National Audit Office

INSIGHT

Lessons learned: a planning and spending framework that enables long-term value for money

HM Treasury and Cabinet Office

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HC 234

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Lessons learned: a planning and spending framework that enables long-term value for money

HM Treasury and Cabinet Office

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

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Summary

Introduction

1 To deliver value for money over the medium- to longer-term, a government needs to turn its objectives into outcomes in a way that delivers the best value for every pound of taxpayers' money while managing its fiscal position. It needs to: plan and prioritise its spending (and other activities) to address those objectives; monitor and manage both costs and value delivered; evaluate the results; adjust as necessary; and report to Parliament on how it has used taxpayers' money. The planning and spending framework within which governments do this follows a basic cycle (**Figure 1** on pages 5 and 6).

2 The government has limited resources and a list of areas requiring investment and improvement – it has never been more important for the government to get the most out of every pound of public money. A sustainable approach to planning and spending is a key enabler of better public sector productivity. HM Treasury and the Cabinet Office have crucial roles, to ensure that the planning and spending framework creates the right incentives for overall value for money throughout the complex system of departments and other bodies with delegated financial accountability.

3 We last reported on this topic in 2018.[1] We saw positive developments in HM Treasury's approach to value for money, including the Barber Public Value Review, and noted that the Cabinet Office had been working to improve the maturity of business planning across departments. But we did not see an enduring system of integrated, realistic short-, medium- and long-term planning that any incoming government could rely on to deliver value for money. We considered that achieving this might require different skills and a significant change in mind-set both at the centre of government and in departments.

1 Comptroller and Auditor General, *Improving government's planning and spending framework*, Session 2017–2019, HC 1679, National Audit Office, November 2018.

Figure 1

The basic government planning and spending cycle

The way the government plans, allocates and manages its spending follows a cycle with accountability mechanisms built in

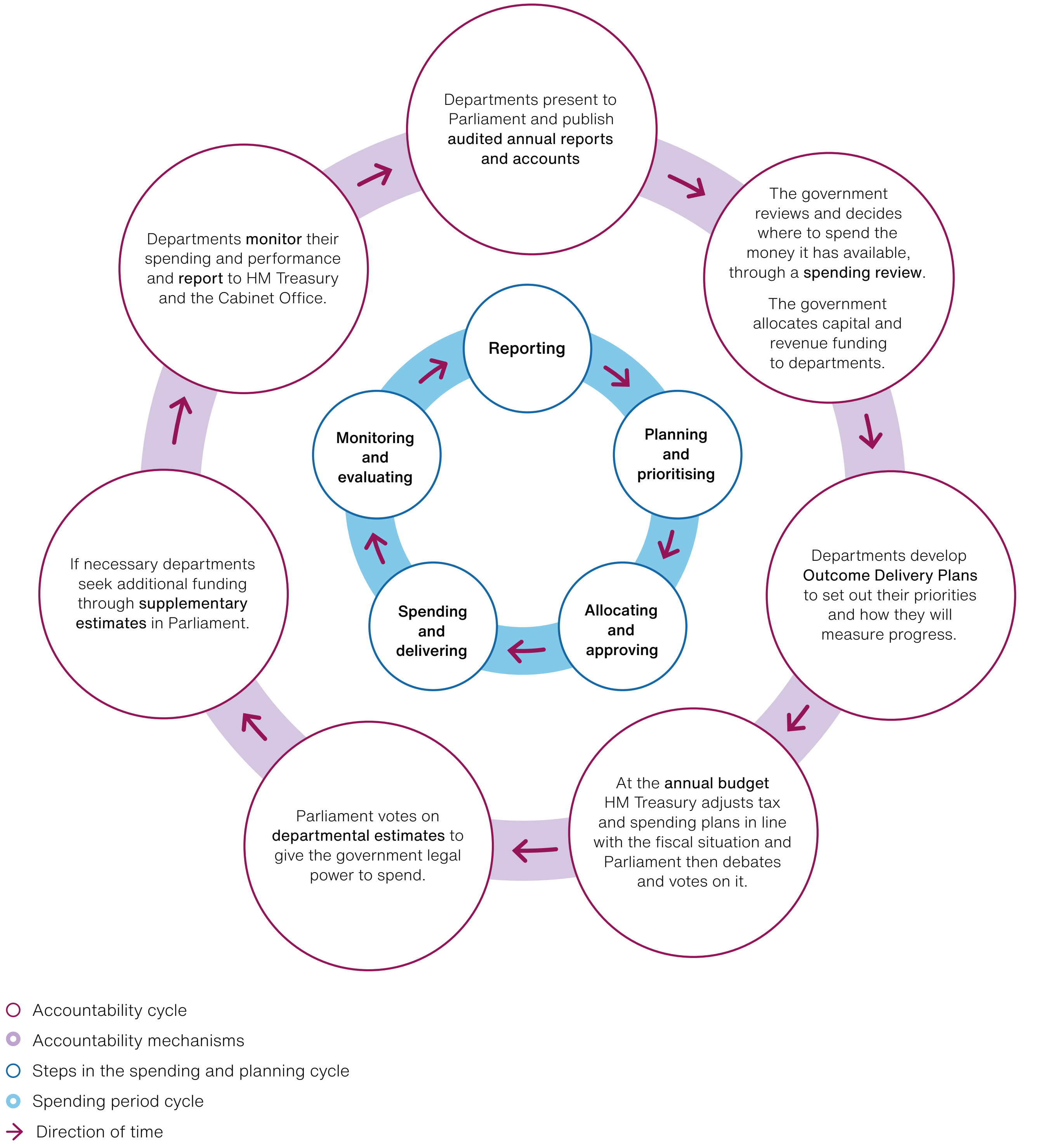


Figure 1 *continued*
The basic government planning and spending cycle

Notes
1 A spending review is the process by which the government allocates and approves funding for departments. The government decides how often this occurs.
2 The supplementary estimates can serve as a way for Parliament and its committees to monitor departmental performance against spending as departments are required to explain why variances against previously approved budgets have occurred and to be accountable for them.

Source: National Audit Office analysis of HM Treasury and Parliamentary documents, and interviews with stakeholders

4 In 1998 the then government had introduced periodic multi-year spending reviews to address weaknesses in long-term planning to deliver measurable outcomes, working effectively across government. But in 2018 we found the same underlying weaknesses were still pervasive. Against a background of responding to national and global crises since then, recent spending reviews have been increasingly short-term and reactive, focused on managing immediate spending pressures. The last multi-year spending review was in 2021, covering years to 2024-25. The Office for Budget Responsibility (OBR) has highlighted potential overspending against approved departmental budgets as one of the most significant risks to the fiscal outlook.[2] In July 2024 HM Treasury reported that it had identified £21.9 billion in pressures on the departmental budgets for the current financial year 2024-25.

5 In July 2024 the incoming Chancellor of the Exchequer announced a multi-year spending review to conclude in spring 2025 (SR2025). She also announced changes to the Charter for Budget Responsibility to require spending reviews to be held every two calendar years, covering a spending period of at least three years, saying that this would ensure there will always be up to date medium-term departmental spending plans. The Chancellor indicated that the decision-making in SR2025 would reflect the government's 'mission-led' approach. She further announced that the government would establish a new Office for Value for Money (OVfM) to help it "put value for money at the heart of decision-making" and to recommend system reforms.

Purpose and content of this report

6 We have drawn on our published work and a programme of consultation and collaboration with officials and stakeholders in the United Kingdom and overseas. Our intention is to provide useful insights as officials and ministers are making changes to the planning and spending framework, including the approach to SR2025. This report will also be useful to Parliamentarians and stakeholders seeking to scrutinise government spending and delivery. Appendices One and Two give full details on the scope of the work and our methods.

2 Including in: OBR, *Working paper No.19, The OBR's forecast performance,* August 2023.

7 We identify eight lessons the government can learn from our work and point to the associated incentives and behaviours that need addressing, if the government is to use the planning and spending framework to improve efficiency and productivity. The main part of this report examines the lessons, illustrated with examples from our published work. The lessons are summarised in **Figure 2** overleaf.

8 This report also provides updates on developments in the planning and spending framework since we and the Committee of Public Accounts (PAC) last reported in 2018 and 2019 (Appendix Three) but it is not evaluative and does not have a value for money conclusion. We offer concluding remarks and a small number of recommendations. This report covers:

- roles, responsibilities and processes in the planning and spending framework (Part One); and
- eight lessons from our work (Part Two).

Explanation of our scope

9 This report is not about when, whether or how to carry out a spending review. We consulted with independent bodies including the Institute for Fiscal Studies, Institute for Government and Reform who have all published helpful analysis and recommendations on those questions. We are interested here in the approach to spending reviews because of the way it affects incentives and behaviours in day-to-day business planning and financial management across government, and ultimately, value for money. As one former senior civil servant we spoke to said, “these reviews set up a lot of things for success or failure”. Our past work and discussions with stakeholders have pointed to the rushed, intense, and adversarial nature of spending review discussions, based around closed, bilateral negotiations, without a consistent set of information about opportunities and risks on which to make strategic spending choices. As a result, underlying weaknesses in financial management can be hidden and decisions may be made that have adverse implications for long-term value and resilience. Recent short-term spending reviews appear to have magnified these problems. HM Treasury told us that spending reviews ought to be a predictable part of a well-ordered system for turning spending into public value, in line with clear priorities.

10 We do not cover the mechanisms for allocating funding to devolved administrations or local government funding, though we do highlight the effects on local government of the behaviours we have seen. We do not comment on government fiscal policy or fiscal rules, or choices about spending classification. And this is not a guide to detailed strategic or day-to-day financial management – for our expectations of departments and public bodies in that respect see our series of good practice guides.

Figure 2

Lessons for government on planning and spending

We have identified eight lessons to maximise value for money

Theme	Issue identified from our work	Lessons to maximise value for money
Joined-up planning and governance	Departments, ALBs, and local government are spending money on related but uncoordinated activities and initiatives, which reduces overall value for money and leaves gaps in delivery and risk management.	It is important to plan and manage spending, risks, and delivery against common objectives across organisational boundaries.
Prioritisation	Departments and government as a whole are not clearly prioritising spending and stopping poorer value activities, with sometimes an unwillingness to acknowledge affordability constraints.	It is important to have clear priorities at whole-of-government and departmental level, and to use them as a basis for making affordable spending choices.
Data and evidence	Decisions about where to spend money are often taken on the basis of too little good data and evidence. Spending review bids and business cases worked up at speed often lacking crucial details, risk assessments, and robust estimates of costs and benefits.	It is important to base decisions about whether and how to spend taxpayers' money on good quality evidence about efficacy, costs and risks, including the additional risks of proceeding at speed.
Monitoring and evaluating	Government is not consistently monitoring progress against objectives, risks and value for money of its projects, programmes and overall spending, which makes it harder to adjust course or redirect spending. Despite clear guidance, rigorous evaluation is the exception rather than the norm.	It is essential to monitor costs, performance, and risk levels, adjusting as necessary to optimise value for money, and to build in rigorous in-flight and post-hoc evaluation, so government can learn from both success and failure.
Taking a long-term view	Government's tendency is to give attention to short-term delivery and spending control at the expense of long-term objectives, major programmes and asset maintenance, which increases the risk of asset and service failure and feeds a cycle of firefighting.	When making spending choices it is important to take a long-term view of value for taxpayers' money, show imagination about future scenarios and balance shorter-term objectives with sustainability and resilience to risk.
Funding commitment	Uncertainty and inconsistency over funding and policy commitment make it difficult to build effective partnerships, with local government and industry, or develop pipelines of investment and skills in areas with long-term challenges, such as social care and green energy.	Especially when working with local and private sector partners, it is important for the government to set out short-, medium-, and long-term objectives linked to clear commitments and realistic funding models, while being clear on its appetite for risk.
Realism	The government is prone to under-estimate on costs and over-promise on outcomes, with too little emphasis on testing the deliverability and riskiness of plans, and few repercussions for failing to control costs.	When committing funding it is important to have a realistic assessment of what can be delivered, by when, at what overall cost, and what is the level of risk or uncertainty.
Transparency	There is a lack of transparency and effective scrutiny around government's decision-making, both internally and externally with Parliament and the public.	It is important for government to be transparent about its objectives, plans, spending choices and risk appetite and assessments, as well as the performance and outcomes delivered.

Source: National Audit Office analysis of our recent reports

Concluding remarks

11 The period since we last reported on the government's planning and spending framework has been characterised by rapid change in both the government itself and the fiscal and risk environment, and a highly short-term reactive approach. So, although we have seen evidence of hard work in HM Treasury and the Cabinet Office to build lasting improvements into the planning and spending framework as we recommended, there has not been the cultural shift towards a focus on long-term value for money that is needed. Changing the incentives and behaviours embedded across central government will take leadership, functional expertise and collegiate behaviour at all levels, official and political, over a whole Parliament and beyond. Parliamentary support and challenge around planning and spending is also an essential part of the necessary change.

Recommendations

a Parliament expects to be able to hold the government to account for its delivery of value for taxpayers' money. To do so, Parliament needs timely, complete and transparent information on the government's objectives, business planning, funding allocations, performance against objectives, spending, and outcome evaluations. The government should inform Parliament what changes it will make to achieve this from 2025-26 onwards, which should include as a minimum:

- publishing departmental Outcome Delivery Plans and cross-cutting mission boards' plans at least annually;
- publishing, after each spending review, a summary of the spending choices the government has made and providing data that are granular enough to show the effect on allocations by department, priority outcome and strategic programme; and
- ensuring that all completed government evaluations are publicly accessible and searchable by April 2025.

b HM Treasury and the Cabinet Office should create an action plan to address our eight lessons and rebalance behaviour and decision-making in government towards long-term value for money. The action plan should:

- be supported by an evidence-based understanding of what will affect lasting change;
- have suitable senior ministerial and administrative leadership; and
- have evaluation of progress built in.

12 We have worked closely with HM Treasury and the Cabinet Office, sharing our insights during summer and autumn 2024 as they started to develop plans for SR2025. We will return to this topic at a suitable time and will be looking for evidence of progress in our value-for-money work across government.

Part One

The planning and spending framework

1.1 This part of the report sets out:

- roles and responsibilities in government for planning and spending;
- key elements in the planning and spending framework: spending reviews; business planning and performance monitoring; evaluation; and scrutiny.

1.2 The information presented here is accurate at the time of writing but may change as the new government develops its approach and prepares – and carries out – its first spending review.

Roles and responsibilities

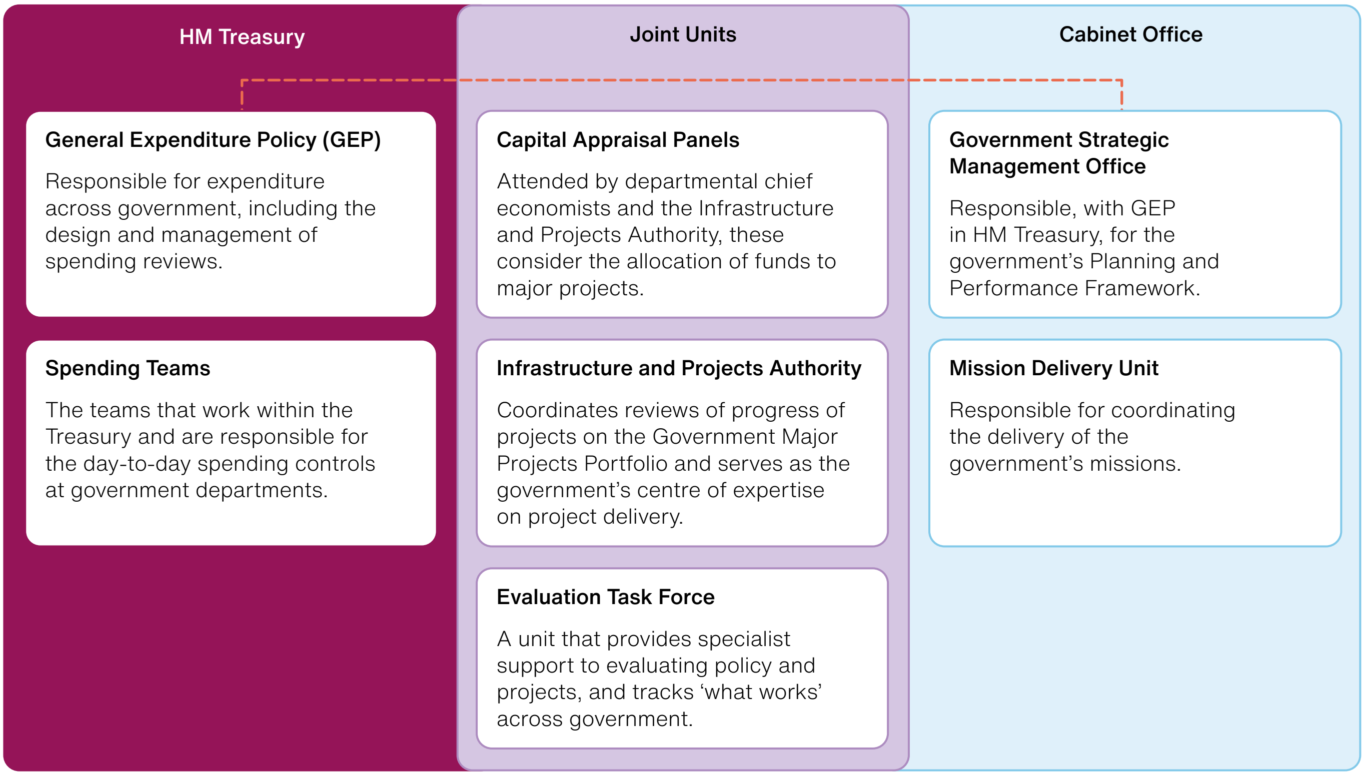
1.3 HM Treasury holds the central responsibility for controlling public spending. The Chancellor, working with the Prime Minister, sets the overall spending priorities for government. During a spending review, HM Treasury's General Expenditure Policy (GEP) team and departmental spending teams support the Chief Secretary to the Treasury's work with departments to agree departmental expenditure limits. Departmental expenditure limits form the budget for day-to-day spending that departments are allocated each year. Departments manage these budgets on an on-going basis, with regular engagement between departments and their HM Treasury spending teams. The Cabinet Office is primarily responsible for strategic management and delivery of the government's priorities, working with HM Treasury and departments and facilitating cross-government working and information sharing (**Figure 3**).

1.4 The Cabinet Office and HM Treasury are also supported by cross-governmental units. These include the Evaluation Task Force (paragraph 1.19) and the Infrastructure and Projects Authority (IPA). The IPA provides specialist advice on funding decisions made for major projects through both the Government Major Projects Portfolio and during spending reviews through the Capital Appraisal Panels. The recently created Office for Value for Money (OVfM), based in HM Treasury, is developing its role – it is expected to carry out targeted interventions to assess performance on value for money across government and recommend system changes.

Figure 3

HM Treasury and Cabinet Office teams involved in strategic planning and spending

Key teams and joint units in the two central departments work closely together on planning and spending



-- Indicates close cooperation between units

Notes

1 This is a simplified diagram to show just the main teams involved. It does not show the newly created office for Value for money (OVfM) which is still developing its role and is intended to be temporary.

2 HM Treasury also sponsors: the Government Actuary's Department (GAD) which provides financial risk analysis, modelling, advice and assurance to departments on areas including insurance, pensions, investment savings and benefits; and the Contingent Liabilities Central Capability (CLCC), a joint unit of GAD and UK Government Investments, which provides monitoring and assessment of contingent liability risk.

3 GEP refers to the General Expenditure Policy team.

Source: National Audit Office analysis of HM Treasury and Cabinet Office documentation

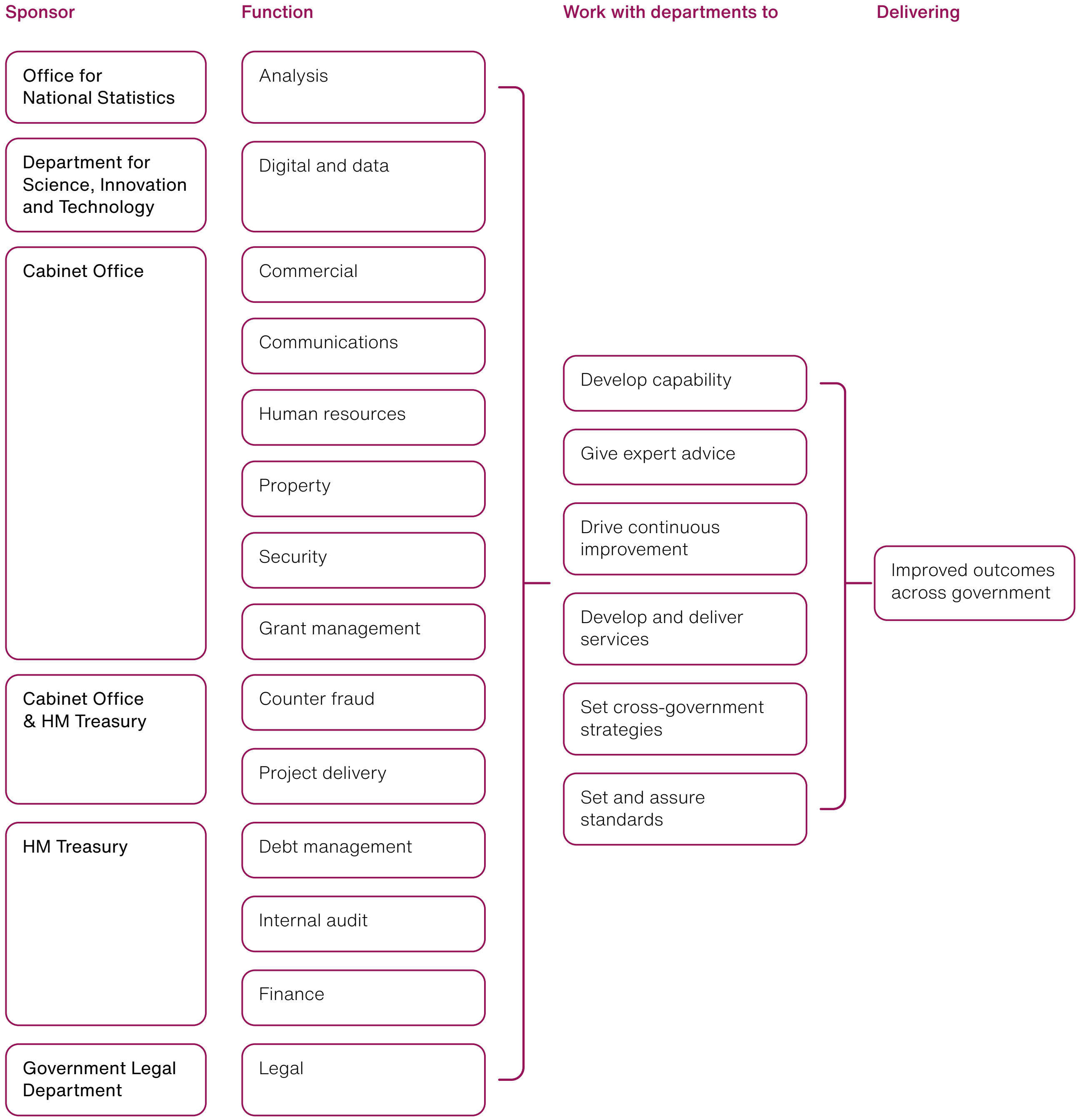
1.5 The civil service's cross-government functions provide specialist support to the Cabinet Office and HM Treasury and help keep departments aligned with government standards. The 14 functions exist to build capability across core business areas (**Figure 4** overleaf).[3] Senior finance leaders we spoke to highlighted the positive impact that the maturing functions have had on planning and spending. During Spending Review 2021, the functions provided guidance to departments on spending bids in particularly technical areas. They also provided support and challenge on submissions and helped in the effort to prevent duplicative bids.

3 In 2022 and 2023, the Cabinet Office reported on efficiencies generated by the functions. We reported on these functional savings reports in our 2023 report, *Cabinet Office functional savings*.

Figure 4

The specialist civil service functions, which support planning and spending

The 14 functions work across government to provide specialist support



Note

1 The Counter fraud and Project delivery functions are headquartered in the Cabinet Office and co-sponsored by HM Treasury.

Source: Comptroller and Auditor General, *Cabinet Office functional savings*, Session 2022-23, HC 1865, October 2023

1.6 Departments and their ministers gather information on their priorities and pressures and work with HM Treasury to get the resources they need. During spending reviews, they are responsible for gathering this information from both the central department, and its arm's-length bodies, to inform bids to HM Treasury. At all times, they are responsible for working with both HM Treasury spending teams and the Cabinet Office to ensure effective cost control and delivery.

1.7 Each government body has an accounting officer (AO) who is personally responsible to Parliament for use of public funds. For departments, the permanent secretary is the AO. Treasury guidance says that each AO must make sure the actions of the organisation they lead meet the four AO standards set out in *Managing Public Money* for use of public resources.[4] The AO should approve, in advance, all significant initiatives, policies and programmes, thereby providing assurance to Parliament that those activities are meeting the required standards. When a spending decision is novel or contentious, the AO should carry out a formal Accounting Officer Assessment to set out the key issues against the four AO standards; this is mandatory in the case of key decisions on projects or programmes in the Government's Major Projects Portfolio (GMPP). If the standards are not met, the AO will need to seek instructions in writing from the minister before proceeding (a ministerial direction). Both summaries of AO assessments and ministerial directions must also be shared with Parliament. Several of the government finance leaders we consulted pointed to these AO assessments as an important improvement to the planning and spending system.

Spending reviews

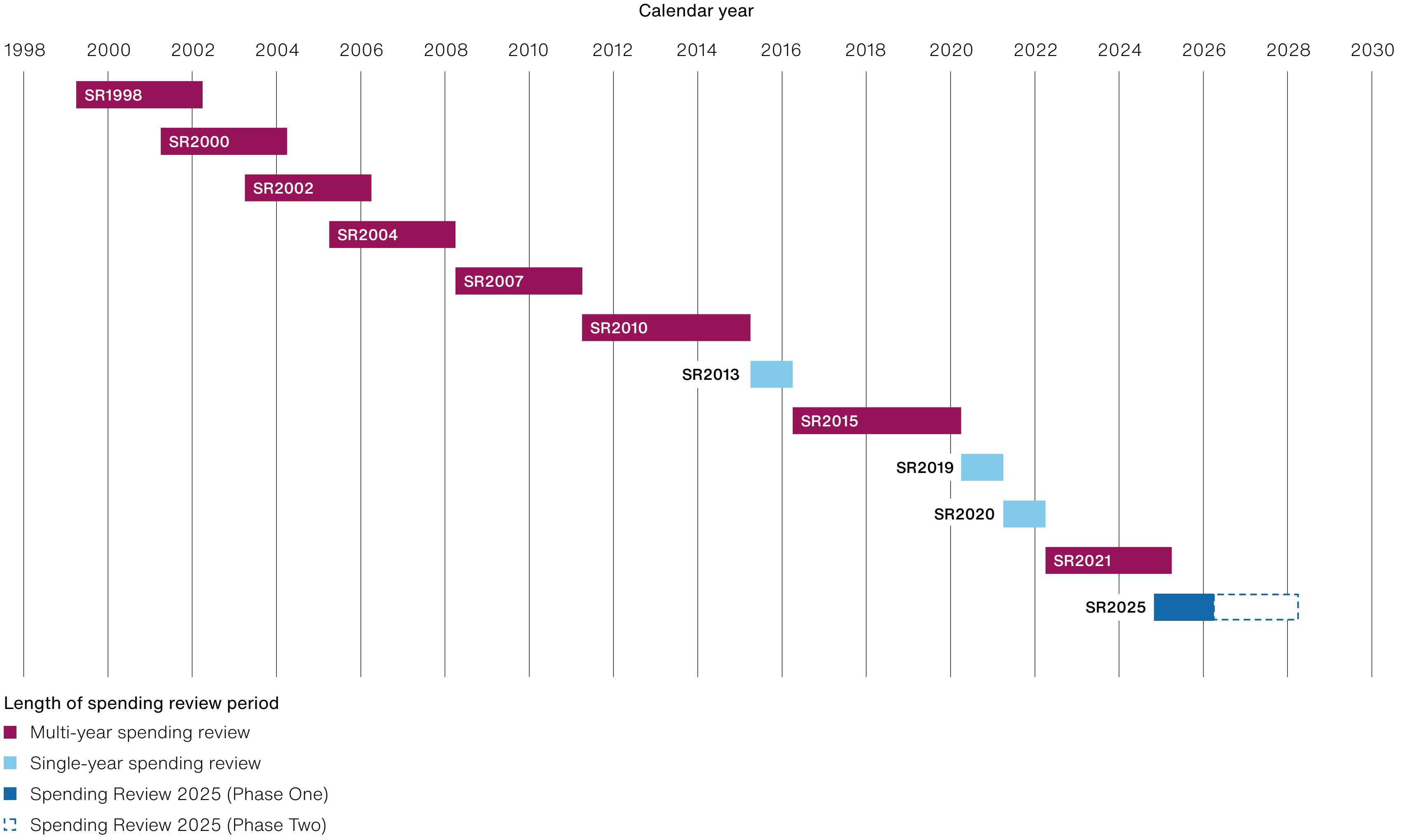
1.8 In 1998 the then government first introduced periodic multi-year spending reviews (**Figure 5** overleaf) to address weaknesses in government's long-term planning to deliver measurable outcomes, working effectively across government. This replaced a system of cash budgets, adjusted year-on-year. The aim of the new system was to provide firm multi-year spending limits which departments could use to plan more effectively. It was also intended to distinguish better between spending on capital investment and the day-to-day work of government.

1.9 The spending review process has not significantly changed since inception and consists primarily of bilateral negotiations between HM Treasury and departments over several months, resulting in departmental settlements (paragraphs 1.11 to 1.14). Over the same period the arrangements for planning, performance monitoring and evaluation, have, however, experienced significant change (paragraphs 1.15 to 1.18).

4 *Managing Public Money* is HM Treasury's key guide to the principles for dealing with resources in public sector organisations in the UK. The four accounting officer standards are regularity, propriety, feasibility and value for money.

Figure 5
Timeline of spending reviews, 1998–2029

Spending reviews have become less regular since 2010, including some one-year spending reviews



Note

1 HM Treasury is approaching the 2025 spending review in two phases with announcements in October 2024 and Spring 2025. Phase One will set budgets for 2024-25 and 2025-26. Phase Two will set budgets for at least 2026-27 and 2027-28.

Source: National Audit Office analysis of HM Treasury spending review documents

1.10 The annual budget is often used as the starting point for a planning and spending cycle (**Figure 6** on pages 16 to 18). Every year the Chancellor presents to the House of Commons a budget, traditionally in the spring, which includes a statement on economic and fiscal policy, as well as a document setting out the major tax and spending decisions for the year. In many years this has been accompanied by a second fiscal event in the autumn. The budget is often used to set the envelope for total departmental spending, informed by the fiscal strategy and rules, as well as overall macroeconomic performance. As budgets are presented every year, they may result in alterations to plans made earlier, during the most recent spending review.

1.11 The Office for Budget Responsibility (OBR), created in 2010, is the independent body responsible for economic and fiscal forecasting, scrutinising tax and welfare policy costings, and evaluating the government's performance against fiscal targets. For each fiscal event the OBR produces a forecast of the outlook for the economy and public finances over a five-year period. It also assesses the government's performance against its fiscal targets and the impact of the tax and spending decisions made in the fiscal events. This, in part, determines what is often referred to as the Chancellor's 'fiscal headroom' under the government's fiscal rules.

1.12 While the OBR can access enough information to form a robust assessment of tax and welfare spending, its assessment of day-to-day spending has relied on information provided by HM Treasury. In July 2024 the Chancellor announced that HM Treasury would be required to share assessments of spending pressures with the OBR for the current and following financial year, and that the OBR would be allowed to request further information to assess whether under or overspends are likely. The Budget Responsibility Act 2024 gives the OBR a new duty to prepare a report for any measure that a minister intends to announce which is "fiscally significant" and share it with the House of Commons Treasury Committee.[5] The stated aim of the Act is to remove the possibility of the OBR being "sidelined".

1.13 During a spending review, the government sets its medium- to long-term policy agenda and allocates funding as necessary.[6] Spending reviews have tended to cover three to five years (Figure 5). HM Treasury told us that the process consists of four phases: 1) setting parameters; 2) commissioning spending bids; 3) negotiations between secretaries of state and the Chief Secretary to the Treasury; and 4) publication of the review and engagement with Parliament.

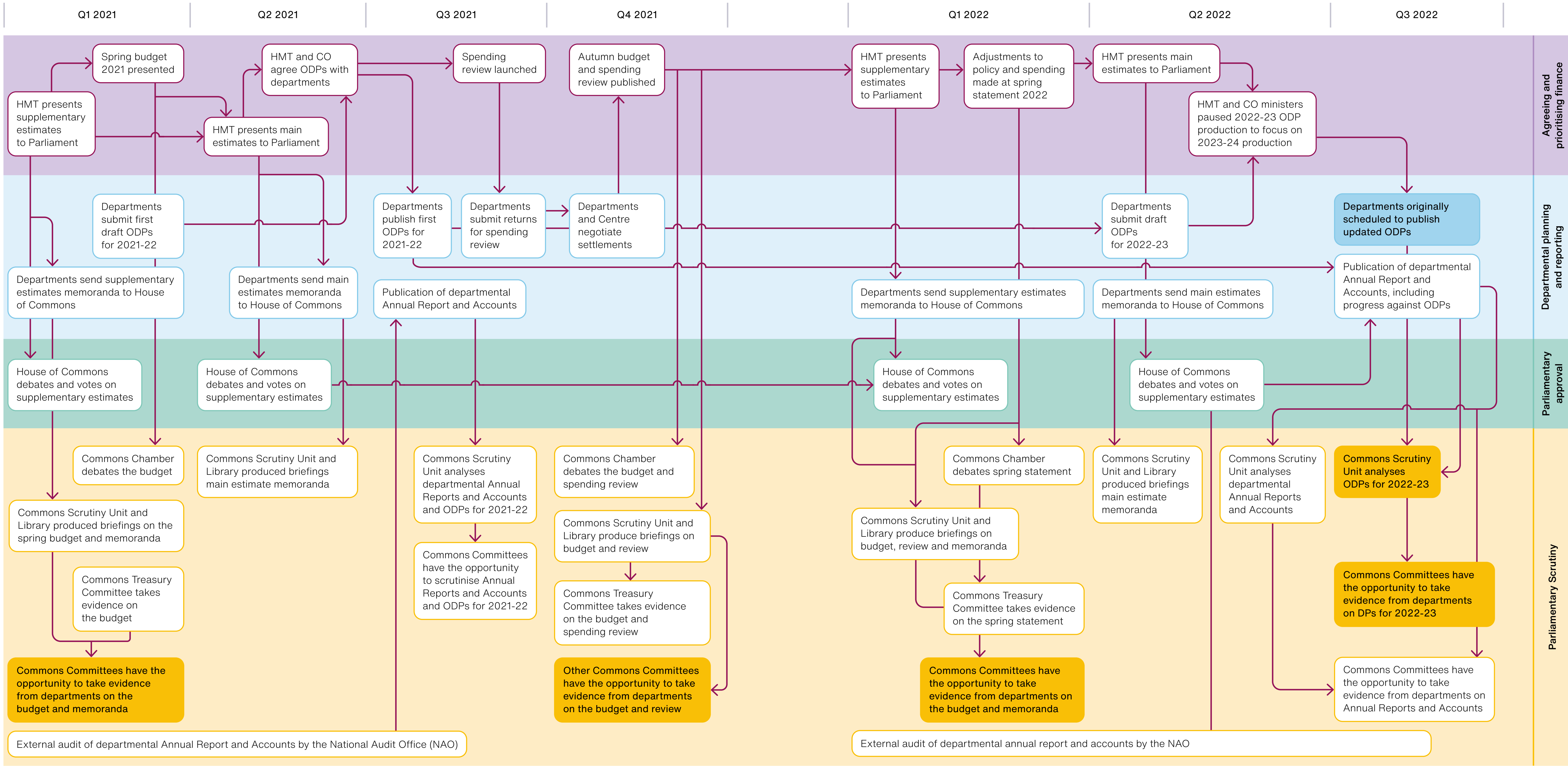
5 Updates to the *Charter for Budget Responsibility* proposed by HM Treasury define fiscal significance as if a measure (or combination of measures) has an impact of at least 1% of GDP within one financial year.

6 In this report we do not cover the arrangements for UK government funding the devolved administrations, which is determined largely by the Barnett formula. We reported on these arrangements in: Comptroller and Auditor General, *Investigation into devolved funding*, HC 1990, Session 2017–2019, 13 March 2019.

Figure 6

Key events in planning, spending and accountability process

The Spending review 2021 shows how many organisations and processes interact to set and scrutinise departmental budgets



Unshaded boxes indicate action regularly carried out   Shaded boxes indicate action not regularly carried out in practice   Action is linked to another action

Figure 6 *continued*
Key events in planning, spending and accountability process

Notes
1 Years are presented as financial years (March–April).
2 This timeline is indicative. Not all events consistently happen in the time periods outlined.
3 HMT refers to HM Treasury, CO refers to the Cabinet Office and ODPs refers to outcome delivery plans.

Source: National Audit Office analysis of government and Parliamentary documentation on the spending review process, 1998–2024

1.14 A spending review does not always cover all public spending. What is primarily set are the departmental expenditure limits (DEL) or projected day-to-day departmental spending. This is broken down into resource (RDEL) and capital spending (CDEL). During reviews, baseline RDEL is often based on spending during the previous period rather than being built up from zero each year, which can make prioritisation difficult when there are significant existing spending commitments before the spending review. Often excluded from spending reviews is annually managed expenditure (AME) which is demand-led or volatile and therefore less predictable. Examples of AME spending include tax credits and welfare. Some governments have also set longer-term capital spending agreements that last for multiple spending reviews. While we do not examine classification of spending between DEL and AME or revenue and capital here, others have examined in detail how these are not just administrative but also political choices and can have an impact on incentives for long-term value for money.[7]

Business planning, performance monitoring and reporting

1.15 The UK government's approach to business planning and monitoring performance has varied since 1998, but has some consistent elements. Objectives are agreed between individual departments and the Cabinet Office and HM Treasury. Departments regularly report both internally to their management and externally to HM Treasury and the Cabinet Office. Departmental annual reports and accounts include information on departmental finances and performance for Parliament and the public.

1.16 The format of performance monitoring is set by the Cabinet Office and HM Treasury. During the 1997–2010 Labour government, public service agreements set out objectives for each main department and cross-departmental programme. By 2004 these had been revised to focus objectives on outcomes, rather than inputs. In 2010 the Coalition Government replaced this with a business plan system defined by departments, which focused on controlling inputs, primarily expenditure. After the 2015 establishment of single departmental plans, and the 2019 Public Value Framework, the focus switched back to outcomes and public value. This evolved into the Outcome Delivery Plan (ODP) system, which started in 2021-22.

7 For example, Hood, King, McLean and Piotrowska, *The Way the Money Goes*, The Fiscal Constitution and Public Spending in the UK, Oxford University Press, 2023.

1.17 In 2021, each department was required to publish an ODP with its priority outcomes, metrics for tracking progress towards those outcomes, and the resources (funding and staffing) allocated to each priority. By requiring each department to publish this information, and report on progress against its ODP, the government expected ODPs to improve planning and evaluation, while also increasing transparency. However, the government has not published ODPs since July 2021. In July 2023 Cabinet Office and Treasury ministers confirmed to the Public Accountability and Constitutional Affairs Committee (PACAC) that they would not be publishing ODPs for 2023-24. They told PACAC that ODPs had continued to be updated and used for internal planning purposes and that departments would report progress against them in their annual reports and accounts.[8]

1.18 The Cabinet Office's Government Reporting Integration Platform (GRIP) system is a software platform designed to provide a "single version of the truth" for capturing project and programme performance internally across government. From 2021 it replaced previous coordination by spreadsheet and email. GRIP allows the Cabinet Office to commission updates from Senior Responsible Officers (SROs) at departments. The data on GRIP can be used to produce dashboards for high-level performance monitoring. The Cabinet Office told us that bringing reporting into one place has improved standards on reporting across government. Departments told us that GRIP has simplified reporting and helped them align their reporting to the Cabinet Office with internal performance monitoring.

Evaluation

1.19 Evaluation is about learning what policy and spending decisions have worked and why. It plays a vital role in supporting the government's management of performance as well as providing post-implementation accountability of interventions funded by the government through a spending review. It can help the government understand which approaches work best so it can adjust and stay on track to maximise value for taxpayers' money. Proper evaluation of spending decisions and their outcomes is the shared responsibility of HM Treasury, the Cabinet Office, spending departments and their arm's-length bodies (ALBs). Departments should be consistently evaluating all their initiatives. In April 2021 the Cabinet Office and HM Treasury created a jointly-owned unit, the Evaluation Task Force (ETF). By identifying and sharing best practice, the ETF aims to create a "virtuous cycle" of implementation and evaluation. The government has taken another step in this direction by creating the Evaluation Registry, where all government evaluations can be made available across government.

8 Letter from the Rt. Hon. John Glen MP, Chief Secretary to the Treasury, and the Rt. Hon. Jeremy Quin MP, HM Paymaster General, to William Wragg MP, Chair of PACAC, 6 July 2023. Available at: https://committees.parliament.uk/publications/40934/documents/199435/default/

Scrutiny and accountability

1.20 Scrutiny is the responsibility of organisations that are independent of government. This includes the OBR's scrutiny of the government's performance against its fiscal targets and of the government's costing of individual tax and welfare spending measures. Scrutiny is also provided by the House of Commons Select Committees, which can examine departments' accounts and performance, and through the National Audit Office's (NAO) audits (Figure 6). The role of scrutiny and audit is to make sure that the government is accountable for its spending and performance, as well as to diagnose issues in government processes and recommend solutions.

1.21 Annual reports and accounts of departments and public bodies play a vital role in enabling scrutiny from Parliament and the public. As well as accounts of spending, income, assets and liabilities, annual reports and accounts include information on staffing, governance and accountability arrangements, and performance against ODP objectives over the year. As ODPs have not been published or provided to Parliament since 2021, however, the information in the performance reporting sections of annual reports is not independently verifiable, and it is not subject to external audit.

1.22 The NAO provides an independent audit opinion on government accounts each year and reports to Parliament on whether the government is delivering good value for money through around 60 value-for-money reports a year. 'Value for money' is defined as the optimal use of resources (economy, efficiency and effectiveness) to achieve intended outcomes. Safeguarding value for money involves controlling spending and reducing waste. It also requires prioritising to ensure resources are allocated where they will be most effective in delivering objectives over the long term.

Part Two

Lessons for maximising value for money

2.1 In this part we discuss eight themes from our published work that relate to the planning and spending framework. Under each theme we:

- show how it is seen in practice with examples from our reporting;
- analyse the incentives and behaviours underlying the outcomes we have seen;
- highlight good practice and developments since we last reported; and
- present our lesson for government, to help maximise value for money.

Joined-up planning and governance

2.2 Achieving value for money in areas such as net zero, improving social care, diverting people in the criminal justice system, and addressing homelessness is possible only through joint efforts from many branches of government. Achieving efficiency in government's back-office IT systems and property also relies on cross-government coordination. HM Treasury's guidance for departments on Outcome Delivery Plans (ODPs) notes the importance of joint working between departments and that governance and accountability are key conditions for successful joint working.

What have we seen in our work?

2.3 Departments, arm's-length bodies (ALBs) and local government are spending money on related but uncoordinated activities and initiatives, and cross-departmental initiatives face significant challenges. This means that overall the money and effort are less likely to be targeted effectively to deliver the outcomes (**Figure 7** overleaf).

Figure 7

National Audit Office reporting on joined-up planning and governance

Departments, arm's-length bodies, and local government are spending money on related but uncoordinated activities and initiatives

Report	Findings on joined-up planning and governance
The effectiveness of government in tackling homelessness, HC 119, July 2024	Department for Levelling Up, Housing & Communities (DLUHC) still lacks a strategy and published target for statutory homelessness, which makes it difficult to coordinate government's response. DLUHC has limited power to influence other government departments' decisions.[2]
Investigation into East West Rail project, HC 359, December 2023	Cross-government governance arrangements were disbanded in autumn 2021 following the government's move away from a central top-down approach to development in favour of a more local bottom-up approach. Improved communication and joint working between central government and local bodies is needed to overcome barriers to progress and achieve the goals of the project over the long term. At the time of our report, HM Treasury had recently established the cross-government East West Rail Economic Growth Board to coordinate central government activity and support local development, effectively reinstating prior cross-government arrangements.
Cross-government working: Good practice guide for leaders and practitioners, July 2023	We identified several common pitfalls. Departments' unwillingness to prioritise and balance competing objectives is an entrenched problem. Departments often take separate narrow views and the business planning process does not help to break down government silos. The government has a poor understanding of how different projects and programmes impact on policy areas. Lines of accountability are unclear and so the government's oversight of bodies involved in cross-government work often has gaps and is not proportionate.
Support for vulnerable adolescents, HC 800, November 2022	Multiple departments have a role in policy-setting and allocating funding to initiatives and programmes. Departments have their own outcome targets, which reflect their departmental objectives and contribute to cross-cutting government strategies around issues such as mental health or drugs. There is no overall strategic approach, so government does not know whether there are gaps or overlaps in the support for vulnerable adolescents.
Supporting local economic growth, HC 957, February 2022	The way interventions currently work makes it hard for local authorities to plan joined-up investment strategies. Multiple funding pots and overlapping timescales, combined with competitive funding, create uncertainty for local leaders.
Improving outcomes for women in the criminal justice system, HC 1012, January 2022	Costs and benefits are unevenly spread among organisations that need to be involved in implementing the Female Offender Strategy (the strategy). It is unavoidable that benefits do not accrue directly to the organisations that need to spend money. The strategy's aims require cross-government collaboration and cannot be addressed by the Ministry of Justice alone.

Notes

1 This is not an exhaustive list of examples from our previous work. For our complete analysis see Figure 15 in Appendix One.

2 DLUHC is now Ministry of Housing, Communities & Local Government.

Source: National Audit Office analysis of our recent value-for-money reports

What have we learned about incentives and behaviours in the system?

2.4 Each department's accounting officer is responsible and accountable to Parliament for that department's funds. This means that without additional accountabilities being set up, there is little incentive for departments to spend money delivering benefits or savings for other parts of government. Conversely, reducing spending in one department may be rewarded even if costs are thereby shunted elsewhere in government. HM Treasury and the Cabinet Office have found that there is further to go in fostering a culture that rewards people for collaboration. While departments can agree to pool funding for cross-cutting objectives, it involves setting up additional governance arrangements that can be hard to sustain. Properly joining up planning and management also requires sharing data across government bodies, which means overcoming both practical and cultural barriers. Against these challenges, joint working activity may fall down the list of priorities and not endure. Senior political support from a sponsoring minister can strengthen buy-in and increase chances of success.

What could help?

2.5 Our report on *Reducing the harm from illegal drugs* showed how senior leadership and effective governance made a difference. National cross-system and portfolio boards, and local Combating Drugs Partnerships (CDPs) helped to coordinate activity, facilitated joined-up working and strengthened accountability. The creation of the Joint Combating Drugs Unit, lead ministerial and permanent secretary roles and senior officials' board have all raised the profile of the 2021 drugs strategy. Recognising the importance of local service delivery to achieving the strategy's outcomes, the Combating Drugs minister also asked local areas to provide a single point of contact for central government. In England, 105 local areas have now established a CDP and nominated a senior responsible owner. Our 2023 *Cross-government working: good practice guide* includes more good practice and tips for joining up across government.

What has changed since we last reported?

2.6 As part of Spending Review 2019 (SR2019) HM Treasury launched the Shared Outcomes Fund to test innovative ways of working across the public sector; it continued this approach at Spending Review 2020 (SR2020) and Spending Review 2021 (SR2021). HM Treasury and Cabinet Office have set up a 'hub' to support departments with cross-cutting accountability structures and joined-up ways of working. In terms of better back-office joint working, the government has reaffirmed its intention for civil service functions (Figure 4) to operate across organisational boundaries. HM Treasury planning guidance for departments in 2023-24 emphasised the importance of joint working and of governance and accountability to make it succeed.

2.7 Nevertheless, in December 2023 the second permanent secretary to HM Treasury told the Committee of Public Accounts it was "really disappointing that we do not have that many [joint funding bids from departments] despite ... more guidance and top-down training". She pointed to the "important role" of politicians in "incentivising senior officials" to make it happen. The Committee recommended Cabinet Office and HM Treasury produce guidance and set expectations for departments on cross-government working ahead of the next spending review. The government agreed.[9]

2.8 The new government has set out a strategic approach based on cross-cutting "missions" with delivery boards for each. HM Treasury is optimistic that these mission boards may facilitate greater cooperation across government.

> **Lesson 1:** It is important to plan and manage spending, risks, and delivery against common objectives across organisational boundaries.

Prioritisation

2.9 With limited resources and a list of areas requiring investment and improvement, it is important for the government to make careful, deliberate decisions about where best to allocate available funds, ensuring that government spending generates the best possible value for the long term.

What have we seen in our work?

2.10 We see departments and government as a whole not clearly prioritising spending and stopping poorer value activities, and sometimes an unwillingness to acknowledge affordability constraints. Our reports (**Figure 8**) have found that failure to properly prioritise can hinder delivery of initiatives, sometimes with knock-on effects for dependent initiatives.

9 Committee of Public Accounts, *Cross-government working*, Twelfth Report of Session 2023-24, HC 75, February 2024 and Treasury Minutes: Government Response to the Committee of Public Accounts on the Nineteenth to the Twenty-fourth reports from Session 2023-24, published May 2024.

Figure 8
National Audit Office reporting on prioritisation

Government does not clearly prioritise spending and is sometimes unwilling to acknowledge affordability constraints

Report	Findings on prioritisation
The National Law Enforcement Data Programme, HC 663, September 2021	Despite its importance to front-line police, the Home Office had not prioritised funding The National Law Enforcement Data Programme relative to other law enforcement information and communication technology programmes. Instead, it chose to prioritise other major police programmes which were also delayed and increasing in cost.
Local government and net zero in England, HC 304, July 2021	Central government has yet to determine, in consultation with the sector, local authorities' overall responsibilities and priorities in achieving the national net zero target. Without this, we see a risk that local authority action on net zero is not as coordinated, targeted, or widespread as it might need to be.
The Equipment Plan 2020-2030, HC 1037, January 2021	We have repeatedly highlighted the need for government to make strategic decisions on defence priorities and for the Ministry of Defence (MoD) to develop an affordable long-term equipment programme. Our annual Equipment Plan reports have noted missed opportunities to determine priorities on future military capabilities, such as the 2018 Modernising Defence Programme review. Our 2020-2030 report noted that the MoD needed to break the cycle of short-termism that characterised its management of equipment expenditure and apply sound financial management principles to its assessment and management of the Equipment Plan.
The National Space Strategy and the role of the UK Space Agency, HC 118, July 2024	The government's 2021 Space Strategy (the Strategy) set out high-level roles and responsibilities across government, but it did not set out clear and specific aims, or provide guidance on the outcomes that the government wants to achieve in a set timeframe, or priorities for guiding departments' and industry's efforts. The UK Space Agency (UKSA) received £1.75 billion funding over 2022 to 2025 and it worked with the Department for Science, Innovation & Technology (DSIT) to allocate this to programmes through a prioritisation process that took account of the Strategy's goals, pillars and the Ten Point Plan. UKSA found it hard to de-prioritise anything based on its need to support the broad and ambitious Strategy and concluded, together with DSIT, that there were weaknesses in the prioritisation. Their joint lessons learned exercise found, for example, some staff reporting that they felt the Strategy was not used to drive change, but its breadth was instead being used as a hook to justify individual programmes. In preparation for SR2025, DSIT and UKSA are producing a prioritisation framework and benefits framework to enable greater evidence-based decision making, and use the learning from the lessons learned exercise.

Note
1 This is not an exhaustive list of examples from our previous work. For our full analysis see Figure 15 in Appendix One.

Source: National Audit Office analysis of our recent value-for-money reports

What have we learned about incentives and behaviours in the system?

2.11 Prioritisation is challenging because it means deciding not to do some things which may be desirable. Once departments have received funding allocations at a spending review, they generally have delegated authority for managing and, where necessary, redeploying that funding. This means that, unless there are strong joint working and governance arrangements to direct funding towards a set of long-term government priorities, there is a potential incentive for departments to seek funds for as many programmes as possible, and use the additional flexibility to reallocate those funds later. The government has strong incentives to announce new programmes, which can generate positive feedback and news coverage. There are weaker incentives and challenges involved in cancelling programmes that are not working or represent lower value use of resources.

2.12 Without a regular rebased review, targeting resource funding to deliver the best value is difficult (paragraph 1.14), which is exacerbated by a lack of good quality comparable evidence. This also means that when spending reductions are needed, there is an incentive for a government to present them as 'fair' by reducing budgets of all or most departments by the same amount, even if this is not the best value use of scarce funding. Such across-the-board cuts badged as 'efficiency savings' can lead to the opposite – inefficiency, confusion and waste, while undermining key initiatives and overall resilience to risk. When some departments are 'protected', the effects are even more pronounced.

What could help?

2.13 When we looked at *Managing reductions in Official Development Assistance (ODA) spending* we saw the Foreign Commonwealth and Development Office (FCDO) had to make compromises and difficult decisions across all programmes and geographical areas as it decided where to target cuts in ODA spending. While the speed and scale of the budget reduction increased some risks to value for money, we noted that the government had a clear approach to, and parameters for, allocating its ODA budget. FCDO took a leading role in the allocations exercise and looked to its local offices to make decisions about its programmes, taking into account factors such as programme performance.

2.14 In the United States, the Office of Management and Budget (OMB) coordinated with agencies to develop cross-agency priority (CAP) goals, which are four-year outcome-orientated goals covering high-risk management and mission issues. The OMB coordinates with agencies to report quarterly on progress toward achieving CAP goals. The Organisation for Economic Co-operation and Development (OECD) notes that CAP goal teams reported that having a CAP goal designation increased leadership attention and improved inter-agency collaboration (Appendix Two).

What has changed since we last reported?

2.15 In 2019, the government published the *Public Value Framework*.[10] It emphasised the need for deliberate prioritisation around overarching goals, ensuring "priorities are aligned and reflected in every stage of delivery". At SR2020 the government published provisional priority outcomes for each UK government department. ODPs were then produced, setting out three to six priority outcomes for each department and the resources, both funding and staffing, dedicated to each priority. The ODPs also provided metrics to track progress, although some metrics were not well aligned to the intended outcome.

2.16 Although not published since 2021, ODPs have continued to be used and updated yearly within government. The Cabinet Office and HM Treasury request quarterly updates about departments' performance against ODP priorities. Departments also use them as the basis of internal reporting to boards and senior officials, although usage varies by department and there is still much room for improvement on developing rigorous outcome-based measures. Cabinet Office, Treasury, and Home Office officials have all told us they are hopeful that ODPs will continue to be used and regularly updated.

2.17 Some departments have built on the introduction of ODPs to improve their internal business planning. The Department for Environment, Food & Rural Affairs (Defra) told us it has constructed a new planning and reporting system around the specific needs of the department and its many ALBs, articulating the outcomes that it seeks to achieve as a group. Defra told us that its key takeaway was the need to ensure that planning is based on sufficiently detailed evidence.

2.18 The new government has declared its intention to prioritise five missions and use these to guide its approach to Spending Review 2025 (SR2025). It has developed mission boards, which include ministers and permanent secretaries from relevant departments. HM Treasury told us that mission boards will be involved in agreeing departments' submissions in SR2025, and that it expects the role of mission boards to strengthen over time.

Lesson 2: It is important to have clear priorities at whole-of-government and departmental level, and to use them as a basis for making affordable spending choices.

10 HM Treasury, *The Public Value Framework: with supplementary guidance,* March 2019.

Data and evidence

2.19 The government needs robust data when designing and approving projects or programmes. Without good data, the government cannot put its limited resources where they will achieve the most good. Having timely, robust data requires attention to data quality, consistent data standards, and appropriate data sharing between organisations.

What have we seen in our work?

2.20 Poor data is a chronic problem and decisions in government about where to spend money are often based on too little good data and evidence (**Figure 9**). Spending review bids and business cases developed at speed often lack crucial details, risk assessments, and robust estimates of costs and benefits.

What have we learned about incentives and behaviours in the system?

2.21 Pervasive problems with data quality, standardisation and sharing across government and a weak culture of evaluation mean good quality data and evidence is not always available when needed (see also **Monitoring and evaluation**). These problems are exacerbated by the incentives to make decisions quickly. Political factors can incentivise speedy announcement of a new spending commitment before the evidence is available. The speed and secrecy of spending reviews and other policy announcements can militate against gathering and analysing evidence and data in depth. These factors can also keep departments from consulting stakeholders and partners, who might hold relevant information. It can then be difficult to revisit the decision for practical and political reasons if it turns out the value of the spending is not supported by evidence. We find the completion of a business cases for new spending is sometimes seen as a purely bureaucratic hurdle and there has tended to be too little voice for data, risk and delivery experts in preparation of spending proposals.

What could help?

2.22 Our good practice guide *Improving government data: a guide for senior leaders* identifies common problems and their underlying reasons. It also lays out a step-by-step approach that officials can take to improve data, highlighting pitfalls they may encounter and questions they can ask. In our report on *Support for vulnerable adolescents* we highlighted as a good example the Better Outcomes through Linked Data (BOLD) programme, which aimed to link up government data to improve support provided for adolescents with complex needs.

Figure 9

National Audit Office reporting on data and evidence

Decisions about where to spend money are often taken on the basis of limited data and evidence

Report	Findings on data and evidence
Improving educational outcomes for disadvantaged children, HC 125, July 2024	The Department for Education (DfE) has limited evidence of the specific impacts for almost half of the estimated £9.2 billion that it spends on supporting the attainment of disadvantaged children. This includes limited evidence behind the disadvantage and deprivation elements of the national funding formula.
Government resilience: extreme weather, HC 314, December 2023	Government cannot provide an estimate of how much it spends to manage the risks for droughts, high temperatures and heatwaves, surface water flooding and storms, because action is taken by a wide range of government departments and agencies, and no one collects this information. Government cannot identify how much is spent on resilience activity as there is no common definition of what constitutes resilience activity.
Resilience to flooding, HC 189, November 2023	During our fieldwork, we requested a range of management information from the Environmental Agency (EA). We encountered significant issues with the quality of the data systems and information EA is using to manage and report progress on the capital and maintenance flood programmes. These included issues around consistency, completeness and accuracy of data on, for example, partnership funding and asset health.
Cabinet Office functional savings, HC 1865, October 2023	Our detailed review of five audited efficiency savings found the Government Internal Audit Agency's ability to audit the savings was sometimes hindered by evidence gaps and that it flagged some issues around the accuracy of reporting. Creating good information around savings is essential so that government can track its return on investment and make good decisions about where to invest limited resources in the future.
Government Shared Services, HC 921 November 2022	Before launching its current Shared Services Strategy, the Cabinet Office developed a 'case for change' rather than a detailed business case, which lacked detail on costs, benefits and risks. HM Treasury guidance states that all major programmes and projects should be supported by a business case. The Cabinet Office considered its strategy was not a programme or a project, and therefore did not complete a business case and submit it to HM Treasury.
The Creation of the UK Infrastructure Bank, HC 71, July 2022	HM Treasury produced one business case (rather than the usual three), which it was still working on after the Bank had launched. Its options appraisal was mostly qualitative, and we found no detailed analysis in the business case of how the Bank's available capital (£22 billion) was set.

Note

1 This is not an exhaustive list of examples from our previous work. For our full analysis see Figure 15 in Appendix One.

Source: National Audit Office analysis of our recent value-for-money reports

2.23 The Netherlands government typically carries out between three and seven 'special studies' as part of the annual budget cycle.[11] These studies review broad policy areas, specific ministerial themes, or cross-cutting topics and recommend how spending could be allocated more effectively and efficiently. The regularity of these reviews increases the availability of performance data and strengthens the evidence base to inform future funding allocation decisions (Appendix Two).

What has changed since we last reported?

2.24 HM Treasury officials told us they expect SR2025 to be the most evidence-led spending review to date. In April 2024, HM Treasury and the Evaluation Task Force (ETF) wrote to departments reiterating the importance of "robust evidence and high-quality evaluation". They also restated their expectation that, going forward, spending review submissions should be informed by past evaluation findings. Likewise, accompanying business cases should be underpinned by high quality evidence. The government also emphasised evidence and evaluation during SR2021, but Treasury officials told us that at that time some departments were not able to put together detailed evidence. To drive better quality evidence, the ETF has been working with departments to improve their evaluation capability and implement evaluation standards.

Lesson 3: It is important to base decisions about whether and how to spend taxpayers' money on good quality evidence about efficacy, costs and risks, including the additional risks of proceeding at speed.

Monitoring and evaluation

2.25 It is important to monitor and evaluate interventions to ensure both that programmes are likely to stay within budget and that the spending is leading to the anticipated results. Monitoring is the collection of data, both during and after implementation. Evaluation is the systematic assessment of implementation and outcomes, including costs, benefits, and whether it worked as expected. *Managing Public Money*, the *Green Book*, and the *Magenta Book* set the expectation that all public initiatives will be monitored and evaluated, and give guidance on good evaluation.

What have we seen in our work?

2.26 The government does not consistently gather adequate data to monitor progress against objectives, risks and value for money of its projects, programmes and overall spending, which makes it harder to adjust course or redirect spending. It also contributes to the data problems highlighted in the previous lesson. Despite clear guidance, rigorous in-flight and post-hoc evaluation is the exception rather than the norm, so the government loses the opportunity to learn from both success and failure (**Figure 10**).

11 These are called 'spending reviews' in the Netherlands system.

Figure 10

National Audit Office reporting on monitoring and evaluation

Departments do not consistently gather adequate data to monitor the progress against objectives, risks and value for money of its projects, programmes and overall spending

Report	Findings on monitoring and evaluation
HMRC customer service, HC 726, May 2024	In March 2024 HM Revenue & Customs announced plans to reduce helpline availability further from April 2024, but it reversed this decision following criticism from stakeholders. It said it recognised it needed to do more to meet all taxpayers' needs. Its evaluation of the trial closure and restrictions to the Self Assessment helpline in 2023-24 did not consider stakeholder views or adequately assess the impacts of the changes on customers.
The Digital Strategy for Defence: A review of early implementation, HC 797, October 2022	We noted that, although it has individual plans supporting each workstream and programme within the strategy, the Ministry of Defence (MoD) had not brought these together to provide a complete picture of progress across the strategy. Without a complete picture of its progress against strategy, the MoD could not readily demonstrate whether it was on track.[2]
Evaluating government spending, HC 860, December 2021	Barriers to good evaluation and use of evaluation evidence have persisted since our previous report in 2013. Our surveys of departments for this 2021 study found general agreement that these barriers still apply. The 2019 Prime Minister's Implementation Unit analysis found many programmes could not be evaluated robustly because they did not prioritise evaluation at the project design phase.
Financial sustainability of schools in England, HC 802, November 2021	As its financial support programmes evolved, the Department for Education (DfE) changed a number of the performance indicators it used, making it difficult to track progress over time, particularly against objectives in its business cases. We noted that it had started to improve its data but, until it had better information, it could not make fully informed decisions about the support it offered to schools and how to continuously improve it.[3]
Achieving net zero, HC 1035, December 2020	The Department for Business, Energy & Industrial Strategy (BEIS) recognised it needed to do more to establish monitoring arrangements to track progress towards net zero.[4] Our report noted that neither BEIS nor HM Treasury had been collating information on the total costs and benefits of government policies that contribute to achieving net zero.

Notes

1 This is not an exhaustive list of examples from our previous work. For our full analysis see Figure 15 in Appendix One.

2 In response to our report, MoD finalised a new Digital Strategy Delivery Plan in April 2023.

3 In response to our report, DfE now tracks and reports internally on performance of its support programmes, and has published a summary of its approach to monitoring school resource management.

4 BEIS existed until 2023 when it was split to form the Department for Business & Trade (DBT), the Department for Energy Security & Net Zero (DESNZ) and the Department for Science, Innovation & Technology (DSIT).

Source: National Audit Office analysis of our recent value-for-money reports

What have we learned about incentives and behaviours in the system?

2.27 Data quality is a problem in government which makes monitoring both costs and value harder. Creating or combining data in new ways has a cost and central government is also wary of adding data collection 'burdens' onto local government. There is therefore an incentive to use pre-existing data and metrics, even if they are less relevant or timely for tracking progress in a policy area. Even where data are available, we see examples of a 'good news culture' in some major programmes and government bodies, that disincentivises transparent reporting of performance.

2.28 In 2021 we noted in *Evaluating government spending* that there was a lack of incentives for departments to evaluate and few consequences for not doing so. Evaluation is sometimes perceived as apportioning blame, instead of as a neutral learning mechanism. If an evaluation shows a lack of progress, it might lead to a programme losing funding or being cancelled. This acts as a disincentive to evaluate. Chief analysts expressed mixed views on the quality of support from the centre of government on evaluation. We also found that poor understanding of the value of evaluation at senior levels was a factor. If not properly valued, data collection and evaluation can be seen as 'nice to have' rather than essential and may not be budgeted for as part of spending plans. Time constraints on bidding for and spending money sometimes encourage departments to launch before having evaluation plans in place.

What could help?

2.29 On monitoring, we noted that the Home Office's Police Uplift Programme had made a step-change by creating for the first time an overview of how police forces in England and Wales were performing on recruitment activity and overall workforce capacity. The programme team worked with the College of Policing and all 43 police forces in England and Wales to standardise some recruitment practices and created a system to capture data about recruitment and the police workforce in a consistent format. This enabled the programme team to focus its efforts where they were most needed. In *Preparations to extend early years entitlements for working parents in England* we found the Department for Education (DfE) set up a team to process information and forecasting about demand, availability of places, workforce needs and take-up. DfE has used this to inform local and national planning. When data showed higher than expected parental demand, the department adjusted its estimates of the places and staff required.

2.30 Our audit framework for evaluating government spending discusses a strategic approach to evaluation, how to make an evaluation plan, principles for implementing evaluation, and how to communicate findings. As regards delivering value from government investment in major projects our report highlighted how monitoring and evaluation produce valuable information about what has worked, what has been delivered and what more needs to be done to deliver value.

What has changed since we last reported?

2.31 The new Government Reporting Integration Platform (GRIP) (paragraph 1.18) allows the Cabinet Office to better monitor departmental progress against priority outcomes and performance metrics. It facilitates consistent reporting across government, with departments sharing the same data with the Cabinet Office that they use internally. The system's dashboards also make data sharing speedier. For instance, the system is used to consolidate fraud risk assessments for projects in the Government's Major Projects Portfolio in one place, where the Cabinet Office, HM Treasury, and the Infrastructure and Projects Authority (IPA) can all see them.

2.32 The Cabinet Office pointed us to the Home Office as an example of a department that has improved its planning and performance monitoring since the introduction of ODPs. Home Office officials told us that, prior to 2020, committees proliferated, lines of accountability were not clear, officials often struggled to agree which metrics and datasets were relevant to a particular initiative and some initiatives were not subject to performance reporting at all. The introduction of ODPs, and the requirement to publish these, led the department to reassess its whole approach to planning, performance monitoring, reporting and governance. Over several years the ODP has been refined so that it is now the single, 'live' business plan covering the whole department. It is fully integrated with the new Home Office Operating System, which sets out the department's governance and performance monitoring arrangements, and strengthens accountabilities. This means that the department has a 'single version of the truth' on how it is delivering outcomes which is used in planning, performance reporting, monthly performance stocktakes and weekly updates for ministers. The Home Office shares these same data with the Cabinet Office through GRIP. In addition to monitoring progress against targets, officials can also more easily see data about costs and spending broken down by ODP objectives and are working to improve cost data allocation further.

2.33 The ETF has been working since 2021 to improve evaluation practice across government (paragraph 1.19). HM Treasury and the Cabinet Office told us that the ETF contributes to discussions about ODPs and spending review submissions. It also checks that departments are meeting the evaluation commitments they agreed to as part of their funding settlements. HM Treasury and ETF have asked each department to nominate a senior civil servant to be the main point of contact on evaluation. The government has further created an evaluation registry, where evaluations of every government intervention (including policy, projects, and programmes) can be gathered in one place. In March 2024 the Cabinet Office and HM Treasury ministers told all secretaries of state that it is now mandatory for evaluations to be on the registry and that they should also be published. Devolved administrations and ALBs are encouraged, but not required, to upload evaluations as well.

Lesson 4: It is essential to monitor costs, performance, and risk levels, adjusting as necessary to optimise value for money, and to build in rigorous in-flight and post-hoc evaluation, so government can learn from both success and failure.

Taking a long-term view

2.34 It is important to take a long-term view, to achieve optimum outcomes for people in an efficient and sustainable way. Among the senior government finance professionals we spoke to in September 2024, there was consensus that this was the most important of our eight lessons. At times, there are legitimate reasons to focus on short-term imperatives (for example, in an emergency). However, a focus on the short term can have unanticipated longer-term consequences.

What have we seen in our work?

2.35 While the government has in place certain arrangements to support long-term planning, such as on national infrastructure strategy and climate change, on a day-to-day basis we have seen government tending to focus on short-term delivery and spending control at the expense of sustaining long term value for money. Stressors, such as inflation and the COVID-19 pandemic, have led to additional focus on short-term concerns. Lack of attention to the long-term undermines overall objectives and major capital projects. It causes the existing asset base to degrade, increases the risk of asset and service failure and feeds a cycle of firefighting, often increasing costs overall (**Figure 11**).

What have we learned about incentives and behaviours in the system?

2.36 There are often too few incentives for officials and ministers to prioritise spending on prevention of future costs or on renewing or upgrading assets to be fit for the future. Ministerial and official turnover means the credit for long-term successes, and any criticism for long-term damage to public value, will likely fall to others in future. Starting a cycle of prevention will likely mean some degree of ‘double spending’ to begin with, to fund both the existing system and the new preventative interventions. Over time, the savings can reduce overall cost and significantly improve value for money, but it can be hard to justify such short-term increases even when times are good.

2.37 Periods of fiscal pressure (such as after the 2008 crisis and currently) further increase the incentives on government to seek short-term savings. Widespread distrust of cost estimates as routinely inflated can lead to an assumption that such ‘efficiency’ savings can be easily found. If all the easy savings have been made there can be pressure to make short-term spending reductions even where this undermines long-term objectives and stores up additional costs by reducing the reliability and efficiency of assets and services in the longer term. Sometimes, money is reallocated from asset maintenance to meet short-term pressures. Our report on *Improving the prison estate*, for example, noted that capital funding was reallocated three times to the department’s resource budget to meet short term pressures.

Figure 11

National Audit Office reporting about the need for a long-term view

Government tends to focus most attention on short-term delivery and spending control at the expense of sustaining long-term value for money

Report	Findings on the need for a long-term view
NHS Financial Management and Sustainability, HC 124, July 2024	The backlog of work required to move the condition of the NHS estate to an adequate level has been allowed to increase each year. In 2022-23, the total backlog was £11.6 billion, which had increased from £6.5 billion in 2018-19. NHSE assessed £2.4 billion (20.3%) of this total backlog as high risk, meaning there was potential for catastrophic failure, major disruption to clinical services, or prosecution.
Reducing the backlog in the Crown Court, HC 728, May 2024	There is consensus between the Ministry of Justice (MoJ) and legal professionals that much of the court estate is dilapidated due to long-term under-investment, which means that courtrooms are frequently taken out of action due to, for example, leaks or heating failures. While not currently affecting the rate of Crown Court disposals (completed cases), maintenance problems are expected to become more critical rather than less in the coming years. In 2022, the MoJ estimated that 50% of Crown Court courtrooms were at risk of closure at any time. In August 2023, the government committed £220 million for the court and tribunal estate for essential maintenance and repair work, although this was a small fraction of what the HM Courts and Tribunals Service estimated in January 2024 was a £1 billion backlog of maintenance and repair issues.
Condition of school buildings, HC 1516, June 2023	There is a significant gap between the funding available and that which Department for Education (DfE) assesses it needs to achieve its aim for school buildings to be safe and in a good condition for those who learn and work there. Funding is also often used for urgent repairs rather than planned maintenance which, as DfE itself acknowledges, risks not offering good long-term value for money.
Modernising ageing digital services, HC 948, December 2022	Years of low investment in the Department for Environment Food & Rural Affairs' (Defra's) technology have resulted in a serious risk of critical service failure or cyber-attack. Major security incidents and risks to business resilience are the two top risks on Defra's corporate risk register. Defra has been trying to deal with its legacy issues for more than a decade, but it was not until the 2021 Spending Review that it had the funding to start to tackle the problem in a strategic and planned way.
Improving the UK's science capability for managing animal diseases, HC 64, June 2022	Defra did not have a long-term asset management strategy for Weybridge for 20 years. Defra has under-invested in Weybridge, and the short-term 'patch and repair' approach was not sustainable. Investment to update the Weybridge facilities largely stopped following the 2008 financial crisis. There was also under-investment in maintenance at Weybridge, resulting in a large maintenance backlog. The condition and capacity of the buildings negatively affected APHA's work and could limit APHA's response in the event of a major disease outbreak. APHA and Defra's corporate risk registers rate failure of Weybridge as a 'very high' risk, with Defra highlighting the old and poorly maintained facilities.

Note

1 This is not an exhaustive list of examples from our previous work. For our full analysis see Figure 15 in Appendix One.

Source: National Audit Office analysis of our recent value-for-money reports

2.38 Such savings can also reduce assets' and systems' resilience to unexpected risks, as happened in the COVID-19 pandemic. We find that the views of risk professionals are not always given sufficient weight in decisions at the top of government, and good data on assets' condition and performance are not always available. The government's planning and spending framework has lacked controls to prevent departments 'borrowing' from budgets focused on the longer-term such as asset maintenance, without ensuring this is 'paid back' later.[12]

What could help?

2.39 To take a longer-term view, departments need to understand and set out their objectives and risk appetite and allocate funding in line with this. Where possible, it is usually better value to prevent harm or cost than to fix it later. This is true in terms of asset management but also in terms of preventing poor health or social harms, though it can often be challenging to establish a clear link between an intervention and its preventative impact. The OECD highlights Canada as a country in which spending reviews have moved away from the pursuit of short-term savings and towards a greater emphasis on outcomes (Appendix Two).

2.40 Our good practice guide on *Overcoming challenges to managing risks in government* explains that the government needs to understand the relationship between short-term efficiencies and long-term resilience so that attempted efficiencies in one area do not inadvertently increase costs or risks in another. In *Making public money work harder* the Comptroller and Auditor General set out questions departments should ask to make sure they understand the condition of assets they hold, the consequences if they fail, and the fit between their plans for maintenance and their objectives.

What has changed since we last reported?

2.41 The 2019 *Public Value Framework* was clear that "a mix of short and long-term goals are important to ensure public bodies are considering both immediate needs and future aims", even if it means "making tough choices."

2.42 Since the COVID-19 pandemic, the government has worked to encourage greater planning around risk and resilience.[13] In late 2022, the UK Government Resilience Framework set out the government's aim for a coordinated and prioritised approach to investment in resilience based on risks by 2030. Together with the revised National Strategic Risk Assessment (NSRA), this has the potential to support a more long-term, resilience-focused approach to spending decisions than at previous spending reviews.

12 One consideration that went into the Private Finance Initiative (PFI) approach was that maintenance would be contracted and therefore could not be cut.

13 *The Orange Book* provides guidance on risk management. The Orange Book describes the National Security Risk Assessment (NSRA) as the government's principal tool for identifying and assessing risks to the UK over the medium-term. The government has urged departments to use this tool.

2.43 In 2023, HM Treasury updated its consolidated budget guidance to make clear that departments must demonstrate that any proposed funding switches from their capital programme budgets do not jeopardise necessary maintenance expenditure. The Treasury told us it has asked departments for longer-term forecasts of capital needs so that it can properly consider those needs in phase one of SR2025.

Lesson 5: When making spending choices it is important to take a long-term view of value for taxpayers' money, show imagination about future scenarios and balance shorter-term objectives with sustainability and resilience to risk.

Funding commitment

2.44 The government's planning and spending cycle does not necessarily align with the needs of the government's partners (including local authorities and private sector organisations), who may require longer-term commitments. To make good decisions and facilitate effective partnerships, the government needs to be clear from the start and throughout about what it is trying to achieve, what uncertainty exists, and what it can realistically commit to in terms of funding and timing. Some initiatives may require funding commitments that extend beyond one planning and spending cycle.

What have we seen in our work?

2.45 Uncertainty and inconsistency over funding and policy commitment makes it difficult to build effective partnerships with local government and industry, or develop pipelines of wider investment and skills in areas with long-term challenges like social care and green energy (**Figure 12** overleaf). One-year spending reviews have made it harder for public bodies to plan, while five-year spending reviews can lead to a cliff edge unless they are refreshed regularly. The Chancellor has recently noted the importance of spending reviews being held at regular intervals to "avoid uncertainty" and ensure "stability".

What have we learned about incentives and behaviours in the system?

2.46 When funding is scarce, there is an incentive on officials at all levels to retain funding rather than commit it, so they have maximum financial flexibility for short-term demands. The official guidance for accounting officers is clear on the risks of making longer-term commitments which may prove unaffordable – those risks may be manageable but only if accounting officers are content they have the skills and support in place to do so. Without good information, external partnerships and foresight, they may fear that long-term funding commitments could tie the government to costly, ineffective, or unpopular programmes. Firm commitments of more than five years extend beyond the length of a Parliament and are difficult for a government to achieve except in areas with a statutory basis or widespread cross-party support.

Figure 12

National Audit Office reporting on funding commitment

Uncertainty and inconsistency over funding and policy commitment makes it difficult for government to build effective partnerships or develop pipelines of investment and skills

Report	Findings on funding commitments
Carbon Capture, Usage and Storage programme, HC 120, July 2024	The Department for Energy Security & Net Zero and HM Treasury have committed up to £20 billion to the early deployment of carbon capture usage and storage (CCUS), responding to lessons they had learnt from past failings, but uncertainty remains around the funding available for future stages of the CCUS programme. In setting funding limits, they will need to give investors certainty without undermining the government's negotiating position by making clear to commercial parties the maximum funding available. One of the key findings of our 2017 report on the previous failed attempt to launch CCUS in the UK was that the Department of Energy and Climate Change had not secured HM Treasury agreement on how much long-term funding it would provide. This led to the programme being cancelled when estimated costs rose. The lack of funding certainty also poses risks for potential investors who may be less willing to invest in projects without clarity of the government's support.
Reforming adult social care in England, HC 184, November 2023	The Department of Health & Social Care (DHSC) has no funding certainty beyond the current Spending Review period and so it cannot plan every step in detail now. However, some of the white paper ambitions, for example, on choice of housing, have lead times that exceed spending review periods, so cannot be achieved if it plans only to the end of a spending review period. Without a long-term plan for achieving its 10-year vision, DHSC may not understand which interventions it is likely to need and when.
Progress with the New Hospital Programme, HC 1662, July 2023	The New Hospital Programme appeared to get underway with a high degree of certainty in late 2020. However, the government's decisions about the programme were not as mature as implied by its public announcement in October 2020 which included high-level descriptions of the kind and scale of construction that would occur at each of 40 sites and stated that these schemes were "fully funded". In fact, for most schemes the issue of affordability had not yet been considered.
The adult social care market in England, HC 1244, March 2021	The sector has long called for a sustainable, long-term funding solution for care. We have previously emphasised the importance of long-term planning and clarity beyond the end of a spending review period. Short-term and one-off funding initiatives for local government and successive one-year spending reviews have hampered local authorities' ability to plan for care costs beyond the current financial year, constraining much-needed innovation and investment. The lack of a long-term vision for care and short-term funding has hampered local authorities' ability to innovate and plan for the long term, and constrained investment in accommodation and much-needed workforce development.
Improving the prison estate, HC 41, February 2020	The continued uncertainty around how new prisons should be funded impacts on HM Prison & Probation Service's (HMPPS's) ability to plan and start construction. Achieving value for money will ultimately depend on HMPPS working with the Ministry of Justice and HM Treasury to develop a long-term, deliverable strategy with a long-term funding commitment that will provide a prison estate that is fit for purpose.

Note

1 This is not an exhaustive list of examples from our previous work. For our full analysis see Figure 15 in Appendix One.

Source: National Audit Office analysis of our recent value-for-money reports

2.47 In local government, authorities are legally required to set budgets for the year ahead by early March at the latest. Central government must agree the local government funding settlement in time for that to happen each year but there is no requirement on central government to provide any longer-term commitment. Funding pressure in departments incentivises them to reduce their own risk by offering limited, short-term funding pots to local authorities, which reduces authorities' flexibility further.

What could help?

2.48 Our good practice guide, *Delivery Environment Complexity Analytic (DECA)*, helps assess how significant the financial impact of a project is to the organisation or partners involved in delivery. Our report, *Lessons learned: Delivering value from government investment in major projects,* examines examples which show that it can take time and additional investment to realise value from major projects.

2.49 The OECD highlights Australia as an example of notable practice in terms of capital and infrastructure budgeting. Infrastructure Australia, an independent advisory body, advises government on the investments and reforms needed to deliver infrastructure programmes. It develops 15-year rolling infrastructure plans covering transport, energy, water and telecommunications, making recommendations which contribute to national and state priorities. This encourages long-term planning and funding commitments which extend beyond a single spending cycle (Appendix Two).

What has changed since we last reported?

2.50 In July 2024, the Chancellor announced that "spending reviews will take place every two years, with a minimum planning horizon of three years, to avoid uncertainty for Departments and to bring stability to the public finances". At the same time, HM Treasury stated it will "use the Spending Review to improve how different tiers of government work together" and committed to "consolidating funding streams for local authorities into the Local Government Finance Settlement". HM Treasury told us it was working towards a multi-year local government finance settlement from April 2026 to align with the wider multi-year approach to SR2025.

Lesson 6: Especially when working with local and private sector partners, it is important for the government to set out short-, medium-, and long-term objectives linked to clear commitments and realistic funding models, while being clear on its appetite for risk.

Realism

2.51 Spending decisions must be based on realistic assessments of deliverability and affordability. This also means acknowledging and taking account of the inherent uncertainties involved in the government's large, complex and innovative programmes. The Treasury's *Green Book* emphasises the need for realistic assessments of costs, benefits, risks, timing, delivery plans, and any commercial arrangements that are required. It also provides guidance on managing the well-known risk of optimism bias.

What have we seen in our work?

2.52 The government is prone to under-estimate on costs and over-promise on outcomes. We frequently see too little emphasis on testing the deliverability, and understanding the uncertainties, of new spending proposals or major programmes. Our reports have highlighted unrealistic estimates and assumptions regarding costs, savings, recruitment, delivery, and timing (**Figure 13**).

What have we learned about incentives and behaviours in the system?

2.53 Our discussions with stakeholders point to the rushed, intense, and adversarial nature of spending review discussions, based around closed negotiations between each department and HM Treasury. A competitive approach during spending reviews may incentivise officials to use unrealistic costs and benefits to gain approvals, including over-ambitious in-year plans for efficiencies, and failure to plan for inflation.

2.54 Parliament has highlighted this entrenched behaviour which is exacerbated where there is high turnover of departmental officials and ministers, giving them little 'skin in the game' when preparing spending proposals and few repercussions for failing to control costs.[14] Accounting Officer Assessments and requests for ministerial direction were intended to address this, but have not always been used as intended. All this contributes to a widespread distrust of cost estimates in government. And we have seen little evidence of rigorous internal follow-up and accountability for promised efficiencies.

2.55 In major projects involving significant sums over years, we often see budgets and plans being set too early, before crucial scope or design factors are fully understood. Furthermore, in some cases we see a culture which is reluctant to accept 'bad news' when information or situation changes. This encourages officials to press on unrealistically rather than reset when delivery is off-track, unless forced to do so by external scrutiny. By then it can be too late to get back on track and deliver the expected value.

14 The outgoing chair of the Committee of Public Accounts has previously noted that high turnover also provides obstacles to officials developing the necessary skills and expertise to challenge bad decisions and facilitate success. Committee of Public Accounts, Seventh Annual Report of the Chair of the Committee of Public Accounts, Second Special Report of Session 2022-23, HC 1055, June 2023, page 4. Available at: https://committees.parliament.uk/publications/40191/documents/196316/default/; and Committee of Public Accounts, Sixth Annual Report of the Chair of the Committee of Public Accounts, First Special Report of Session 2022-23, 16 May 2022, page 19. Available at: https://committees.parliament.uk/publications/22351/documents/165227/default/

Figure 13
National Audit Office reporting on realism

Our reports have highlighted unrealistic estimates and assumptions about costs, savings, recruitment, delivery, and timing

Report	Findings on realism
HS2: update following cancellation of Phase 2, HC 128, July 2024	The Department for Transport (DfT) and High Speed Two (HS2) Ltd identified that the budget for the programme was set too early. There was insufficient certainty on the design in 2020, when the budget was reset, to set cost and schedule estimates effectively. This meant cost estimates were based on immature designs and data and were also subject to commercial pressure. Estimated costs increased as the designs matured and changed, and as HS2 Ltd made scope changes.
NHS Financial Management and Sustainability, HC 124, July 2024	Some Integrated Care Board chief financial officers responding to our survey were concerned that the initial annual planning process put pressure on them to agree unrealistic plans which relied on savings and assumptions they knew were unlikely to be delivered. Only five out of 19 survey respondents felt the targets they had agreed with NHS England (NHSE) at the start of 2023-24 were realistic and achievable at the time they were set, while 13 respondents felt this was not the case.
Investigation into asylum accommodation, HC 635, March 2024	The Infrastructure and Projects Authority (IPA) reviewed three iterations of the Home Office's Plans and rated each as 'Red', meaning successful delivery of the programme to time, cost and quality appeared to be unachievable. The IPA concluded that this programme was "effectively in a cycle of working hard to deliver a series of unachievable top-down targets, resulting in missed milestones and significant delivery risks". In March 2024, the IPA said that this remains a complex and high-profile programme but moved its rating to Amber, concluding that 'successful delivery of the programme to time, cost and quality appears feasible but significant issues already exist requiring management attention'.
NHS England's modelling for the Long Term Workforce Plan, HC 636, March 2024	While bringing together long-term planning of NHS services and workforce for the first time is a significant achievement, some of the assumptions used in the modelling may be optimistic and the model outputs were weakened by the limited extent to which future uncertainties were communicated. The assumption on increasing domestic education and training, for example, was at the top end of the maximum expansion NHSE thought theoretically possible. NHSE needs to address these issues, and others, for the modelling to be a reasonable basis for regular strategic workforce planning.
Investigation into the UK Health Security Agency's health security campus programme, HC 553, February 2024	Public Health England's original estimate of the programme cost was plainly wrong. We have seen similar challenges in other major government programmes, where decisions to proceed were not accompanied by sufficiently robust and realistic assessments of affordability.
Progress with Making Tax Digital, HC 1319, June 2023	HM Revenue & Customs' (HMRC's) original plan to introduce Making Tax Digital (MTD) by 2020 was not realistic. HMRC did not fully assess the scale of work required at the outset of the MTD programme, or the additional complexity of introducing digital record keeping for business taxpayers at the same time as replacing its legacy systems. The repeated delays and rephasing of MTD has undermined its credibility and increased its costs.

Note

1 This is not an exhaustive list of examples from our previous work. For our full analysis see Figure 15 in Appendix One.

Source: National Audit Office analysis of our recent value-for-money reports

What could help?

2.56 When we reported on the *Buckingham Palace Reservicing programme*, we noted that the cost estimate was based on a number of assumptions rather than a formal design. However, the Royal Household knew there were many uncertainties in reservicing the Palace, and so included contingency and optimism bias in its budget. It has absorbed cost increases within its fixed budget and funding profile, regularly reviewing its plans and adapting its approach to manage within its means while maintaining its core scope.

2.57 Our good practice guide for managing uncertainty highlights common sources of, and how to work with, uncertainty. Our lessons learned report, *Delivering programmes at speed*, provides examples and learning about the need to realistically assess and make decisions about balancing risk and speed. In *Resetting major programmes* we highlighted the importance of an open and honest culture so that if plans are no longer realistic, they can be reset without delay.

What has changed since we last reported?

2.58 We have seen some examples of more explicit guidance from HM Treasury which, if followed, have the potential to improve realism and understanding of risk and uncertainty.

- For SR2021, HM Treasury's guidance reflected the need for departments to ensure their estimates were based on the most robust evidence possible. It also stated that departments should ensure their spending bids had formal sign-off from internal functional representatives.
- Also in 2021, HM Treasury strengthened guidance for Accounting Officer Assessments, which involve providing assurance about the feasibility and value for money of initiatives (see paragraph 1.7).
- In 2022, HM Treasury updated *Managing Public Money* and made initial fraud impact assessments mandatory for all major new schemes, with the aim of ensuring that fraud risk is considered early.
- In 2023, HM Treasury issued *The Government Efficiency Framework*, which sets out standards for calculating efficiencies based on high-quality data and realising the benefits.[15]

Lesson 7: When committing funding it is important to have a realistic assessment of what can be delivered, by when, at what overall cost, and what is the level of risk or uncertainty.

15 HM Treasury, *The Government Efficiency Framework*, 19 July 2023.

Transparency

2.59 *Managing Public Money* emphasises that all public sector organisations should operate as openly as possible and regularly publish information about plans, performance and use of public resources.[16] Transparency with Parliament and the public can help foster confidence among stakeholders and promote informed decision-making and is an essential safeguard for value for money, especially when difficult decisions about spending need to be made quickly.

What have we seen in our work?

2.60 The government's planning and spending framework does not embody transparent decision-making, either internally or externally. Our reports have highlighted examples of inadequate transparency on costs, funding, benefits, obstacles, modelling, evaluation or decision-making (**Figure 14** overleaf). Lack of public transparency means Parliament and stakeholders cannot access planning, spending and performance information with the regularity and granularity necessary for effective scrutiny.

What have we learned about incentives and behaviours in the system?

2.61 Compared with other countries' approaches, the UK planning and spending framework features very little up-front parliamentary scrutiny of spending plans (paragraphs 1.20 to 1.22).[17] This means there is no built-in statutory pressure for transparency of business plans, allocations, objectives and performance data. When departments do disclose performance and financial information in their annual reports and accounts, it can still be difficult for Members of Parliament and the public to follow.[18]

16 HM Treasury, *Managing public money*, section 4.13, page 38.
17 This has been discussed extensively – see, for example, Hood, King, McLean and Piotrowska, *The Way the Money Goes, The Fiscal Constitution and Public Spending in the UK*, Oxford University Press, 2023, Chapter 2. See also Financial scrutiny in Parliament, *House of Commons Library briefing*, 3 October 2024, Number 10104.
18 In their 2017 report, *Accounting for Democracy*, the House of Commons Public Administration and Constitutional Affairs Committee (PACAC) noted that non-accountants find the reports dense and hard to understand, hindering public scrutiny.

Figure 14
National Audit Office reporting on transparency

Government's planning and spending framework does not embody transparent decision-making, either internally or externally

Report	Findings on transparency
Progress with the New Hospital Programme, HC 1662, July 2023	We asked the Department of Health & Social Care (DHSC) and NHS England to tell us how they had selected the hospital schemes for HIP. Officials have told us that the final selection of schemes involved choices and judgements for which no further documentation is available. Given the amount of taxpayers' money involved, this is a failure in record keeping and means we cannot determine how the schemes were selected for this significant investment.
Accounting Officer Assessments: improving decision-making and transparency over government's major programmes, HC 65, July 2022	Published summary Accounting Officer (AO) assessments do not always include sufficient information to make clear what issues accounting officers considered when making their judgements. Of the 13 central government bodies responding to our survey, 10 told us that when deciding how much information should be published it can be challenging to balance transparency with, for example, protecting commercial interests. A quarter of summary AO assessments were published over six months after they had been signed, which undermines their purpose to support transparency and scrutiny over decisions.
Managing reductions in Official Development Assistance Spending, HC 1146, March 2022	Lack of transparency in the approach to and outcome of Official Development Assistance (ODA) changes affected the quality and scrutiny of the allocation decisions and contributed to uncertainty in the sector. The government's 2015 aid strategy emphasised the importance of transparency in support of value for money. However, stakeholders and delivery partners were critical of the lack of transparency of this exercise. The International Development Committee concluded that the Foreign, Commonwealth & Development Office's approach undermined the Committee's ability to understand and scrutinise its decisions.
Financial modelling in government, HC 1015, January 2022	It is difficult for Parliament and the public to access information about business-critical models. For a sample of 75 models, we found no information available for 45 of these models. For the remaining 30, we found a range of information, from basic details on the model through to extensive details of the model published.
Evaluating government spending, HC 860, December 2021	Departments are falling short of government requirements on transparency and publication of evaluation findings. We heard that departments could find it difficult to get approval from senior civil servants and Cabinet Office to publish evaluations and protocols.

Note

1 This is not an exhaustive list of examples form our previous work. For an overview our back catalogue analysis see Figure 15 in Appendix One.

Source: National Audit Office analysis of our recent value-for-money reports

2.62 Parliamentary Committees have expressed frustration with the lack of government transparency over funding choices, objectives, progress, and outcomes which feeds a lack of trust.[19] Accounting officers (AOs) have dual responsibilities to serve ministers and to be accountable to Parliament for the use of public funds, but we have found that AOs can have greater pressures to give weight to political drivers rather than public value which can erode transparency and hence accountability. There is sometimes a fear that increasing transparency will increase scrutiny and criticism and demands for even more transparency (see also paragraph 2.27 on evaluation) and there are few counterbalancing incentives or rewards for sharing more information. Committees have asked how the government can be encouraged to be more transparent. For example, in 2024 the Home Affairs Committee expressed disappointment with the Home Office's transparency with Parliament about its asylum and immigration plans and the potential costs of the Rwanda relocation programme, despite the Committee having previously raised concerns.[20]

2.63 Internally, departmental officials tell us that spending reviews can seem like a 'black box', into which they submit bids for funding but the basis for whether that bid is approved, rejected, or partially approved can be unclear. Closed, bilateral negotiations serve to discourage a transparent approach between one department and another, and between departments and HM Treasury, as they develop plans and funding bids, and increase the risk of poor decisions that do not support overall value for money.

What could help?

2.64 There are areas of improving practice. In *School funding in England* we noted the Department for Education's funding allocations for schools have become more transparent and predictable under the national funding formula. The department publishes its methodology and the underlying values for the formula each year. This allows schools to understand how their funding allocations have been calculated and why they varied. As regards annual reporting, our good practice guide provides examples of transparent, clear and accessible reporting to learn from.

2.65 The International Monetary Fund highlights the Slovak Republic as an example of notable practice in terms of spending review transparency. The Slovak government publishes a range of documents and information on the progress and outputs of the review process including guidance documents, such as the terms of reference, and summaries of the underlying data. The review process is split into two stages, with a published interim report containing the technical analytical summaries of the reviewed areas, allowing time for wider consultation before decisions are finalised (Appendix Two).

19 The Home Affairs Committee also noted concerns relating to transparency and financial management in 2023.
20 Committee of Public Accounts, *Asylum Accommodation and UK-Rwanda partnership*, Thirty-Fourth Report of Session 2023-24, HC 639, 29 May 2024. Available at: https://committees.parliament.uk/publications/45116/documents/223695/default/

What has changed since we last reported?

2.66 In 2020, the government committed to publishing Outcome Delivery Plans (ODPs) (paragraph 1.17), but it has not done so since 2021. In July 2023, the chair of the Public Administration and Constitutional Affairs Committee wrote to the then Paymaster General, expressing his surprise and disappointment at the decision not to publish ODPs for 2023-24.[21] The previous government also committed to making the evaluation registry open to the public, although that has not yet occurred.

2.67 On major programmes, published summary Accounting Officer Assessments have to some extent increased the transparency and assurance that Parliament has over the government's spending (paragraph 1.7). But there is still room for improvement in the timeliness and level of detail provided to Parliament.

2.68 In July 2024, the Chancellor expressed her frustration with the lack of transparency about previous spending choices. HM Treasury then announced that the "government is implementing reforms to the spending framework and improving the transparency of the information Treasury shares with the OBR (Office for Budget Responsibility)".[22] Further steps on publication of ODPs and transparency for Parliament and the public about spending choices await the Chancellor's October Budget announcements.

Lesson 8: It is important for government to be transparent about its objectives, plans, spending choices and risk appetite and assessments, as well as the performance and outcomes delivered.

21 Letter from William Wragg MP to Rt Hon Jeremy Quin MP, Minister for the Cabinet Office, 18 July 2023. Available at: https://committees.parliament.uk/publications/41029/documents/199841/default/

22 HM Treasury, *Fixing the foundations: public spending audit 2024-25*, CP1133, July 2024, paragraph 47.

Appendix One

Our audit approach

Our scope

1 This report sets out why it is important to improve the government's planning and spending framework to safeguard long-term value for money. It also identifies key lessons to help improve the government's planning and spending framework, illustrated by value for money outcomes we have examined in our previous reports.

Our evidence base

2 We drew on a variety of evidence sources for this report including previous National Audit Office (NAO) reports, Parliamentary reports and HM Treasury (HMT) documents. We also conducted fieldwork in the form of internal meetings with NAO experts, discussions with HMT, Cabinet Office (CO) and representatives from government functions, and external meetings with stakeholders. We conducted our fieldwork between April 2024 and September 2024.

Review of NAO reports, Parliamentary reports and HMT documents

3 We used our knowledge management tools and internal meetings with colleagues to identify NAO reports (both value for money reports and other types) that referenced elements of the government's planning and spending framework. We used search terms such as "spending review", "long-term funding", "long-term planning", "long-term value for money" and "short-termism" to sift through our back catalogue and bring out relevant reports. We focused on the period of 2018 to 2024 for our document review, as we last reported on the government's planning and spending framework in 2018. We used these reports to identify where there was a link between elements of the planning and spending framework and risks to value for money. We synthesised these elements to develop our eight themes and accompanying lessons which we tested and refined with HMT and CO officials through 'teach-ins', consultations and a lessons workshop.

4 **Figure 15** on pages 48 to 50 shows the NAO reports we reviewed in detail and how each contributes evidence to the eight themes. Using the methods described we also captured some examples of departmental good practice and positive developments since 2018 in the planning and spending framework. We have highlighted examples of departmental good practice throughout Part Two of the report – owing to the nature of our audit work these are not intended to represent a complete set of good practices in government. We have drawn together developments since 2018 in Appendix Three.

Figure 15
National Audit Office (NAO) reports and the eight themes

A table illustrating the weight of NAO evidence for our themes

	Joined-up planning and governance	Prioritisation	Data and evidence	Monitoring and evaluation	Taking a long-term view	Funding commitment	Realism	Transparency
Accounting officer assessments: improving decision-making and transparency over government's major programmes (July 2022)			●	●			●	●
Achieving net zero (December 2020)	●	●		●	●			●
Cabinet Office functional savings (October 2023)	●		●	●				
Carbon Capture, Usage and Storage programme (July 2024)	●			●		●	●	
Condition of school buildings (June 2023)	●	●	●	●	●	●		
Cross-government working: Good practice guide for leaders and practitioners (July 2023)	●	●	●	●				
Environmental Sustainability Overview (May 2020)	●	●	●	●	●		●	
Evaluating government spending (December 2021)	●		●	●				●
Financial modelling in government (January 2022)			●	●				●
Financial sustainability of schools in England (November 2021)			●	●		●	●	
Government resilience: extreme weather (December 2023)	●		●	●	●			●
Government Shared Services (November 2022)	●		●	●		●	●	●
High Speed Two: Euston (March 2023)	●					●		●
HMRC customer service (May 2024)		●	●	●	●	●	●	
HS2: update following cancellation of Phase 2 (July 2024)	●	●			●		●	●

Improving educational outcomes for disadvantaged children (July 2024)	●		●	●				
Improving outcomes for women in the criminal justice system (January 2022)	●	●	●	●		●		
Improving the prison estate (February 2020)			●	●		●		
Investigation into asylum accommodation (March 2024)				●		●	●	
Investigation into the East West Rail project (December 2023)	●					●		
Investigation into the UKHSA's health security campus programme (February 2024)		●				●	●	
Local government and net zero in England (July 2021)	●	●			●	●		
Managing reductions in Official Development Assistance spending (March 2022)		●	●			●	●	●
Modernising Defra's ageing digital services (December 2022)		●	●	●	●	●		●
NHS England's modelling for the Long Term Workforce Plan (March 2024)			●	●	●		●	
NHS financial management and sustainability 2024 (July 2024)					●	●	●	
Preparations to extend early years entitlements for working parents in England (April 2024)	●		●	●		●		●
Progress with Making Tax Digital (June 2023)		●	●	●			●	●
Progress with the New Hospital Programme (July 2023)		●	●	●		●	●	●
Reducing the backlog in the Crown Court (May 2024)		●	●	●	●		●	
Reforming adult social care in England (November 2023)		●		●	●	●	●	
Resilience to flooding (November 2023)			●	●		●	●	

Figure 15 *continued*

National Audit Office (NAO) reports and the eight themes

	Joined-up planning and governance	Prioritisation	Data and evidence	Monitoring and evaluation	Taking a long-term view	Funding commitment	Realism	Transparency
Support for vulnerable adolescents (November 2022)	●			●		●		
Supporting local economic growth (February 2022)	●			●				●
The adult social care market in England (March 2021)			●	●	●	●	●	
The condition and maintenance of local roads in England (July 2024)	●	●	●	●	●	●		
The Creation of the UK Infrastructure Bank (July 2022)	●		●	●		●		●
The Digital Strategy for Defence: A review of early implementation (October 2022)		●		●	●	●		
The effectiveness of government in tackling homelessness (July 2024)	●		●	●		●		
The Equipment Plan 2020-2030 (January 2021)		●		●	●	●	●	
The National Law Enforcement Data Programme (September 2021)		●		●		●		
The National Space Strategy and the role of the UK Space Agency (July 2024)		●		●		●		●

Note

1 A black circle indicates that a report evidences a theme.

Source: National Audit Office analysis of our recent value-for-money reports

5 We conducted desk-based research to identify Parliamentary reports and HMT documents that referenced the government's planning and spending framework. We used the information from these documents to sense-check and inform the themes from our NAO reports. These documents were also used to develop a comprehensive overview of the planning and spending process (see Figure 6).

Analytical approach

6 We took an unusual approach to the development of our themes through an evolving document which we refer to as a 'living map'. Our living map brought together insights from our document review, our stakeholder consultations and our teach-ins with HMT, CO and representatives from government functions. The living map allowed us to see the weight of the evidence underpinning each theme and, when new evidence was brought in, whether a theme should change or remain the same.

Fieldwork with central government

7 We had five teach-in sessions with HMT, CO and representatives from government functions between June 2024 and July 2024, covering:

- evaluation and the Green Book;
- public value and Outcome Delivery Plans;
- functions;
- spending reviews; and
- performance reporting.

8 The teach-in sessions allowed us to see the work that HMT and CO have undertaken on the government's planning and spending framework since our 2018 report. We took detailed notes of the teach-in sessions and conducted document reviews of teach-in materials. These data were added to the relevant themes in the living map.

9 We held a lessons workshop with the government's Planning and Performance Network of officials from across government who are responsible for budget planning and performance monitoring (the Network) in July 2024. We used this opportunity to sense-check our themes and identify gaps. We also shared and discussed findings with the cross-government Finance Leadership Group (part of the Government Finance Function).

10 In addition, we consulted on our findings with the following departments, bodies and groups in government: Defra; Home Office, Office for Budget Responsibility; Evaluation Task Force; Government Internal Audit Agency; Government Actuary's Department; Heads of Risk Network; and the Government Lead Non-Executive Directors Board.

External stakeholder consultation

11 We engaged with stakeholders to test our themes further and hear others' perspectives on the government's planning and spending framework. These stakeholders included former senior civil servants, research institutes and academics. The consultations generally took the form of one-hour interviews where we took detailed notes. These notes were added to relevant themes in the living map. Consultations took place between May 2024 and September 2024.

12 We consulted the Parliamentary Scrutiny Unit to understand Parliament's perspective and draw on the Unit's previous work. We consulted the Organisation for Economic Co-operation and Development (OECD) for access to its insights on international comparisons (see Appendix Two).

13 We conducted our fieldwork during a period in which there was a general election and much public discussion about the UK's fiscal challenges and the expected spending review. To ensure our findings were as relevant and helpful as possible we kept up to date with that discussion by attending and participating where relevant in seminars and roundtable events between February and September 2024. We also shared emerging findings and consulted with the following bodies who were reporting in related topic areas:

- Institute for Government (IfG);
- Reform Research Trust (Reform); and
- Institute for Fiscal Studies (IFS).

Appendix Two

International comparisons

1 We conducted desk-based research into international budgeting practices and approaches to spending reviews to inform our analysis. We used this to identify common issues with planning processes and examples of international good practice. We primarily drew upon the work of the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) to identify relevant comparators. We also consulted the OECD on international comparisons, with a particular focus on examples of good or innovative practices. The examples identified through the desk-based research and consultation are summarised in **Figure 16** on pages 54 and 55.

Figure 16
Different approaches to planning and spending

Other nations' approaches may offer some learning for the UK

Country	Topic	Summary	Findings
Australia	• Joined-up planning and governance • Taking a long-term view • Funding commitment	The Australian government is notable for its governance of cross government initiatives and capital and infrastructure budgeting.	For major cross-government initiatives, Australia has a system of cross-portfolio agreement on evaluation and review strategies. This may include the departments and agencies involved in implementing the polices as well as the Ministry of Finance and/or the Cabinet Office. Alternative proposals may be submitted to the Cabinet Office by the spending department and the Ministry of finance, with budgetary disputes resolved by the Cabinet of Ministers. Infrastructure Australia, an independent advisory body, advises government on the investments and reforms needed to deliver infrastructure programmes. They develop 15-year rolling infrastructure plans covering transport, energy, water and telecommunications, making recommendations which contribute national and state priorities. This encourages long-term planning and funding commitments which extend beyond a single spending cycle.
Canada	• Taking a long-term view • Realism	The Canadian government has shifted the objectives of its spending review process in response to changing economic contexts.	Since the 1990s, spending reviews in Canada were primarily concerned with achieving short-term savings. However, in 2016, Canada introduced the Policy by Results approach, experimenting with a new, increasingly results driven approach to spending reviews, with an increasing focus on outcomes. As a result, Canada now carries out cross-cutting 'resource alignment' reviews focussed on thematic spending areas, such as enabling innovation or managing fixed assets. In the case of the Shared Services Resource Alignment Review, this resulted in a more realistic implementation of large-scale IT projects.
Ireland	• Data and evidence • Monitoring and evaluation	Ireland has developed civil service capacity in terms of economic analysis and evaluation, supporting the spending review process.	The Irish Government Economic and Evaluation Service (IGEES) is an integrated cross-government service which aims to develop civil service capacity in terms of economic analysis and evaluation. IGEES staff are embedded within ministries throughout government and help to coordinate progress of the review. This enables the government to identify areas of expenditure that require ongoing analysis, supports more systematic examination of the effectiveness of existing spending programme, and helps identify where funding could be re-allocated to meet expenditure priorities more effectively.

Figure 16 *continued*

Different approaches to planning and spending

Country	Topic	Summary	Findings
Netherlands	• Prioritisation • Data and evidence	The regularity of cross-cutting, thematic 'special studies' in the Netherlands increases the availability and quality of data to inform spending decisions.	The Netherlands annually carries out a number of spending reviews, or 'special studies', concentrating on broad policy areas, specific ministerial themes, or cross-cutting topics. These reviews are carried out by working groups, chaired by an independent expert and jointly staffed by the Ministry of Finance and the relevant line ministries. The regularity of these reviews increases the availability of performance information for future funding allocation decisions.
The Slovak Republic	• Transparency	The Slovak Republic is notable for the transparency of its spending review documents and analysis.	The Slovak Republic publishes a range of documents and information on the progress and outputs of the review process including the timetable for the review, guidance documents such the terms of reference, and summaries of the data underlying the relevant analysis. The review process is also split into two stages, with an interim report published containing the technical analytical summaries of the reviewed areas, allowing time for wider consultation before decisions are finalised.
United States	• Joined-up planning and governance • Prioritisation	In the US, cross-agency priority goals encourage work on priority areas and coordinate agencies' approaches.	In the US, the Office of Management and Budget (OMB) coordinated with agencies to develop cross-agency priority (CAP) goals, which are 4-year outcome-oriented goals covering high-risk management and mission issues. The OMB coordinates with agencies to report quarterly on progress toward achieving CAP goals. The OECD notes that CAP goal teams reported that the CAP goal designation increased leadership attention and improved inter-agency collaboration on these issues.

Source: National Audit Office analysis of Organisation for Economic Co-operation and Development and International Monetary Fund reports on the planning and spending process

Appendix Three

Developments since we last reported

1 In 2018 we made seven recommendations on integrating planning and spending to deliver long-term value for money, and on realistic medium-term planning and prioritisation. In **Figure 17** on pages 57 and 58 we list the main changes to structures, process and guidance between 2018 and July 2024, where they are most relevant to progress against these recommendations. The changes are also cross-referenced to the place in this report where we discuss their potential effect on incentives and behaviours.

2 The Committee of Public Accounts took evidence on our 2018 report and published its own report and recommendations. The government replied to the Committee's recommendations in a Treasury Minute response and in a further exchange of letters between 2019 and 2021.[23]

23 Letter from the Chair of the Committee of Public Accounts to Sir Tom Scholar, Permanent Secretary, HM Treasury, 27 June 2019. Available at: https://www.parliament.uk/globalassets/documents/commons-committees/public-accounts/Correspondence/2017-19/Letter-from-Chair-to-Sir-Tom-Scholar-HM-Treasury-in-relation-to-treasury-minute-response-on-Improving-governemnt-planning-and-spending.pdf; Letter from Sir Tom Scholar to the Chair of the Committee of Public Accounts, 5 November 2019. Available at: https://committees.parliament.uk/download/file/?url=%2Fpublications%2F187%2Fdocuments%2F992&slug=letterfromtomscholartomeghillermpinresponsetothecommitteesreportonimprovinggovernmentplanningandspending05112019pdf; Letter from Alex Chisholm, Civil Service Chief Operating Office, and Catherine Little, Director General, Public Spending, HM Treasury, to the Chair of the Committee of Public Accounts, 15 March 2021. Available at: https://committees.parliament.uk/publications/5187/documents/52040/default/

Figure 17

Government responses to the National Audit Office's 2018 recommendations

National Audit Office 2018 recommendation	Relevant changes to structures, processes or guidance since 2018
On integrating planning and spending to deliver long-term value for money for taxpayers	
HM Treasury should reflect its commitment to deliver longer-term value for money more strongly in its systems and processes, including performance management of its teams and staff, and arrangements for monitoring departmental performance and risks.	• Since 2021 the Government Reporting Integration Platform (GRIP) brings together departments' reporting on performance, costs and risks for HM Treasury, the Cabinet Office, Risk Function and the Infrastructure and Projects Authority (IPA) to monitor departmental progress against priority outcomes and performance metrics (paragraphs 1.18 and 2.31). • April 2021 creation of the Evaluation Task Force (ETF) to improve the evaluation of the impact of policies and programmes – a joint unit of HM Treasury and the Cabinet Office (paragraph 2.33). • Formal involvement of the IPA, the ETF and Risk Function in review of spending review (SR) bids (paragraphs 1.4, 1.19 and 2.24). • July 2024 creation of the Office for Value for Money to "put value for money at the heart of decision-making" (paragraph 5).
HM Treasury and Cabinet Office should develop a joint approach to share with departments, explaining how they will bring together information on costs, cross-government objectives, public value, the balance sheet, performance and risk, to challenge departments' bids, and identify joint funding opportunities. Alongside this, HM Treasury should set out how this will inform allocation decisions at the Spending Review, and establish how spending teams will routinely use this information between spending reviews to scrutinise and challenge departments' projects, programmes and performance.	• Integrated working between HM Treasury's General Expenditure Policy team and the Cabinet Office's Government Strategic Management Office and creation of joint teams (Figure 3). • Since 2021 the GRIP brings together departments' reporting on performance, costs and risks for HM Treasury, the Cabinet Office, Risk Function and the IPA to monitor departmental progress against priority outcomes and performance metrics (paragraphs 1.18 and 2.31). • Formal involvement of IPA, ETF and Risk Function in supporting and reviewing departments' SR bids (paragraphs 1.4, 1.19 and 2.24). • In 2019, the launch of the Shared Outcomes Fund to test innovative ways of cross-government working across the public sector. HM Treasury, Cabinet Office and the civil service Policy Profession created a new joint-working 'hub' to support departments with cross-cutting working (paragraph 2.6). • In 2021, the creation of the Contingent Liabilities Central Capability (CLCC) to strengthen the monitoring and management of contingent liabilities across government – a key balance sheet item (Figure 3).
The Cabinet Office, working with the functions and HM Treasury, should, based on its review of departments' SDPs [single departmental plans] and explicit consideration of affordability, capability and risk, create an aggregate understanding of what the government can deliver, and how this contributes to its long-term objectives. It should share this with HM Treasury to inform funding allocation decisions.	• Outcome Delivery Plans (ODPs) replaced the previous Single Departmental Plans (SDPs) in 2021-22 (paragraphs 1.16 and 1.17). • Departments required to set out in ODPs their priority outcomes and plans to achieve them, including any crucial 'enabling' activities and the level of support required from other departments (paragraphs 1.16 and 1.17). • Formal involvement of IPA, ETF and Risk Function in supporting and reviewing departments' SR bids (paragraphs 1.4, 1.19 and 2.24).
Departments should demonstrate how they have worked with other departments to consider joint bids where objectives are shared.	• In 2019, the launch of the Shared Outcomes Fund to test innovative ways of cross-government working across the public sector. HM Treasury, Cabinet Office and the civil service Policy Profession created a new joint-working 'hub' to support departments with cross-cutting working (paragraph 2.6).

Figure 17 *continued*

Government responses to the National Audit Office's 2018 recommendations

National Audit Office 2018 recommendation	Relevant changes to structures, processes or guidance since 2018
On realistic medium-term planning and prioritisation by departments	
HM Treasury and Cabinet Office should make explicit that accounting officers are accountable for producing medium-term business plans that are deliverable – within their expected capability and resource levels – as part of their general accountability for taxpayers' money under Managing Public Money.	• Departments' accounting officers required to formally sign off business plans and SR bids with agreement from their functional heads about the quality of evidence and deliverability (paragraph 2.58).
Accounting officers should provide positive assurance that the medium-term plans they propose are affordable and can be delivered within expected capability; and designed to provide value for money for the Exchequer as a whole, having drawn on related activities or objectives in other departments, and on the expertise of the whole civil service, including the functions and non-executive directors.	• Departments' accounting officers required to formally sign off business plans and SR bids with agreement from their functional heads about the quality of evidence and deliverability (paragraph 2.58). • Departments required to set out in ODPs their priority outcomes and the level of support required from other departments (paragraphs 1.16 and 1.17).
Departments should use the results of their business planning maturity self-assessment to agree an improvement plan that integrates strategy, finance and workforce planning, and aligns these with the cross-government SDP process, by the beginning of the 2020-21 business planning round.	• ODPs replaced the previous Single Departmental Plans (SDPs) in 2021-22 (paragraph 1.16). • Departments have continued to mature their separate internal business planning approaches. Some have used the requirement to submit an annual ODP as a driver to redesign their business planning processes and better integrate strategy, finance and other functions around priority outcomes (paragraph 2.17).

Source: Recommendations from the National Audit Office's (NAO's) *Improving government's planning and spending framework* (2018) report and relevant changes from NAO analysis of HM Treasury, Cabinet Office and parliamentary documents

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