through GP, but do GPs always have incentives to act in the best interests of the patients, especially if they also act as budget holders/gatekeepers?).
- Informational asymmetry between commissioners, providers and customers.
- Regulatory restrictions/interventions/tariffs may be causing moral hazard, focal points, etc.
  - Moral hazard as provider can exploit demand for service continuity and require bail out if it is a pivotal player.
  - Moral hazard and adverse selection as it is difficult to measure the efficiency and quality of provider which restricts the effective functioning of the market (with serious consequences – for example ill health or death in health or social care provision – or money wasting, if choice by users or purchaser is wrong).
  - Moral hazard may lead to over-consumption (e.g. patient does not pay in health).

What is the product?

There are a range of issues that can arise with the nature of the product in different public service markets:

- Public services can be complex to define (hence problematic to price!): e.g. care pathways in health, where price is procedure-based.
- Asymmetry of information can exist between users and providers:
  - In many cases it is difficult for the end users to ascertain the product's true nature and quality before (and sometimes even after) the product is used: experience or credence nature.[4]
  - Getting it wrong may lead to inferior outcomes (e.g. poor education leads to loss of future earnings/job satisfaction for the user), ill-health, death, reoffending (probation services) etc.
  - Switching costs can be very high in non-financial terms (social care, education etc).
  - Difficult to price if services are commissioned through a fixed price asking providers to compete on quality, (and may lead providers to seek to cross-subsidise with services provided to private customers).
  - Alternatively, competition in price creates issues in ensuring quality plus issues if there is monopsony power on the purchase side or (local/regional) monopoly on the provision side.

4 A big issue in financial markets, refer to FSA publication on Market Failure Analysis, November 2006.

- In some cases the market is entirely between the purchasers and providers with no involvement by the user. In this case there may be asymmetry of information between purchasers and providers:
  - For example, probation services, work programmes: it can be difficult to measure the value for money as there is a lot of moral hazard. For example, in work programmes it is difficult to ensure whether the employment outcomes are the result of the providers' efforts or stagnation in the local economy or/and the result of the quality (and motivation) of individual claimants.
- There can be a reliance on efficiency in performance of other services e.g. integrated care pathways, probation services (collaboration with local authorities to commission work and accommodation, health services etc.).

Market definition issues

Geographical market definition is a very important feature of public service markets:

- In most regulated utilities so far competition is conducted between private 'for profit' providers acting on a national market basis. For example: in energy (electrons and gas molecules) it is impossible to discriminate in terms of source, so end-users essentially choose a service provider rather than a product in energy; location plays no role.
- Local competition seems to be a prevailing characteristic in some public service markets:
  - Geographical regulatory constraints offer a limited choice of local hospitals, schools, care homes etc.
  - But, some consumers are prepared to travel further afield for a better service (e.g. treatment at an out-of-area hospital) or move to a different area in order to enter the catchment area of a school (but 'transaction' costs will deter the majority from acting this way).
  - Some users see proximity as their paramount 'quality' criterion for exercising their choice.
  - Switching costs are high and consumers tend to stick with incumbent regional or local providers (a barrier to entry).

Participation by users

The participation of users in these markets raises a number of questions:

- Where appropriate should choices be framed to 'guide' (nudge) consumers in the 'right' direction?
- Using the views of other consumers e.g. user feedback reviews could lead to 'herding' towards one or a few providers and it too can be restrictive to competition and act as an entry barrier. How does a new firm with no feedback enter the market?
- Whilst users' access to provider performance information (and ability to assess it) may grow will friends and families still be one of the most important determinants in choosing in many public service markets such as health and education?
- There may be no 'best/correct/right' decisions as different dimensions of a public service are important to different consumers. Is it therefore difficult for a regulatory or oversight body to suggest a 'right' choice as this effectively 'blocks entry' to other available choices and also hinders product discovery and innovation?

Supply side issues in public service markets

There are also questions that arise as to how to make the supply-side of the market work as efficiently and effectively as possible:

- Exit, especially in the health market, creates the problem of who takes over. What happens to consumers facing failing providers if there are no other providers?
- Does ownership structure matter in outcomes? For example, mutuals may deliver best outcomes for their customers by the very nature of the firms (thus overcoming various demand asymmetry information problems that might be more of an issue with profit maximising firms).
- Reputation and competitive pressure may be effective; comparative performance data is required to enable effective benchmarking.
- Initially mutuals and other start-ups face a favourable climate in contracts awarding etc., but what happens as these are phased out and a complex licensing/procurement/regulatory structure develops?

- A continuing preferential environment for smaller firms/mutuals means that these will have a disincentive to grow up, in order to avoid facing a more hostile procurement environment once they do (i.e. perverse incentives).
- Tariff setting (as in heath and education) as opposed to price caps or price competition may promote quality but does not allow demand and supply factors to operate seamlessly and may allow inefficient providers to exist. What information is needed for setting the 'appropriate' level of tariff? A tariff does not promote cost reduction (productive efficiency) in the same way as a price cap does.

The following observations also came up in the discussions during this session:

- Users like having choice when they are given it.
- Proximity to a provider matters, but it is not the only factor that influences a user's choice. People may be prepared to travel further if it is important to them.
- Where choice exists and prices are fixed the results can be mixed, however on the whole having choice drives better quality than when no choice is offered.
- The effects of a monopoly are more often shown in poor quality and lack of supply, rather than in higher prices necessarily.
- Monopsony by a single public sector buyer is an interesting and little-considered issue; it could drive sub-optimal outcomes when the price paid creates sustainability issues for providers.
- Public service markets is one of four strategic priorities for the new Competition and Markets Authority.

Price setting frameworks and models for public services

This session highlighted a couple of costing frameworks used to set prices in social care and healthcare.

Social care

The fair cost of care model developed by Hertfordshire County Council is one of a few available models. It is meant to be a starting point for a 'better conversation' enabling a negotiation with providers to take place between the commissioner and the providers about the quality of care. It includes:

- a set of assumptions configured locally to reflect local market conditions;
- results of judicial reviews; and
- an approach to 'ethical commissioning'.

Principles underlying an effective costing framework include:

- the level of care provided should meet essential CQC quality standards;
- the model should represent actual costs of delivery;
- overheads, profit and capital costs should be transparent; and
- all costs must be verified locally – the model cannot produce a national price.

Realistically, not all local authorities have sufficient resources to develop a detailed costing model, but some of those that do have volunteered to share their models with other authorities to allow sharing of good practice, and to avoid 're-inventing the wheel'.

Healthcare

The Health and Social Care Act 2012 splits price setting role between NHS England and Monitor.

NHS England leads on: the scope and design of currencies in the NHS, and variation rules to national tariff currencies. Monitor leads on: pricing methodology, regulated prices, local modifications, and rules for local pricing and non-tariff pricing.

Tariff setting is not just a method for allocating funds. Signalling financial implications of decisions can influence behaviours of commissioners and providers and, in turn, can improve quality of outcomes for patients at same or lower cost.

A number of barriers exist to valuing the cost of healthcare:

- poor data and metrics on inputs, care and outputs;
- poor benchmarking and sharing of best practice; and
- financial levers that do not reward good service providers or innovators.

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There are three main approaches to costing:

- **Clinical Costing:** a bottom up costing approach; each patient episode is a product built from ‘intermediate products’; it requires data on all goods and services consumed in the treatment of individual patients; and allows analysis of resource use by individual patient episode.
- **Cost Modelling:** a top down approach; it relies on the use of ‘service weights’ and/or other generalised utilisation statistics.
- **Patient Level Costing:** it provides detail at the individual patient episode; it is easier to apply patient costing to other patient types, and patient costing systems are a good data repository.

Monitor is currently modelling on reference costs which have been collected since 2005 for certain types of activity. The issues that have arisen to date with using reference costs are:

- poor data quality and lack of credibility (e.g. 1 in 8 submissions contained materially incorrect costs, significant unexplained variations in unit costs);
- lack of clinical validity (e.g. cost relativity does not match with clinical input);
- lack of granularity; and
- poor input data.

Actuarial models used by private health providers can also provide useful cost and treatment information that help inform costing decisions.

Market outcomes: the experience of service users

This final session discussed the need for consumer experience to drive improvement in public services and raised the following points:

- Consumer power is vital – policy needs to be based on an understanding of ‘real consumers’ and this understanding must be built-in at a systemic level.
- Variance is an important and ever-present theme across public services e.g. GP surgeries: stark variance in access, continuity of care and patient involvement.

The power and limits of choice:

- People feel most positive about choice where it enables them to choose services tailored to their particular needs and preferences – and when they feel confident about making a choice.
- People see benefits of choice as increasing their options, being able to pick the best provider or specialist for their condition, and being more involved in the decision-making process. There is greater receptiveness to choice amongst young, higher socio-economic groups, people with complex conditions, people with previously negative experiences.
- But there are barriers to choice driving quality improvement:
  - Demand side: means/capability to make best choices; consumers may act on preferences other than quality; sometimes people ‘don’t know what they don’t know’ and have low expectations.
  - Supply side: structural features of public services e.g. universal service function, lack of spare capacity, limits of capacity of good providers to expand, lack of effectiveness of strong failure regimes.
- So choice isn’t a panacea. But barriers can be tackled by providing better-quality information and advice to support people in making choices.

The importance of voice:

- The challenge is three fold:
  - getting people to provide feedback – and to complain when they have cause;
  - providers and professionals need to listen to that feedback; and
  - they also need to act on it – using it as intelligence to drive quality improvements.
- Which? research found: people are less likely to complain when they have cause in public services than in private markets because of:
  - scepticism their complaint will have impact;
  - fear of repercussions on quality of care; and
  - lack of understanding about how to make a complaint.

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- Too often public services don't have a widespread culture of listening to feedback and complaints and using this intelligence to drive quality improvements – evidence the Francis Report on Mid-Staffordshire NHS Trust and others.
- Structural reform can help e.g. simplifying the system.
- But it is only part of the solution – cultural change is equally if not more important. How can this be generated? What's often missing in debates about public service reform is the challenge of improving average performers. Solutions have to take this into account.

Next steps

A community of people within and outside government with an on-going interest in the effective oversight of public service markets is taking shape. This event helped contribute to the dialogue within and across different areas of government where policymakers and practitioners have a common interest in overseeing markets effectively and are attempting to grapple with similar issues.

Along with the Competition and Markets Authority and other interested bodies, the National Audit Office will continue to play its part by helping this conversation develop and by helping to share experience of what value for money looks like in public service markets.

Annex One

Brief speaker biographies

Alex Chisholm
Alex is the Chief Executive of the Competition and Markets Authority. Previous career highlights include: Chair and Commissioner of Ireland's communications regulatory agency, ComReg; Chair of the Economic Regulators Network in Ireland; and senior executive positions in the media, technology and e-commerce industries, with Pearson plc, Financial Times Group, eCountries Inc and Ecceleration Ltd.

Emeritus Professor Andrew Kerslake
Andrew is Associate Director of the Institute of Public Care at Oxford Brookes University which he founded some 25 years ago. He has written extensively about local care markets and sustainability. He was commissioned by the Department of Health to produce guidance for all local authorities on local care market stewardship.

Ian Casey
Ian is involved in policy development and leads on childcare markets for the Department for Education.

Dr Xeni Dassiou
Xeni is the Director of the Centre for Competition & Regulatory Policy, City University. She is highly experienced in training skilled professionals in the practice of regulation and competition policy, and is also a regular speaker at UK and international regulatory and competition conferences and events. Her research interests lie in the area of industrial organisation theory and competition policy, and she has worked in this area for the last 15 years. Xeni has written numerous papers on the theme of transactions bundling as an instrument of price discrimination, including the policy-related implications of bundling in government procurement and financial regulation. She has also written papers on the role of herding in determining managerial and investment behaviour.

John Kirkpatrick
John is a Senior Director for Advocacy, Intelligence and Research at the Competition and Markets Authority. Prior to the creation of the Authority, John was the Director of Policy at the Competition Commission from 2011 until 2014, and had an earlier period from 2003 to 2006 as an Inquiry Director leading merger and market inquiries. From 2006 to 2011 he was Director of Studies at the Audit Commission, where he was responsible for the programme of value for money studies in local public services. Earlier in his career, he held posts in the Departments of Education and Employment and was a management consultant with McKinsey & Company.

Iain MacBeath
Ian is the Director of Health and Community Services at Hertfordshire County Council, and has statutory responsibility for the provision of adult social services in Hertfordshire. He has spent his career in local government, and previously worked for the London Borough of Barnet.

Ric Marshall
Ric is the Director of Pricing at Monitor, and has oversight of tariff setting on a regular cycle covering an estimated £30 billion of expenditure for the NHS in England. He has worked as expert advisor and project leader for healthcare service reform projects in over 20 countries worldwide. From a background as Mental Health and Rehabilitation Clinician he specialized in Health Service performance statistics and activity efficiency measurement, data warehouse and MIS system design and implementation for systems of more than 150 hospitals. He has worked as a specialist consultant in a wide range of international settings. Ric is also the Aux Professor Health Management Information Development, Faculty of Health Sciences, University of Sydney.

Sonia Sodha
Sonia is Head of Public Services and Consumer Rights policy at Which? (the Consumers' Association). Her career has also included periods as: associate at think-tank Demos with expertise in business, education and family policy and headed their Capabilities programme; former Senior Business Adviser to Rt Hon Ed Miliband MP; and Head of Policy and Strategy at the Dartington Social Research Unit.

Alex Scharaschkin

Alex is Director of Regulation, Consumers and Competition at the National Audit Office and directs its work for Parliament examining the Government's oversight and use of markets in the private and public sectors. He has directed studies of the UK competition and consumer regimes, public service markets, and the utility and financial services regulators. Alex contributes to the strategic direction of the NAO, particularly in relation to the technical quality of its work. Prior to that Alex has held roles as manager of health value-for-money (VFM) studies, and as manager for VFM statistics and methods at the NAO. Prior to joining the NAO, Alex was Principal Officer for statistical analysis at the Qualifications and Curriculum Authority. Alex is also a member of the Research Committee of the AQA, the awarding body and educational charity.

Annex Two

List of organisations participating in roundtable seminar

The invited audience for the Roundtable included representatives from the following organisations:

- Cabinet Office
- City University
- Competition and Markets Authority
- Department for Business, Innovation and Skills
- Department for Education
- Department of Health
- Family and Childcare Trust
- Institute for Government
- Monitor
- National Audit Office
- National Day Nurseries Association
- Nottinghamshire County Council
- Office of Rail Regulation
- UK Home Care Association
- Warwickshire County Council
- Which?

National Audit Office
Design & Production by NAO Communications
DP Ref: 10424-001