

# From Financial Performance to Improved Delivery

PEMPAL Plenary Meeting  
Zagreb  
January 2011

Ray Shostak, CBE

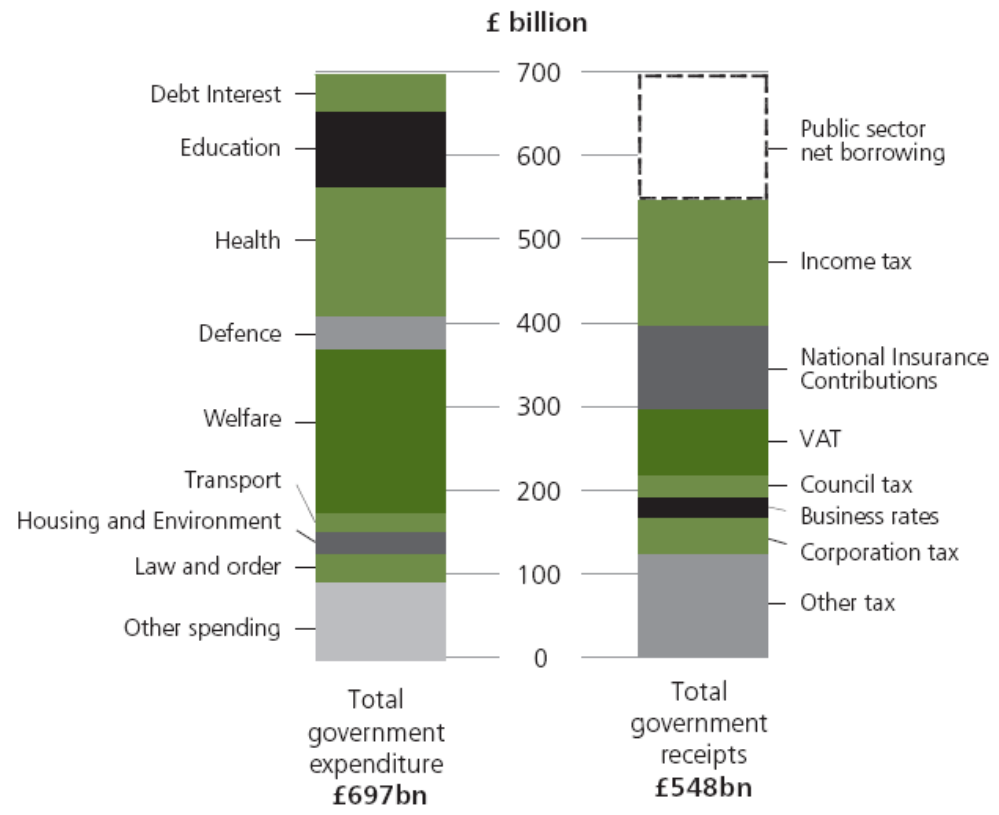


# Session Outline

- The Public Spending Framework
- From Public Service Agreements to a Transparency Framework
- Lessons on the link between financial performance and delivery
- Questions
- Continuing the dialogue



# Government Spending 2010 - 11



# Government Spending 2011 - 15

- Fixed envelope for four year period
- Covers both current and capital spending
- Departmental Expenditure Limits (DEL) are fixed and Annually Managed Expenditure (AME) are forecast by the Office for Budget Responsibility (OBR)

**Table A.1: Total Managed Expenditure**

	£ billion				
	Plans 2010-11	2011-12	Forecasts 2012-13	2013-14	2014-15
<b>CURRENT EXPENDITURE</b>					
Resource Annually Managed Expenditure	294.6	308.5	320.1	329.7	344.6
Resource Departmental Expenditure Limits	342.7	342.7	344.4	348.9	348.0
<b>Public sector current expenditure</b>	<b>637.3</b>	<b>651.1</b>	<b>664.5</b>	<b>678.6</b>	<b>692.7</b>
<b>CAPITAL EXPENDITURE</b>					
Capital Annually Managed Expenditure	7.8	7.3	6.7	6.4	6.9
Capital Departmental Expenditure Limits	51.6	43.5	41.8	39.2	40.2
<b>Public sector gross investment</b>	<b>59.5</b>	<b>50.7</b>	<b>48.5</b>	<b>45.6</b>	<b>47.2</b>
<b>TOTAL MANAGED EXPENDITURE</b>	<b>696.8</b>	<b>701.8</b>	<b>713.0</b>	<b>724.2</b>	<b>739.8</b>
<b>Spending Envelope for Spending Review 2010<sup>1</sup></b>		<b>641.6</b>	<b>646.7</b>	<b>651.6</b>	<b>661.0</b>
<i>Of which:</i>					
<b>Resource spending envelope</b>		591.6	598.9	606.7	614.5
<i>of which Annually Managed Expenditure</i>		249.0	254.5	257.8	266.5
<i>of which Departmental Expenditure Limits</i>		342.7	344.4	348.9	348.0
<b>Capital spending envelope</b>		50.0	47.8	44.8	46.4
<i>of which Annually Managed Expenditure</i>		6.5	6.0	5.6	6.2
<i>of which Departmental Expenditure Limits</i>		43.5	41.8	39.2	40.2

<sup>1</sup>The envelope is defined as Total Managed Expenditure less BBC domestic services, National Lottery, net expenditure transfers to EU institutions and debt interest.

# The Fiscal and Spending Framework

Fiscal framework  
and judgement



ONS spending aggregates  
PSCE and PSNI



Budgets  
Split into current/capital and DEL/AME



**DEL**  
Set over 4 yrs at the spending review

**AME**  
Forecast twice yearly by the OBR, at Budget & Autumn forecast





# The Budgeting System

- **Controls public spending** in support of the fiscal framework
- Creates incentives **for departments** to manage spending well so as provide high quality public services that offer **value for money**
- Budgeting system is developed and managed by **HMT**
- Rules set out the **Consolidated Budgeting Guidance**
- Budgets split into **Department Expenditure Limits (DEL)** and **Annually Managed Expenditure (AME)**



# Department Expenditure Limit (DEL)

- All spending is in DEL unless approved by the Treasury
- Four year DEL limits for each department were set at the Spending Review
- There is a small DEL Reserve to deal with contingencies



# Annually Managed Expenditure (AME)

- For items which are genuinely unpredictable, not controllable by the department **and** large relative to departmental programmes
- Traditionally increases in AME spending are absorbed by the Exchequer
- Putting items in AME removes them from prioritisation process and makes it difficult to offset rises in AME with reductions elsewhere
- But putting items which genuinely cannot be managed and absorbed into DEL could hinder rather than help spending control.





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# The Coalition Values

**“We share a conviction that the days of big government are over; that centralisation and top-down control have proved a failure. We believe that the time has come to disperse power more widely in Britain today; to recognise that we will only make progress if we help people to come together to make life better. In short, it is our ambition to distribute power and opportunity to people rather than hoarding authority within government. That way, we can build the free, fair and responsible society we want to see.”** *HMG, The Coalition: our Programme for Government, May 2010*



# Public Service Agreements to .....

## The Public Sector Transparency Framework

Comprehensive  
Spending  
Review 1998

Spending  
Review 2004

Comprehensive  
Spending  
Review 2007

**Public Sector  
Transparency  
Framework**

600 targets

110 targets

30 PSAs

Departmental  
Business Plans

First set of  
PSAs  
published

Increased  
consultation,  
Introduction  
of standards  
focus on  
outcomes

A reformed framework:  
Cross-govt PSAs with  
published delivery  
agreements  
Emphasis on devolution  
and user engagement

Power shift  
Horizon shift  
Unprecedented access to data  
Monthly progress reports  
Input and impact indicators  
Indicators of efficiency



# Key principles of the Public Sector Transparency Framework

- **Support deficit reduction and the achievement of coalition goals**
- **Secure quality and productivity of public services at a time of consolidation**
- **Ensure accountability – but outwards to the public not upwards to central government**
- **Have complete transparency of data and information at every level**
- **Put power in the hands of users and taxpayers**
- **Avoid top down management and intervention in frontline organisations**





# Business Plans

- i. Vision**
- ii. Department's coalition priorities**
- iii. Structural reforms**
- iv. Departmental Expenditure**
- v. Transparency**
  - Information strategy
  - Inputs
  - Impact



# The No. 10 Downing Street Website

The screenshot displays the website's navigation bar with links for Home, News, Transparency, Meet the PM, History and Tour, and Number 10 TV. A search bar is located on the right. The main content area features a 'Transparency' section with a sub-header 'Transparency<sup>beta</sup>' and a paragraph explaining the government's commitment to transparency. Below this are six content tiles: 'Business Plans', 'Who does what in Whitehall', 'Who ministers are meeting', 'Government contracts in full', 'How your money is spent', and 'Find all other government data'. A 'Coming in the new year' banner is visible on the right side of the 'Government contracts in full' tile.

10  
The official site of the Prime Minister's Office

Home News **Transparency** Meet the PM History and Tour Number 10 TV  Go

Who does what in Whitehall

Business Plans

Who ministers are meeting

Find all other government data

How your money is spent

## Transparency<sup>beta</sup>

We want to be the most open and transparent government in the world. Already, we've published a huge amount of new information about the inner workings of government, and there's a lot more still to come. Publishing all this information is a massive job, with many complex technical challenges – so please bear with us over the next few months as we work to get things right. In the meantime, tell us how we can do things better – both in terms of what we publish and how we're going about it. We've set up a [transparency comment thread](#) for your feedback.

### Business Plans

Check progress on implementing our policies

### Who does what in Whitehall

...and what they're paid

### Who ministers are meeting

Details of meetings, hospitality, gifts and overseas travel

### Government contracts in full

Coming in the new year

### How your money is spent

Find details of all Central Government spending over £25,000

PA copyright

### Find all other government data

Including performance of public services

# The Home Office

The screenshot shows the Home Office website with a navigation bar containing 'Home', 'News', 'Transparency', 'Meet the PM', 'History and Tour', and 'Number 10 TV'. A search bar is on the right. The main content area features a 'Business Plans' section with a dropdown menu for 'Choose a Department'. Below this is a grid of six numbered points: 1. Empower the public to hold the police to account for their role in cutting crime; 2. Free up the police to fight crime more effectively and efficiently; 3. Create a more integrated Criminal Justice System; 4. Secure our borders and reduce immigration; 5. Protect people's freedoms and civil liberties; 6. Protect our citizens from terrorism. A sub-section titled 'Introduce directly elected Police and Crime Commissioners and make police actions to tackle crime and anti-social behaviour more transparent' contains three numbered items (1.1, 1.2, 1.3) with 'Show +' buttons. A 'Milestones' section is at the bottom with a 'Show +' button. The left sidebar includes links for 'Who does what in Whitehall', 'Business Plans', 'Who ministers are meeting', and 'Find all other government data'. A 'Monthly progress report' section has dropdowns for 'January' and '2010', and a 'go' button. Social media icons for Facebook, Twitter, and LinkedIn are present. A 'Share this page' button is also visible. At the bottom, there is a 'Rules of commenting' link.

10  
The official site of the Prime Minister's Office

Home News **Transparency** Meet the PM History and Tour Number 10 TV Enter search terms Go

Who does what in Whitehall

**Business Plans**

Who ministers are meeting

Find all other government data

Business Plans: Check progress on implementing our policies + Choose a Department

## Home Office

1. Empower the public to hold the police to account for their role in cutting crime	2. Free up the police to fight crime more effectively and efficiently	3. Create a more integrated Criminal Justice System
4. Secure our borders and reduce immigration	5. Protect people's freedoms and civil liberties	6. Protect our citizens from terrorism

Introduce directly elected Police and Crime Commissioners and make police actions to tackle crime and anti-social behaviour more transparent

1.1 Make the police more accountable through oversight by a directly elected Police and Crime Commissioner, who will be subject to strict checks and balances through Police and Crime Panels formed by elected members of local authorities and independent members **Show +**

1.2 Make the actions of the police more transparent **Show +**

1.3 Empower local communities to take a more active role in their neighbourhoods, providing the incentives, training and encouragement for people from all walks of life to help to police their own communities **Show +**

Milestones **Show +**

Monthly progress report

Select a month  
January

Select a year  
2010

go

Share this page

f t

Rules of commenting

# Lesson 1: Find the right balance between planning and delivery.....

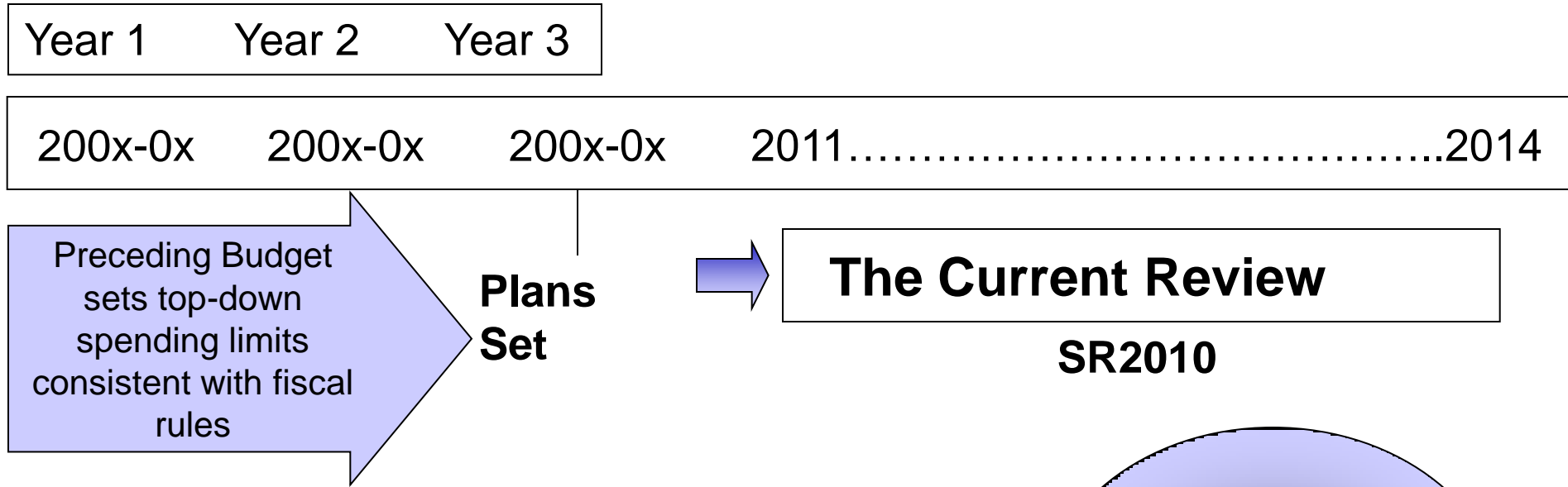
- Balance between departments bidding for money and actually using it
- Ensure the Government doesn't spend more than we have
- Driven by securing results
- Link between performance and resource allocation
- Clarity about where in the delivery system accountability lies
- Help ministers think about what they want to achieve with the spending
- Promote efficiency and value for money
- Provide a long-term planning framework...

...with maximum discretion for departments to manage within it





# The Spending Review Cycle



**STRUCTURAL REFORM, INDICATORS AND BUDGETS SET IN PARALLEL**



# Lesson 2: Ensure you remember who makes a difference to the quality of services



# Invest in people

- Develop a shared vision and guiding coalitions
- The quality of public services is the quality of the people delivering and co-producing those services
- Clarity of purpose
- Strong leadership and management
- Learning organisations and learning systems





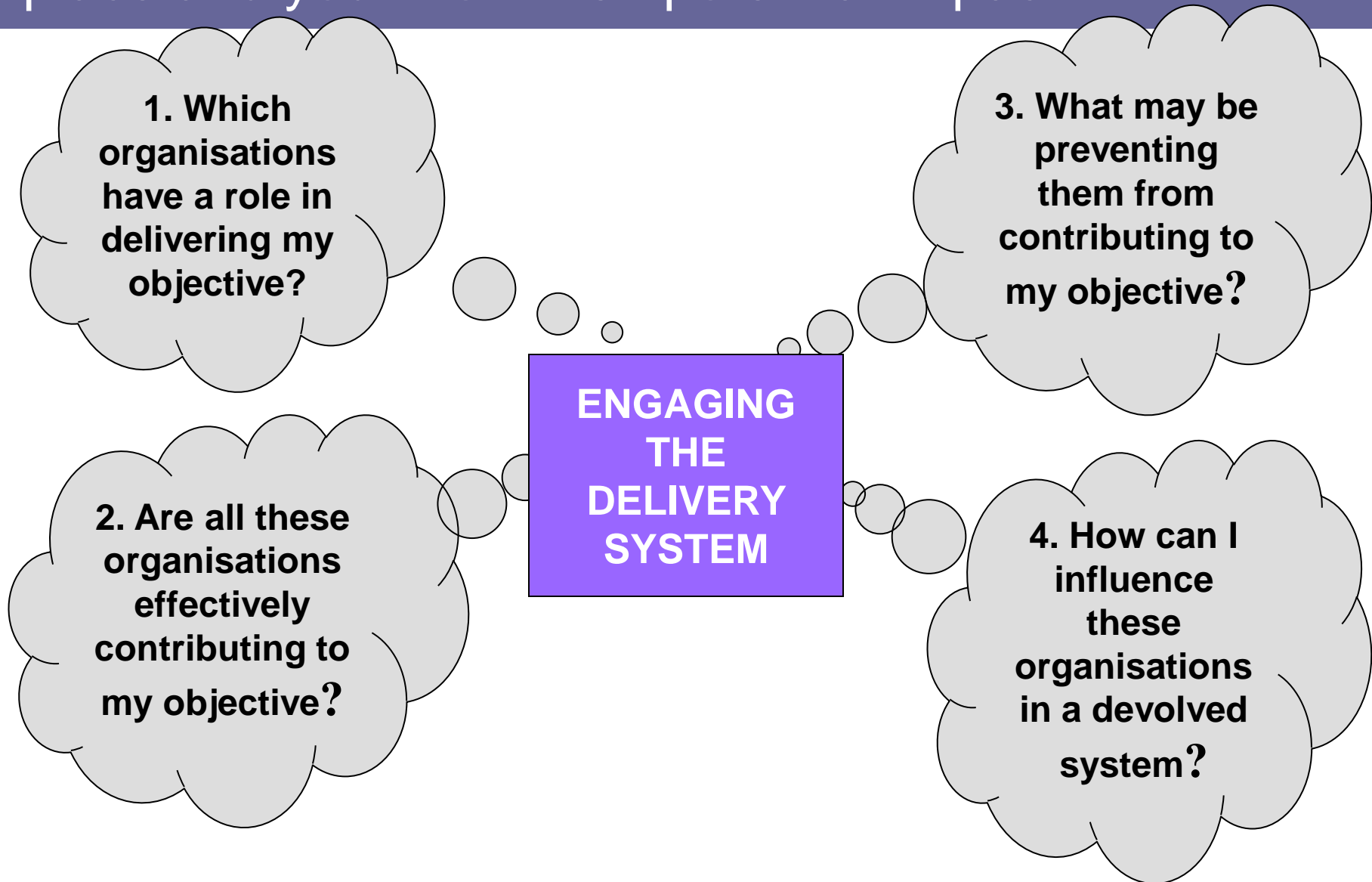
# Targets are not the only lever

<p>Government priorities</p>	<p><b>Performance management levers</b></p> <ul style="list-style-type: none"><li>• Transparency - publication of performance information at national/local level</li><li>• Inspection</li><li>• Statutory performance indicators</li><li>• Failure regimes</li><li>• Data reporting</li><li>• Active management against trajectory</li><li>• User triggers</li><li>• User empowerment</li></ul>	<p><b>Wider drivers of delivery</b></p> <ul style="list-style-type: none"><li>• Funding mechanisms</li><li>• Statutory requirements, regulation, legislation</li><li>• Partnerships, inter-agency working</li><li>• Dissemination of best practice &amp; innovation</li><li>• Evidence based strategy</li><li>• Voluntary schemes</li><li>• Personalisation and User choice</li><li>• Market mechanisms – contestability</li><li>• Publicity, marketing, nudge</li><li>• Frontline training and capacity</li><li>• Operational autonomy</li><li>• Professional standards</li><li>• Complaint / redress</li></ul>
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# Lesson 3: Make sure there are appropriate programmes in place and you know their potential impact



# Ensure they are aligned

**Map your delivery system**

**Fieldwork visits, workshops with frontline staff**

**ENGAGING THE DELIVERY SYSTEM**

**Identify synergies/ conflicts in objectives**

**Incentives**

**Shared objectives**

**Minimum standards**

**Consider levers at your disposal**

**Regulation**

**Peer review**

**Good practice sharing**

# Lesson 4: Use data and transparency to drive delivery



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# A clear focus on measurement

- **Relevant** to what the organisation is aiming to achieve
- **Avoid perverse incentives** – (e.g. unwanted/wasteful behaviour)
- **Attributable** – activity measured must be capable of being influenced by actions which can be attributed to the organisation
- **Well-defined** – clear, unambiguous definition so data will be collected consistently, measure is easy to understand and use
- **Timely**, producing data regularly enough to track progress
- **Reliable** – accurate enough for its intended use
- **Comparable** with either past periods or similar programmes elsewhere
- **Verifiable**, with clear documentation behind it, so that the processes which produce the measure can be validated

• **Every Business Plan has published indicators**



## Lesson 5: Understand the cost



**The key challenge is to respond to the recession in a way that drives recovery by both helping citizens now and preparing for the upturn.**

# Efficiency and Reform

- Collaborative procurement
- Centrally negotiated contracts
- Internal efficiency gains
- Behavioural insight
- Major project review
- Property
- New ways of providing services
- Joint working within the centre of government
- Changing the culture across government



# The Building Blocks

**High Level Objectives**

**Good Indicators**

**Transparency**

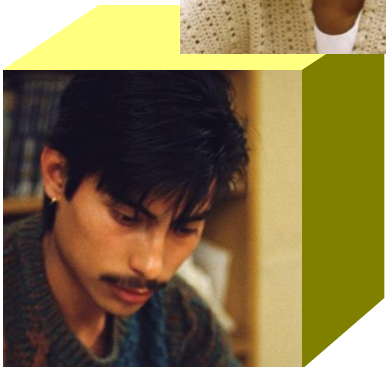
**Links with Efficiency**

**Skilled and Motivated  
Delivery Systems**

**Citizen Engagement**

**Clear Accountability  
and Leadership**

**Good Governance**



# Continuing the dialogue.....

**Ray Shostak, CBE**

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Spending Review 2010

[http://cdn.hm-treasury.gov.uk/sr2010\\_completereport.pdf](http://cdn.hm-treasury.gov.uk/sr2010_completereport.pdf)

Consolidated Budgeting Guidance

[http://www.hm-treasury.gov.uk/d/consolidated\\_budgeting\\_guidance201011.pdf](http://www.hm-treasury.gov.uk/d/consolidated_budgeting_guidance201011.pdf)

Downing Street Website

<http://transparency.number10.gov.uk>

