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## LAAAs, delivery chains and networks

### Key points

- LAA planning needs to take place with a strong understanding of ‘delivery chains’: the systems relating to achievement of national and local policies and priorities – and about ways of influencing how nationally driven chains can be influenced and local chains strengthened
- NAO and Audit Commission have researched critical issues in delivery chain effectiveness and have produced a useful tool for reviewing how well delivery chains work (see the Annex)
- This research highlighted typical weaknesses in delivery chains, not just relating, eg, to the working of funding and performance management regimes but also in engagement of local people and the third sector and in treatment of efficiency issues
- Vertical ‘supply chain’ relationships between tiers of government and contractors can fail to get to grips with intransigent social problems which require more of a ‘network’ approach, joining up the work of public, voluntary and private sectors and local residents
- More attention needs to be given to fostering effective networks and consortia within the third sector, to capitalise on what the sector has to offer locally and help the sector play a full role in delivering public services. This is all the more necessary where procurement has moved to sub-regional and regional scales, outwith the direct influence of local partners
- Fresh thinking may be needed about approaches to commissioning and procurement within LSPs/LAAs, in order to promote greater flexibility and innovation while still operating within EU guidelines

### Introduction

The origins of recent thinking on delivery chains lies in work by the National Audit Office (NAO) and the Audit Commission in 2005/06: “A ‘delivery chain’ refers to the complex networks of organisations, including central and local government, agencies, and bodies from the private and third 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.”<sup>1</sup> The concept has more recently been taken forward by the Audit Commission in their work on LSPs – Managing Performance and Resources, to be published shortly.

For the purposes of thinking about delivery chains in the LSP/LAA context, it is helpful to recognise, first, the position of LSP partners in delivering national PSAs, and the pressures that accompany this, and secondly, the role of ‘delivery chains’ locally in working towards LAA targets, whether based on National Indicators or locally defined.

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<sup>1</sup> National Audit Office and Audit Commission (2006) Delivering Efficiently - Strengthening the links in public service delivery chains [www.nao.org.uk/publications/0506/delivering\\_efficiently-strengt.aspx](http://www.nao.org.uk/publications/0506/delivering_efficiently-strengt.aspx)

It is helpful to extend the NAO/ Audit Commission analysis to draw out distinctions between *vertical* and *horizontal* relationships, with on the one hand:

- linear, hierarchical arrangements
  - within national organisations, with policy set at the centre and varying degrees of operational flexibility at delivery level
  - between government tiers, which channel funding, set targets and performance management requirements, etc
  - between government bodies as commissioners/ purchasers and their contractors - and between contractors and sub-contractors (akin to *supply chains* in the private sector)

...and on the other:

- relationships between partners at the same level, which have more the characteristics of *networks*, where organisations work together in areas of mutual concern/ interest, often with local communities/ communities of interest, and with less formal ties of accountability and reporting

In addition, within the voluntary and community sector, there are also *consortia* formed to strengthen the role of the sector in public sector delivery, to:

- work together to influence public agencies in a local or sub-regional context (where the consortia are more like a *network*)
- where organisations come together to compete for all or elements of contracts - acting as partners within a *supply chain*

Given changes in the procurement policies of central government and public agencies, and more local developments in commissioning, consortia arrangements have become in some areas and in some fields such as adult learning and skills, a *necessary* development for voluntary and community organisations wishing to continue and further develop their role in public service delivery.

## NAO and Audit Commission on delivery chains

The NAO/ Audit Commission work was carried out in recognition of the importance of understanding delivery chains as fundamental in understanding how policy is converted to delivery on the ground, critical risks and value for money.

Their research drew on analyses of delivery supply chains in supplying affordable housing; promoting bus use; and halting the rise in child obesity, and clarified a set of principles fundamental to effective management of complex delivery chains, set out in the form of 12 questions:

### Delivery chains: key questions (NAO and Audit Commission)

- (1) Is the required outcome sufficiently clearly defined?
- (2) Is the evidence base sufficiently robust?
- (3) Is there sufficient capacity, including available resources, to deliver?
- (4) Is there a shared operational plan describing how services will be provided?
- (5) Does the funding strategy influence activity in line with the objectives of the target?
- (6) Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?
- (7) Are levers and incentives fit for purpose?
- (8) Are the risks to the delivery chain well managed?
- (9) Do performance management systems keep delivery on track?
- (10) Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?
- (11) Are there mechanisms in place for regular feedback and review to support continuous learning?
- (12) Have systems to achieve efficiency been built into the delivery chain?

Source: NAO (2006) Delivering Efficiently - Strengthening the links in public service delivery chains.

[www.nao.org.uk/publications/0506/delivering\\_efficiently-strengt.aspx](http://www.nao.org.uk/publications/0506/delivering_efficiently-strengt.aspx)

The Annex at the end of the briefing fleshes out these questions further, in a form suitable for self-diagnosis by organisations and partnerships. These questions relate well to the ‘Five Steps to Better Outcomes’ delivery planning model<sup>2</sup> promoted by Learning to Deliver and variants in use amongst LAAs in the West Midlands.

The NAO report highlights a number of typical areas of weakness in delivery chains, including:

- the need for preliminary research and/or piloting where the evidence base is deficient
- failures to treat capacity (people and skills) as a strategic issue and key risk area in delivery
- insufficient engagement in policy making and service planning of stakeholders who have significant roles in whether or not policies and interventions are successful
- unnecessary costs and burdens in competitive bidding, performance reporting, etc
- undesirable consequences of funding regimes, which create uncertainties, short-termism, and deter innovation
- a mix of national policy levers and incentives which may prove counter-productive, eg, pulling agencies in different directions (eg, where working to different sets of targets)

The report also highlights:

- community engagement: *“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”*

<sup>2</sup> [www.wmcoe.gov.uk/download.php?did=1566](http://www.wmcoe.gov.uk/download.php?did=1566)

- efficiency: “potential sources of efficiency gains can derive from reducing transaction costs; sharing services and utilising assets; engaging with suppliers to strike better deals ...; and assessing how best to configure the front line.”

## Chains and networks: fitness for purpose?

Barry Quirk, Chief Executive of Lewisham and the e-Government Champion has argued<sup>3</sup> the need to recognise the distinctiveness of delivery chains and networks in addressing local improvement priorities.

He notes that a focus on chains has helped to develop thinking on how services can be improved, being useful, eg, in modelling costs and benefits, in asking how much is spent on different parts of the chain and on intermediary bodies of policy formulators, regulators and commissioners, and on how much money ‘hits the street’. There has also been value in considering how best to target resources and focus incentives within the chain. But the focus has very much been on managerial solutions and less about dealing with societal problems (eg, raising adult literacy, reducing youth crime) where the attention needs to be on *altering the behaviour* of the public or of service users – where often there are much weaker connections between public resources allocated and activities pursued and outcomes achieved, and standardised practices have less to offer. He argues that, “Once we are clear that the task is more like solving a social problem than it is like improving a service, our overall approach needs to change fundamentally. The disciplines that we use to improve services may be useful in solving problems but they will not be sufficient to achieve significant results. ... Efficiency is no longer a technical question of outputs as a ratio of inputs or of cash released as a ratio of cash spent. Instead, efficiency becomes a system-wide consideration...”

Thus delivering better outcomes on adult literacy, youth crime, teenage pregnancies, parenting, etc “requires system-wide thinking that starts with people rather than from how services are currently configured”. He sees an ever growing need for efficiency, where the agenda becomes more “about fostering, promoting and securing efficiency throughout local systems of service delivery regardless of organisational boundaries”.

Questions flow from these perspectives, in how best to develop ‘local systems of service delivery’, promoting innovation and collaboration through networks and within supply chains. There are implications for, eg:

- how partners approach working together at LSP and theme partnership level, in creating the conditions for staff at all levels to contribute to better, more innovative solutions and achieve collaborative outcomes
- engagement of citizens, volunteers and service users in helping to improve service delivery

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<sup>3</sup> B Quirk (2008) *The Future of Efficiency in a World of Outcomes*, in SOLACE Foundation (2008) *Efficient local government* [www.solace.org.uk/documents/sfi/SFI%20-20Efficient%20local%20government%20June%202008.pdf](http://www.solace.org.uk/documents/sfi/SFI%20-20Efficient%20local%20government%20June%202008.pdf)

- considerations of what kind of ‘supply chains’ partners want locally, importantly including the role of third sector organisations, and the role of competition (‘contestability’) in seeking performance improvement

Such issues are explored further in the L2D briefing, ‘Thinking Systems? Routes to better outcomes’<sup>4</sup>, which features approaches in Salford, Stoke-on-Trent and Wolverhampton.

## Thinking differently about commissioning and procurement – promoting flexibility and innovation

Seeking better answers in addressing priorities of the ‘social problem’ type may require quite different approaches to commissioning and procurement than have been practised in the past – practices which have often evolved in a piecemeal way across local authorities and their partners in the region.

Local authorities in particular may be faced with difficult decisions about how best to commission local services, in ways that promote ‘contestability’ and at the same time provide opportunities for local providers (eg, local small businesses and the third sector) to compete effectively for contracts. There may also be interest in supporting local third sector organisations in developing their ability to compete for contracts, including through collaboration (see section on consortia and the third sector below). These issues are raised by the Roots Review<sup>5</sup> on efficiencies and smarter procurement in local government which calls for urgent action through Regional Improvement and Efficiency Partnerships to address critical issues including scope to work with other parts of the public sector on procurement.

There are widespread views that procurement rules (and/ or how they are applied) can get in the way of collaborative, innovative solutions, and tie up staff time in unproductive activities. Procurement under OJEU (Official Journal of the European Union) regulations and processes can lead to cumbersome and time-consuming arrangements felt unsatisfactory by all concerned: commissioners, successful and unsuccessful contractors, and organisations turned off from considering tendering.

Issues such as constraints on the ability to explore innovative solutions; a treadmill of procurement management; and a lack of flexibility has led Manchester City Council to set up in 2008 an Economic Development Services Framework (covering employment, skills and enterprise priorities funded through the Area Based Grant)<sup>6</sup>. Under this Framework, four year agreements have been struck with 10 providers, from private and third sectors and including a voluntary sector consortium, with conditions providing flexibility to negotiate specific contracts with specialist providers or use mini-competitions amongst contractors on the framework. Contracts can also be extended on the basis of successful performance. The Council and Framework providers can further engage in exploratory

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<sup>4</sup> [www.wmcoe.gov.uk/download.php?did=1567](http://www.wmcoe.gov.uk/download.php?did=1567)

<sup>5</sup> [www.communities.gov.uk/publications/localgovernment/rootsreview](http://www.communities.gov.uk/publications/localgovernment/rootsreview)

<sup>6</sup> [www.idea.gov.uk/idk/laa/home.do](http://www.idea.gov.uk/idk/laa/home.do) and search for ‘Manchester Economic Development Services Framework’

discussions about emerging needs, and there is scope for providers to come to the Council with proposals for better ways of meeting needs which could be commissioned through the programme. None of this flexibility was possible under previous arrangements, and the Council, providers and service users are beginning to see the benefits of the new approach.

DIUS and the Office of Government Commerce (OGC) have recently published a guide to 'Finding and Procuring Innovative Solutions' which sets out ways in which public bodies can act while conforming with EU procurement rules. They stress that much flows from how, and how well, specifications – based on outcomes – are phrased, and highlight ways of taking market soundings or using dialogue procedures. This guide is linked to the new requirement on Government Departments to prepare Innovation Procurement Plans.

## Implications for LAA planning and delivery

Experience in the region in providing thematic support to LSPs on delivery planning and commissioning suggests needs – varying by locality and theme – for strengthening:

- overall perspectives of local delivery systems, and the factors which work for and against more successful outcomes
- approaches to procurement and commissioning which promote fresh, innovative thinking, which avoid repeating past under-performance and are flexible in responding to changing economic circumstances

Implications may include:

- understanding where 'network' approaches need to be strengthened and how (eg, in fostering more consistent and informed referral practices between agencies)
- mapping the wider picture of services and interventions dedicated or contributing to particular objectives, and assessing how well these match up to needs
- using customer journey techniques to understand better how weaknesses in delivery chains have impacts on individuals and families, and identify ways of improving customer experience and outcomes
- developing the evidence base on the effectiveness of the interventions that feature in delivery chains
- developing a better appreciating of how existing provision matches up to local needs, no matter who is the funding agency
- engaging communities and service users in planning and reviewing services
- where not done already, treating quality in the delivery chain as a strategic issue and supporting delivery-focused networks and consortia

Thinking in terms of 'chains' can narrow people's focus: often the need is for whole systems thinking, seeking to capitalise on the cross-cutting links between policy delivery chains. These may offer relatively 'low cost' or 'no cost' contributions, eg, by including social clauses in procurement contracts

(eg, in relation to recruitment and workforce development), school meals procurement in ways which promote healthy eating, and more widely, the use of public purchasing to stimulate innovation by providers, be they private or third sector.

Promoting collaboration within the third sector can also be expected to contribute to achievement of National Indicator 7, “a thriving environment for the third sector”. There may be particular needs to support proactive work to build capacity and collaborative arrangements in key fields where commissioning is being undertaken increasingly at the level of regions or large sub-regions, such as with DWP welfare-to-work programmes, and to ensure sufficient funding to oil the wheels of collaborative responses, in ensuring that third sector organisations are well-informed about upcoming opportunities and capable of responding effectively.

## Resources

- brap (2008) Two Sides of the Same coin: a guide to working with Black Asian and Ethnic Minority Third Sector Organisations  
[www.brap.org.uk/content/view/257/198/](http://www.brap.org.uk/content/view/257/198/)
- CLG (2009) Review of arrangements for efficiencies from smarter procurement in local government (The Roots Review)  
[www.communities.gov.uk/publications/localgovernment/rootsreview](http://www.communities.gov.uk/publications/localgovernment/rootsreview)
- DIUS (2008) Procuring for innovation, innovation for procurement  
[www.dius.gov.uk/policy/documents/Innovation%20Procurement%20Plans.pdf](http://www.dius.gov.uk/policy/documents/Innovation%20Procurement%20Plans.pdf)
- DIUS & OGC (2008) Finding and Procuring Innovative Solutions  
[www.ogc.gov.uk/documents/Finding\\_and\\_Procuring\\_Innovative\\_Solutions\\_\(3\).pdf](http://www.ogc.gov.uk/documents/Finding_and_Procuring_Innovative_Solutions_(3).pdf)
- National Audit Office and Audit Commission
- \* Delivering Efficiently - Strengthening the links in public service delivery chains  
[www.nao.org.uk/publications/0506/delivering\\_efficiently-strengt.aspx](http://www.nao.org.uk/publications/0506/delivering_efficiently-strengt.aspx)
  - \* Bus Services (2005) [www.nao.org.uk/publications/0506/delivery\\_chain\\_analysis\\_for\\_bu.aspx](http://www.nao.org.uk/publications/0506/delivery_chain_analysis_for_bu.aspx)
  - \* Tackling Child Obesity - First Steps (2006) [www.nao.org.uk/publications/0506/tackling\\_child\\_obesity.aspx](http://www.nao.org.uk/publications/0506/tackling_child_obesity.aspx)
  - \* Building more affordable homes: Improving the delivery of affordable housing in areas of high demand (2005)  
[www.nao.org.uk/publications/0506/building\\_more\\_affordable\\_homes.aspx](http://www.nao.org.uk/publications/0506/building_more_affordable_homes.aspx)
- NIACE (2004) Local Voluntary Sector Learning Consortia [www.niace.org.uk/Research/Volsector/vol-sector-consortia.pdf](http://www.niace.org.uk/Research/Volsector/vol-sector-consortia.pdf)  
+ NIACE documents on Adult Learning and the Third Sector [www.niace.org.uk/Research/Volsector/Default.htm](http://www.niace.org.uk/Research/Volsector/Default.htm)
- Office of the Third Sector (2008) Working in a consortium: A guide for third sector organisations involved in public service delivery [www.cabinetoffice.gov.uk/media/107235/consortium%20guide%20final.pdf](http://www.cabinetoffice.gov.uk/media/107235/consortium%20guide%20final.pdf)
- SOLACE Foundation (2008) Efficient local government  
[www.solace.org.uk/documents/sfi/SFI%20-20Efficient%20local%20government%20June%202008.pdf](http://www.solace.org.uk/documents/sfi/SFI%20-20Efficient%20local%20government%20June%202008.pdf)
- SITRA (2008) A Provider's Guide to Procurement  
[www.sitra.org/fileadmin/sitra\\_user/TEMP/A\\_Provider\\_s\\_Guide\\_to\\_Procurement\\_for\\_website.pdf](http://www.sitra.org/fileadmin/sitra_user/TEMP/A_Provider_s_Guide_to_Procurement_for_website.pdf)

**ANNEX**

## National Audit Office and Audit Commission self-assessment tool: Are you ready to deliver?

<p><b>1</b> Is the required outcome sufficiently clearly defined?</p> <ul style="list-style-type: none"> <li>Target is vague or can only be measured by a suite of measures.</li> <li>Target is clear and unambiguous but no coherent strategy.</li> <li>Success is clearly defined by a target that is unambiguous and supported by a comprehensive, well understood strategy.</li> </ul>	<p><b>2</b> Is the evidence base sufficiently robust?</p> <ul style="list-style-type: none"> <li>Little research and no piloting result in weak evidence base. Resources wasted on ineffective plans.</li> <li>Some research on existing evidence highlights factors on which to focus. Not all interventions properly implemented at all levels.</li> <li>Extensive preliminary research and piloting of interventions. Interventions at all levels aligned to maximise effectiveness and minimise cost.</li> </ul>	<p><b>3</b> Is there sufficient capacity, including available resources, to deliver?</p> <ul style="list-style-type: none"> <li>No overall assessment of resources across delivery chain resulting in a risk of misdirecting resources.</li> <li>Assessment of resources available undertaken and capacity issues being addressed.</li> <li>Keep awareness of resource and capacity issues. Resources directed to where they are most effective and capacity regularly reviewed.</li> </ul>	<p><b>4</b> Is there a shared operational plan describing how services will be provided?</p> <ul style="list-style-type: none"> <li>No operational plan apart from some internal departmental documents.</li> <li>Operational plan present but most delivery partners have not been involved in its production nor is it widely available.</li> <li>Operational plan produced with all delivery partners; widely available and well understood. Front line staff and service users consulted.</li> </ul>	<p><b>5</b> Does the funding strategy influence activity in line with the objectives of the target?</p> <ul style="list-style-type: none"> <li>Multiple short-term funding streams with funding not dependent on performance.</li> <li>Longer-term funding allows more certainty, but there are still multiple overlapping streams. Some performance-related funding.</li> <li>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.</li> </ul>	<p><b>6</b> Do local, regional and national levels communicate regularly using reliable information so that there is good coordination?</p> <ul style="list-style-type: none"> <li>No mechanism in place for the different levels of the delivery chain to come together and address issues.</li> <li>Some coordination at regional level but large gap between local and national understanding of risks and issues facing delivery.</li> <li>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.</li> </ul>
<p><b>7</b> Are levers and incentives fit for purpose?</p> <ul style="list-style-type: none"> <li>Few levers in place apart from some funding.</li> <li>Levers established but without consultation; not piloted so not always effective.</li> <li>Levers designed around consideration of flexibility and agility of partners to respond. Pilots conducted to ensure best levers are implemented.</li> </ul>	<p><b>8</b> Are the risks to the delivery chain well managed?</p> <ul style="list-style-type: none"> <li>No overall assessment of risk undertaken.</li> <li>Internal risk assessment undertaken; but awareness of key risks not cascaded through delivery chain.</li> <li>Thorough risk assessment undertaken, culture of risk management present throughout delivery chain with high awareness of key risks at each level of chain.</li> </ul>	<p><b>9</b> Do performance management systems keep delivery on track?</p> <ul style="list-style-type: none"> <li>Multiple performance management systems linked to many funding streams; hard to measure.</li> <li>Performance management systems can measure progress but indicators are not entirely accurate.</li> <li>Regular monitoring. Frequent stock takes. Performance easy to track against objectives.</li> </ul>	<p><b>10</b> Is there strong leadership that is accountable through clear governance structures at all levels of the delivery chain?</p> <ul style="list-style-type: none"> <li>Leadership poorly assigned. Shortage of clear guidance results in lack of clarity about who should take lead.</li> <li>Some guidance issued on roles and responsibilities, but lack of incentives and measures to ensure accountability.</li> <li>Leadership at all levels of delivery chain is understood and resourced; backed by incentives and performance management.</li> </ul>	<p><b>11</b> Are there mechanisms in place for regular feedback and review to support continuous learning?</p> <ul style="list-style-type: none"> <li>Nothing in place to promote feedback. No facility to disseminate examples of good practice.</li> <li>Guidance filtered down from national to local level, but no mechanisms to communicate feedback from local level upwards.</li> <li>Frequent feedback given to and from all levels of the delivery chain. Feedback reviewed, and guidance and examples of good practice shared.</li> </ul>	<p><b>12</b> Have systems to achieve efficiency been built into the delivery chain?</p> <ul style="list-style-type: none"> <li>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.</li> <li>Opportunities to increase economies of scale not fully realised. Some sharing of assets and services. Room to reduce transaction and administration costs further.</li> <li>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.</li> </ul>
<p><b>Assessment</b></p> <p>For each of the twelve questions, score -1 for red, 0 for amber and +1 for green</p> <p style="text-align: center;"> <span style="color: red;">-1</span> <span style="color: orange;">0</span> <span style="color: green;">+1</span> </p> <p style="text-align: center;"> <span style="color: red;">-12</span> <span style="color: red;">-11</span> <span style="color: red;">-10</span> <span style="color: red;">-9</span> <span style="color: orange;">-8</span> <span style="color: orange;">-7</span> <span style="color: orange;">-6</span> <span style="color: orange;">-5</span> <span style="color: orange;">-4</span> <span style="color: orange;">-3</span> <span style="color: green;">-2</span> <span style="color: green;">-1</span> <span style="color: green;">0</span> <span style="color: green;">1</span> <span style="color: green;">2</span> <span style="color: green;">3</span> <span style="color: green;">4</span> <span style="color: green;">5</span> <span style="color: green;">6</span> <span style="color: green;">7</span> <span style="color: green;">8</span> <span style="color: green;">9</span> <span style="color: green;">10</span> <span style="color: green;">11</span> <span style="color: green;">12</span> </p> <p style="text-align: center;"> <span style="color: red;">High risk of failure</span>      <span style="color: orange;">Inefficiency is likely and little effective delivery</span>      <span style="color: green;">Delivery may be effective in some parts of the delivery chain but only where capacity is strong</span>      <span style="color: green;">While delivery is effective there is a risk of inconsistency and potential efficiencies are not fully realised</span>      <span style="color: green;">Highly effective and efficient</span> </p>					