

Delivering public services through markets: principles for achieving value for money

There are risks and opportunities to achieving value for money from delivering services through markets, as there are with any service delivery method. Markets present opportunities for services to become more personalised, responsive, diverse and innovative. Competition can deliver higher quality services and improve efficiency while maintaining equity. However, there are risks that need to be understood and managed to achieve value for money. Markets can lead to fragmentation, potentially reducing the capacity of individual delivery units and increasing overall costs, or can lead to over-concentration of provision and hence higher costs to users if competition is ineffective.

The National Audit Office has identified ten principles, in four key areas that require clear oversight to secure value for money when public services are delivered through markets.

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Rules for ensuring a competitive market	
Principle One	There are rules to ensure the effective operation of the market
Principle Two	The rules of the marketplace are enforced if necessary
Enabling users to participate actively in the market	
Principle Three	Users are empowered to make appropriate choices
Principle Four	Users have effective mechanisms for redress
Promoting healthy competition between providers	
Principle Five	There is a level playing field for all providers, whether public or private
Principle Six	Providers can easily enter the market, expand and exit
Principle Seven	There are arrangements to ensure service continuity where provider failure could result in harm to users
Ensuring the market is delivering the public policy objectives	
Principle Eight	Market oversight is based on good quality financial monitoring and market intelligence
Principle Nine	The oversight body has sufficient expertise to understand the market and will intervene, if appropriate, to remedy market failures
Principle Ten	The body responsible for delivery of public policy regularly reviews whether public service outcomes are being delivered

Source: [National Audit Office, *Delivering public services through markets: principles for achieving value for money*, June 2012](#)