



National Audit Office

Report

by the Comptroller
and Auditor General

Cabinet Office and HM Treasury

Government's management of its performance: progress with single departmental plans

Summary

Background to performance management in government

1 Governments are elected on the basis of their promises to improve various outcomes for citizens or the country. They also have to deliver a large amount of business-as-usual activities and services. At present government is also attempting large scale transformation of how it operates. Government needs business planning and performance management arrangements that allow it to set objectives, make robust plans to deliver its commitments, and measure and report performance. Our Parliamentary democracy is based on the idea that Parliament can hold the government of the day to account for its performance in spending taxpayers' money on services, commitments and reforms. So the same arrangements must provide adequate publicly available performance information.

2 Government departments, led by accounting officers (AOs), are responsible for their own business planning and performance management and are accountable to Parliament for their performance, though the Committee of Public Accounts (the Committee). Cabinet Office and HM Treasury are responsible for ensuring that business planning and performance management across government can support:

- the Prime Minister and the Cabinet, and their objectives;
- corporate functions, such as procurement and digital services, which apply across government; and
- control of public spending.

3 The periodic spending reviews managed by HM Treasury, which determine high-level allocations of funding to departments, have for some years formed a consistent feature of government's approach, though with gradual improvements (we report separately on these in the accompanying publication). But over time, governments have put in place various different arrangements for business planning and performance management at the cross-government level. In 2011, when reviewing the Coalition's then new approach, the Committee set out what it considered essential for both effective implementation of policy and effective accountability for departmental expenditure, including:

- being clear and precise about objectives;
- establishing monitoring arrangements that align costs and results for all significant areas of departmental activity and spending; and
- providing reliable, timely, accessible data to support that monitoring.⁴

4 However, by the end of the 2010-15 Parliament there was no functioning cross-government approach to business planning, no clear set of objectives, no coherent set of performance measures and serious concerns about the quality of data that was available. The Committee considered that, quite apart from the gap in public transparency, AOs across government lacked the data on cost and performance they need for effective oversight of government spending, and to provide accountability to Parliament.⁵

5 Government started working on a new business planning and performance management system soon after the 2015 election. Departments were asked to set out their high-level objectives in June 2015 and in July 2015 to set out Single Departmental Plans (SDPs) to 2020. SDPs were to cover formal reporting on key government priorities, cross-cutting goals which span more than one department, and the day-to-day business of departments. They were intended to be developed for the first time alongside the Spending Review 2015, but in practice the detailed planning happened after the Spending Review had been finalised in November, and SDPs continued to be refined well into the 2016-17 financial year. High-level summary versions only, of the 17 departments' SDPs, were published in February 2016. The SDPs therefore have two final forms:

- A high-level published summary (the 'published SDP') which sets out objectives for each department and public performance measures; and
- An internal version, shared by departments with Cabinet Office and HM Treasury (the 'internal SDP') which should align with the published version but includes more detail on the management of day-to-day business and resources, essentially filling the role of a business plan to 2020.

⁴ HC Committee of Public Accounts, *Departmental Business Planning*, Session 2010-12, HC 650, May 2011, p. 4.

⁵ HC Committee of Public Accounts, *Accountability to Parliament for taxpayers' money*, Thirty-ninth Report of Session 2015-16, HC 732, April 2016.

6 As set out in the Preface, we are now looking to government to put in place an overarching, stable and enduring framework that fully integrates the business planning and performance management with planning and management of resources. Against this broader background, this report focuses specifically on the government's new approach to part of that challenge – the single departmental plans.

Scope of this report

7 Given that the government's new performance system has not yet completed a full annual cycle, our aim in this report is not to criticise the government for not having perfected and fully embedded it. Instead, we aim to: review the strengths and weaknesses of the approach so far; identify the potential for it to endure and form part of a stable business planning and management framework that leads to real improvement for taxpayers; and point out the risks and barriers that will need to be overcome.

8 This report covers:

- what is meant by an effective performance system and why government needs one (Part One);
- progress towards creating a new and enduring performance system through SDPs, as led by Cabinet Office and HM Treasury (Part Two); and
- the impact of SDPs on business planning in departments and examples of improved practice (Part Three).

9 As part of this report we examined the published SDPs which the government put on the gov.uk website in February 2016. Departments are still developing internal SDPs which they are sharing with Cabinet Office and HM Treasury but do not intend to publish. We have examined the processes behind the development of internal SDPs over the last year, at the centre of government and in selected case study departments, but we have not undertaken a detailed review of their quality at this stage.

Main findings

The urgent need for an effective performance system

10 The quality and availability of performance information in government has been of concern for a long time. While the principle of a 'golden thread' that links strategic objectives to detailed day-to-day activities through a performance system is well accepted, achieving this in government can be challenging, as objectives are often complex and far removed from front-line services. Our work demonstrates, however, that failing to get the basics right is undermining value for money (paragraphs 1.2 to 1.5).

11 Successive governments have come up with new ways of trying to show what they have achieved, but these have not endured. Each new system has had elements of good practice, while also reacting against what has gone before; and each has had strengths and weaknesses. The public service agreements (PSAs) developed during the 1990s lasted some 12 years and focused on longer-term outcomes, but eventually were felt to place a significant bureaucratic burden on departments. By contrast, the business plans of the coalition government focused on short-term actions. They significantly reduced the amount of information available to Parliament and the public about what the government was planning and achieving, and fell into disuse for management purposes before the end of one Parliament. We see, elsewhere in the world, systems that endure and are able to support different incoming governments to plan and manage their programmes, whatever their objectives. We believe it should be an ambition for the UK to set up a similar system (paragraphs 1.11 to 1.14).

12 Performance information and a robust performance system should underpin the needs of many different stakeholders:

- For the centre of government, they should provide information on whether government is achieving its aims and meeting the needs of citizens.
- For Parliament and taxpayers, they should provide accountability on whether the government of the day is delivering on its promises.
- For departments themselves, they should allow them to make good management decisions about what they do and how they do it (paragraphs 1.17 to 1.18).

13 The government has put a lot of effort into developing SDPs and built in learning from the past. Cabinet Office and HM Treasury, working closely together, designed the SDP framework to cover a large number of different stakeholders' needs, by capturing for the first time the whole range of departments' aims and objectives including departmental commitments, cross-departmental goals, day-to-day service delivery, business transformation programmes and efficiency improvements. They also aimed to reduce the amount of information that central government requests from departments. In developing the SDP, the Cabinet Office Implementation Unit and HM Treasury sought to learn from the failures of the past and follow good practice in their design (paragraphs 1.15 to 1.16 and 1.20 to 1.21).

How the SDP approach so far measures up to that need

For the centre of government

14 SDPs are designed to help Cabinet Office track progress on the government's commitments. The Cabinet Office Implementation Unit is developing arrangements to use the SDPs to track manifesto commitments and cross-government goals for the Prime Minister and top of the civil service. It is also using them to press departments to show they have a solid plan for delivering those commitments. Cabinet Office aims to make data collection less burdensome, and a consistent basis for conversations between the centre and departments (paragraphs 2.2 to 2.3, 2.7 to 2.15 and 2.26 to 2.27).

15 HM Treasury plans to use SDPs to inform and improve interactions between departments and their spending teams, identifying value-for-money risks before they occur. They described this objective as “improving government’s ability to track performance and spend, link inputs to outputs, and drive improved value for money”.⁶ The SDPs were meant to be fully integrated with the Spending Review 2015 which decided where money was to be allocated across government. In practice, departments found that they could not manage two resource-intensive exercises simultaneously, and that it was not practical to set out their plans until they knew what they had received funding for (paragraphs 2.4 to 2.5, 2.18 to 2.19 and 2.28 to 2.30).

16 Other parts of Cabinet Office see the key strength of SDPs as supporting detailed long-term business planning. The Chief Executive of the Civil Service said “they will show the choices we must make to ensure we can deliver what we promise over the next period”.⁷ If the plans are successful they will allow departments to be realistic about what they can achieve with the resources they have. They will also allow departments to manage transformation, which will require the input of experts from across the centre, especially Cabinet Office (paragraphs 2.16 to 2.17 and 2.30).

For the public and Parliament

17 The published SDPs do not provide all the public accountability the government said they would. The government set out a significant ambition for public accountability through the SDPs. They would describe the government’s objectives, bring together inputs and outputs, and enable the public to see how government is delivering on its commitments. Each department has set out all its agreed objectives in its published SDP. Departments provide some information on how they are working together on shared objectives, but this is not done in a consistent way. Only 10 out of 17 departments link any of their objectives to detailed spending plans. The measures set out in the plans mostly cover outputs or outcomes, but some significant areas of objectives have measures of progress which are still being developed. Mid-year performance reporting to Parliament was missed because of delays in the development of SDPs, and their publication did not fill this gap in terms of presenting a “fair, balanced, and understandable picture of the Department’s financial and non-financial performance”.⁸ The government has said that more information will be available, for example in annual reports, but it is not yet clear how this will present a coherent set of information for accountability to taxpayers (paragraph 2.20).

18 The published SDPs do not meet the government’s stated aim to be “the most transparent government ever”. The great majority of the detailed SDP content is not included in the public version. Although it is not reasonable to expect the government to share every detail of its plans and progress – we recognise the need for a ‘safe space’ for ministers to make decisions before options are finalised – we would expect to see greater detail than has been published (paragraph 2.22).

⁶ Cabinet Office and HM Treasury, *Single Departmental Plans: Departmental Guidance*, July 2015.

⁷ John Manzoni, ‘Clarifying our priorities – Single Departmental Plans’, 29 July 2015. Available at: <https://civilservice.blog.gov.uk/2015/07/29/clarifying-our-priorities-single-departmental-plans/>

⁸ HM Treasury, *Mid-year reporting guidance 2015-16*, October 2015.

19 The usability of the published performance data is poor, though the government has plans to improve this. What is published fails to meet open data standards for usability, with information embedded in 17 individual departments' plans and not linked to detailed sources or context. Annual updates are proposed, as well as updates to data 'as it becomes available' but users will find it hard to know when this has been done. Cabinet Office and HM Treasury have plans to make data more accessible in future through stronger visual presentation and more information on data sources and timetables for update (paragraph 2.21).

For departments

20 Although there have been some frustrations with the process, departments see SDPs as a step in the right direction. Departments see the value in setting out 'a single version of the truth', using the same information for different interactions with the centre of government. Departments also saw the value in carrying out a business planning exercise alongside the Spending Review 2015. However, they did identify some additional frustrations with the process which the centre can alleviate for future years. Departments that were already conducting their own planning found it an extra burden to meet the requirements of the SDP and are yet to be convinced that there is a reduction in reporting requirements. The centre repeatedly moved deadlines in an effort to align SDP production with a range of existing planning processes, but some departments that were working to the original target found the changes led to a stop-start process (paragraphs 2.4, 2.23 to 2.25, 2.32 to 2.33 and 3.13 to 3.19).

21 The SDPs are helping departments to develop more robust planning. Departments are broadly supportive of the opportunity the SDPs offer to improve business planning. Internal SDPs allow departments to clarify how they are allocating resources to their published objectives and how they plan to deliver these objectives from now to 2020, although more work is needed to ensure that all parts of the delivery systems, including arm's-length bodies, are involved. Business planning in government starts from a low base, but specific examples of progress from our case studies include: the Department for Environment, Food & Rural Affairs improving its engagement with arm's-length bodies on how outcomes will be achieved; and the Department for Education improving its use of milestones and trajectories to monitor performance (paragraphs 3.2 to 3.12).

Opportunities and risks remaining

22 Developing a robust performance system for government is an essential part of the business planning and management framework that we advocate. It is also urgently required to address the gap in accountability for government performance, and the mismatch between government's statements and its practice on transparency. This is the gap into which the SDPs can step. A robust system would support better planning and management of the long-term change programmes that the government is pursuing. And it would support AOs in their key role of balancing long-term value for taxpayers' money with shorter-term political ambitions. Moreover, a sustainable system that outlasts the Parliament would allow future incoming governments to avoid wasting time, money and energy before beginning work on their programme.

23 There are a number of significant risks to achieving the potential of the SDPs and embedding the SDP approach into government's culture.

The civil service does not have a strong track record in making changes to its culture and the risks to SDPs, as with other past initiatives, lie in a lack of sustained leadership and poor engagement of civil servants within departments. Now that the SDPs are agreed between the centre and departments there is a risk that the leadership focus and momentum to keep improving and embedding them is lost. More work is needed to develop a set of measures which cover all areas of the business and clearly link spending and performance. Based on the experience of PSAs, without concerted effort this may not be complete before the end of the Parliament. There is also a risk that departments fail to take the opportunity of SDPs to change their performance culture and involve all parts of the delivery system, including arm's-length bodies, resulting in top-down, surface changes only. The centre can mitigate many of these risks if it delivers clear added value from the new approach; particularly on providing a strategic, whole-of-government view, and on reducing unnecessary burden on departments.

Conclusion

24 We support the ambitious scope that has been set out for the SDPs as business planning and management tools, and note the learning that Cabinet Office and HM Treasury have taken from the past. However, there remain significant risks to manage if the SDP initiative is to sustain and improve over time rather than following previous performance systems into history at the end of this Parliament. It may ultimately fail to make a lasting impact on departmental and whole of government performance, if it were to become no more than a veneer, mainly focused on short-term reporting on political commitments and not add more value to accountability and transparency.

25 International comparators show that achieving progress will take time, sustained leadership and a culture change from within the civil service. The SDP initiative represents just the very start. Cabinet Office, HM Treasury and departments must be prepared for this to be a long-term process. Although meeting the needs of different stakeholders makes the challenge greater, these must nonetheless be tackled in an integrated way that addresses strategy, people, process, information and improvement, and engages all levels of staff, or else the considerable time and energy that has been put in by the centre and departments will be wasted.

Recommendations

- 26** Our recommendations are geared towards achieving the ambitions of:
- transparent public performance reporting that improves the effectiveness of accountability to Parliament for taxpayers' money; and
 - long-term, continuous, integrated business planning and management across government.

Recommendations for transparent public reporting

27 Cabinet Office, and particularly the Implementation Unit, should ensure that published SDPs do much more to close the gap that currently exists in government's accountability to Parliament and the public, and that they meet its stated aims for transparency. This is likely to include:

- publishing clear and appropriate metrics to assess progress against each objective, and enough information to judge performance. This will include baseline performance and any targets, as well as more detailed information on methodologies and data quality;
- setting out which parts of the plan will be updated and precisely when this will happen, and making those changes clear when they have been made; and
- presenting information in a clear format that respects the government's information principles and the ideas behind the open data ratings.^{9,10}

28 Departments should take ownership of the content of their published SDPs, particularly setting up additional metrics where there are gaps. They should ensure that the published plans are not only consistent with their internal planning and other accountability tools, such as accountability system statements and annual reports, but can be easily used by stakeholders as a package.

9 'Information principles', available from the National Archives: www.nationalarchives.gov.uk/information-management/manage-information/planning/information-principles/

10 Cabinet Office, *Open Data Strategy*, 2012, Annex 4. Available at: https://data.gov.uk/sites/default/files/Cabinet%20Office%20Open%20Data%20Strategy_10.pdf

Recommendations on business planning and management

29 Cabinet Office and HM Treasury set out to integrate the Spending Review 2015 and SDPs but in practice this was too ambitious to achieve in one year. They should continue to work on achieving a seamless link between the SDPs as a tool for continuous business planning and performance management, and the periodic spending reviews as a high-level “reboot” exercise to respond to changes in administration, fiscal readjustments or other fundamental shifts. This will enhance the quality of spending review decisions and serve to embed the SDP approach for the long term.

30 Cabinet Office and HM Treasury must play their full part in delivering the benefits to departments of the SDP approach. This is essential to getting buy-in from across government. The benefits we foresee include: a reduced burden on departments from integrating reports to the centre with reports to departmental boards; a clearer understanding of what information the centre needs and why; and a single shared version of the truth that facilitates better interactions between the centre and departments and better decision-making. The centre must:

- lead by example and ensure all of its interactions with departments are integrated with, and fully informed by, the SDPs; and
- avoid any separate requests for performance information.

31 The Implementation Unit should work with departments to build strong foundations for SDP reporting within departments’ internal planning processes. The two are in close alignment, thanks to significant work and changes to processes in departments. However, there must be ongoing work to make sure that the two kinds of planning continue to move towards each other rather than drifting apart.

32 Departments must also make sure that they make clear the links between SDPs and more detailed internal planning. This should include using the same language when setting out the SDP, when they talk to arm’s-length bodies or other bodies involved in delivering their objectives, and when setting objectives for individual staff or teams – the ‘golden thread’ which links them should be clear to all.

33 Departments should also seek to improve their SDPs by challenging each other on how to tackle common issues and sharing good practice. The Implementation Unit should support this through its contacts with cross-government networks and departmental implementation units.