House of Commons

Committee of Public Accounts

Improving government planning and spending

Seventy-Eighth Report of Session 2017–19

Report, together with formal minutes relating to the report

Ordered by the House of Commons to be printed 30 January 2019

HC 1596
Published on 8 February 2019
by authority of the House of Commons

The Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit" (Standing Order No. 148).

Current membership

Meg Hillier MP (*Labour (Co-op), Hackney South and Shoreditch*) (Chair)

Douglas Chapman MP (*Scottish National Party, Dunfermline and West Fife*)

Sir Geoffrey Clifton-Brown MP (*Conservative, The Cotswolds*)

Chris Davies MP (*Conservative, Brecon and Radnorshire*)

Chris Evans MP (*Labour (Co-op), Islwyn*)

Caroline Flint MP (*Labour, Don Valley*)

Robert Jenrick MP (*Conservative, Newark*)

Shabana Mahmood MP (*Labour, Birmingham, Ladywood*)

Nigel Mills MP (*Conservative, Amber Valley*)

Layla Moran MP (*Liberal Democrat, Oxford West and Abingdon*)

Stephen Morgan MP (*Labour, Portsmouth South*)

Anne Marie Morris MP (*Conservative, Newton Abbot*)

Bridget Phillipson MP (*Labour, Houghton and Sunderland South*)

Lee Rowley MP (*Conservative, North East Derbyshire*)

Gareth Snell MP (*Labour (Co-op), Stoke-on-Trent Central*)

Anne-Marie Trevelyan MP (*Conservative, Berwick-upon-Tweed*)

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No. 148. These are available on the Internet via www.parliament.uk.

Publication

Committee reports are published on the Committee's website and in print by Order of the House.

Evidence relating to this report is published on the inquiry publications page of the Committee's website.

Committee staff

The current staff of the Committee are Richard Cooke (Clerk), Laura-Jane Tiley, Samir Amar Setti (Second Clerks), Hannah Wentworth (Chair Liaison), Ameet Chudasama (Senior Committee Assistant), Baris Tufekci and Kutumya Kibedi (Committee Assistants), Hajera Begum (Committee Support Assistant), and Tim Bowden (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5776; the Committee's email address is pubaccom@parliament.uk.

You can follow the Committee on Twitter using @CommonsPAC.

Contents

Summary

Progress on improving government's planning and spending framework is an ongoing challenge for the Treasury and the Cabinet Office, although some progress has been made since this Committee last reported in 2016. However, we remain concerned that planning and spending are treated as disparate. We found compelling evidence that departments are not incentivised to plan for the longer-term, and they are repeatedly over-optimistic when planning for what they can deliver, by when and for how much. Unless action is taken to correct these issues, the government's long-standing problems of short-term thinking, sticking plaster funding and cost-shunting will persist, resulting in poorer quality, less sustainable and joined-up services. Ultimately, this means that the needs of the public, who rely on and fund these vital services, can fall through the cracks. There may have been improvements to the departments' single departmental business plans (SDPs) since 2015 but we are concerned about the variable quality and are particularly disappointed that they refuse to publish them. The publicly available summary-style versions of SDPs do not set out clearly departmental objectives, resources for delivering those objectives, or the targets or success measures taxpayers or Parliament can use to judge performance. Spending Review 2019 will be an important test of the changes the Treasury and the Cabinet Office are making, particularly the extent to which SDPs can realistically provide the baseline for performance, finance and delivery.

Introduction

Through spending reviews, HM Treasury (the Treasury) sets spending limits for departments over approximately three to five years, by reference to fiscal forecasts from the independent Office for Budget Responsibility (OBR). The last spending review, in 2015, allocated £4 trillion for total public spending for the five years to 2020–21 and the next review is due in 2019. The Treasury controls spending through its 20 spending teams, which make up around one fifth of the Treasury's total workforce. Departments, led by accounting officers, plan and deliver their objectives and are accountable for their delegated budgets. The Cabinet Office monitors the delivery of departments' objectives and government policy. It oversees departmental planning and since 2015 has required departments to prepare an annual internal business plan, known as a single departmental plan (SDP). SDPs set out how departments will carry out their objectives, deliver services and track performance. In 2016, the previous Committee recommended that the Treasury and Cabinet Office work together on an approach that would ensure value for money across government, in time for the next spending review.

Conclusions and recommendations

1. **We are concerned that the Treasury and the Cabinet Office lack the skills and experience they need to challenge over-optimism and ensure departments make realistic plans.** Given the instrumental role they play in advising ministers, stewarding submissions for new spending and challenging the realism of departments' plans, Treasury spending teams need to be highly-skilled and effective, as well as having very specific expertise to particular departments. The Treasury is, by its own admission, a 'young department' with high staff turnover. Only 17% of finance and business planning staff in government departments consider that their spending team in the Treasury has good operational experience. SDPs have improved, but they are still not central to departments' decision-making and do not all reflect real prioritisation, if indeed there has been any. As a result, we see poor forecasting, planning and understanding of the long term. The Cabinet Office reports that it is helping departments to plan better, for example by getting departments to self-assess their planning maturity. To better inform ministerial decisions the Cabinet Office and the Treasury say that they are building functional capability and experience back into the civil service, but it will take time. It is vital that the right skills and experience are in place to achieve a culture of challenging objectives, plans and progress.

   Recommendation: ***By June 2019, the Treasury and the Cabinet Office should write to us with its action plan to fill the gaps in skills, experience and behaviours needed across the Treasury, Cabinet Office, functions and departments. Specifically for Treasury spending teams, this action plan should identify strategies to:***

   - ***Reduce staff turnover rates;***
   - ***Recruit more people from outside the Treasury and Whitehall.***

2. **The Treasury and the Cabinet Office's overall approach to planning and spending can encourage short-term decisions rather than long-term sustainability, which risks value for money.** Controlling costs has been a strength of the current system for some years. Yet, despite the Treasury's view that multi-year budgets aid long-term planning, the pressure on departments to meet annual budgets and uncertainty around future funding ultimately drives short-term decisions, like cash injections, which in turn impact on longer-term value for money. For example, the NHS has used capital funding to plug funding gaps for day-to-day activities. Mental health services for children and young people lack a sustainable model which would save money in the long run and deliver better outcomes. The government has begun to focus on the long-term through: 10-year plans for the NHS, defence, infrastructure and capital spending; its analysis of the government's balance sheet; and the Office for Budget Responsibility whose economic forecasts run to 2060. The Treasury updated the 'Green Book'- its guide to appraisal of policies, projects and programmes - in 2018 to include a broader consideration of costs and benefits, including the environmental impact of different options. However, too often Government and Ministers opt simply to relaunch already-established schemes aimed to tackle long-term issues, making it difficult to mark out the short- and long-term planning needed to address these systemic issues. SDPs are intended to be long-term plans which are updated

annually to reflect changes in circumstance and both the Cabinet Office and the Treasury say they expect them to be central to decision-making in Spending Review 2019.

Recommendation: ***When issuing guidance for the next spending review and future SDPs, the Treasury and the Cabinet Office should require departments to show how their plans and funding bids deliver long-term, sustainable value for money. They should report back to the Committee on this, demonstrating how they ensured SDPs were central to spending review decision-making for each department.***

3. **We are frustrated that the Treasury and the Cabinet Office's lack of action to prevent departments working in silos has, in some cases, led to cost-shunting and poorer services for the public.** There are many policies and services which cross departmental boundaries, such as increasing housing, and effective delivery requires departments to co-ordinate their work – and the government must have the structures to support this. When departments do not have shared objectives and funding, then government ends up with conflicting or duplicated objectives and multiple funding pots. This can lead to one department making decisions that increase costs to another part of government, often local service providers, an issue that the Treasury say its 'Public Value' work has also recognised. We are disappointed that government has not made more progress in tackling this long-standing problem, which this Committee has continued to raise. In the 2015 Spending Review, the Treasury received only two bids for joint funding. Around one-third of finance and business planning staff in government departments do not believe that the centre of government incentivised joint working. For the 2019 Spending Review, the Treasury told us that joint working would be a key focus, but it did not explain how it will encourage joint bids from departments. The Treasury told us that, in some areas it is highlighting duplication between departments through its examination of where costs fall across the system. As the Local Government Association highlights, the 2019 Spending Review will be a critical and revealing test of effective cross-government working.

Recommendation: ***In advance of the 2019 Spending Review, the Treasury and the Cabinet Office should write to us to explain what they will do to incentivise joint departmental plans and delivery, clearly stating how this is different from their previous approach. Given the importance of SDPs to the 2019 Spending Review and the commitment to joined-up working, the Cabinet Office should share SDPs across departments.***

4. **We are concerned that, unless management of planning and spending are brought together more effectively, the next spending review will not fully address the problems surrounding the financial sustainability of the public sector.** The previous Committee recommended in 2016 that the Treasury and the Cabinet Office should work together to set out a vision of how the overall approach to planning and spending will ensure value for money in time for the next spending review. We are pleased to hear that SDPs are intended to be a key input to Spending Review 2019 but we are concerned about the lack of alignment between the objectives and plans set out in SDPs and departments' actual capacity and capability to deliver. The Treasury accepts that lack of realism and prioritisation remain big issues and recognises that,

in the last spending review, departments promised efficiencies that did not come to pass. We also have serious and ongoing concerns about the impact of central government decisions on the financial sustainability of local services. Planning and spending remain firmly separate and, therefore, individual departments do not have the incentive to understand the cumulative impact that funding decisions have on local government. Our work has shown that government had to introduce a range of additional short-term funding measures to support the local government sector, starting in the first year after the last spending review, and still lacks a long-term funding plan for local authorities.

Recommendation: ***In advance of the next spending review, the Treasury and the Cabinet Office should write to us to explain how they will work together, along with functions and departments, to better challenge the realism of departments' plans and the wider effect on sustainable public services.***

5. **Despite our previous recommendation, the Cabinet Office has failed to ensure that public SDPs provide Parliament and the public with the information they need to hold departments to account.** We firmly believe that transparency helps to drive improvement and strengthen accountability. But the short-form single departmental plans that are made public are too high-level to enable Parliament and taxpayers to see what departments are achieving for the money. Although the Cabinet Office says that the public plans are getting better, from our review of a sample they are not very helpful. For example, departments' stated objectives are just broad aspirations, not hard goals, and there is no reference to priorities being dropped or changed from year-to-year. These things may be evident in each department's internal single departmental plan, but these are not made public. The Cabinet Office considers that it would be counter-productive to make the full plans public, but, as it stands, there is far too little information available to enable us or the public to hold departments properly to account.

   Recommendation: ***To help taxpayers see what they are getting for their money, the Cabinet Office should ensure that the public single departmental plans for 2019–20 include, for each objective: how departments will deliver it; with what money and people; and how success will be measured, by when.***

6. **It remains to be seen whether the Treasury's latest initiative to improve value for money will lead to long-term change.** There is increasing focus on the value created when public money is translated into outputs and outcomes which improve people's lives and economic wellbeing. In 2017, in a report commissioned by the Treasury, Sir Michael Barber recommended a 'Public Value' framework to improve policy outcomes for citizens and measure the likelihood that public spending will produce results that improve people's lives. Since spring 2018, the Treasury has been developing and piloting the framework. It has completed some pilots and others are underway. Findings from the pilots will inform the 2019 Spending Review. But we note that other similar initiatives such as 'value maps' have not lasted.

Recommendation: ***By June 2019, the Treasury should write to us to explain how and when it will develop the public value framework and embed it in day-to-day decision making. It should include specifics on which departments or areas of public spending it will prioritise and we are particularly interested to hear about plans for areas covered by the Ministry of Housing, Communities and Local Government and the Department of Health & Social Care.***

1 Capacity and capability to ensure effective planning and spending

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Cabinet Office and HM Treasury (the Treasury).[1]

2. The Treasury is the government's economics and finance ministry, with overall responsibility for public spending. Since 2010, the Treasury has carried out a spending review every three to five years. A spending review sets the overall funding by reference to forecasts from the independent Office for Budget Responsibility (OBR), and adjusted for any subsequent policy decisions on taxes or borrowing. Within this overall spending envelope, the Treasury allocates funding to departments and usually agrees with each its spending limits for the next three to five years. The Treasury's 20 spending teams, which make up around one fifth of the Treasury's total workforce, advise Treasury ministers on decisions at spending reviews; review and approve submissions for new spending on projects and programmes; and monitor departments' budgets and spending risks. Departments, led by accounting officers, plan and deliver their objectives and are accountable for their delegated budgets.[2]

3. The Cabinet Office monitors delivery of departments' objectives and government policy priorities and oversees departmental business planning. Since 2015, each department has been required to prepare an annual internal business plan, known as a single departmental plan (SDP). An SDP sets out how departments plan to implement their objectives and government manifesto commitments, and deliver public services within the spending limits set by the Treasury.[3]

4. The Spending Review 2015 allocated £4 trillion of total public spending for the five years to 2020–21. The next Spending Review is expected in 2019.[4]

Skills, capability and informed decision making

5. We were interested in how the Cabinet Office and the Treasury ensure that they and the departments have the skillset to provide comprehensive advice that can inform both senior management and Ministers as to the right decisions. The Cabinet Office told us that it is building up the functional capability and experience in the civil service to give credible advice to Ministers, for example, on complex commercial arrangements, because the understanding of the complexities and factors that change projects has been lost. It acknowledged that the functional structure is not sufficiently developed and that it will take some time to build experience.[5] The Treasury told us that they are focused on uniting the work of spending teams with various functions, such as finance, project management (through the Infrastructure and Projects Authority) and commercial. They highlighted that this represents a recent "sea-change" for the Government.[6] Over-optimistic plans for delivery or savings are repeatedly followed by either failure to deliver, lower service

1 C&AG's Report, Improving government's planning and spending framework, Session 2017–19, HC 1679, 26 November 2018
2 C&AG's Report, paras 2, 1.3–1.5, 3.4
3 C&AG's Report, paras 2, 4
4 C&AG's Report, para 1.6
5 Qq 102–103
6 Q 114

quality, or a need for later last-minute and reactive funding injections.[7] SDPs do not set out how departments are prioritising between the competing demands on their resources, or what has been stopped.[8]

6. We asked what training and guidance the Cabinet Office is giving to departments to help them improve SDPs. The Cabinet Office explained that it is using a maturity model, developed among government finance leaders, that sets out what is required for a departmental plan that is deliverable, financeable and resourced appropriately. The Cabinet Office told us that departments are currently self-assessing against the maturity model, and that it intends to use this to identify where it needs to build capability. The Cabinet Office said that hands-on professional training is happening through groups of planners and finance leaders to bring together required capability.[9] There is still a lack of operational experience, particularly at more junior levels of the Treasury spending teams. Of finance and business planning staff in government departments that were surveyed by the National Audit Office, only 17% consider that their spending team in the Treasury has good operational experience.[10] In terms of the age profile of its teams the Treasury acknowledged that it is a "young department" – meaning there are a large number of younger staff working there. To address gaps in experience the Treasury told us that it is recruiting more people from outside the Treasury and Whitehall.[11] However, the Treasury does not have an overview of the skills and experience across its spending teams. In 2017–18, staff turnover (the rate at which employees leave an organisation and are replaced by new employees) in the Treasury was 21%.[12] The Treasury acknowledged that more people leave for other Whitehall departments than join. It told us that it had improved staff retention by creating a new grade just below the senior civil service on the pay scale, to reward experience and specialist knowledge.[13]

7. Departments' business planning has improved since 2016. SDPs are becoming integral to the way departments manage themselves, though there is room for further improvement.[14] Of staff involved in business planning in government departments surveyed only 58% agreed that, in their experience, senior management used the unpublished single departmental plan for decision-making. It is also the case that not all plans reflect real prioritisation.[15] The results of this are seen in poor forecasting and planning for the long term, as highlighted in our recent report on the Defence Equipment plan.[16]

Achieving long-term sustainability

8. The Treasury has controlled public spending effectively for many years. The Treasury told us that it is one of only five countries with advanced economies that produces fixed multi-year departmental budgets. It views multi-year budgets as a "massive strength to

7 Q 35; C&AG's Report, para 18, figure 19
8 C&AG's Report, para 4.17
9 Qq 74–76
10 Q 113; C&AG's Report, para 3.9, figure 21
11 Qq 113–115
12 C&AG's Report, paras 3.9, 3.11
13 Q 116
14 C&AG's Report, paras 2.5, 2.6, Figure 9
15 C&AG's Report, Figure 8; para 2.14
16 Committee of Public Accounts, The Defence Equipment Plan 2018 to 2028, Seventy-Seventh Report of Session 2017–19, HC 1519, February 2019

long-term planning for budgeting" as they give additional clarity: departments know what their budgets are for subsequent years and can therefore plan accordingly.[17] Nevertheless, there are occasions when value for money is compromised by the needs of short-term spending control.[18] We have repeatedly raised concerns that the system for funding and financially supporting the NHS focuses too much on short-term survival, and that cash injections paper over the cracks in finances rather than achieve lasting improvement.[19] For example, the Department of Health & Social Care transferred funding for capital projects to fund the day-to-day activities of NHS bodies.[20] For a number of departments the overriding objective in their business planning is to stay within the current year's budget, having relied for several years on mid-year injections of funding from the Treasury.[21] The Treasury recognised that there are "some short versus long-term issues on capital in the NHS, and maintenance" but told us that in every conversation with the Department of Health & Social Care and with the NHS it "is pushing to get the basics in place to deliver that kind of long-term planning."[22]

9. Taking the example of mental health services for children and young people, government has set out its longer-term vision, but we pointed out that the government has not yet given these proposals any grounding by identifying what actions and budget it will need, what progress it has made so far, and what further work is required. This is an example where keeping to spending targets is leading to short-term decisions and preventing the creation of a model that will save money and provide better outcomes in the long run. The Treasury also acknowledged that in the NHS when the assumptions that underlay the original 2015 budgets had not come to pass, and where pursuing the budget would endanger value for money it had put more money in.[23]

10. The Treasury said it sets long-term budgets and was supporting departments to prioritise and plan more successfully.[24] The government has agreed longer-term planning horizons with a number of departments. For example, the NHS will receive an average 3.4% a year real-terms increase in funding, equivalent to an additional £20.5 billion, over the next five years to support the 10-year plan, and the defence equipment programme has a 10-year budget and plan.[25] The Treasury also told us it is doing longer-term thinking on infrastructure and capital spending. It established the National Infrastructure Commission, which in 2018 published its first national infrastructure assessment, including setting out a prioritised framework for long-term investment.[26]

11. We highlighted the risk of public bodies selling off assets for short-term gain without considering the longer-term impact, particular on public services. The Treasury explained it has a review of government departments' balance sheet management underway which is intended to improve the return on assets and reduce the cost of liabilities.[27] The Treasury told us that the Office for Budget Responsibility publishes its forecasts of the

17 Qq 19, 92; C&AG's Report, para 24
18 Qq 20, 47; C&AG's Report, para 25
19 Committee of Public Accounts, Sustainability and transformation in the NHS, Twenty-Ninth Report of Session 2017–2019, HC 793, March 2018; C&AG's Report, para 21
20 C&AG's Report, figure 6
21 C&AG's Report, para 2.12
22 Q 47
23 Qq 20, 62; C&AG's Report, figure 6
24 Q 20
25 Q 117; C&AG's Report, para 1.19
26 Q 19; C&AG's Report, para 1.18
27 Qq 109, 110; C&AG's Report, para 1.16

sustainability of the public finances up to 2060.[28] In 2018, the Treasury updated the 'Green Book' guidance used to evaluate and appraise policy, project and programme proposals to include a broader consideration of costs and benefits, including the environmental impact of different options.[29] It did, however, acknowledge that the Green Book's application is not often entirely straightforward, so there is a need for the Treasury to build capability and skills, and help departments.[30]

12. Long-term planning is made more difficult by Government and Ministers rebadging schemes every few years, which makes it hard to see what is needed in the short and longer-term to address perennial problems, such as troubled families. This is a frustrating tendency and we wanted to know how it could be prevented. The Cabinet Office acknowledged this tendency and said "we have to work very hard to try to stop it."[31] The Treasury told us that for the Spending Review 2019, departments now have, in SDPs, a new way of thinking about priorities and organising resources, based on five, or ten, critical objectives.[32] The Cabinet Office told us that SDPs are helpful for ensuring that business plans are adjusted in response to change, as it re-examines priorities annually[33] The Treasury is working with the Cabinet Office on how to use SDPs to challenge bids and inform allocations at the next Spending Review.[34]

Working in silos

13. Often government objectives cut across more than one department and services are provided by multiple public bodies. The Treasury and the Cabinet Office have a responsibility to ensure coordination between all these players and, therefore, that spending delivers value.[35] In 2016 the previous Committee recommended that the Treasury and the Cabinet Office work with departments on practical ways to improve joined-up planning across government and bring planning and delivery out of the confines of departmental boundaries.[36] Yet government continues to be weak at planning and managing delivery when it cuts across public bodies.[37] Of finance and business planning staff surveyed in departments, 31% disagreed that there were mechanisms in place to encourage joint working, knowledge and resource sharing with other departments.[38]

14. The Treasury acknowledged that government departments are 'siloed' and that it has to work hard to break through those silos.[39] We asked whether the Treasury and the Cabinet Office were able to spot duplication of effort and had the authority to make departments work together. For example, at the last spending review in 2015 the Treasury received only two joint bids from departments.[40] The Treasury said it encourages joint

28 Q 123; C&AG's report, para 1.15
29 Qq 27–28; C&AG's Report, para 4.6
30 Q 30
31 Q 36
32 Q 18
33 Q 85
34 C&AG's Report, para 16
35 Q 44
36 Committee of Public Accounts, Managing government spending and performance, Twenty-Seventh Report of Session 2016–17, HC 710, November 2016
37 C&AG's Report, para 4.8, Figure 24
38 Q 37; C&AG's Report, Figure 25
39 Q 82
40 Q 42; Committee of Public Accounts, Managing government spending and performance, Twenty-Seventh Report of Session 2016–17, HC 710, November 2016

working through shared funding, targets and delivery but recognised there was more to do on each of these.[41] It uses joint funding more and more, with the largest fund being the National Productivity Investment Fund, which has a £30 billion budget to allocate to infrastructure projects across departments. The Treasury agreed that joint targets can push departments to deliver within a set objective and it referenced the range of ways it had, including Cabinet-level implementation taskforces which bring together Ministers from across government to focus on cross-cutting issues such as increasing housing.[42]

15. We expressed our concern that when departments fail to coordinate this can increase costs and lead to cost shunting. The Treasury recognised this issue, and noted it had been identified in the review it had commissioned from Sir Michael Barber into public value. It explained that its costing projects look at cross-cutting issues and identify where costs fall in the system, and how one department can cause costs for another.[43] It explained that it also wants to use SDPs to be clear about where this may happen, but the Cabinet Office noted that SDPs are not systematically shared across departments.[44] The Local Government Association (LGA) has emphasised how local services are connected to the work of multiple departments. It stressed that Spending Review 2019 will be an important test of effective cross-government working.[45] The Treasury told us that cross-cutting would be a key focus of the next spending review but it has not yet explained how it will encourage joint bids from departments.[46]

41 Q 83
42 Qq 42, 83
43 Q 45
44 Qq 45, 87–89
45 Local Government Association (DVP0001)
46 Q 44; C&AG's Report, para 19

2 Joining up planning and spending, with clear accountability

Bringing together the management of planning and spending

16. In 2016 the previous Committee recommended that the Treasury and Cabinet Office work together to set out a vision of how the overall approach to how government plans and manages its business will ensure value for money in time for the next spending review.[47] We asked what progress the Treasury and the Cabinet Office had made in developing such a joint planning and spending framework. The Treasury told us that it works very closely and much more jointly than before with the Cabinet Office. It explained that while SDPs were not in place at the last spending review, they would be a key input to Spending Review 2019, and would provide the baseline against which to assess departments' performance, finance and delivery.[48]

17. We asked what was the biggest challenge to bringing planning together with spending given the weakness we see in departments aligning short, medium and long-term plans with spending to deliver outcomes. The Treasury explained the challenge was to move from focusing on how much money will be spent to what is being delivered for that money.[49] The Cabinet Office reflected that the initial focus of SDPs had been to bring together the funding available to a department – as agreed with the Treasury – with the activity it aimed to deliver with that funding.[50] It told us that the improvements to SDPs since they were introduced meant that the trade-offs being made in the next spending review would be more explicit.[51]

18. Despite improvements in business planning, one of the challenges is prioritisation - there is a tendency for departments' plans to be over-optimistic about what they can deliver. Departments follow the lead of the Treasury and the Cabinet Office and, as such, they have an impact on how departments prioritise.[52] In 2018, departments' SDPs contained 9% more objectives and sub-objectives than in 2017. Only 53% of staff said their department accurately aligned planned deliverables with capacity and capability.[53] The Treasury acknowledged the tendency for over-optimistic plans and the challenge of successfully getting Ministers to prioritise. It noted that efficiencies promised in the last spending review to pay for other things were not delivered. The Cabinet Office stressed the importance of examining the promises made alongside the resources available, to identify pressure points.[54]

19. The Treasury and the Cabinet Office explained they were putting in place a structure to support better judgements about whether the portfolio of departmental activity is deliverable. Specifically, the Cabinet Office cited the increase in delivery, commercial and technical expertise in the civil service as helping them to get better at testing deliverability.

47 Qq 16, 20; Committee of Public Accounts, Managing government spending and performance, Twenty-Seventh Report of Session 2016–17, HC 710, November 2016
48 Q 16
49 Qq 22, 23
50 Q 17
51 Q 23
52 Qq 20, 35
53 Q 35; C&AG's Report, paras 2.14, 4.17
54 Qq 35, 36

In Spending Review 2019, the Treasury explained, there will be a big push on testing the deliverability of big projects, on which the Infrastructure and Projects Authority will lead. In addition, the Treasury said departments will have to make the case for all projects, including ongoing ones, so that the best can be prioritised.[55]

20. Another key challenge of bringing planning and spending together is managing the impact that central government decisions have on local services. For example, the government had to introduce a range of additional short-term funding measures to support the local government sector starting in the first year of the last spending review and still lacks a long-term funding plan for local authorities. We asked how the Treasury spending teams assess the impact of decisions made on local government. The Treasury explained that it does this through its strong relationship with departments, particularly the Ministry of Housing, Communities and Local Government, as well as the LGA.[56] However, our recent work on local government shows that while the Ministry of Housing, Communities and Local Government asserts that it has improved its understanding of the sector and its insight into the pressures it is under, it has not explained the basis for its assessment that the sector is financially sustainable as we recommended in July 2018. In the LGA's view, the complex landscape of local government funding often leads individual departments to disregard the overall context of council funding. The LGA is keen to engage with officials from across several departments so that government, as a whole, has a better understanding of how spending review decisions affect councils, including their financial sustainability.[57]

Limitations of publicly available Single Departmental Plans

21. In 2016, the previous Committee concluded that the public SDPs do not enable taxpayers or Parliament to understand government's plans and how it is performing, and therefore have not enhanced their ability to hold government to account for its spending. It recommended that departments should publish the same up to date information about performance that they use for monitoring themselves, subject to any national security or similar essential restrictions.[58] All departments produced a public plan for 2018–19 in May 2018. However, those plans contain only high-level summary information on activities and performance, and nothing on changes in spending or priorities.[59] The Cabinet Office told us that the public plans are not as good as they should be, but said they are getting better and that it will continue to work with departments to improve them. It highlighted areas that need to improve so that the plans are "more digestible for the public", including putting in key performance indicators and better articulation of the risks.[60]

22. We challenged the Cabinet Office on what it is trying to achieve with the public SDPs. The Cabinet Office told us that for each department a reader should be able to understand its high-level objective and a range of sub-objectives. We reviewed the public short-form SDPs for three departments and found them very high-level, general and unhelpful. These

55 Qq 35, 36
56 Q 49; Committee of Public Accounts, Financial sustainability of local authorities, Fiftieth Report of Session 2017–19, HC 970, July 2018
57 Committee of Public Accounts, Local Government Spending, Seventy-Sixth Report of Session 2017–19, HC 1775, January 2019; Local Government Association (DVP0001)
58 Committee of Public Accounts, Managing government spending and performance, Twenty-Seventh Report of Session 2016–17, HC 710, November 2016
59 C&AG's Report, paras 2.4, 4.17
60 Qq 50, 52, 73

departments' plans stated some fairly broad objectives and some aspirations, but nothing about how they would be delivered or how they would be measured.[61] For example, in the Department of Health & Social Care's plan we could not see information on how objectives such as reducing childhood obesity would be delivered nor the link to resources needed to deliver them or the timescale for delivery.[62] We also looked at the Ministry of Housing, Communities and Local Government's plan and found it far from clear what the Department is trying to achieve.[63] The Cabinet Office told us that in the good quality internal SDPs there is more detail on what resources are allocated to department objectives, although this is not the case for all departments.[64] Yet we note some departments were not able to produce financial and workforce plans for the medium term, or integrate these with the outputs and outcomes they propose to deliver.[65]

23. The Cabinet Office declined our request to see a couple of the departments' internal SDPs on the basis that it "didn't think it was appropriate for them to be in the public domain."[66] We asked the Cabinet Office the reason for this decision.[67] The Cabinet Office argued that "if you do all your planning and discussions in public, it becomes a less fruitful exercise", claiming that some of the SDPs' content might be quite sensitive, such as projected workforce losses, so could have a negative impact if published.[68] The Treasury told us that the system could be better at focusing on outcomes and objectives, and that it would like to have a better, more public performance regime both as part of the SDP process and going into the next spending review.[69]

Understanding 'public value'

24. In November 2017, the Treasury published Delivering better outcomes for citizens: practical steps for unlocking public value, a report it had commissioned from Sir Michael Barber about how government understands and measures the public value that is delivered with public spending (the Barber Review). In the report's preface, the Chief Secretary to the Treasury recognised a need to track how public money is turned into results for citizens; understand the impact of each pound spent; and prioritise to ensure that resources are allocated to where they will be most effective. Sir Michael Barber recommended a 'Public Value' Framework (the Framework) to improve policy outcomes for citizens and measure the likelihood that public spending will produce results that improve people's lives. The report defined 'Public Value' as the value created when public money is translated into outputs and outcomes which improve people's lives and economic wellbeing.[70] The Treasury thought there was merit in the Framework and its four pillars of public value: how you set your goals; how you set your inputs; how you engage with users and taxpayers; and whether you have the systems and capability to deliver. The Cabinet Office viewed the four pillars as a sensible framework that it should be using, and said that it would be a very powerful tool if it could align it with the objectives in SDPs.[71]

61 Qq 59, 60
62 Qq 60, 66
63 Q 60
64 Qq 81, 62
65 C&AG's Report, para 17
66 Qq 50–54
67 Q 50
68 Qq 50–54
69 Q 81
70 C&AG's Report, paras 8, 1.11, Figure 4
71 Q 25

25. Since spring 2018 the Treasury has been developing and piloting the Framework, but work is at an early stage. By September 2018 only three departments had participated in voluntary pilots. The Treasury is now considering how it will use the pilot work in future and how it can better embed the concept of public value into its scrutiny. The Treasury confirmed that findings from the pilots would inform the 2019 Spending Review and told us that other pilots are still underway.[72] The Treasury explained that so far there are lessons coming through from the pilots in three areas: under-appreciation by departments of the importance of engagement with users and taxpayers; under-developed understanding of cost-shunting; and a question about whether the government properly incentivises innovative solutions. We asked the Treasury what it is doing to improve public engagement. It told us that it intends to ask departments to self-assess against all four pillars of the Framework, and would push departments on their capability to understand and assess people's experiences of public services.[73]

26. Nevertheless, there are similarities between the Framework and former initiatives: the previous Committee reported that the Treasury's Financial Management Review in 2013 planned various initiatives for costing and understanding the value of service delivery, but these were not ready for the 2015 Spending Review.[74] Both the Treasury and the Cabinet Office have led initiatives to improve aspects of the efficiency and effectiveness of public spending, but these have not added up to a sustained programme of improvement. For example, the Treasury asked departments in early 2016 to create 'value maps' to demonstrate the value delivered and scope for efficiencies in key areas of spending. The Treasury discontinued the work because it considered the self-reporting approach as too subjective and departments were not always open about gaps in their understanding.[75]

72 Q 105; C&AG's Report, paras 8, 13, 1.11, Figure 4

73 Qq 105–107

74 Committee of Public Accounts, Managing government spending and performance, Twenty-Seventh Report of Session 2016–17, HC 710, November 2016

75 C&AG's Report, paras 1,9, 1.10, Figure 4

Formal minutes

Wednesday 30 January 2019

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown	Layla Moran
Chris Davies	Stephen Morgan
Chris Evans	Anne Marie Morris
Caroline Flint	Bridget Phillipson
Shabana Mahmood	Lee Rowley
Nigel Mills	Anne-Marie Trevelyan

Draft Report (*Improving government planning and spending*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 26 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Seventy-Eighth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 4 February at 3:30pm

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee's website.

Wednesday 12 December 2018

John Manzoni, Permanent Secretary, Cabinet Office, **James Bowler**, Director General for Public Spending, HM Treasury Q1–124

Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee's website.

DVP numbers are generated by the evidence processing system and so may not be complete.

1 Local Government Association (LGA) (DVP0001)

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)

Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)
Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority's Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools' finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690 (Cm 9667)
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880 (Cm 9667)

Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696 (Cm 9667)
Forty-First Report	Government risk assessments relating to Carillion	HC 1045 (Cm 9667)
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695 (Cm 9667)
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929 (Cm 9702)
Forty-Fourth Report	Reducing emergency admissions	HC 795 (Cm 9702)
Forty-Fifth Report	The higher education market	HC 693 (Cm 9702)
Forty-Sixth Report	Private Finance Initiatives	HC 894 (Cm 9702)
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691 (Cm 9702)
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973 (Cm 9702)
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304 (Cm 9702)
Fiftieth Report	Financial sustainability of local authorities	HC 970 (Cm 9702)
Fifty-First Report	BBC commercial activities	HC 670 (Cm 9702)
Fifty-Second Report	Converting schools to academies	HC 697 (Cm 9702)
Fifty-Third Report	Ministry of Defence's contract with Annington Property Limited	HC 974 (Cm 9702)
Fifty-Fourth Report	Visit to Washington DC	HC 1404 (Cm 9702)
Fifty-Fifth Report	Employment and Support Allowance	HC 975 (Cm 9702)
Fifty-Sixth Report	Transforming courts and tribunals	HC 976 (Cm 9702)
Fifty-Seventh Report	Supporting Primary Care Services: NHS England's contract with Capita	HC 698 (Cm 9702)
Fifty-Eighth Report	Strategic Suppliers	HC 1031 (Cm 9702)
Fifty-Ninth Report	Skill shortages in the Armed Forces	HC 1027 (Cm 9740)
Sixtieth Report	Ofsted's inspection of schools	HC 1029 (Cm 9740)
Sixty-First Report	Ministry of Defence nuclear programme	HC 1028 (Cm 9740)

Sixty-Second Report	Price increases for generic medications	HC 1184 (Cm 9740)
Sixty-Third Report	Interface between health and social care	HC 1376 (Cm 9740)
Sixty-Fourth Report	Universal Credit	HC 1375
Sixty-Fifth Report	Nuclear Decommissioning Authority	HC 1375
Sixty-Sixth Report	HMRC's performance in 2017–18	HC 1526
Sixty-Seventh Report	Financial Sustainability of police forces in England and Wales	HC 1513
Sixty-Eighth Report	Defra's progress towards Brexit	HC 1514
Sixty-Ninth Report	Sale of student loans	HC 1527
Seventieth Report	Department for Transport's implementation of Brexit	HC 1657
Seventy-First Report	Department for Health and Social Care accounts	HC 1515
Seventy-Second Report	Mental health services for children and young people	HC 1593
Seventy-Third Report	Academy accounts and performance	HC 1597
Seventy-Fourth Report	Whole of Government accounts	HC 464
Seventy-Fifth Report	Pre-appointment hearing: preferred candidate for Comptroller and Auditor General	HC 1883
Seventy-Sixth Report	Local government spending	HC 1775
Seventy-Seventh Report	Defence Equipment Plan 2018–28	HC 1519
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399