REFORM

AN EFFICIENCY MINDSET

Prioritising efficiency in Whitehall's everyday work

Patrick King

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ABOUT REIMAGINING WHITEHALL

This paper is part of the *Reimagining Whitehall* work stream. To effectively reimagine the State, major change must occur in the behaviours, processes, and structures of central government. The specific reform proposals sit under three core themes: New Mindsets, Rewiring the Centre, and Decentralising Power. This paper is the first in the New Mindsets series, and sets out ideas for reforming processes and incentives within Whitehall in order to embed efficiency and continuous improvement in the everyday work of the government machine.

Reimagining Whitehall Steering group
Reform is grateful to the expert members of the *Reimagining Whitehall Steering Group* who provide invaluable insight and advise on the programme. Their involvement does not equal endorsement of every argument or recommendation put forward.

Dr Henry Kippin, Chief Executive, North of Tyne Combined Authority

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The arguments and any errors that remain are the author's and the author's alone.

Interviewees

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The list of interviewees is as follows:

- Katie Crookbain, Partner, PA Consulting
- Rt Hon Ben Gummer, former Minister for the Cabinet Office and Paymaster General (2016 - 2017)
- Dame Meg Hillier MP, Chair, Public Accounts Committee
- Rt Hon Dame Margaret Hodge MP, former Chair, Public Accounts Committee (2010 - 2015)
- Rt Hon David Lidington CBE, former Minister for the Cabinet Office and Chancellor of the Duchy of Lancaster (2018 - 2019) and former Lord Chancellor and Secretary of State for Justice (2017 - 2018)
- Lord Macpherson, former Permanent Secretary to the Treasury (2008 - 2016)
- Julian McCrae, Director, Engage Britain; former Deputy Director, Prime Minister's Strategy Unit
- Tony Meggs, Chair, Sellafield Ltd and former CEO, Infrastructure and Projects Authority
- John Penrose MP, Member of Parliament for Weston-super-Mare
- David Richards, Professor of Public Policy, University of Manchester
- Max Tse, Executive Director, National Audit Office
- Dr Samuel Warner, Research Associate, University of Manchester

and five interviewees, including three senior civil servants, who wished to remain anonymous.

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Recommendations

Recommendation 1: Government should place Outcome Delivery Plans (ODPs) on a statutory footing, with the requirement to publish a revised or updated Plan annually. Plans should clearly link resourcing with departmental priorities, including FTE staffing and programme budgets.

Plans must include clear metrics of success and progress milestones covering the length of the spending review. These should be captured in a dashboard of indicators published every six months.

Progress against ODP priorities should directly inform HM Treasury's annual Budget spending decisions.

Recommendation 2: Departmental select committees should hold an annual hearing to scrutinise Outcome Delivery Plans (ODPs) and progress against the priorities contained within them.

Just as with pre-appointment hearings, the Committee should publish a report detailing their assessment of the Department's performance against their ODP.

Recommendation 3: The Evaluation Taskforce should oversee a new framework which sets out clear expectations for when, and under what conditions, evaluations should be published by departments. In the interests of transparency, these rules should adhere as closely as possible to a principle of proactive 'publication by default'.

Government should additionally set the requirement that all public spending is evaluated periodically (defined as once every ten years or less) and that the completion of these evaluation plans becomes a condition of spending sign-off from Treasury. If further evaluation is deemed unnecessary, this should be publicly justified.

Recommendation 4: The Treasury should adopt Canada's dual sign-off model for all new policies and programmes above an agreed threshold. For spending to be approved, departments should be required to demonstrate that new initiatives are likely to be effective based on past evaluations, audits, studies and experiments.

Where this evidence is not available, for example because a policy or programme is particularly novel or transformative, the department must provide a clear rationale explaining this: including future plans for evaluation, how it will identify whether implementation is on track, and trigger points for acting if there is emergent evidence that the initiative may not be effective.

Recommendation 5: Each department should have a named individual in their executive team whose brief includes accountability for the use of robust performance information in decision-making.

Government should set up a Performance Taskforce as a unit of the Cabinet Office, sponsored by the Government Chief Operating Officer. This taskforce should be comprised of the Treasury's Director-General of Public Spending, the Director of the No. 10 Delivery Unit, the Chief Executive of the Infrastructure and Projects Authority, and the named officials from each department responsible for performance information. This taskforce should mandate the digital, data and technological capabilities needed for each department's system of performance information, making clear what 'what good looks like'. It should also define when and in what form performance information should be made available to the public.

Recommendation 6: Departments should appoint Outcome Delivery Plan (ODP) Senior Responsible Owners (SROs): a named senior civil servant for each of the priority outcomes named in their ODP. This individual should be responsible for coordinating and reporting on implementation and progress.

These officials would, in addition to the permanent secretary, be directly accountable to the Public Accounts Committee and departmental select committees. At a minimum they would appear before the relevant committee for the annual ODP scrutiny session to report on progress against their ODP priority.

Government should consider the case for paying ODP SROs a tax-free, non-pensionable allowance in addition to their base salary with the aim of improving retention and accountability, akin to the Pivotal Role Allowance. This should include consideration of how the allowance may be designed to account for the SRO's performance: for example, whether poor performance ought to trigger some form of clawback on the supplementary payment.

Recommendation 7: The sign-off process for ODP SROs leaving for other roles in government should replicate the one used for the Government Major Project Portfolio. Responsibility for these sign-offs should sit with their department's permanent secretary.

Recommendation 8: Each department should put in place a strategy for encouraging staff at junior grades to identify and put forward ideas for unlocking savings and/or improving delivery. Elements of this strategy could include:

- In-person and online forums in which senior officials proactively seek ideas and views from frontline staff
- A ringfenced reward budget to apportion to staff from delegated grades who have been nominated by colleagues for identifying executable opportunities to improve efficiency, and name and thank staff who have put forward successful ideas
- Secondment opportunities for staff working in frontline operational roles to join the policy team of their department and contribute to improving the efficiency of the corresponding policy or programme they have been working on
- Public letters of commendation from the permanent secretary of a department, recognising contributions to efficiency from named members of staff from junior grades

Foreword

Governments have been focused understandably on delivering Brexit and dealing with Covid in recent years. As a result, they have tended to neglect public sector performance. Low interest rates allowed difficult decisions to be deferred through borrowing. But low growth, a record tax burden, high debt and rising interest rates mean this is no longer an option. The politics of public services have changed.

Public sector wage restraint, which has for some time been a key public finance sticking plaster, does not constitute a long-term solution. History, and market forces, suggest that public sector wages track those in the private sector.

And so whoever forms the next government is going to have to be much more proactive in prioritising efficiency.

All too often efficiency in the public sector is associated with overly centralised Treasury cuts-driven exercises. It should not be. It is better framed through the lens of social responsibility. Most people join the public sector because they want to make a difference to the society they serve. Society only has so much taxable capacity. Ensuring that outputs are maximised for a given level of inputs is central to the public servant's mission.

Government needs to be clear that efficiency and productivity will be its priority not just for the year ahead but for the next decade. It needs to establish a performance framework which will incentivise public sector managers to deliver. That will require relentless focus from the top: only the Prime Minister can hold Secretaries of State and their Permanent Secretaries to account. But the framework also needs to recognise that most public services are not delivered by Whitehall. Where services are devolved or decentralised, the challenge is to put in place a regime which reconciles national priorities with local autonomy. All these things are easy to say but difficult to do.

The greater the national debate about public sector performance ahead of the election, the more likely it is the next government will put in place a framework which will last. *Reform's* paper is an important contribution to that debate. I commend its focus on the hard work of embedding change and the avoidance of magical thinking.

The prize for success is considerable. Solve the public sector's productivity problem and we are well on our way to solving Britain's productivity problem.

Lord Macpherson GCB

Permanent Secretary to the Treasury (2005 – 2016)

1. Introduction

Spending public money wisely must be at the core of all Whitehall activity. Every pound that is wasted, or used ineffectively, is a pound that could have been used to improve people's lives – for example through increased investment in closing the educational attainment gap, or supporting disabled people into work, or diagnosing cancer earlier. Efficiency is not a technical nice to have, it is a moral imperative.

Yet patterns of government spending are routinely criticised for wastefulness and poor decisions.[1] At the extreme end, nearly £94 billion of major projects, directly managed by Whitehall, are currently considered to be "unachievable", while only £47 billion worth of projects are on track to be delivered on-time and within budget.[2]

Public spending in the UK now exceeds £1 trillion annually, equivalent to 46.5 per cent of GDP and up from just over a third in 1990.[3] Of this total, more than £400 billion is allocated to day-to-day spending on public services, nearly twice as much per person as in the early 1990s.[4] Figure 1, below, shows how public expenditure has grown over time. Yet, despite spending more than ever, there is a growing sense among the public that they are not getting a good return on taxpayer investment, or worse, that the State is simply not working. In a poll conducted earlier this year, more than three quarters of the public said they believed things were "worse than in the past" (a higher number than immediately after the 2008 financial crisis), while 58 per cent said they thought "nothing in the country works anymore".[5]

Inefficient public spending is unacceptable at any time, but is particularly detrimental at a time when the public finances are under acute pressure and the performance of too many core public services is deteriorating.

In this context, ensuring every pound of public money achieves maximum impact is more important than ever. The prize for improving output from public services and building a State capable of achieving more with the considerable resources it already spends would be enormous. Even returning public sector productivity to pre-pandemic levels would significantly boost GDP.[6]

Historically, government's approach to improving efficiency has mostly relied on discrete efficiency drives, concentrated around fiscal events such as budgets, spending reviews and

[1] See, for example, Joshua Pritchard and Rose Lasko-Skinner, *Please Procure Responsibly: The State of Public Services Commissioning* (Reform, 2019); House of Commons Committee of Public Accounts, *Transforming Electronic Monitoring Services, Twenty-First Report of Session 2022-23*, HC 34 (London: The Stationery Office, 2022); and Public Accounts Committee, *Department of Health and Social Care 2020–21 Annual Report and Accounts*, HC 253 (London: The Stationery Office, 2022).
[2] Infrastructure and Projects Authority, *Annual Report on Major Projects 2022-23*, 2023.
[3] HM Treasury, *Public Expenditure: Statistical Analyses 2022*, 2022.
[4] Institute for Fiscal Studies, 'What Does the Government Spend Money On?', Webpage, 4 June 2021.
[5] Rachel Wearmouth, 'Voters Don't Just Feel Britain Is Broken – They Feel They're Broken Too', *New Statesman*, 25 May 2023.
[6] Bart van Ark and Diane Coyle, 'Can Public Services Improve Their Productivity without New Funding', Webpage, Bennett Institute for Public Policy, 22 August 2022.

responses to acute economic crises.[7] In turn, this has led successive governments to under-prioritise opportunities to embed efficiency as a continuous process, central to the day-to-day work of departments and civil servants.

Crucially, to instigate a step-change in government's approach to efficiency and maximise the impact of every taxpayer pound, spending well must be everyone's responsibility, and must also be much better linked to the attainment of long-term, whole-of-government outcomes.

An efficiency mindset asks how the government machine can be recalibrated, with efficiency as a golden thread running through all activity. It explores three key processes that – if prioritised and well-embedded in policymaking – could significantly enhance the efficiency of government spending, setting out recommendations to improve and increase the salience of each. Its aim is to consider how, within our current approach to the public finances, money can best spent.

It also examines the incentives civil servants have to find and unlock new efficiencies: how government can ensure that senior civil servants feel ownership over long-term outcomes, and that more junior grades are sufficiently rewarded for finding opportunities to do 'more for less'. Where different spending and valuation methods apply in devolved nations (including large parts of the Treasury Green Book that apply only in England and Wales), this paper takes England as its focus. It also focuses on the structures and incentives of Whitehall, though these will of course have downstream implications for local government.

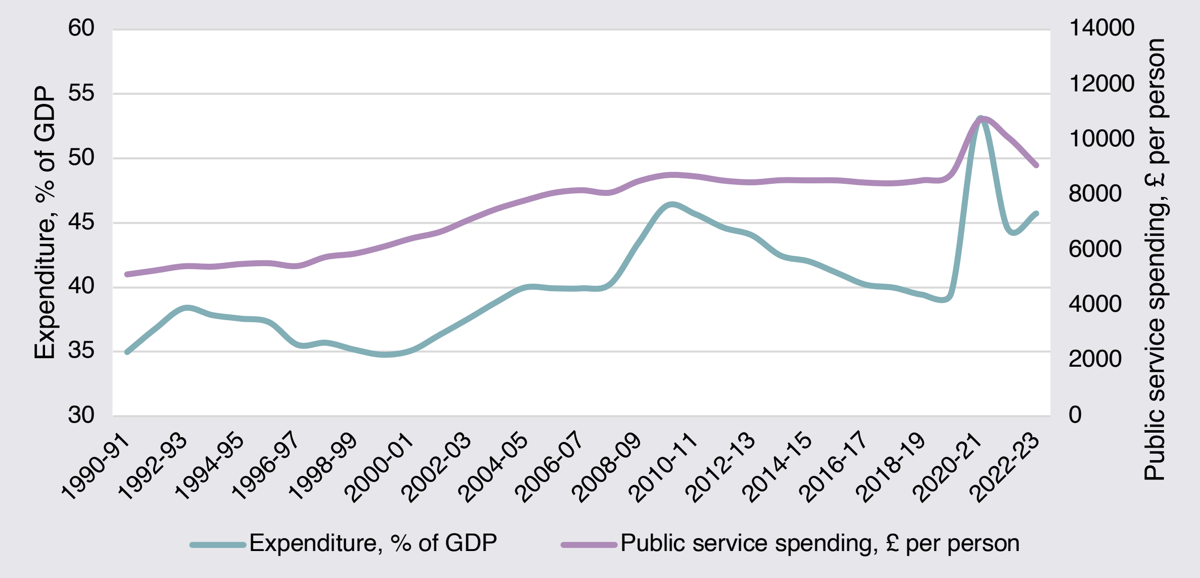
Meanwhile, there are genuine questions about whether our current approach to budgets and spending reviews is the right one. They have at various times been criticised for being too "secretive"; "input-oriented"; or prone to "inter-departmental jostling", rather than incentivising strategic, joined-up thinking.[8] Yet this paper's approach is to ask how the existing system can be made to work best; not to rethink the UK's fiscal framework, or to put forward a critique, whatever its merits, of the Treasury – this will be the focus of future *Reform* research.

It begins by highlighting some of the common challenges to measuring and securing efficiency in the public sector, before considering previous reform initiatives in this area, and the pathologies that have hampered the development of an efficiency mindset across Whitehall. It then focuses on improving the framework that underpins government efficiency, with a particular focus on Outcome Delivery Plans, evaluation, and the use of performance information, followed by ideas to strengthen the incentives for civil servants to pursue efficiency.

[7] National Audit Office, *Efficiency in Government*, 2021.

[8] Chris Smith, 'Budget and the Spending Review', House of Lords Library, 10 March 2020.

Figure 1: Expenditure growth (1990-2023)



Source: HM Treasury, 'Country and regional analysis', 2022; OBR, 'Public Finances Databank', 2023.

2. A new era of efficiency

This chapter examines what is meant by an 'efficiency mindset', beginning with a definition of efficiency, before turning to some of the common barriers to measuring and targeting efficiency in decision-making, previous policies and initiatives attempted in this area, and finally, why government's current approach to efficiency is insufficient. In doing so, it aims to capture some of the challenges faced by the public sector in securing efficiency and why making progress will require reform to Whitehall itself.

2.1 What is public sector efficiency?

Efficiency is about securing the best possible output from each pound of public spending. This could mean doing things faster or to a higher standard using the same resources, or doing the same amount using fewer resources.

A distinction is sometimes made between technical efficiencies – 'doing things right' – and allocative efficiencies – 'doing the right things' (see Figure 2). Common to both, however, is the need to identify and act on opportunities, wherever they exist, to allocate and utilise resources more effectively.

Efficiency is therefore concerned with cross-cutting questions, such as the optimal shape and role of the public sector workforce, and how public spending should be allocated within and between departments. But it is also concerned with how outputs are transformed into *outcomes*. In other words, government should seek not only to make each pound go further – deliver more healthcare appointments or skills programmes, and process more benefits claims or passports – but also to link spending with the pursuit of meaningful priorities – helping citizens live healthier lives, access fulfilling jobs, and achieve financial security. As Michael Gove argued in a speech as Chancellor of the Duchy of Lancaster, the UK has historically been "very good at questioning the cost of projects, but not their broader social value".[9]

This involves both looking at individual line item costs – 'is this initiative really making a difference to citizens?' – and cross-system spending – 'is this going to boost staff productivity, or reduce demand for another public service?'

In July 2023, the Finance Function published a detailed definition of efficiency, to standardise the way it is reported and tracked across government and to support departments in delivering efficiencies.[10] Contained in this definition is guidance on how departments should record different types of efficiencies, such as "cash-releasing benefits" (those that allow departments to reduce their spending) and "non-cash releasing benefits" (including benefits that increase productivity or user outcomes, but do not affect departments' budgets).[11] It also, importantly,

[9] Michael Gove, '"The Privilege of Public Service" given as the Ditchley Annual Lecture', Webpage, 1 July 2020.
[10] Government Finance Function and HM Treasury, 'The Government Efficiency Framework', Webpage, 19 July 2023.
[11] Ibid.

made clear where cost savings should not be recorded as efficiencies (for example, where costs have been reduced due to lower-than-expected inflation or demand).[12]

The framework provides important guidance on how departments should record efficiencies, however its focus is primarily on this reporting process rather than the cultural factors which affect how likely departments are to prioritise efficiency. It also explains that cash-releasing benefits should be recorded as a minimum, but that non-cash releasing benefits should be recorded only as "best practice".[13] This could bias how departments target efficiency towards identifiable, but relatively low-value cash savings over more transformative, cross-cutting efficiencies that do not release cash but improve outcomes or deliver more services to citizens.

Figure 2: Example of a technical and allocative efficiency

Technical efficiency: Rationalising back office functions to boost front line productivity: for example, adopting shared accounting services across a network of GP practices, to reduce GPs' administrative burden and enable more appointments to be completed.

Allocative efficiency: Reducing spending on reactive policies to invest in prevention and early intervention: for example, shifting funding from hospitals into primary, community care and public health.

2.2 Focusing on the right things

Whose responsibility?

Because efficiency should consider the whole 'value chain' from inputs to outcomes, it cannot be siloed in the executive centre of government, Treasury spending teams or any single department or departmental team.

While the Treasury has a crucial role to play in maintaining fiscal discipline, and the Cabinet Office in supporting the rest of government through its corporate functions, efficiency lives and dies by the day-to-day decisions of public servants. A delivery bottleneck identified by a junior civil servant working in an operational role can have just as much impact on outcomes and efficiency as policy advice given by a senior official in Whitehall.

However, this 'mindset' of efficiency, in which doing more for less is a core responsibility and aspiration across government, is not sufficiently recognised and incentivised by the systems of Whitehall, nor in the way that civil servants are typically rewarded and held accountable for their performance.

[12] Government Finance Function and HM Treasury, 'The Government Efficiency Framework'.
[13] Ibid.

Which costs and benefits?

The pursuit of efficiency has a complex relationship with realising desirable social outcomes. One possible risk of an emphasis on efficiency is *false economies*, where the identification of savings in the short term can have deleterious and unpredictable implications that ultimately lead to greater costs and worsened social outcomes (the failure to address Reinforced Autoclaved Aerated Concrete in schools and other public buildings is a prime case of such short-termism).

To mitigate against this, policymakers might call for:

- A different approach to the assessment of costs and benefits for fundamental public services.[14]
- Reclassifying types of revenue spending (day-to-day costs) as capital investments, so they do not count towards current budget deficits. For example, the argument has been made that healthcare spending should be treated as an investment in "human capital".[15]
- Adopting fiscal rules that would enable significantly higher borrowing to address specific future threats such as climate change. Proposals have been made to exempt green investments from limits on the accumulation of public debt, for example.[16]
- Changing the discount rates (a measure of how far future policy benefits should be discounted compared to present benefits) that apply to key categories of investment. For example, the State applying a much lower discount rate to investment in clean energy infrastructure.[17] This particular change was considered as part of government's 2020 review of the Green Book.[18]

Yet regardless of how benefits are defined or classified, in a context of finite resources and competing priorities, the key, outstanding question from an efficiency perspective remains: how can government create the most favourable cost/benefit ratio? Achieving this balance may shift depending on the choices above, but the underlying operational mindset should not.

Spending well or spending less?

Monitoring and controlling spending are essential components of efficiency. But an efficiency mindset must also be concerned with more than simply spending *less*. By incorporating an interest in the outputs produced by government and their quality, genuine efficiency also entails spending and delivering *well*.[19]

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[14] Geoff Mulgan et al., *Public Value: How Can It Be Measured, Managed and Grown?* (Nesta, 2019).
[15] Andy Haldane, 'Health Is Wealth? REAL Challenge Annual Lecture', Webpage, The Health Foundation, 9 November 2022.
[16] Atanas Pekanov and Margit Schratzenstaller, *The Role of Fiscal Rules in Relation with the Green Economy* (Economic Governance Support Unit, European Parliament, 2020).
[17] Mulgan et al., *Public Value: How Can It Be Measured, Managed and Grown?*
[18] HM Treasury, *Green Book Review 2020: Findings and Response*, 2020.
[19] Gareth Davies, 'Efficiency Savings Require Learning Past Lessons', Webpage, National Audit Office, 8 December 2022.

For example, it may be possible for a hospital to spend less on management, but if this resulted in worse patient outcomes due to slower discharge times, this saving would be inefficient.[20]

It would also be inefficient to pursue even a desirable outcome without considering its cost (and therefore spending trade-offs involved). Government must constantly choose between competing priorities and alternative spending options, each of which may contribute to more or less desirable outcomes.

Citizen-centred efficiency

Redesigning services – and improving the experience of service users – is a key avenue for delivering efficiency gains.[21] Although this paper focuses on Whitehall reform, to inculcate a culture of efficiency, it does not advocate an inward-looking approach.

It is vital both to the quality and efficiency of public services that departments build a deep understanding of what their end user values. This approach has helped to streamline processes in healthcare, for example, by reducing the number of automatic referrals on the advice of patients, and by involving patients more in their own recovery (including through self-managing the symptoms of conditions like Type 1 diabetes).[22]

A striking example was the 2010 Spending Challenge, which called for ideas to be submitted by service users and citizens on how to improve the efficiency of public spending; more than 48,000 responses were recorded.[23] Several of the top suggestions were then implemented in the 2010 spending review – including reforms to the Education Maintenance Allowance, and measures to reduce tax fraud, evasion and avoidance – ultimately helping to save over £500 million.[24]

Demand-led expenditure

How governments approach demand-driven areas of expenditure, such as welfare payments and social care, including their propensity to invest in prevention, affects the scope they have to control costs and achieve long-term efficiency. Fiscal risk reports by the Office for Budget Responsibility, for example, have often brought attention to areas where "demand pressures" pose a threat to the sustainability of public spending.[25]

As well as raising important questions about how public services should be delivered and the potential for upstream prevention, these demand pressures also have major implications for

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[20] See, for example, Sebastian Rees and Hashmath Hassan, *The A&E Crisis: What's Really Driving Poor Performance?* (Reform, 2023).
[21] National Audit Office, *Efficiency in Government*.
[22] Partha Kar, 'Changing the Narrative around Self-Management', *BMJ* 373, no. 989 (April 2021).; Sarah Reed and Nadia Crellin, 'Patient-Initiated Follow-up: Does It Work, Why It Matters, and Can It Help the NHS Recover?', Nuffield Trust, 4 August 2022.
[23] Local Government Association, 'Case Study: HM Treasury - The Spending Challenge', Webpage, 12 December 2016.
[24] Ibid.
[25] Office for Budget Responsibility, *Fiscal Risks and Sustainability*, 2023.

how government budgets for different categories of spending. The modern budgeting system, introduced in the late 1990s, creates a distinction between areas in which long-term spending can be anticipated and strict limits apply, known as 'Departmental Expenditure Limits' (DEL), and those where spending is demand-led, harder to predict and therefore kept under review, known as 'Annual Managed Expenditure' (AME).[26]

Even earlier than this, the Financial Management Initiative of the 1980s brought with it a way of separating out departments' administration or "running cost totals" (such as spending on equipment or travel), which were then reported through a computer-based system and controlled by named, responsible managers.[27] Under the initiative, programme expenditure, which was influenced by demand, was controlled separately from administration spending – although in practice, it has been argued there was perhaps too much permeability between the two.[28]

To proactively manage demand, others have proposed separating prevention spending from remedial spending, which they say would incentivise Treasury to search for ways of securing more imaginative, long-term savings.[29]

2.3 Measuring efficiency

To track, analyse, and improve efficiency over time, it is crucial to be able to measure it. This means having an accurate view of an organisation's costs, the outputs it produces and the outcomes it achieves. In the private sector, this is relatively straightforward: profit can be used as a proxy for outcomes and the more profit a company makes, per worker or unit of cost, the more efficient it is. In the public sector, measuring outcomes, and efficiency, is more difficult. Figure 3, below, sets out some of the core challenges involved in measuring government efficiency.

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[26] Cabinet Office and HM Treasury, *The Government's Planning and Performance Framework*, 2021.
[27] Christopher Hood and Barbara Piotrowska, 'Who Loves Input Controls? What Happened to "Outputs Not Inputs "in UK Public Financial Management, and Why?', *Public Administration* 101, no. 1 (March 2023).
[28] Ibid.
[29] Institute for Government, 'How Can the Government Ensure It Gets Value for Money from Public Spending?', Webpage, 14 November 2022.; See also Polly Curtis, 'British Government Needs to Remember That Prevention Is Better than Cure', *Financial Times*, 26 April 2023.

Figure 3: Challenges to measuring government efficiency

Issue	Description	Example
Indirect measurement	A desirable outcome cannot be directly measured	The deterrence effect created by having an additional tank or battleship, on the likelihood of a hostile country engaging in conflict, cannot be directly measured
Conflating outputs with outcomes	An output synonymous with the work of a public service is a misleading proxy for the outcome citizens care most about	An increase in antidepressant prescriptions is a weak proxy for the mental health of citizens improving over time
The problem of attribution	The cause of an improvement in outcomes cannot be isolated	Healthy life expectancy cannot be attributed to the quality of a primary care appointment or to a public health campaign
Establishing a convincing baseline	There is not a baseline to compare the performance of a programme or policy against	There are cases in which it would be unethical to deprive citizens of a public service to establish a baseline, or where no comparable policies have been tried before

The challenges identified above are not, however, irresolvable. For example, although it is difficult to measure the quality of public services, following the Atkinson Review, the ONS made a concerted effort to develop “quality-adjusted outputs”, and is now considered a world-leader in this area.[30]

Devising better measures of public sector performance is often as much about political will as technical possibility. In parts of the public sector where conventional efficiency measures are harder to establish, finding other ways to track performance, benchmark inputs against similar programmes, and use data to inform decision-making, are all important. This is the focus of sections 3.2 and 3.3 of this paper.

At the same time, government’s approach should not disregard the fact that some of the most transformative policies, with the potential to deliver the greatest efficiencies, may be less immediately amenable to benchmarking and evaluation, requiring a more sophisticated approach to establish their cost-effectiveness. This is referred to as an ‘evidence paradox’, and most often hampers novel, but high-potential avenues for reform (such as devolution of public service delivery).[31]

Where possible, government should also consider the efficiency implications of measurement

[30] Tony Atkinson, *Measurement of Government Output and Productivity for the National Accounts*, 2005.
[31] Jessica Studdert, ‘Escaping the Community Power Evidence Paradox’, Webpage, New Local, 23 February 2021.

techniques themselves. For example, interviewees for this paper explained that randomised control trials are the "gold standard" for gathering evidence on efficiency and effectiveness (the Declaration on Government Reform commits to "expanding their use"), but they can be difficult and costly to carry out in the public sector.[32]

When trials *are* used, they tend to focus on the performance of a new service. Yet central to the efficiency agenda is not only identifying what works and scaling it up, but identifying what does not work and stopping it. Trials are rarely conducted which pause or stop an existing programme to determine its impact, even when this is the most cost-effective way to gather evidence (for instance when a programme is already being scaled back, or having its budget reduced). Similarly, when undertaking a major programme or policy that has never been tried before, pilots can be a valuable way of gathering evidence, based on real-time feedback, in order to refine how something is implemented. There is further scope for government to deploy pilots in this way – as, for example, the Department for Work and Pensions did to guide the roll out of Universal Credit.[33]

Meanwhile, some policies apply over a scale or time period for which randomised control trials are not possible or would be excessively expensive. Finding evidence to make short-term, or in-Parliament spending decisions in these cases, such as through rapid evaluation, is key.

2.4 What's been tried?

To help achieve sound public finances, successive UK governments have sought to maximise the efficiency with which they spend public money. While some of these efforts have made notable savings for the public purse and improved civil service capability, aside from the Green Book they have often taken the form of discrete, temporary initiatives, and had less success embedding efficiency as a continuous process and culture across government.[34] None, moreover, have led to a fundamental step-change in government's approach to public spending or overcome the tendency for efficiency drives to be dominated by the executive centre of government and preoccupied by controlling inputs.

Some have focused on strengthening accountability, including the ability of the public to hold government to account; others on improving administration, technology and management, to release resources to the frontline; or improving the way that departments report the results of their spending.

[32] Cabinet Office, *Declaration on Government Reform*, 2021.; Green Book guidance states that spending proposals should contain "proportionate budgetary provisions" for monitoring and evaluation, HM Treasury, *The Green Book (2022)*, 2022.
[33] National Audit Office, *Rolling out Universal Credit*, 2018.
[34] Michael Barber, *Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value*, 2017.

Enhancing accountability

A recurring family of initiatives have centred on the role of accountability. Though the theory of public sector accountability is straightforward (civil servants are accountable to ministers and ministers to Parliament), in practice it is much harder to decipher 'where the buck stops' when there is a decline in performance, especially in the case of cross-cutting or longer-term policy areas.

One approach has been to create a firmer distinction between those responsible for *devising* policy and those responsible for *delivering* it. Hence, if there is an operational failure of some kind, this can be more easily attributed to either the (in)action of a delivery body or the consequences of decisions – like poor planning or a misallocation of resources – made by the relevant policy or executive group (see Figure 4).

Figure 4: Next Steps agencies

Beginning in the late 1980s there was an aim to 'hive off' as many of the delivery functions of Whitehall as possible into autonomous arm's length agencies: retaining smaller units in central government which could drive forward public sector reform. The new, 'Next Steps' agencies would have a higher degree of managerial freedom from the Treasury and other rules (including to raise revenue, and around financial management, recruitment and pay). A key objective of the reform was to promote more accountable, efficient public services.

Importantly, each agency had its own chief executive, often recruited from outside the civil service, who had delegated control over the day-to-day practices of the organisation, and was responsible for its performance.

By 1994, 99 agencies had been created, containing 65 per cent of all civil service staff.

Source: Institute for Government, 'The Next Steps Initiative', 2014.

This distinction, however, creates perverse incentives of its own. The line between democratic accountability and other accountability arrangements in the public sector is ambiguous, meaning there is often pressure for departments and ministers to continue to intervene in the decision-making of independent public bodies – offsetting the intended clarity of having them at arm's length. For example, the Home Office regularly interfered in the management of prisons in the 1990s (then the responsibility of the Prisons Agency) following a number of high-profile prisoner escapes.[35] Interviewees for this paper, meanwhile, recounted instances of ministers calling executive agencies "weekly" to discuss specific, granular issues.[36]

More recently, there has been a trend towards arm's length bodies increasingly taking on policy development functions, in some cases duplicating policy areas that are central to the

[35] Martin Wheatley, Tess Kidney Bishop, and Tom McGee, *The Treasury's Responsibility for the Results of Public Spending* (Institute for Government, 2019).
[36] It is also worth noting that, beginning in 1999, New Labour rolled back many of the key reporting requirements for executive agencies, including the expectation they publish detailed, annual reports; See, for example, Colin Talbot and Carole Talbot, 'One Step Forward, Two Steps Back? The Rise and Fall of Government's Next Steps Agencies', *Civil Service World*, 23 September 2019.

remit of their sponsoring department. For example, NHS England, which began life as a commissioning body in 2013, has taken on greater policy work over time: publishing its own plans for the health service in the *Five Year Forward View* of 2014 and the *Long Term Plan* of 2019.[37] So, while departments have encroached on delivery agencies – possibly obscuring accountability – arm's length bodies have also become more involved in policy development, and in cases where this work is duplicative, have themselves contributed to inefficiency.

Separating policymaking bodies from delivery bodies in this way, can also undermine efficiency by creating distance between civil servants offering advice to ministers and those with a detailed understanding of how particular public services operate – between 'generalist' decision-makers and specialists in delivery.[38]

There is also potential for transparency, including publishing policy evaluations in a timely manner and maintaining public dashboards of performance data, to be used to promote accountability – particularly to external experts. The more transparent the public sector can be, the more opportunities there are for external experts and others to take a critical view of policies, progress and implementation, and to contribute to accountability (such as through submissions to Select Committees, government inquiries or other public fora).

Rethinking the centre

Concentrating resources on frontline services to achieve greater productivity (for instance, by cutting administrative costs or improving the effectiveness of back-office functions) has been a defining feature of past efficiency reforms and reviews. These tend to involve a sharp focus on the so-called 'corporate core' of government and its capabilities, including investment in technology and analytical tools; the 'professionalisation' of functions like procurement and project management; and the consolidation or outsourcing of shared services such as accountancy and HR (see Figure 5).

[37] See NHS England, *Five Year Forward View*, 2014.; NHS England, *NHS Long Term Plan*, 2019.
[38] Jonathan Slater, *Fixing Whitehall's Broken Policy Machine* (King's College London, 2022).

Figure 5: Gershon Review

Conducted in 2003-4, the Gershon Efficiency Review contained proposals to realise over £20 billions of savings across the public sector, the majority of which would be "cash releasing", i.e. facilitate a direct reduction in spending that could be returned to the Exchequer or reinvested.

The Review argued for increasing the productive time available to frontline staff, primarily by improving and 'professionalising' public sector administration (in both central and local government), and therefore reducing the time they "spend away from […] core activities". It also recommended a gross reduction of over 84,000 civil service posts – in part so that the cost of activities in Whitehall better reflected their "added value" to public services as a whole.

Though there is mixed evidence of the impact these reforms had on public sector output, in the 2008 Pre-Budget Report, the Government stated that it had "over-achieved" against the targets set by the Gershon Review, delivering £26.5 billion in savings (not £21.5 billion) and a reduction of 86,700 posts (not 84,000).

Source: Sir Peter Gershon, 'Releasing resources to the frontline, 2004; House of Commons Library, 'The Lyons and Gershon reviews and variations in civil service conditions', 2006; HM Treasury, 'Pre-Budget Report', 2008.

As well as improving Whitehall capability – and enabling the government machine to better support frontline service delivery – by rethinking the centre, these reforms were designed to achieve cost savings of their own. For example the 'Maude reforms', initiated in 2012, set out to cut unnecessary bureaucracy, and in the process, make Whitehall more open, agile, flexible, and pacier.[39] This included plans to create shared, cross-departmental services (in areas like finance, HR and procurement) – as well as to reform and significantly reduce the number of public bodies over the 2010-15 spending review period (Figure 6).[40] A progress report a year on found that savings from improving digital capability totalled £210 million and that commercial reforms, such as centralised procurement and contract re-negotiations, had saved £5.4 billion, against a 2009-10 baseline.[41]

[39] HM Government, *The Civil Service Reform Plan*, 2012.
[40] Ibid.
[41] Civil Service, *Civil Service Reform Plan Progress Update*, 2014.

Figure 6: Maude reforms

Beginning with the publication of the Civil Service Reform Plan in 2012, then-Minister for the Cabinet Office Lord Maude, led a major programme to modernise Whitehall. The programme aimed to take advantage of developments already underway in many high-performing private sector organisations, such as the deployment of new, digital ways of working, as well as innovative approaches to operational delivery (such as employee-owned mutuals and joint ventures) to boost productivity.

Notably, it called for an end to the “old idea” of the policymaking “generalist” – and a much stronger focus on professionalism, technical specialism and subject matter expertise – to enable a shift towards a smaller, faster-moving government machine.

The reforms also set out to resolve long-standing leadership and governance questions – particularly regarding the role of permanent secretaries, their responsibility for delivery and accountability to Parliament.

Finally, the Plan advocated a more “open” and “outcome-focused” model of policymaking: which makes greater use of outside expertise, encourages critical feedback and challenge, and involves delivery experts much earlier in the policy process.

Source: HM Government, ‘The Civil Service Reform Plan’, 2012.

Tracking performance

Setting performance targets, standards or transparency requirements for data reporting, to track progress towards key goals, can incentivise departments and service providers to be more efficient, and allow the executive centre of government to intervene or provide additional support when policies and programmes are off track.

Reforms in this area have been focused on placing duties on departments, or in some cases local government, to record certain indicators, meet specific targets and more recently to align spending and business plans with the fulfilment of operational or strategic objectives. Public Service Agreements, which set clear targets for departments to meet across service areas (e.g. to decrease the number of pupils who are in a class size of over 30, or reduce the size of the NHS inpatient waiting list), are one of the clearest examples of this kind performance tracking – and indeed, were later replicated outside the UK, from California to Malaysia, and from the World Bank to the White House.[42]

[42] Nehal Panchamia and Peter Thomas, ‘Public Service Agreements and the Prime Minister’s Delivery Unit’ (Institute for Government, 26 March 2014).

Figure 7: Audit Commission

The Audit Commission, created in 1983, was primarily responsible for independent audits of local government, NHS trusts and other local public bodies. In addition to this role, it also produced research into the value for money of local public spending and had the power to compel local bodies to produce standardised data, used to facilitate detailed performance comparisons. For example, the Commission began publishing league tables of local authorities – known as Comprehensive Performance Assessments – in 2002, and drew together key lessons for the efficiency of services on topics ranging from the management of staff absence in schools, to care coordination for hip fractures.

With a budget of only £30 million and the fees it charged audited bodies, the Commission's work covered over £180 billion of spending. There was agreement amongst interviewees for this paper that the Commission made a significant contribution to government's ability to track the performance of local services and providers. While many argued its closure was a poor policy decision, they also reflected that there had been "mission creep" in what the Audit Commission did and that it had begun to "lose its way". When the Commission was closed in 2014, Brandon Lewis, then Minister for Local Government, claimed the decision would save taxpayers £1.2 billion, by outsourcing audit to private firms and away from a body that was increasingly "micromanaging, and forcing councils to spend time ticking boxes".

Nonetheless, its record is illustrative of the potential that even relatively small investments in performance analysis can have in exposing variation, and generating cross-cutting lessons for government efficiency.

Source: Audit Commission, 'Better outcomes: Annual report and accounts', 2008.

The most important factor for tracking performance is that the metrics used are focused on the right inputs, outputs and outcomes. When metrics are poorly designed, they become vulnerable to gaming; risk overlooking service quality, hidden costs, and wider social value; and cease to provide an accurate picture of performance and efficiency.[43]

In the health system, for example, where targets are often directly linked to funding and autonomy, there have been misleading and sometimes egregious changes made to meet targets, which have undermined care quality. To meet the four-hour waiting target in A&E, for example, some hospitals have reportedly held patients in ambulances to "delay the clock starting"; designated corridors as "acute observation units", so patients can be categorised as having left A&E; and pre-emptively admitted patients at the four-hour mark regardless of need, to avoid breaching the target.[44]

As previous research shows, 'over-measurement' can also have the adverse effect of demoralising the public sector, if there are perceived injustices in the kinds of measures used

[43] Elizabeth Crowhurst, Amy Finch, and Eleonora Harwich, *Towards a More Productive State* (Reform, 2015).
[44] The Health Foundation, *Evidence Scan: The Impact of Performance Targets within the NHS and Internationally*, 2015.

(such as when disadvantaged local areas fail to meet inflexible national targets).[45] Other inefficiencies can also emerge when measurement regimes impose time-consuming bureaucracy that distracts from implementation.

Improving accounting standards

Over time, UK public sector accounting practices have come to be regarded as an "exemplar of best practice internationally" and as a result, have made an unquestionable contribution to efficiency.[46] For instance, the introduction of accrual accounting in central government in the 1990s and early 2000s, which recognises revenues and expenses as they are generated – and not when they are received or paid out – improved incentives for finance directors, and helped to eliminate some of the dysfunctional financial tactics which existed before (this was also adopted much earlier in local government and the NHS).[47] Prior to this, managers were incentivised to quickly ramp up spending before year-end to avoid recording an underspend; or similarly, delay paying suppliers until the next financial year to avoid an overspend.[48] Now, instead, government must transparently set out the financial consequences of every decision it makes.

Additionally, the UK is one of only a handful of countries to publish comprehensive whole-of-government accounts – bringing together all of government's financial obligations in a single, clear picture.[49] This means, for example, that public sector pensions are accurately recorded as a future liability, and cannot be used to increase public sector compensation 'by stealth' – pushing back some of the most difficult spending trade-off questions for future generations.[50] Finally, unlike a number of OECD countries, the UK's government accounts are prepared to the "same standard as the private sector" – therefore enabling external stakeholders to more easily interpret and interrogate how government is spending public money – and lending the accounts additional credibility.[51]

Providing guidance

The Green Book, first published by the Treasury in the 1970s, is an essential tool used by government to appraise and compare the value for money of new programme and project proposals.[52] Its guidance is designed to help officials review business cases, weigh up the costs and benefits of alternative spending options, and assess how likely these options are to impact on particular groups or parts of the country.[53]

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[45] Public Administration Select Committee, *On Target? Government by Measurement*, HC 62-I (London: The Stationery Office, 2003).
[46] Public Administration and Constitutional Affairs Committee, *Accounting for Democracy: Making Sure Parliament, the People and Ministers Know How and Why Public Money Is Spent*, HC 95 (London: The Stationery Office, 2017).
[47] Ibid.
[48] Ibid.
[49] ACCA, *Whole of Government Accounts: Who Is Using Them?*, 2014.
[50] Public Administration and Constitutional Affairs Committee, *Accounting for Democracy: Making Sure Parliament, the People and Ministers Know How and Why Public Money Is Spent*.
[51] Ibid.
[52] HM Treasury, *The Green Book (2022)*.
[53] Ibid.

It has evolved over time, and particularly through editions published in the past five years, in response to various critiques – for example that its Benefit to Cost Ratio calculations did not adequately account for public and social value or wellbeing – and political priorities, such as the need to direct investment towards economic regions outside London and the South East (the 2022 Green Book commits to using "place based analysis" where proposals are focused on specific parts of the UK).[54]

In combination with training for senior civil servants, programme and project leads, the Green Book can help drive a sharper focus on the efficiency of appraisals and spending decisions. Yet there is significant variability in how its guidance is applied; and in the context of wider public spending, it has been compared to hunting an elephant with a peashooter.[55] Likewise, in evidence to the Treasury Committee expert witnesses cautioned that the Green Book will not, by itself, drive a major change in the way investment decisions are made, as there is ultimately a "very big judgement overlay" on the shortlists of options it generates.[56] The National Audit Office also observes that departmental business cases often "seem to justify a pre-selected solution, rather than exploring a range of options for meeting objectives".[57]

The importance of accounting for public value in spending decisions, which was the focus of the Barber Review, is also formalised by the Public Value Framework guidance, first issued by Treasury in 2019.[58] This functions as a "practical diagnostic tool" which public bodies can use to "strengthen the process of turning inputs into outcomes".[59] The framework contains 35 questions across four pillars (pursuing goals, managing inputs, user and citizen engagement, and system capacity) that can be used to provide a red-amber-green rating of "how likely it is that public value is being maximised" in a given organisation. While this diagnostic function is said to be well designed, to add value at budgets and help measure progress towards goals, interviewees reflected that, "in the end" the Treasury will "revert to targeting spending caps", because "that's what's baked into the design".

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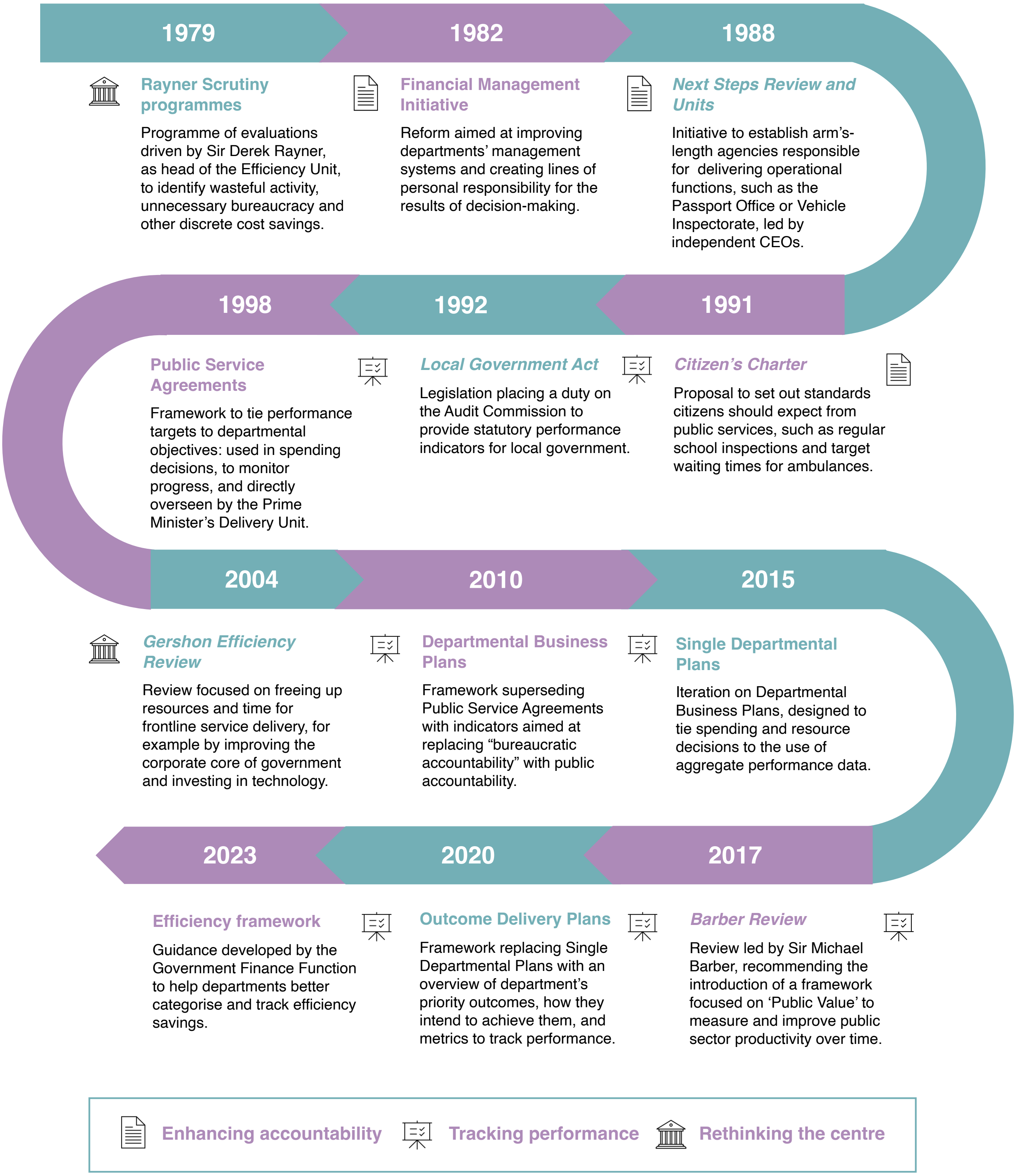
[54] Diane Coyle and Marianne Sensier, *The Imperial Treasury: Appraisal Methodology and Regional Economic Performance in the UK* (Bennett Institute for Public Policy, 2018).
[55] Institute for Government, 'How Can the Government Ensure It Gets Value for Money from Public Spending?'
[56] Treasury Committee, *Oral Evidence: Spending Review 2020*, HC 1029 (London: The Stationery Office, 2020).
[57] Emma Willson and Ruth Kelly, 'Let's Get down to Business', Blog, National Audit Office, 6 July 2021.
[58] HM Treasury, *The Public Value Framework: With Supplementary Guidance*, 2019.
[59] Ibid.

Figure 8: Timeline of government efficiency initiatives (1979-2023)



2.5 A culture of efficiency

2.5.1 Fiscal events

The most significant efficiency drives currently occur in the run-up to fiscal events, when the Treasury works with other departments to understand whether planned spending allocations represent good value for money.[60] For example, whole-of-government efficiency targets are often used at spending reviews – which allocate spending for a multi-year period – requiring departments to develop plans for how they intend to realise efficiencies, and to demonstrate these are "credible and deliverable".[61]

As interviewees explained, though, this process is often "frantic and tactical" – meaning key information regarding the efficiency and 'deliverability' of policy is not sufficiently factored into spending decisions. One interviewee gave the example of a multi-billion-pound policy signed-off by the Treasury, despite evidence from the delivery unit of the relevant department that it would not be feasible to deliver. Hence, the incentive to pursue a larger budget outweighed the disincentive of potentially falling short on delivery. As one interviewee put it, "when there's an offer of money on the table, you're going to take it". Another interviewee argued that once Treasury spending teams have signed-off on a particular policy or programme, they don't see it as their role to "check whether things got done".

The weight given to the budget setting process in incentivising efficiency has also meant that strategies to embed efficiency as an ongoing priority across government have generally been overlooked. Although the Treasury's framework of spending controls and spending reviews are internationally recognised (the IMF found the UK has been "the most successful country in Europe at meeting its spending forecasts in the last 15 years"), the challenge of creating a cross-cutting culture, or mindset, of efficiency stubbornly persists.[62]

2.5.2 A continuous approach

Embedding a more continuous approach to efficiency is not only important to the *scale* of efficiencies government can realise, but also to avoiding false economies, and ensuring that the efficiencies secured can be sustained. This means inculcating a mindset of efficiency, so that benefits are constantly realised, and the disruption of more intermittent, crisis-driven cuts and savings are minimised.

Figure 9, below, sets out in more detail what is meant by an efficiency mindset.

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[60] Public Accounts Committee, *Oral Evidence: Efficiency in Government*, HC 636 (London: The Stationery Office, 2021).
[61] HM Treasury and Cabinet Office, *Treasury Minutes: Government Response to the Committee of Public Accounts on the Twenty Eighth Report from Session 2021-22*, 2022.
[62] National Audit Office, *Improving Government's Planning and Spending Framework*, 2018.

Figure 9: Features of an efficiency mindset

1. **A continuous approach:** Efficiency is embedded in the day-to-day work of the civil service – recognising that improvements can be incremental and continuous – rather than predominantly focused on major set piece events such as budgets, or specific policy initiatives headed by politicians. Rather than being a nice to have, efficiency is a fundamental standard against which Whitehall's performance is evaluated.

2. **An inclusive approach:** Incentives exist for every department and civil servant to maximise the efficiency of their work, and to search continuously for opportunities to do 'more for less'. Civil servants of all grades – including recent external recruits and junior team members – are given the space and support to challenge existing ways of working, and honestly identify opportunities for savings.

In 2004, the Gershon review argued for rethinking the rewards and incentives for those who deliver efficiencies, so that a culture of efficiency can become "self-sustaining".[63] More than a decade later, the 2017 Barber Review observed the "absence of an embedded strategy for continuously improving efficiency", as well as the fact that "nowhere is it set out what a public sector body needs to be doing as part of its core business […] to improve its efficiency and productivity".[64]

Reports by the Public Accounts Committee (PAC) and National Audit Office (NAO) from 2021 found "little evidence" of a culture of continuous improvement towards efficiency. They also observe that efforts to drive efficiency are largely directed from the centre, with few incentives or rewards for everyone to contribute to achieving efficiency or even to return unused budget to Treasury.[65]

The pockets of continuous improvement that do exist tend to be in parts of the public sector where spending is most constrained: thereby creating upfront incentives to innovate and locate savings. As Alex Chisholm, the Government's Chief Operating Officer, has said, the "inevitably tight" budgets set by spending reviews create a "clear incentive" for departments to "continuously reprioritise" spending.[66]

The challenge, however, is to develop a more systematic approach that does not just rely on restraining spending. Indeed, some of the most transformative efficiencies are unlocked through upfront investments, such as the £138 million saved last year after the Central Digital and Data Office implemented a new IT system for the Department for Environment, Food and Rural Affairs (replacing previous, high-cost IT contracts).[67]

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[63] Peter Gershon, *Releasing Resources to the Front Line: Independent Review of Public Sector Efficiency*, 2004.
[64] Barber, *Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value*.
[65] House of Commons Committee of Public Accounts, *Efficiency in Government, Twenty-Eighth Report of Session 2021-22*, HC 636 (London: The Stationery Office, 2021).
[66] Public Accounts Committee, *Oral Evidence: Efficiency in Government*.
[67] Cabinet Office, *Government Efficiency Savings, 2021*, 2022.

A key litmus test of an efficiency mindset would be consistent identification of opportunities to achieve more for less even without acute pressures on spending.

2.5.3 An inclusive approach

For a genuine culture of efficiency to emerge, it cannot be cordoned off as the responsibility of the executive centre of government, particular functions (finance or digital, data and technology teams) or senior civil servants. It must be prioritised in the work of everyone in the public sector – with insights and ideas for improvement encouraged at every level. Doing things more efficiently should not be seen as a specialism – something that requires a qualification or a leadership position to drive forward – but as a mindset and a normalised part of how people work within the system.

Delivery and implementation – how resources are used on the frontline – are fundamental to efficiency, yet conversations about making public money go further too often start and end with the role of the Treasury, budget-setting between departments, and the narrow range of financial decisions taken in Whitehall.

Without deliberate effort, recent improvements in financial management – with the finance function contributing to departmental strategy, and mandatory guidance for accounting officers – while welcome, will not necessarily lead to wider ownership of efficiency throughout the public sector.[68]

At a departmental level

The tension between service providers continually working to increase their outputs and outcomes and a Treasury focused on managing inputs and costs can yield significant inefficiencies – despite both actors pursuing ends which are themselves essential to efficiency.[69]

The Treasury is frequently criticised by departments and commentators for a "self-defeating parsimony" that ignores valuable social outcomes, opportunities for economic growth, or the downstream savings that can be made through prevention.[70] It is criticised for being home to a 'mindset' that is finely tuned for cost control but that often fails to grasp harder-to-measure outcomes or longer-term public value.

At the same time, while the Treasury could take a more expansive view of what constitutes 'worthwhile' public spending – and better account for long-term outcomes – departments could also go further in managing the cost of inputs. Collaboration across departmental boundaries and especially between Treasury and spending departments could mean that more attention is paid to the links between inputs, outputs and outcomes, and avoid the false economies which arise when each is considered in isolation.

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68 Public Accounts Committee, *Oral Evidence: Efficiency in Government*.
69 Barber, *Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value*.
70 Janan Ganesh, 'The West Has Forgotten the Limits of Government', *The Financial Times*, 15 August 2023.

The Shared Outcomes Fund, which awards funding to pilot projects to test "new ways of working" across departmental boundaries, is an encouraging example of innovation in this area.[71] Its ongoing pilots include bringing together departmental datasets to gain "real-time insight" into global supply chains; and a programme which takes a "whole-system approach" to combat drug abuse, helping to join up health and care services with prisons, law enforcement agencies, and services commissioned by local authorities.[72]

Proximity to public services

Although some government programmes are highly centralised, meaning efficiencies can be sought in Whitehall itself, most are not delivered by civil servants but instead by local service providers. In these cases, the efficiency of public spending depends on the quality of support departments can offer local actors and the evidence base they have to understand performance, and the autonomy and incentives for local actors to innovate their practices in efficiency-finding ways.

An overcentralised approach that is overbearing, hierarchical, or uncollaborative with those involved in frontline delivery, can therefore result in inefficiency. The existence of a central bureaucracy can only contribute to the efficiency and effectiveness of public services if the benefits of its activities outweigh the cost of its existence.[73]

At an individual level

Incentives to consider the efficiency of public spending have been overwhelmingly focused on the senior civil service – despite the fact that some of the biggest gains can be identified and unlocked by staff working 'closer' to the frontline. An inclusive approach to efficiency must offer incentives and rewards for civil servants of all grades.

2.6 Conclusion

For government to maximise outputs with the inputs it has available, it cannot afford to leave efficiency to budgets and spending reviews, or assume that cost control alone will create the necessary incentives for departments to do more for less. Instead, it must proactively seek to embed an efficiency 'mindset' in Whitehall, with opportunities for civil servants of all grades to contribute.

Of course, this requires government to have a detailed understanding of how public money is spent, but it should also be capable of tracking how inputs are converted into outputs as well as the wider social outcomes they achieve. Past waves of reform, while often short-lived or focused on discrete savings, show that the prize for doing this is substantial.

Government must now prioritise a continuous, inclusive approach to efficiency, supported by a framework for planning spending and managing performance, and stronger incentives and accountabilities for civil servants. These two areas are the focus of the subsequent chapters.

[71] HM Treasury, *Shared Outcomes Fund Round 2: Pilot Project Summaries*, 2021.
[72] Ibid.
[73] Slater, *Fixing Whitehall's Broken Policy Machine*.

3. The framework

For a sustained ‘culture’ of efficiency to emerge, each stage of public spending, policy design and implementation should encourage departments to consider whether there is more that can be done to enhance the ratio of inputs to outputs and outcomes.

This chapter sets out three key levers to enable this: focusing first on how government matches spending with its priority outcomes; second, how it can better use evaluation to determine the efficiency of new and ongoing programmes and policies, and justify the continuation or reprioritisation of spending; and finally, on embedding performance information in programme monitoring, to reward good performance and address underperformance.

Figure 10: A framework for smarter spending

STAGE ONE (2.1): SETTING PRIORITY OUTCOMES

Departments decide on priority outcomes. The projected resources needed to fulfil these outcomes – including capital, workforce and other spending – are calculated by departments and transparently set out in public Outcome Delivery Plans (ODPs).

STAGE TWO (2.2): EMBEDDING EVALUATION IN POLICY DEVELOPMENT

Where necessary to achieve these outcomes, new programmes or reforms to existing programmes are proposed. Proposals above an agreed threshold are benchmarked against previous programmes, international evidence and available evaluations – and signed-off by the executive centre – based on their feasibility and affordability.

STAGE THREE (2.3): MONITORING PERFORMANCE

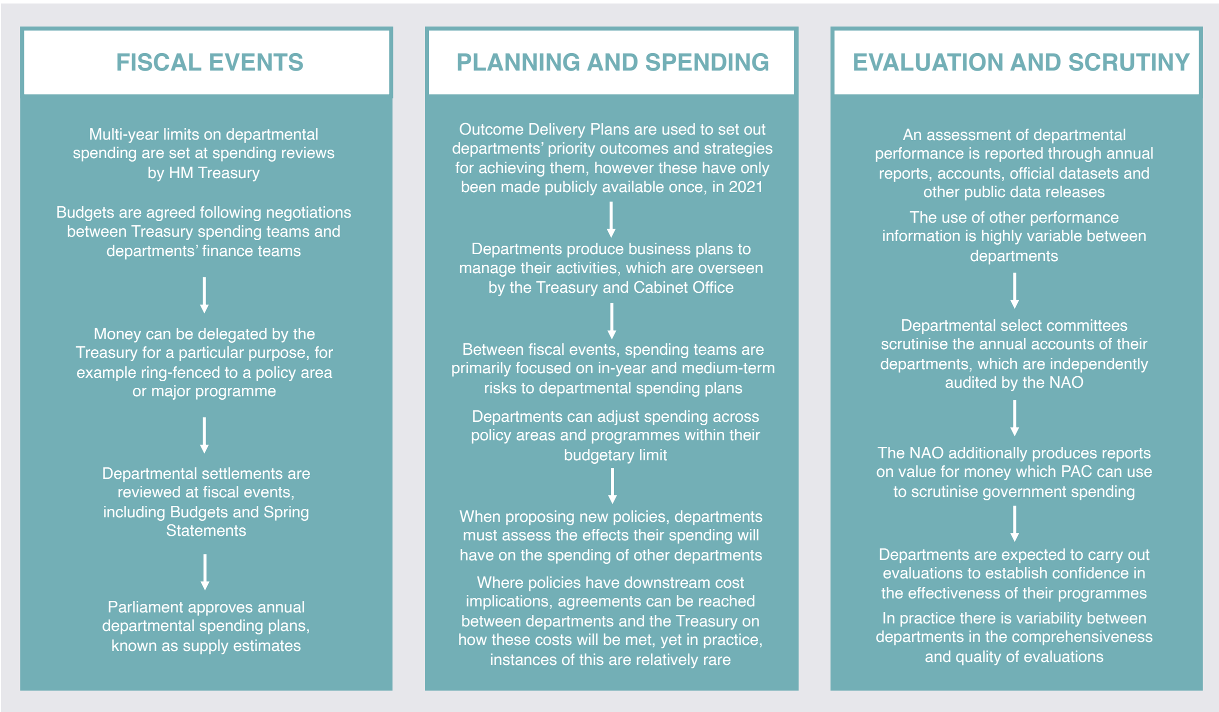
Departments frequently use robust performance information – overseen by a Performance Taskforce – to monitor the implementation of new and ongoing programmes. Good performance is rewarded, and underperformance is addressed. Where appropriate, resources are reprioritised towards activities that are more likely to fulfil key outcomes.

Controlling spending, intervening to address underperformance

As well as having a framework in place to support smarter spending, government must have a clear response for when overspends look likely to occur, and when policies and programmes are not delivering. Currently, government is much better at the former than the latter. Departments have a strict 'Departmental Expenditure Limit' (DEL) which is rarely exceeded, and ministers and permanent secretaries face significant reputational damage for overspending.[74] The IMF finds that the UK is "almost unique" in Europe for having no bias towards underspending or overspending, and for its DEL limits which are "closely adhered to".[75] Departments must additionally gain direct authorisation from Parliament for any excess spending (in an "excess vote") and the reasons for this occurring are scrutinised by PAC.[76]

Government must now commit to adopting similarly robust processes for ensuring that policies and programmes deliver their anticipated outcomes, and reforming or stopping programmes when they are falling short. The enablers set out in this chapter (outcome delivery plans, evaluation, and performance information) would improve some of the foundational tools Whitehall needs to do this. Figure 11, below, sets out government's current framework for spending, including the role of fiscal events, processes for planning spending, and its use of evaluation and formal scrutiny measures.

Figure 11: Government's current framework for spending



Source: HM Treasury, 'Managing Public Money', 2023; HM Treasury, Cabinet Office, 'The government's planning and performance framework', 2021; National Audit Office, 'Improving government's planning and spending framework', 2018.

[74] National Audit Office, *Improving Government's Planning and Spending Framework*.
[75] International Monetary Fund, *United Kingdom: Fiscal Transparency Evaluation*, 2016.
[76] UK Parliament, 'Check and Approve Government Spending and Taxation', Webpage, 2023.

3.1 Setting priority outcomes

Transparently setting out the relationship between inputs, outputs and outcomes can help boost the credibility of departments' spending plans, promote a sharper focus on the resources and capacity needed to deliver key priorities, and enhance accountability for the day-to-day, operational performance of departments. It can also help emphasise to officials the need to consider the whole value chain in decision-making, rather than focusing primarily on the outcomes of a programme or its cost.

With the introduction of Public Service Agreements (PSAs) in 1998 – and building on earlier initiatives to integrate spending with objective-setting and monitoring – it has been an aim of successive governments to incentivise a focus on outcomes through the use of frameworks for regular monitoring and performance management.[77]

PSAs used a traffic-light rating system to assess progress made by departments against measurable targets, produce departmental league tables, and carry out regular stocktake meetings involving the Prime Minister, permanent secretaries and government ministers.[78]

Perhaps most importantly, PSAs were closely connected to the spending review process. Funding and resource decisions were tied to the targets set by government, helping create direct lines of accountability to ministers and senior officials.[79] For the 2007 spending review, it was announced that PSAs would cut across departmental boundaries, reflecting whole-of-government priorities.[80] The terms of each was governed by a "delivery agreement" covering multiple departments, and had its own "delivery board" comprising senior officials from the contributing departments.[81] There was also a Senior Responsible Owner (SRO) appointed to lead each cross-cutting PSA – who reported into a cabinet committee every six months with updates.[82]

PSAs were replaced by Departmental Business Plans in the coalition era (2010-2015) and by Single Departmental Plans in 2015. Yet neither were taken as seriously, or had the same level of executive centre buy-in, as PSAs.[83] In a report examining the legacy of PSAs and their replacement, one official is quoted as saying that, since then, they have "never felt less scrutinised by the centre, and less held to account by the centre, which is lovely in some senses, but feels completely wrong".[84]

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77 See, for example, Sir Andrew Likierman's contribution to the Resource Accounting and Budgeting Green Paper of July 1994, during his tenure as the Director of Financial Audit and Management, HM Treasury; Procedure Committee, *Resource Accounting and Budgeting*, HC 438 (London: The Stationery Office, 1998).
78 Panchamia and Thomas, 'Public Service Agreements and the Prime Minister's Delivery Unit'.
79 Ibid.
80 Ibid.
81 Ibid.
82 Ibid.
83 Wheatley, Kidney Bishop, and McGee, *The Treasury's Responsibility for the Results of Public Spending*.
84 Panchamia and Thomas, 'Public Service Agreements and the Prime Minister's Delivery Unit'.

3.1.1 A lack of transparency

Departments are now required to set their "priority outcomes, strategies for achieving them, and the metrics that will be used to track performance" through Outcome Delivery Plans (ODPs).[85] These are updated annually with progress reported to Treasury and Cabinet Office through quarterly dashboards – crucially, these are not made publicly available.

In the 2021 Spending Review, there was a commitment to link spending bids with evidence that funding would help secure departments' priority outcomes.[86] However, interviewees for this paper argued the link is tenuous, with one interviewee referring to it as "no more than a box-ticking exercise".

Although ODPs are meant to demonstrate how resources will be used "to work towards priority outcome delivery", departments are inconsistent in how they record this and for the most part, do not provide enough detail to enable genuine scrutiny.[87]

The Department for Education, for example, states under the heading "Resource allocation" that 1,830 full-time equivalent staff work on schools and early years, 2,870 on higher and further education, and 1,080 on "Other educational delivery". This in no way provides enough detail to know what resources have been allocated to the Department's four priority outcomes (to drive economic growth through improving the skills pipeline; level up education standards; support the most disadvantaged children and young people through high-quality local services; and provide the best start in life through high-quality early education and childcare).[88]

The Foreign, Commonwealth and Development Office simply restates headline finance totals already published in their annual accounts (such as total resource and capital spending).[89] Meanwhile, one interviewee said that even these numbers tend to give a misleading picture, and that if you "added up the number of FTE staff under each priority outcome", they would be "very surprised if it equalled the number of staff in the department".

The table below shows which departments record resources against ODP priority outcomes. In green are departments where resources are directly matched with priority outcomes, in amber where resources are matched with specific programmes or outputs, and in red where resources are not matched with outputs or outcomes.

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[85] Cabinet Office, 'Outcome Delivery Plans', Webpage, 15 July 2021.
[86] HM Treasury, *Spending Review 2021: Priority Outcomes and Metrics*, 2021.
[87] Cabinet Office and HM Treasury, *The Government's Planning and Performance Framework*.
[88] Department for Education, *DfE Outcome Delivery Plan: 2021 to 2022*, 2021.
[89] Foreign, Commonwealth & Development Office, *FCDO Outcome Delivery Plan: 2021 to 2022*, 2021.

Figure 12: ODP transparency by department (2021)

Department	Transparency of resource allocation
Department for Education	Not matched with outputs or outcomes
Department for Digital, Culture, Media and Sport	Matching with some outputs
Cabinet Office	Directly matching with outcomes
Foreign, Commonwealth and Development Office	
Home Office	
Ministry of Housing, Communities and Local Government	
Department of Health and Social Care	
Department for International Trade	
Department for Transport	
HM Treasury	
HM Revenue and Customs	
Department for Work and Pensions	
Ministry of Justice	
Ministry of Defence	
Department for Environment, Food and Rural Affairs	
Department for Business, Energy and Industrial Strategy	

Source: Cabinet Office, 'Outcome Delivery Plans', 2021.

As Figure 12 demonstrates, there are varying degrees of transparency in how departments record resource allocations and match them to priority outcomes, but overall fewer than half (38 per cent) provide sufficient detail to link inputs to outputs and outcomes. Underlining this, several interviewees referred to ODPs as a "very untransparent" exercise.

One reason is that there are no formal arrangements in place to uphold the quality of ODPs or to clarify how they should be used by government. In turn, they are seen to have much less importance than other reporting requirements and to be almost entirely detached from spending decisions.

Additionally, while it is welcome that ODPs have a section on cross-cutting priority outcomes (for example, the aim to "maximise employment" is shared by the Treasury and Department for Work and Pensions, and to "reduce crime" by the Home Office and (then) Ministry of Housing, Communities and Local Government), no detail is provided on how these arrangements are intended to work, the resources each department will contribute to shared priorities, or how accountability should operate.[90] This level of detail should be a basic requirement of ODPs.

This lack of transparency also extends to the way that progress is tracked. Although ODPs contain performance metrics, generally based on publicly available datasets, they do not describe what successful progress towards their priority outcomes would look like. Since most outcomes have abstract definitions – to "deliver a reliable, high-quality welfare and pensions system" or "provide the best start in life through high-quality early education and childcare" – and apply over multi-year time horizons, the absence of clear, publicly defined targets and milestones significantly undermines the value and influence of ODPs.[91]

This challenge is compounded by the lack of comprehensive performance information across departments. A targeted focus on delivering high-level outcomes relies, in large part, on more detailed, specific information to understand and track how public services are contributing to ODPs 'on the ground' (see section 3.3). Without this kind of information ODPs risk becoming detached from the day-to-day activity of departments: undermining genuine accountability for their results.

Also worth noting is that departments have not published updated, annual ODPs in either year following the 2021 Spending Review despite two changes in Prime Minister (each bringing their own priorities for government).

In 2022-23, the Chancellor of the Duchy of Lancaster defended the decision not to publish ODPs because of changes in the civil service workforce that would "need to be reflected in plans".[92] In 2023-24, the Treasury and Cabinet Office stated that departments would only be required to produce "internal ODPs".[93]

Refusal to publish ODPs reduces Parliament's and the public's ability to scrutinise departmental plans and progress towards priorities.[94] It also contradicts the important aim of moving to a more open, transparent system of performance management, in which democratic accountability sits alongside bureaucratic accountability.[95]

Internally available ODPs and quarterly performance reports are said to include more detail on how resources are allocated and metrics for tracking performance. As others have argued,

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[90] HM Treasury, *HM Treasury Outcome Delivery Plan: 2021 to 2022*, 2021.; Home Office, *Home Office Outcome Delivery Plan: 2021 to 2022*, 2021.
[91] Cabinet Office, 'Outcome Delivery Plans'.
[92] Tevye Markson, 'Outcome Delivery Plans Suspended after Job-Cuts Saga and Autumn Statement', *Civil Service World*, 1 December 2022.
[93] In a letter to the Treasury, William Wragg, Chair of the Public Administration and Constitutional Affairs Committee referred to this decision, purportedly based on prioritising implementation of the Prime Minister's five priorities, as "wholly unconvincing"; William Wragg, *Letter to Rt Hon John Glen, Chief Secretary to the Treasury: Outcome Delivery Plans*, 6 July 2023.
[94] Ibid.
[95] David Cameron, 'A New Politics: Democratic Accountability', *The Guardian*, 25 May 2009.

except where publication would threaten national security, government should make these publicly available.[96]

Doing so would not only enhance accountability and allow outside experts to better evaluate government's performance, but could also mean that ODPs are given greater weight in decision-making, and resources are more likely to be allocated to where they are really needed and will contribute most to fulfilling government's priorities.

3.1.2 Targeting what is feasible

A major source of inefficiency which ODPs are intended to help counter is when unrealistic expectations are set regarding the resources needed to deliver an outcome. The tendency for programmes to overpromise and under-deliver is referred to as 'optimism bias', and is most often seen in the early stages of policy and programme implementation.[97]

This misrepresentation can occur for strategic reasons. One interviewee gave examples of major projects where cost estimates had been "low-balled" to receive sign-off from Treasury based on a belief that – due to a project's perceived importance – costs would be allowed to over-run. They cited defence procurement as an area in which cost over-runs are "built into the industrial structure" of contracts, with profits "made in the variations" from forecast costs rather than in the initially agreed amount.

Departments are also susceptible to optimism bias when making plans to invest in services or programmes using the efficiency savings achieved elsewhere. This can occur due to over-confidence in the 'easy wins' possible through processes such as automation, digitisation, or sharing services, which often factor into spending decisions despite a weak evidence base (see Figure 13).[98]

Figure 13: Failure to implement shared services

A 2016 report by the NAO found that government's plans to create shared service centres were "over-optimistic" and "fell far short" on delivering anticipated savings. Following £94 million of investment, only two of the 26 planned shared service centres had been set up.

The 'Next Generation Shared Services' strategy forecast savings of £128 million a year. Instead only £90 million in savings were achieved after the first 30 months of the strategy (less than half the amount forecast). Because of optimism bias in the original strategy, no organisations met their target implementation date, while delays "reduced the opportunity to make significant further planned savings".

Source: National Audit Office, 'Shared service centres', 2016.

96 Rhys Clyne and Nick Davies, *Outcome Delivery Plans: The Case for Keeping and Improving the Government's Performance Framework* (Institute for Government, 2022).
97 House of Commons Committee of Public Accounts, *Efficiency in Government, Twenty-Eighth Report of Session 2021-22*.
98 National Audit Office, *Efficiency in Government*.

Optimism bias therefore creates inefficiencies when programmes and services cannot be delivered with the resources available, fail to achieve the outcomes originally envisaged, or when future cash injections are needed to rescue a project that is seen as indispensable.[99] As Green Book guidance makes clear, when optimistic rather than realistic projections are permitted "across the board", there is also a risk of "institutional failure" – thus emphasising the importance of making adjustments for optimism bias early on in policy development.[100]

As interviewees noted, this bias demonstrates why it is so important to make information available that allows strong, independent voices to challenge the feasibility of departments' plans. Without transparent ODPs, this function is significantly weaker.

Similarly, it is only when ODPs set out in detail the link between inputs, outputs and intended outcomes that departments are compelled to give their assessment of the resources actually required to achieve priority outcomes.

Preparation of ODPs clearly has significant time and resource implications for departments meaning that if they are to effectively inform budget and spending review decisions, this work must begin well in advance of fiscal events. However, this process should not be perceived as 'yet another reporting requirement'. Government should aim to be mission-led and ODPs – in attaching resources to outcomes or missions – are an integral part of how it can fulfil this purpose.

At budgets, policies and programmes should be judged according to whether they are contributing to ODPs, and if not, whether they should continue, be reformed, or stopped. Departments should be especially cautious about using under-performance against a priority as an argument for spending more on it – before questioning whether their current approach is the right one.

Meanwhile, regular six-monthly updates against ODPs should not be an onerous process. The data and information that enables ODP progress to be tracked should be the kind of data and information already used to monitor performance elsewhere in government, and so readily available to departments.

Recommendation 1: Government should place Outcome Delivery Plans (ODP) on a statutory footing, with the requirement to publish a revised or updated Plan annually. Plans should clearly link resourcing with departmental priorities, including FTE staffing and programme budgets.

Plans must include clear metrics of success and progress milestones covering the length of the spending review. These should be captured in a dashboard of indicators published every six months.

Progress against ODP priorities should directly inform HM Treasury's annual Budget spending decisions.

[99] National Audit Office.
[100] HM Treasury, *The Green Book (2022)*.

3.1.3 Parliamentary scrutiny

The Public Accounts Committee (PAC) has a critical role in scrutinising public spending, drawing on evidence from the National Audit Office and with expansive powers to call witnesses – including departments' permanent secretaries, who have a personal responsibility to account to PAC.

Other select committees, which mirror government departments, also help scrutinise public spending, interrogating whether key programmes are delivering their intended outcomes and publishing detailed reports on implementation. All draw on external input to perform this function through evidence hearings, and many additionally have permanent expert panels to facilitate inquiries into technical areas. For example, the Health and Social Care has a panel of policy experts and professionals whose work covers cancer and mental health services, maternity care, workforce, and NHS digitisation.[101]

Interviewees argued that, given constraints on PAC (which can only ever scrutinise a fraction of government spending and programme performance), there is potential for departmental select committees to play an expanded role in supporting financial accountability. This could include scrutinising the progress of Outcome Delivery Plans annually, and calling the named senior civil servants responsible for each outcome in front of them.

Recommendation 2: Departmental select committees should hold an annual hearing to scrutinise Outcome Delivery Plans (ODPs) and progress against the priorities contained within them.

Just as with pre-appointment hearings, the Committee should publish a report detailing their assessment of the Department's performance against their ODP.

3.2 Embedding evaluation in policy development

Embedding evaluation across government and in policymaking itself – to know what works and facilitate continuous improvement – is a central, but often overlooked aspect of the efficiency agenda. It is fundamental to government's ability to know which areas of spending are likely to maximise impact, improve services through better understanding bottlenecks and causes of inefficiency, and to ensure the reform or de-prioritisation of programmes that are ineffective or wasteful.

Since the vast majority of public spending takes place outside of Whitehall itself, such as in hospital trusts, schools or local government, evaluation represents a way for central government to help promote efficiency across the rest of the public sector.

Without embedding evaluation in policy development to know what is effective and feasible, it is much harder to match resources with government's priorities. Despite recent advances,

[101] House of Commons Committees, 'The Health and Social Care Committee's Expert Panel', Webpage, 12 October 2022.

however, including the creation of an Evaluation Taskforce and Evaluation Registry (an online repository of more than 2,000 social policy evaluations, albeit not yet live), evaluation continues to be peripheral to how Whitehall operates.[102] As Gareth Davies, Auditor-General of the NAO has argued, recent efforts to improve evaluation “will make little difference” unless accompanied by a “fundamental change in behaviour and mindset”.[103]

Establishing a culture of efficiency means putting a premium on opportunities to experiment, drawing on historical and international evidence, and finding innovative ways of doing more for less. Evaluation cannot be an afterthought or a siloed part of government’s work. It must be hardwired into all policy development.

3.2.1 Knowing what works

Only a small proportion of what government does is evaluated, many evaluations are never published, and others still are carried out by – as one interviewee put it – “proactive amateurs” (with no formal evaluation training or experience). Most departments do not know how much they spend on evaluation nor how many staff they have working on it.[104] Feeding high-quality evidence into policymaking is crucial to building more efficient public services, yet the opaque and relatively sparse nature of evaluation is a serious barrier to achieving this (a point made in successive editions of the Treasury Green Book).[105]

A report by the NAO notes that of the “108 most complex and strategically significant projects” managed by government in 2019, “only nine were evaluated robustly”. 77 of the 108 “had no evaluation arrangements at all”.[106]

Beyond this, there is insufficient data to know how much of government’s routine activity is evaluated, but coverage is believed to be patchy. Analysis by the Prime Minister’s Implementation Unit concluded that “government has little information in most policy areas on whether billions of pounds of spend are making a difference”,[107] while an NAO report stresses that “gaps in coverage” mean “government cannot have confidence it is spending public money well”.[108]

The emergence of evidence-based evaluation centres, beginning with the National Institute for Health and Care Excellence (NICE) in 1999 and culminating in the creation of the ‘What Works’ network (comprising nine independent evaluation centres) in 2013, represents an attempt to address this, and now covers policy areas accounting for over £250 billion of public spending.[109]

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[102] Jeremy Quin, ‘Speech: Skills, Efficiency and Technology in the Civil Service’, GOV.UK, 19 July 2023.
[103] Davies, ‘Efficiency Savings Require Learning Past Lessons’.
[104] National Audit Office, *Evaluating Government Spending*, 2021.
[105] HM Treasury, *The Green Book (2022)*.
[106] National Audit Office, *Evaluating Government Spending*.
[107] Ibid.
[108] Ibid.
[109] Evaluation Taskforce, ‘What Works Network’, Webpage, 7 June 2023.

Yet, here too, there are cultural barriers meaning the evidence these independent centres generate is used with varying degrees of commitment by policymakers in government to improve efficiency. For example, while evidence from NICE – the most advanced of these bodies – is used by NHS England to decide which medicines are good value for money to procure, some What Works centres are more detached from policy development, and do not directly influence spending decisions.[110]

While it is right that each department takes its own approach to evaluation, to meet different evidence needs, there is significant and unwarranted variation in the comprehensiveness and quality of these evaluations.[111]

Interviewees suggested this is because evaluation and testing are seen as tangential to the policymaking process. One study found that civil servants and ministers both rank evaluation as the policymaking attribute Whitehall possesses least – behind, for example, policymaking being innovative or outward-looking.[112] Meanwhile, a majority of departments' chief analysts agreed in interviews with the NAO that policy is not designed with evaluation and testing in mind.[113]

Although Treasury issues guidance on evaluation requirements (in the Magenta Book, the evaluation counterpart to the Green Book), there are few arrangements in place for the executive centre to follow-up on whether departments are complying with these requirements.[114]

One of the clearest indicators of an 'evaluation culture' is whether, in the context of tight resource constraints, there is an even greater emphasis placed on commissioning or using evidence from evaluations in policymaking, to ensure that public spending goes as far as possible. Making this point, Steve Aos, former Director of the Washington State Institute for Public Policy (the independent evaluation office of the Washington state government) once argued that the Institute's success could be seen in the fact that "at a time of falling budgets", they were allocated more resources by legislators, and commissions were increasing (Figure 14).[115]

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110 Dan Corry, 'Is the "What Works" Movement Working?', Blog, LSE Blogs, 28 April 2023.
111 National Audit Office, *Evaluating Government Spending*.
112 Wheatley, Kidney Bishop, and McGee, *The Treasury's Responsibility for the Results of Public Spending*.
113 National Audit Office, *Evaluating Government Spending*.
114 Ibid.
115 Jill Rutter, *Evidence and Evaluation in Policymaking: A Problem of Supply or Demand?* (Institute for Government, 2012).

Figure 14: Washington State Institute for Public Policy

The Washington State Institute for Public Policy, created in 1983 and working closely with legislators, deploys a consistent 'cost-benefit' framework to assess outcomes of proposed State programmes and allow for cross-programme comparison. Across areas like criminal justice, higher education, and public and mental health, the Institute estimates the net benefits (in dollars) of specific interventions – for the recipients of programmes, taxpayers and the wider public.

For each programme, the Institute details how long it will take for benefits to accrue, with a breakdown of the source of these benefits (e.g. from better educational outcomes, higher earnings or a reduction in crime). It also provides an estimate of how likely it is that benefits will exceed costs: ranging from 2 per cent for the least promising programmes through to 100 per cent for the most promising.

The Institute has been described as the state's "investment adviser": influencing a third of its spending decisions, and saving an estimated $1.3 billion for the state every two years. A public dashboard of the Institute's evaluations is available on its website.

All Research Areas | Juvenile Justice | Adult Criminal Justice | Child Welfare | Pre-K to 12 Education | Children's Mental Health | Health Care | Substance Use Disorders | Adult Mental Health | Public Health & Prevention | Workforce Development | Higher Education

Juvenile Justice PDF

For questions on benefit-cost results relating to Juvenile Justice, contact Heather Grob.

Program name (click on the program name for more detail)	Date of last literature review	Total benefits	Taxpayer benefits	Non-taxpayer benefits	Costs	Benefits minus costs (net present value)	Benefit to cost ratio	Chance benefits will exceed costs
Functional Family Therapy (FFT) for youth post-release	Mar. 2019	$147,574	$34,128	$113,446	($7,921)	$139,652	$18.63	100 %
Dialectical behavior therapy (DBT) for youth in state institutions	Jun. 2019	$49,073	$10,403	$38,670	($1,515)	$47,558	$32.39	93 %
Intensive supervision for court-involved youth (vs. confinement in state institutions)	Jul. 2019	$17,192	$867	$16,325	$26,034	$43,226	n/a	100 %
Other (non-name brand) family-based therapies for court-involved youth	Jul. 2019	$40,334	$10,686	$29,648	($3,001)	$37,334	$13.44	92 %
Parenting with Love and Limits (PLL) for court-involved/post-release youth	Jul. 2019	$31,142	$7,638	$23,504	$2,775	$33,917	n/a	100 %

Source: Washington State Institute for Public Policy, 'Benefit-Cost Results', 2023.

A culture in which evaluation is largely an afterthought means that key opportunities to build learning into policy decisions being taken are missed. Interviewees observed, for example, that when government reduces its spending on a policy or programme, the change is "almost never" used to determine the effect previous spending levels had on outcomes.

There is an assumption that evaluation should be used when implementing something new, or to determine the effect of a specific intervention, but not to gain a better understanding of major, long-standing areas of public spending and their outcomes.

A number of interviewees cited conversations in which they had been told that evaluating a long-standing area of spending would be "too politically sensitive", or difficult because "we've being doing [that programme] for years".

Indicating the scale of current evaluation spending, in 2019-20 government spent £84 million on external evaluation contracts, compared with £885 billion of total spending (there are not reliable estimates for internal evaluation spending).[116] This is equivalent to less than 0.01 per cent of total government spending.

Equally the budget for the Evaluation Task Force, responsible for the massive undertaking of "filling strategic evidence gaps" across government, is £15 million over three years.[117] This is significantly less than many departments' advertising budgets for a single year.[118]

Of course it will not, in every case, be appropriate for government to strive for a gold standard of evaluation – sometimes the priority should be to gather evidence as rapidly as possible, or to conduct a more cost-effective evaluation that still enables thorough analysis. Interviewees reflected that what constitutes "sufficient evaluation" is largely contingent on the programme in question, and that different standards of evaluation will be appropriate for different stages of implementation. Some What Works centres, for example, will apply the Maryland Scientific Methods Scale, which defines categories of evaluation that can be used in different contexts along a five point scale, from analysis that are based on simple correlations (one), through to randomised control trials (five).[119]

3.2.2 Revealing what works

Transparency is essential to ensure that decisionmakers across government can learn from evaluations, and to bring external scrutiny to the methods they use and the conclusions they reach. In a PAC hearing on the use of evaluation and financial modelling, transparency was described as government's "default position".[120]

However, unlike requirements which apply to the publication of official statistics – governed by regulation – rules on the publication of evaluations are at the discretion of government ministers.[121] For example, the Department for Education sets an expectation that evaluations of new interventions will be published, whereas the Department for Levelling Up, Housing & Communities requires ministerial approval for evaluations to be released.[122]

The UK is in the minority of OECD countries where there are no explicit regulations guiding the production or dissemination of policy evaluation (in primary or secondary legislation).[123]

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[116] National Audit Office, *Evaluating Government Spending*.
[117] HM Treasury, *Autumn Budget and Spending Review 2021: A Stronger Economy for the British People*, 2021.
[118] For example, in the financial year ending March 2023, the Department for Education spent £40 million on advertising and publicity, while the Department for Transport spent £29 million on publicity, and the (then) Department for International Trade spent £20 million on "promotion activities"; Department for Education, *Consolidated Annual Report and Accounts*, 2023.; Department for Transport, *Annual Report and Accounts*, 2023.; Department for International Trade, *Annual Report and Accounts*, 2023.
[119] What Works Centre for Local Economic Growth, 'The Maryland Scientific Methods Scale (SMS)', Webpage, 9 June 2015.
[120] Public Accounts Committee, *Oral Evidence: Use of Evaluation and Financial Modelling*, HC 1055 (London: The Stationery Office, 2022).
[121] Ibid.
[122] National Audit Office, *Evaluating Government Spending*.
[123] OECD, *Improving Governance with Policy Evaluation*, 2020.

One consequence is that civil servants can face pressure not to publish negative findings, or to soften the language they use to communicate them (known as publication bias). More than a third of chief analysts say they publish evaluation findings in a timely manner only in "some or a limited number of cases".[124]

In 2022, then-Permanent Secretary to the Treasury, Sir Tom Scholar, explained to PAC that he would not be surprised at all to find examples of departments that find it "inconvenient to publish inconvenient analysis".[125]

As things stand, there is no publicly available data on how often evaluations are completed but not published.[126] The introduction of an Evaluation Registry is partly aimed at countering this, though its efficacy will still depend on there being centrally defined rules for publishing evaluations.

There is recent precedent for the executive centre insisting upon publication standards in this way. At the 2020 Spending Review, spending decisions were informed by departments submitting a "detailed overview of their evaluation plans".[127] At the 2021 Spending Review, this prescription was lighter, with Treasury stating that the Evaluation Taskforce had worked with departments in important areas so that proposals "are supported by robust evaluation plans".[128]

There is an opportunity for the Treasury to apply similar controls outside of spending reviews to incentivise greater transparency in evaluation. For example, it could reduce the delegated authority limit of departments which regularly refuse to publish evaluations that are essential to public scrutiny.[129] These powers have generally been used to discipline departments where the Treasury has specific value for money concerns (they were notably used this year to prevent the Department for Levelling Up, Housing and Communities from signing off new capital spending proposals, for example[130]). Applying them to departments that repeatedly withhold inconvenient evaluation evidence could be a powerful incentive for transparency.

3.2.3 Led by what works

For evaluation to help boost efficiency it must be consistently undertaken and acted upon. A culture must be created in which evaluation is initiated early on in programmes to produce actionable evidence which informs how future decisions are made.

Interviewees noted there are "very few" examples of ineffective programmes that have been stopped as a result of an evaluation. One cited the Department for Education's Social Workers

124 National Audit Office, *Evaluating Government Spending*.
125 Public Accounts Committee, *Oral Evidence: Use of Evaluation and Financial Modelling*.
126 Ibid.
127 HM Treasury, *Spending Review 2020*, 2020.
128 HM Treasury, *Autumn Budget and Spending Review 2021: A Stronger Economy for the British People*.
129 Matthew Gill and Grant Dalton, 'Public Bodies: Governance and Funding', Webpage, Institute for Government, 21 December 2022.
130 Chas Geiger, 'Treasury Tightens Controls on New Spending in Michael Gove's Department', *BBC News*, 9 February 2023.

in Schools (SWIC) programme – which was discontinued based on the finding from What Works Children's Social Care that it "had no impact on children's outcomes".[131]

NAO research corroborates this, finding "few examples of interventions ending where evaluations have shown they do not work as intended".[132] In fact, it is not uncommon for the poor performance of an intervention to be used as a justification for spending more on it – i.e. 'if only this service were better resourced, then it would have the impact intended'. Whenever this argument is given credit, as the Barber review says, "perverse incentives are inevitable" and "any hope of an efficiency culture undermined".[133]

Evaluation is more commonly used by departments to support funding bids and occasionally, to make improvements to ongoing programmes (such as changes made by the Department for Business and Trade in response to border digitisation pilots).[134] Yet widespread failure to stop doing things which are shown not to work is the very antithesis of an efficiency mindset: preventing cash being released for things that are more effective and would achieve a greater impact for citizens.

Too often, the work of evaluators (including those in the Analysis Function) is detached from the work of policy, finance and spending teams, who inform decisions about programme funding. We were told by one interviewee of a case in which the delivery unit of a major spending department had flagged to their executive team that, based on available evidence, a programme "could not be implemented". Yet the department involved still successfully negotiated sign-off of a sizeable budget for the programme with the Treasury, regardless. In contrast, there are examples from other countries where learning from past evaluations is institutionally embedded in spending decisions (see Figure 15).

131 Donna Molloy, 'Social Workers in Schools: Why We Are Not Recommending Investment', Webpage, 30 March 2023.
132 National Audit Office, *Evaluating Government Spending*.
133 Barber, *Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value*.
134 National Audit Office, *Evaluating Government Spending*.

Figure 15: Canada's 'dual sign-off' model

Approval for the funding needed to "create, expand or modify" policy initiatives in Canada is the responsibility of the Treasury Board. Departments make submissions to the Board, which, as well as detailing the risks and intended results of proposals, as in the UK, have sections on policy "design and implementation" that must be independently verified by a department's Head of Evaluation. Both are signed off by the Treasury as necessary parts of the approval process.

In the implementation section, departments must explain how their proposed initiative has been informed by "past evaluations, audits, studies and experiments"; whether the chosen governance structure has "evaluations or assessments" which support its efficacy; and set out the "timing and scope" of future evaluations of the initiative itself.

There is a default assumption that "all programs and spending" are evaluated periodically (defined as "at least once every five years"). If no evaluation is planned, departments must provide a rationale for this instead.

Through this 'dual sign-off' process, the Treasury is responsible not only for ensuring that public spending will be good value for money, but also that proposals are "implementable" and evaluations play a decisive role in funded allocations.

Source: Government of Canada, 'Guidance for Drafters of Treasury Board Submissions', 2023.

Although interviewees were positive about spending teams becoming more "porous" – often seeking and acting on advice from central government functions – they argued there is much further to go to establish close integration between evaluation, and the decisions made by policy and spending teams.

Tight integration between policy and evaluation, especially in the early stages of design and approval, would also enable concerns regarding feasibility and implementation to be addressed much earlier on. In some cases, this process is as simple as asking 'has this been done before?' or 'who else has looked at this?'. In others, it could mean making programme and policy approval conditional on whether there is reliable evidence from previous evaluations to suggest something will deliver good value for money.

The principle of benchmarking (comparing best practice with other organisations or settings, such as to estimate the cost and complexity of projects) is well-regarded and utilised in the private sector.[135] Bringing this rigour to policy development could help put the brakes on expensive flagship programmes that have not been sufficiently thought through and have a weak evidence base. As one interviewee put it, "By the time you get to cost control, it's often too late"; there may be a number of inefficiencies already built into the policy options under consideration.

[135] Theo Papaioannou, Howard Rush, and John Bessant, 'Benchmarking as a Policy-Making Tool: From the Private Sector to the Public Sector', *Science and Public Policy* 33, no. 2 (March 2006).

Recommendation 3: The Evaluation Taskforce should oversee a new framework which sets out clear expectations for when, and under what conditions, evaluations should be published by departments. In the interests of transparency, these rules should adhere as closely as possible to a principle of proactive 'publication by default'.

Government should additionally set the requirement that all public spending is evaluated periodically (defined as once every ten years or less) and that the completion of these evaluation plans becomes a condition of spending sign-off from Treasury. If further evaluation is deemed unnecessary, this should be publicly justified.

Recommendation 4: The Treasury should adopt Canada's dual sign-off model for all new policies and programmes above an agreed threshold. For spending to be approved, departments should be required to demonstrate that new initiatives are likely to be effective based on past evaluations, audits, studies and experiments.

Where this evidence is not available, for example because a policy or programme is particularly novel or transformative, the department must provide a clear rationale explaining this: including future plans for evaluation, how it will identify whether implementation is on track, and trigger points for acting if there is emergent evidence that the initiative may not be effective.

3.3 Monitoring performance

Robust management information is key to government's ability to make informed decisions, and to track and improve individual programme and organisation performance over time. When embedded in decision-making processes, and properly recognised and resourced by senior officials, performance information can enable continuous improvement and learning, and drive significant gains in efficiency and value for money.

Crucially, the information must be detailed, well presented, and laser-focused on the needs of decision-makers, so that it can be easily applied to improving the business-as-usual activity of departments, as well as identifying strategic opportunities. This could include:

- Information on variations in performance between service providers, which can be used to share best practice, raise average standards and support accountability. An example is NHS England's Getting It Right First Time (GIRFT) programme, which aims to reduce unwarranted variation between NHS hospital trusts by drawing on wide-ranging and direct input from senior clinicians.[136] In Orthopaedics alone, GIRFT is thought to have saved nearly £700 million over five years.[137]
- Information to guide investment decisions and quantify the costs of failing to invest, including the effect capital allocations (government buildings, technology, equipment) have on specific outputs or staff productivity. Cabinet Office analysis from 2019, for example, found that failure to update legacy IT systems could cost between £13 billion

[136] NHS Providers, *The Getting It Right First Time Programme: Early Views from the Provider Sector*, 2018.
[137] NHS England, *Getting It Right in Orthopaedics: Reflecting on Success and Reinforcing Improvement*, 2020.

and £22 billion over five years – representing "one of the greatest barriers to process transformation and innovation across government".[138]

- Information to enable departments to closely monitor whether they are on track with programme delivery, to flag potential issues and blockages as early as possible, and make course corrections if there are signs that key milestones could be missed (see Figure 16 for example).

3.3.1 (Performance) information is power

Typically in organisations, what gets measured gets done. The best performance information distils balanced data into metrics which reflect an organisation's priorities but are grounded in the day-to-day work of individuals and teams (so that good performance can be rewarded, and underperformance addressed).[139] It is about more than simply recording financial data, convenient outputs or, as interviewees put it, "filling in spreadsheets and passing them up the chain of command".

Performance information can be especially impactful when it is used to promote a culture of continuous improvement in which marginal gains in efficiency are systematically identified and realised, and linked to the objectives of staff. While this is common in high-performing private sector organisations, it is rare in Whitehall.[140]

A report by the NAO states that government "often struggles with the basics of measuring whether it is achieving its objectives", while interviewees told us that "even people running things", including SROs, "find it hard to get an accurate picture of progress".[141] In the case of the executive centre, one interviewee told us that getting up-to-date information on performance often means "scurrying around Whitehall departments with bespoke requests that take can weeks to be returned". And similarly, that information gaps about how departmental workforces are deployed, what areas of spending are mandatory and discretionary, and on objectives and key results (OKRs) are "baffling and unconscionable".

Ongoing expenditure

Performance information is also key to improving the efficiency of ongoing programme expenditure (constituting the majority of public spending), much of which, interviewees told us, receives insufficient challenge and could potentially be reallocated to activities that are more likely to achieve priority outcomes.

This applies, for example, to spending on long-standing policy teams whose staff are hard to redeploy according to organisational priorities. A 2012 review by the Department for Education found that only 3 per cent of individuals were assigned to teams where "all the work is on

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[138] Cabinet Office, 'Organising for Digital Delivery', Webpage, 22 July 2021.
[139] Raffaele Carpi, John Douglas, and Frederic Gascon, 'Performance Management: Why Keeping Score Is so Important, and so Hard', Webpage, 4 October 2017.
[140] Julian McCrae et al., *Improving Decision Making in Whitehall: Effective Use of Management Information* (Institute for Government, 2012).
[141] National Audit Office, *Government's Management of Its Performance: Progress with Single Departmental Plans*, 2016.

clearly defined projects and end points".[142] In response to this finding, the Department successfully identified surplus activity and had ten times as many staff deployed on a flexible basis by 2015.[143]

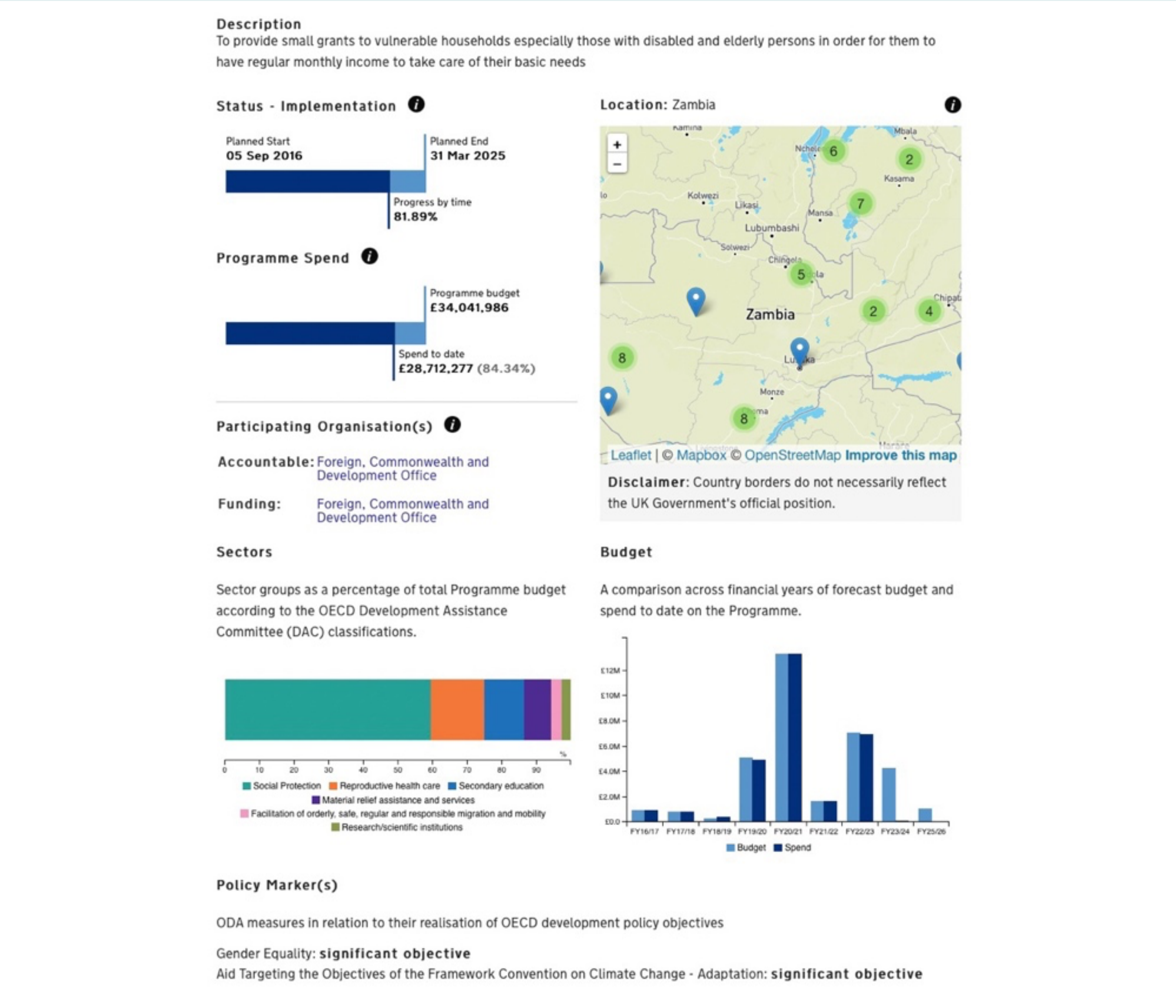
Although this represented worthwhile progress towards a more flexible workforce model (the introduction to the review committed to make "moving staff onto top priority work simple and quick"), it also demonstrates why ensuring an efficient model requires real-time information, rather than depending on ad hoc reviews.[144] Over a decade on from the review, interviewees observed that the Department for Education still lacks the information necessary to project and plan its future workforce needs; and more generally, that departments are "slow at putting people in the right place".

[142] Department for Education, *The Department for Education Review*, 2012.
[143] Damian Hind, *Whitehall Rules!* (Policy Exchange, 2015).
[144] Department for Education, *The Department for Education Review*.

Figure 16: FCDO Development Tracker

The Foreign, Commonwealth and Development Office maintains a publicly available Development Tracker for aid spending, displaying the budget and implementation status (as a percentage) of all its overseas programmes. Each programme page makes clear the department (where this is not only the FCDO) accountable for implementation; development outcomes the programme seeks to contribute to (such as conflict prevention or energy generation); and is linked to regular update reports.

These update reports contain sections including progress against key milestones, risks to implementation, lessons and recommendations informed by earlier stages of delivery, and "value for money […] compared to the proposition in the Business Case". An indicative example of a programme page is shown below.



Source: Foreign, Commonwealth & Development Office, 'Development Tracker', 2023.

Differentiated approach to risk

Reliable, well-rounded performance information also enables departments to take a more intelligent, differentiated approach to risk. Where performance information suggests there is a low risk of failure, fewer resources need be spent on inspection, data requests, and other costly forms of scrutiny and oversight.

Conversely, interviewees explained that a lack of performance information (over 30 per cent of civil servants say they do not get the information they need to do their job well[145]) means government currently spends too much time "managing the wrong risks" – resulting in major inefficiencies.

Benchmarking

Without performance data to benchmark public sector organisations against one another, it is difficult to assess whether gaps in efficiency and productivity are warranted or not. While most public spending takes place through service providers, government in many instances has a relatively weak understanding of how individual organisations (like courts or schools) can maximise their output for the minimum input. Instead, there is the perverse incentive to focus on what is easiest to measure (inputs and cost) over the provider-level drivers of performance and efficiency.[146]

A 'golden thread' of performance management

Performance information, however, is only as effective as the incentives which exist for it to be used in management decisions. Worryingly, in cases where Whitehall does collate performance data, they are rarely central to individuals' objectives.[147]

There is a huge opportunity – in creating metrics which better reflect the day-to-day work of organisations – to simultaneously improve the link between the performance management of individuals and teams, and the quality of the services they are helping to improve and deliver.

3.3.2 Pursuing performance information

Despite the importance of performance information, and the key contribution it can make to government efficiency, a major barrier to its more widespread use is that many departments do not have someone formally responsible for driving its adoption or improving its quality.

For example, of the three biggest delivery departments (each with budgets of over £100 billion) – the Department of Health and Social Care (DHSC), the Department for Work and Pensions, and the Department for Education – only the DHSC has a Director-General responsible for performance.[148]

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[145] Cabinet Office, 'Civil Service People Survey: 2022 Results', Webpage, 30 March 2023.
[146] Crowhurst, Finch, and Harwich, *Towards a More Productive State*.
[147] National Audit Office, *Government's Management of Its Performance: Progress with Single Departmental Plans*.
[148] Department of Health and Social Care, 'Organogram of Staff Roles and Salaries', Webpage, 9 June 2023.

Relatedly, a report by the NAO finds that performance information has “tended to be seen as a job for analysts below the level of the senior civil service”, making it harder to establish links between policy priorities (set at a senior level) and impact indicators devised by other staff.[149]

While there does not necessarily need to be a specific, ‘Director-General of performance’ in every department, having a senior, named official who is responsible for driving improvement could have a meaningful impact on securing continuous, executive departmental buy-in for improving the use of performance information. It can also make Select Committees and others aware of who is leading this vital change.

Recommendation 5: Each department should have a named individual in their executive team whose brief includes accountability for the use of robust performance information in decision-making.

Government should set up a Performance Taskforce as a unit of the Cabinet Office, sponsored by the Government Chief Operating Officer. This taskforce should be comprised of the Treasury’s Director General of Public Spending, the Director of the No. 10 Delivery Unit, the Chief Executive of the Infrastructure and Projects Authority, and the named officials from each department responsible for performance information. This taskforce should mandate the digital, data and technological capabilities needed for each department’s system of performance information, making clear what ‘what good looks like’. It should also define when and in what form performance information should be made available to the public.

[149] National Audit Office, *Government’s Management of Its Performance: Progress with Single Departmental Plans*.

4. A new era of efficiency

Efficiency gains are ultimately delivered by the people working within the system. Individuals and teams in any part of an organisation can be a source of important efficiency-seeking insights and innovations. Structural improvements – including transparency requirements, evaluation bodies and spending controls – must therefore be paired with strong incentives for civil servants to achieve efficiencies and disincentives to avoid waste.

In 2016, the need to strengthen public sector incentives was a key focus of the Public Sector Efficiency Group in Cabinet Office.[150] Yet in government, as the Barber Review later found, they are "to put it mildly, ambiguous".[151] The majority of the public sector rarely operates in a competitive environment and so the same pressures to innovate and operate more efficiently that exist in the private sector do not apply.[152] The incentives that do exist nonetheless shape many of the organisational cultures and mindsets of Whitehall – explored in *Reform*'s essay, *Reimagining Whitehall*.[153]

Below are key incentives, two individual and two departmental, referenced in interviews for this paper, that were said to hinder the development of an 'efficiency mindset':

- **Moving on to progress:** Civil servants are incentivised to move through departments and policy areas to progress, creating 'churn' and making it hard to trace clear lines of accountability for the results of long-term programmes.[154]
- **Deferring to power:** There are "almost no incentives" for civil servants to speak truth to power when something is risky, likely to be inefficient or simply not feasible.[155]
- **Seeking 'new' over better:** There are greater incentives for departments to announce new policy ideas ('the next big thing') than to work towards continuous improvement or iterate on existing policy to improve outcomes and efficiency.[156]
- **Working in siloes:** Departments are not adequately incentivised to identify savings that will accrue to other parts of the system or to avoid decisions that will increase costs elsewhere in government (known as 'cost shunting').[157]

For government to develop a culture in which efficiency is prioritised in the everyday work of civil servants, it must be attuned to the effect existing incentives have and how they can be reshaped. Though there is no 'one size fits all' approach that can be taken, there are shared opportunities and factors that influence decision-making across the public sector.

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[150] Stephen Aldridge, Angus Hawkins, and Cody Xuereb, 'Improving Public Sector Efficiency to Deliver a Smarter State', *Cabinet Office*, 25 January 2016.
[151] Barber, *Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value*.
[152] Slater, *Fixing Whitehall's Broken Policy Machine*.
[153] Simon Kaye, *Reimagining Whitehall: An Essay* (Reform, 2022).
[154] Tom Sasse and Alex Thomas, *Better Policy Making* (Institute for Government, 2022).
[155] Slater, *Fixing Whitehall's Broken Policy Machine*.
[156] Margaret Hodge, *Called to Account: How Corporate Bad Behaviour and Government Waste Combine to Cost Us Millions* (USA: Boston: Little, Brown, 2016).
[157] Public Accounts Committee, *Oral Evidence: Efficiency in Government*.

From the accountability arrangements for senior civil servants, to pay and reward schemes for more junior staff, these whole-system incentives are the focus of this chapter.

4.1 Churn and ownership of results

The amount of churn – frequent turnover of staff – is a long-standing and well-recognised challenge for Whitehall. In 2021-2, 13.6 per cent of civil servants either moved departments or left the civil service entirely: the highest rate in over a decade (though turnover previously fluctuated between 8 and 12 per cent).[158] In the six departments with the highest levels of turnover, 40 per cent of senior civil servants were in post less than a year and the majority of senior civil servants were in post for less than two years.[159]

This is also a significant underestimate of the true turnover rate, since the civil service does not record data on transfers *within* departments.[160]

These turnover rates, especially for senior staff, compare unfavourably with other countries. In New Zealand, for example, the rate of turnover of managers in the civil service averages 10 per cent a year.[161] Meanwhile the Estonian civil service – which saw a significant increase in employee churn following the recovery of its post-pandemic labour market – still has a turnover rate of just 8.3 per cent.[162]

What's driving churn?

The 'free market' which characterises internal recruitment in the civil service incentivises staff to search for roles in different teams, policy areas and departments in order to progress. This prevents the deepening of specific expertise that could emerge if this churn were less frequent.[163]

There is evidence that recent pay restraint in the civil service may have exacerbated churn – with a lateral move, in some cases, being "seen as the only way to obtain a pay increase", by taking advantage of the different pay bands used by different departments.[164]

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158 Rhys Clyne and Maddy Bishop, 'Staff Turnover in the Civil Service', Webpage, Institute for Government, 12 April 2022.
159 Tom Sasse and Emma Norris, *Moving on: The Costs of High Staff Turnover in the Civil Service* (Institute for Government, 2019).
160 Sasse and Norris.
161 State Services Commission, New Zealand, *Public Service Workforce Data*, 2018.
162 Republic of Estonia: Ministry of Finance, 'Public Administration and Personnel Policy', Webpage, 20 June 2022.
163 Public Administration and Constitutional Affairs Committee, *Oral Evidence: Civil Service Effectiveness*, HC 497 (London: The Stationery Office, 2017).
164 Cabinet Office, *Government Evidence to the Review Body on Senior Salaries on the Pay of the Senior Civil Service*, 2017.

4.1.1 A lack of long-term ownership

The constant churn of civil servants has a number of adverse effects on efficiency, including the direct cost to departments in recruitment, productivity lost during training and re-training, and in undermining the retention of specialist, institutional knowledge in departments.

Just as important to efficiency, and particularly consequential for senior decision-making, is the effect churn has on accountability. Interviewees argued that the fact many senior officials know they will not be in post when the outcomes of a programme become clear means they do not feel a strong sense of "ownership" for its long-term performance.

Supporting this, Gareth Davies, Auditor General of the NAO, has said that there is often "no sense of ownership" over long-term programmes because "people are reasonably confident they'll be gone before any adverse consequences are obvious".[165]

Similarly, churn can also undermine the honest conversations required to know whether programmes can be delivered with the time and resources available and to embed a strong focus on long-term outcomes – both of which are crucial to efficiency.[166]

To support an effective sense of long-term ownership over programmes, interviewees argued that it is as important to "attach" specific achievements to individuals as it is to apportion responsibility if things go wrong.

As things stand, civil servants can be rewarded via non-consolidated performance payments (bonuses) equivalent to a small percentage of salary. However, these awards are associated with in-year performance rather than the efficient delivery of long-term programmes.[167] They have also proven difficult for departments to use and publicly defend – facing sharp criticism when individual performances have attracted bonus pay despite the department, as a whole, underperforming.[168]

Key features of Whitehall's existing model of accountability also make it difficult to apportion responsibility when long-term programmes fail or represent an inefficient use of resources. A number of interviewees argued that "upward-facing" accountability to ministers leaves major gaps, and further "removes ownership" from the originators of ideas in the context of churn. Jonathan Slater, a former permanent secretary at the Department for Education, has gone further, arguing the "current arrangements are broken", and so there is "no effective accountability […] in practice, whatever the theory may say".[169]

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165 The Economist, 'The Machine That Runs Britain's State Needs an Overhaul', 23 March 2023.
166 Public Administration and Constitutional Affairs Committee, *The Minister and the Official: The Fulcrum of Whitehall Effectiveness: Fifth Report of Session 2017-19*, HC 497 (London: The Stationery Office, 2018).
167 Cabinet Office, *Civil Service Pay Remit Guidance, 2023 to 2024*, 2023.
168 See, for example, Jawad Iqbal, 'Bonuses for Failure in Whitehall Are an Insult to Taxpayers', *The Times*, 26 July 2022.
169 Slater, *Fixing Whitehall's Broken Policy Machine*.

4.1.2 Reducing churn, creating long-term ownership

Addressing civil service accountability in its entirety is beyond the scope of this paper. Nonetheless, interviewees agreed that reducing churn, and taking steps to promote greater ownership, even in a context of high turnover, could go a long way to ensuring civil servants feel responsible for the results of long-term programmes – and thus to boosting efficiency.

A pay boost for key roles

Created in 2013, the Pivotal Role Allowance (PRA) enables departments to offer a temporary pay uplift (generally ranging from £10,000 to £15,000 per annum) to senior civil servants who have "highly specialised roles" and are responsible "for delivering the riskiest major projects and other priorities".[170] It is intended to be used as a retention tool, tied to the achievement of specific milestones, where there is a "genuine flight risk" that applies to a programme-critical role.[171] In practice, however, the PRA is rarely used – a Select Committee report published in 2019, the most recent year for which there is data, found that just 46 Pivotal Role Allowances were "in payment" (compared to 133 projects in the Major Projects Portfolio that year, and many more long-term programmes across government).[172]

For this reason, although the PRA is said to be a useful, tactical solution to excessive turnover, its overall effect on reducing churn, and creating ownership over long-term programmes, is at best relatively marginal.[173] In responses to select committee reports, government has committed to keep the PRA system under review, while also making efforts to streamline the approval process by allowing lower value cases (below £15,000 per annum) to be signed off by officials rather than ministers, as would otherwise occur.[174]

Career structure

Another part of government's strategy to address churn has been to further embed the professions (e.g. procurement, digital, data and technology, and finance specialists working across Whitehall), many of which have published career frameworks, to help facilitate more structured and predictable progression through the civil service.[175]

For example, the Data Analyst profession provides clear examples of what progress through the grades, without needing to find roles in new departments, looks like – from an entry-level 'associate data analyst' position through to more senior, 'principal data analyst' roles.[176]

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[170] Cabinet Office, *Senior Civil Service Pay Award 2022/23 - Practitioner Guidance*, 2022.
[171] Ibid.
[172] Public Administration and Constitutional Affairs Committee, *Government's Response to the Committee's Fifth Report: The Minister and the Official: The Fulcrum of Whitehall Effectiveness*, HC 1977 (London: The Stationery Office, 2019).
[173] Cabinet Office, *Government Evidence to the Review Body on Senior Salaries on the Pay of the Senior Civil Service*, 2017.
[174] Civil Service and Review Body on Senior Salaries, *Government Evidence to the Senior Salaries Review Body on the Pay of the Senior Civil Service (June 2023)*, 2023.
[175] Public Administration and Constitutional Affairs Committee, *Government's Response to the Committee's Fifth Report: The Minister and the Official: The Fulcrum of Whitehall Effectiveness*.
[176] Government Analysis Function, *Role Profiles and Career Pathways in Analysis*, 2021.

Yet a large proportion of civil servants do not have this clear progression framework, including many who are responsible for managing long-term programmes.[177] Nor are there separate data published on turnover rates for those who do.

Retention bonuses

In 2022, the Cabinet Office announced it was developing plans to introduce milestone-based rewards for senior civil servants, to incentivise officials to "stay in post for the duration of projects".[178] Bonuses would apply to projects for which the end-date is "years away", but "sufficiently high priority" to mean that having one leader in post until completion or the nearest key milestone would make an important contribution to successful delivery.

The plans explained that, while this reform would help reduce churn, it would not resolve the "long-standing cultural issue of accountability" – to which a robust performance management system would offer a "simpler and more effective solution".[179] In 2023 it was announced that, due to "overall resourcing pressures and competing priorities", the introduction of milestone-based pay would be indefinitely paused.[180]

Sign-off for key roles

The Infrastructure and Projects Authority (IPA), which sits between the Treasury and Cabinet Office, and works to ensure that all major projects in its portfolio are delivered efficiently and effectively, has some of the most targeted measures to retain Senior Responsible Owners (the individual "ultimately responsible" for a project being delivered), and maintain long-term accountability.[181]

The Chief Executive of the IPA is responsible for signing off all Senior Responsible Owner (SRO) appointments to major projects, and for setting specific requirements on the time commitment and length of tenure expected of them. The IPA's mandate also permits the use of further "remuneration, grading and support" measures where these are needed to improve SRO recruitment and retention.[182]

Further to this, and perhaps most important, an SRO cannot leave their role for another post in government without the direct consent of the Chief Executive of the IPA. Departments must demonstrate they have an experienced SRO in post in order to gain approval from the Treasury and IPA to pass through the five "Assurance Gates" (checks applied by the IPA to determine whether a major project is ready to progress to the next stage).[183]

Together, these measures have led to an increase in the average tenure of a major project SRO from three years to over four and a half years: more than twice as long as the average

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[177] Cabinet Office, *Statistical Bulletin - Civil Service Statistics: 2022*, 2023.
[178] Review Body on Senior Salaries, *Forty-Fourth Annual Report on Senior Salaries 2022*, 2022.
[179] Ibid.
[180] Review Body on Senior Salaries, *Forty-Fifth Annual Report on Senior Salaries*, 2023.
[181] Government Project Delivery Function, *Project Delivery: The Role of the Senior Responsible Owner*, 2023.
[182] Cabinet Office and HM Treasury, *Infrastructure and Projects Authority Mandate*, 2021.
[183] Cabinet Office and HM Treasury.

tenure of a senior civil servant.[184] From 2013 (when the IPA started collecting data) to 2019, the turnover rate for SROs fell from 17 per cent per quarter – and more than half of SROs leaving each year – to less than 6 per cent per quarter.[185]

4.1.3 A test bed for new continuity measures

Clearly, there is no 'silver bullet' to retaining senior civil servants on business-critical programmes, and in turn creating stronger long-term ownership and continuity. The most effective solution is likely to be one that combines several of the measures described above. The Cabinet Office acknowledges that, as things stand, turnover is exacerbated by a number of "current incentives within the system".[186]

Section 3.1 makes the case for strengthening Outcome Delivery Plans (ODPs), and placing them on a statutory footing. The priority outcomes they contain are inherently longer-term: usually the length of a spending review or beyond. This means that having someone who 'owns' these outcomes, and is responsible for reporting on their progress, could make a meaningful difference to whether they are effectively delivered.

Of course it is not always possible to retain the same individual in post. It is important that government sets realistic expectations for how long the same officials are likely to manage key programmes. Encouragingly, in 2022 government introduced a "minimum assignment duration" for Director and Deputy Director roles, to support the delivery of ODPs and other, longer-term projects – with flexibility for departments to adjust this expectation according to their specific business requirements.[187] Though the reform stops short of making these assignment durations a new contractual requirement, they are an important signal of intent regarding the importance of longer-term ownership to successful delivery.[188]

Government must now look to extend a culture of 'stewardship': in which senior civil servants not only take ownership over the results delivered during their tenure, but also aim to leave institutions and long-term programmes in a better state for their successor. Building best-in-class processes for programme handover, including trialling slow-switchover processes, in which the previous programme leads remain 'on call' to the new programme lead and continue to have input for a short period, could make an important contribution to this.

Reducing the turnover of SROs, who are formally responsible for projects, and other senior civil servants should also be a priority for government. Introducing a named senior civil servant responsible for each ODP priority outcome offers an opportunity for government to test retention and continuity measures, using them to inform its wider approach to reducing churn among senior civil servants and boosting efficiency.

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184 Public Accounts Committee, *Lessons from Major Projects and Programmes: Thirty-Ninth Report of Session 2019-21*, HC 694 (London: The Stationery Office, 2021).
185 Sasse and Norris, *Moving on: The Costs of High Staff Turnover in the Civil Service*.
186 Review Body on Senior Salaries, *Forty-Fifth Annual Report on Senior Salaries*.
187 Cabinet Office, *Government Evidence to the Review Body on Senior Salaries on the Pay of the Senior Civil Service*, 2022.
188 Ibid.

Recommendation 6: Departments should appoint Outcome Delivery Plan (ODP) Senior Responsible Owners (SROs): a named senior civil servant for each of the priority outcomes named in their ODP. This individual should be responsible for coordinating and reporting on implementation and progress.

These officials would, in addition to the permanent secretary, be directly accountable to the Public Accounts Committee and departmental select committees. At a minimum they would appear before the relevant committee for the annual ODP scrutiny session to report on progress against their ODP priority.

Government should consider the case for paying ODP SROs a tax-free, non-pensionable allowance in addition to their base salary with the aim of improving retention and accountability, akin to the Pivotal Role Allowance. This should include consideration of how the allowance may be designed to account for the SRO's performance: for example, whether poor performance ought to trigger some form of clawback on the supplementary payment.

Recommendation 7: The sign-off process for ODP SROs leaving for other roles in government should replicate the one used for the Government Major Project Portfolio. Responsibility for these sign-offs should sit with their department's permanent secretary.

4.2 Bottom-up cultural change

Ensuring civil servants of all grades feel responsible for, and have opportunities to contribute to, efficiency is pivotal to embedding a culture of 'more for less' across government. Incentives will be needed at every level to ensure a renewed consideration of how money is being spent.

These incentives will of course differ for civil servants of different grades. The incentives for senior civil servants to focus on efficiency, for example, could be focused on strict criteria for promotion, or accountability for the outcomes of a programme or policy (section 4.1). By contrast, at junior grades, interviewees observed that "carrots are more effective than sticks", and that creating a culture of efficiency is about finding the right way to attach achievements to individuals, and appropriately reward them for these achievements.

Crucially, these rewards should apply not only to instances where staff have been able to successfully cut costs without affecting output, but more broadly to cases where operational bottlenecks and potential risks to efficiency have been identified and mitigated, processes have been improved, or services have been reconfigured to boost productivity.

Examples of best practice in this area often centre on involving operational staff in problem-solving, having regular meetings in which junior staff can suggest new ideas and approaches to work, and granting teams autonomy, as far as possible, to manage their own workloads (for example, see Figure 17).

Figure 17: West Sussex Hospital's 'Patient First' programme

West Sussex Hospital's Patient First programme is premised on regularly asking frontline staff to identify opportunities for positive, sustainable change. Based on the Kaizen model of continuous improvement, staff take part in daily huddles in which they are encouraged to put forward even incremental improvements, and collectively agree on solutions to the challenges they are facing. These marginal changes together contribute to momentum for change: improving patient flow, experience, care quality, and financial management.

Staff receive training from the hospital's in-house Kaizen Office – which supports this work and the implementation of new ideas.

Following the launch of Patient First, West Sussex Trust was able to reduce the average time for delivery of take-home medications from three hours to only ten minutes; improve delayed discharges from critical care by 90 per cent; and reduce inpatient falls Trust-wide by 30 per cent.

Source: Michael Barber, 'Delivering better outcomes for citizens', 2017.

4.2.1 Incentives to deliver efficiently

There are few incentives in Whitehall that contribute to a culture of efficiency amongst junior grades. Interviewees stressed that performance management is generally "very bureaucratised and pretty blunt". If someone's contribution to efficiency is considered at all in appraisals, these judgements "have little consequence".

Baroness Cavendish, former No. 10 Director of Policy, has likewise stated that performance management amounts to "box-ticking performance appraisals" and "obsession with process at the expense of action".[189]

The incentives facing junior staff are not well-aligned with achieving key organisational goals like efficiency, even when departmental settlements are under significant strain, or ambitious efficiency targets have been set by the executive centre. After the 2021 Spending Review, for example, when the Treasury asked departments to find savings worth "5% of their budgets", only around 60 per cent of AOs to HEOs and SEOs (more junior civil service grades) agreed that efficiency is "pursued as a priority" in their organisation.[190]

Though many opportunities for efficiency involve anticipating future risks – for example, that demand for a particular service might unexpectedly spike, or a system may lack resilience to a possible crisis – and effectively managing them, interviewees noted there are "no rewards" for junior civil servants flagging risks. This is despite the fact that some risks are most likely to be identified by staff working in frontline and operational roles.[191] PAC has often highlighted examples of where a lack of whole-system thinking and resilience has undermined long-term

[189] Camilla Cavendish, 'The Whitehall Rolls-Royce Desperately Needs a Service', *Financial Times*, 6 May 2023.
[190] Cabinet Office, 'Civil Service People Survey: 2022 Results'.
[191] Aidan Shilson-Thomas, Sebastian Rees, and Charlotte Pickles, *A State of Preparedness: How Government Can Build Resilience to Civil Emergencies* (Reform, 2021).

efficiency.[192] For instance, while national policymakers have often attempted to improve performance in accident and emergency departments through injecting additional resources into this setting, frontline staff may identify that spending on hospital bed capacity and discharge support to improve flow out of A&E is a more productive approach.[193]

When asked directly about whether there are incentives for staff to come forward with ideas for improving efficiency (or managing possible causes of inefficiency), Treasury told the PAC that "career progress would be a sufficient incentive".[194] This is unconvincing. There are many ways civil servants can demonstrate the behaviours needed for progression; a record of prioritising and finding efficiencies is not necessarily going to play a role. A hallmark of a stronger culture of efficiency would be if promotion assessed whether an individual has a track record of efficient delivery.

In parallel to this, there are generally very weak incentives to discourage inefficiency – for example, keeping in place unnecessary or overly complex processes or making short-term decisions which increase costs for other departments. In many cases, of course, it is important for individuals to feel comfortable taking risks, or experimenting with approaches that may not work or could temporarily increase costs. Allowing some margin of failure is crucial for organisations to continuously learn, adapt and improve. Yet interviewees observed there are rarely any consequences for poor performance, clearly resulting in inefficiencies.[195]

Moreover, while the Declaration on Government Reform pledged to "overhaul" performance management for senior civil servants, none of its 30 target actions addressed incentives and rewards for other grades – who comprise more than 98 per cent of the workforce.[196]

4.2.2 Where do we go from here?

While there are pockets of innovation in Whitehall, including various schemes that aim to reward staff differently, there are no sustained, cross-departmental incentives for individuals to deliver in the most efficient way possible.[197]

To some extent, this is because the requirements for implementing incentives and offering rewards in the public sector are more complex than in the private sector. Offering substantial bonuses – equivalent to half of someone's salary or more – is commonplace in parts of the private sector, for example, but may be considered inappropriate in a public service context, where bonuses are drawn from taxpayer money.

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[192] See, for example, Public Accounts Committee, *Seventh Annual Report of the Chair of the Committee of Public Accounts*, HC 1055 (London: The Stationery Office, 2023).; Public Accounts Committee, *Sixth Annual Report of the Chair of the Committee of Public Accounts*, HC 50 (London: The Stationery Office, 2022).
[193] Sebastian Rees and Hashmath Hassan, *The A&E Crisis: What's Really Driving Poor Performance?* (Reform, 2023).
[194] House of Commons Committee of Public Accounts, *Efficiency in Government, Twenty-Eighth Report of Session 2021-22*.
[195] Civil Service HR, *Managing Poor Performance Policy*, 2023.
[196] Cabinet Office, *Statistical Bulletin - Civil Service Statistics: 2022*.
[197] Barber, *Delivering Better Outcomes for Citizens: Practical Steps for Unlocking Public Value*.

Additionally, and most pertinent to efficiency, performance-related pay and bonus schemes are much less effective in the public sector than in the private sector. UK evidence suggests that civil service bonuses have little impact on performance, work only for a minority of staff, and can crowd out vital, intrinsic motivations.[198]

By contrast, interviewees pointed to personal recognition as a critical but overlooked aspect of performance management – reflecting that acts of gratitude "can go a long way" but are rarely used to commend staff who identify savings or find ways of delivering programmes more efficiently. Indeed, a study by the Australian civil service found that personal recognition from senior colleagues was the reward "most preferred" by civil servants (favoured by 45 per cent), ahead of bonus pay and even "career development options".[199]

The use of non-cash rewards, like gift vouchers, are one way of giving this recognition, and have recently become more common in Whitehall. In 2021-2, departments paid out just under £30 million in vouchers, up a third on the year before and two thirds on 2018-9.[200]

The efficacy of this incentive has not been evaluated, and it is vital that such payments genuinely reflect high performance, but the principle of rewarding more junior grades for improving the functioning of government is sound. In the absence of clear incentives to prioritise efficiency, and given the key contribution those in operational roles make to identifying these opportunities, departments should create specific rewards linked to efficiency.

Recommendation 8: Each department should put in place a strategy for encouraging staff at junior grades to identify and put forward ideas for unlocking savings and/or improving delivery. Elements of this strategy could include:

- A ringfenced reward budget to apportion to staff from delegated grades who have been nominated by colleagues for making an exceptional contribution to efficiency
- In-person and online forums in which senior officials proactively seek ideas and views from frontline staff, and name and thank staff who have put forward successful ideas
- A ringfenced reward budget to apportion to staff from delegated grades, who have been nominated by colleagues for identifying executable opportunities to improve efficiency
- Secondment opportunities for staff working in frontline operational roles to join the policy team of their department and contribute to improving the efficiency of the corresponding policy or programme they have been working on
- Public letters of commendation from the permanent secretary of a department, recognising contributions to efficiency from named members of staff from junior grades

[198] Sarah Nickson et al., *Pay Reform for the Senior Civil Service* (Institute for Government, 2021).
[199] Vic Rogers, 'Australian Public Service Reform: Managing a 1990s-Style Inquiry', *Australian Journal of Public Administration* 52, no. 4 (December 1993).
[200] John Reynolds, 'Civil Servants given £30m in Shopping and Restaurant Vouchers', *The Times*, 29 December 2022.

5. Conclusion

A sustained culture of efficiency cannot be achieved through individual spending reviews, frameworks or ambitious cross-departmental targets. Instead, it must be ingrained in the routine work of departments and civil servants. That means ensuring that systems in Whitehall incentivise efficiency, that clear accountability mechanisms are in place to ensure the efficient use of public funds, and that staff of all grades are rewarded for unlocking new savings or identifying productivity-boosting reforms.

Doing this matters not only to the sustainability of the public finances, but also to the government's ability to deliver excellent public services. Each pound of wasted public spending is a pound that cannot be spent on improving the quality of services and enhancing the lives of citizens.

This report has set out ways to better track the effectiveness of spending, and encourage civil servants to feel a greater sense of ownership and reward for efficient implementation. However successful government is at controlling spending, it is only by taking seriously the impact achieved by each pound that efficiency can be maximised.

Past successes – from the billions released by the Gershon Review to the performance oversight enabled by Public Service Agreements – show that it is possible to tangibly improve how money is spent. The 'art' of spending wisely must now be institutionalised in government's work.

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