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Performance in Government

The Evolving System of
Performance and Evaluation
Measurement, Monitoring,
and Management in the
United Kingdom

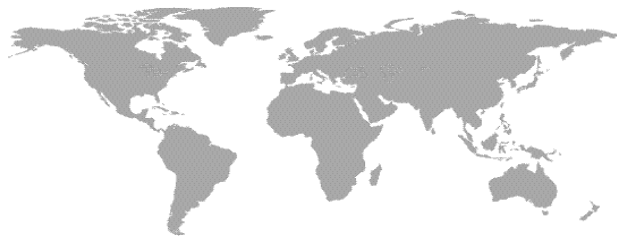
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Colin Talbot



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Performance in Government

**The Evolving System of Performance and Evaluation
Measurement, Monitoring, and Management in the
United Kingdom**

Colin Talbot

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Building monitoring and evaluation systems helps strengthen governance in countries—by improving transparency, by strengthening accountability relationships, and by building a performance culture within governments to support better policymaking, budget decision-making, and management. A related area of focus is civil society, which can play a catalytic role through provision of assessments of government performance. IEG aims to identify and help develop good-practice approaches in countries, and to share the growing body of experience with such work.

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Abbreviations

AME	Annually Managed Expenditure
Cabinet Office/No. 10	Prime Minister's Office
CSR	Comprehensive Spending Review
DCR	Department Capability Review
DEL	Departmental Expenditure Limits
DSO	Departmental Strategic Objective
DWP	Development of Work and Pensions
ESRC	Economic Social Research Council
HMT	Her Majesty's Treasury
GDP	Gross Domestic Product
GSR	Government Social Research
GSRS	Government Social Research Service
GSRU	Government Social Research Unit
KPIs	Key Performance Indicators
M&E	Monitoring and Evaluation
NAO	National Audit Office
NDPB	Non-Departmental Public Body
NHS	National Health Services
OPA	Output and Performance Analysis
PES	Public Expenditure System
PM	Prime Minister's
PMDU	Prime Minister's Delivery Unit
PSAs	Public Service Agreements
PSX	Committee on Public Services and Public Expenditure
Quangos	Quasi non-governmental organizations with regulatory responsibility
ROAMEF	Rationale, Objectives, Appraisal, Monitoring, Evaluation and Feedback
SDA	Service Delivery Agreement
SR	Spending Review
SU	Strategy Unit
UK	United Kingdom (English)

Foreword

As part of its activities, the World Bank's Independent Evaluation Group (IEG) provides technical assistance to member developing countries for designing and implementing effective monitoring and evaluation (M&E) systems and for strengthening government evaluation capacities as an important part of sound governance. IEG prepares resource materials with case studies, demonstrating good or promising practices, which other countries can refer to or adapt to suit their own particular circumstances (<http://www.worldbank.org/ieg/ecd>).

World Bank support to strengthen M&E systems in different countries has grown substantially in the past decade. There is intense activity on M&E issues in most regions, and IEG has provided support to governments and World Bank units, particularly since 1997, on ways to further strengthen M&E systems, with the objective of fully institutionalizing countries' efforts.

While several World Bank assessments have been done on the strengths and weaknesses of developing countries' M&E systems, fewer analyses have looked at Organisation for Economic Co-operation and Development country experiences with a view to help identify and document approaches, methods and "good practices," and promoting knowledge sharing of those cases as key references for developing country systems in the process of design and implementation. This Evaluation Capacity Development paper seeks to integrate an analytical case study on the evolution and current state of development of M&E and performance management in the United Kingdom (UK), with an emphasis on the success factors and institutional aspects related to the Public Service Agreements System established since 1997. It is hoped that the lessons and practices identified here will benefit officials undertaking similar tasks in other countries.

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The views expressed in this document are solely those of the author, and do not necessarily represent the views of the World Bank or of the government of the UK.

Executive Summary

Performance measuring and management in the British public service has become almost ubiquitous over the past three decades. With the exception of some regional government controlled services, virtually every part of the UK public services produces publicly available performance data which has progressively started to play a role in central decision making. Considerable capacity to formulate, monitor and analyse performance information has evolved.

The UK has been successful in developing a fairly comprehensive performance and evaluation measurement, monitoring, and management system which, over time, has become increasingly “outcome” focussed, although at various levels it still includes large elements of output, process and even input monitoring.

The British performance management model has largely been a centralized, “top-down,” imposed one in which lower tier organizations are mandated—either legally or administratively—to produce performance reporting data. The Public Service Agreements System (PSAs) have come to be seen as the international model *par excellence* of the setting of performance targets broadly linked to the budget process and, therefore, as the pinnacle of the whole system.

This paper offers a brief review of the evolution of the UK governments’ performance measurement, monitoring and management systems particularly since 1997, when the performance measuring practice became almost universal across public activities. However, it also highlights the extent to which many of the changes introduced were at least partially prefigured in the previous two decades or more.

The paper signals that substantial improvements in actual performance have been achieved in a wide range of policy areas, especially large volume services such as health, education and criminal justice. However, it also states that many of the improvements have occurred during a period of rising resources thus revealing something of an attribution problem that also needs to be considered.

A number of “good practices” together with cases of perverse outcomes and “gaming,” data quality problems, and adaptation difficulties are discussed here with a view to provide facts and analytical insights from where useful and applied knowledge can be drawn for developing countries practitioners.

Introduction

This paper sets out the recent history and evolution of the UK governments' performance measurement, monitoring and management systems from the period since 1997 and the election of the New Labour government, until today. Although, as the paper shows many of the changes the New Labour government introduced were at least partially prefigured in changes introduced in the previous two decades or more.

The reason that the period since 1997 is so important is because, it represents the period in which the UK governments' system became almost universal across public activities, including measuring performance at the highest levels of government itself. The core of the performance policies developed by government over this period have been the Public Service Agreements (PSAs) promulgated since 1998, of which there have now been five rounds (1998; 2000; 2002; 2004; 2007). Whilst PSAs are not the only performance policies, or measurement, monitoring and reporting systems, they have come to be seen as the pinnacle of the whole system and, in intention at least, driving developments throughout the public services.

The paper will cover only the UK government. Over the past decade significant constitutional changes have devolved some central government powers to first the Scottish Parliament and Welsh Assembly, and then more recently the Northern Ireland Assembly.

Each of these three sub-national assemblies' evolved somewhat different approaches to performance than those pursued by the Westminster government (even though in Scotland and Wales the governments have been substantially of the same Party as the Westminster ruling Party - Labour). It would take up far too much time and space to analyse all the differences between Westminster and the three regional assemblies, so this analysis is restricted to the Westminster government. Moreover the Westminster/Whitehall government effectively controls the public services of an estimated 80 percent of the UK population, more for some services.

Finally, readers may already have noticed that the term "performance" is being employed rather than "monitoring and evaluation" (M&E).

This is simply because the Westminster governments' policies have focused mainly on performance, rather than evaluative, approaches. Evaluation has always been an underdeveloped part of the British policy system and despite definite increases in evaluative activity after 1997, under the rubric of "evidence-based policy," "performance" remains very much the predominant approach. The differences between the evaluative and performance approaches will be described further below, however it is important to note that they are not only different but, within the policy systems of government, they were and remain largely isolated from one another.

1 History and Context

For over three decades, starting in the early 1980s, successive British governments have pursued various policies of developing performance measurement, reporting and

management systems for public agencies. These began in very piece-meal ways in local services and the National Health Service (NHS) in the early 1980s, gradually spread into central government in the late 1980s and early 1990s, and then culminated in the late 1990s in the establishment of a virtually universal system across all public activities—including government departments and ministries by the end of that decade.

But before examining the growth of this system, it is important to understand the context within which it has evolved.

1.1 Structure of the British Public Sector

The British public sector employs approximately 6 million people or about 20 percent of the total workforce. Only about 10 percent of these public employees—approximately 600,000—are defined as “Civil Servants” (a much lower proportion than in many other countries).

Few large-scale public services are managed by or part of, the Civil Service—tax collection, jobcentres, prisons and probation, being the main ones. These and others account for about 90 percent of Civil Servants, therefore 60,000 or so work in “policy” parts of government (to the extent that such distinctions can be drawn).

Most of the other 90 percent of public servants (5.5 million) work in local government and other local services (about 2 million, including primary and secondary education), the NHS (about 2 million) and a wide variety of other services.

This structure is important because it means that central government only controls much of the public services at “arms-length” and hence the constitutional and legal context within which performance policies have developed becomes very important.

1.2 Constitution and Legal Context

Although the vast majority of the UK’s public services are not formally part of central government and the Civil Service, central government nevertheless holds, and uses, great powers over how these services operate. The UK is, one of the most centralised systems in the developed world.

Central government in Westminster holds great legal power in that it authorises all lower tiers of government and public services—none of which have any constitutional standing. Even the devolved governments in Scotland, Wales and Northern Ireland exist only on the basis of Acts of Parliament, which could in theory be amended or even revoked at any time. Local governments likewise only exist by permission of the central Parliament and can be reorganised or even abolished by it.

1.3 Political and Economic Context

The development of the UK governments performance policies have occurred, until very recently, in a period of political and economic stability. The landslide election of the New Labour government in 1997 marked a sea of change in British politics—this Labour government was the first ever to win re-election for second and third full terms (in 2001 and 2005) with substantial majorities. So there has been a prolonged period of one-party government. At the same time the economy, and public finances, after the

first couple of years became very buoyant with sustained growth in GDP, relatively low and stable inflation, and in growth public spending. After an initial dip to only 37 percent of GDP, public spending rose steadily to 43 percent of GDP, with much larger proportions of spending going on actual services (rather than transfers and debt servicing). Whilst some services—such as health and education saw much larger increases in resources than others, all areas saw substantial real-term increases in resources over the decade from 1999 to 2010.

The New Labour government also embarked on a series of reforms of how public spending decisions were made, most prominent of which was the introduction of medium term

“Spending Reviews” the first of which, a Comprehensive Spending Review, was published in July 1998. There have since been three Spending Reviews—in 2000, 2002 and 2004 followed by another Comprehensive Spending Review in 2007.¹ According to the government, the difference between a Comprehensive Spending Review (CSR) and a simple Spending Review (SR) was that the former were fundamental strategic reviews of spending priorities whilst the latter were merely incremental changes to existing priorities.

Each CSR or SR set “Departmental Expenditure Limits” (DELs) for ministries for three years in advance. These included separate amounts for current and capital spending and increased “end-year-flexibilities” to allow ministries to be flexible about when money was spent over the three-year period.

In exchange for these fixed three-year budgets, and increased flexibilities, ministries were asked to set clear objectives, targets and measures in the form of “Public Service Agreements” (PSAs) which were also to cover the three-years of the CRS/SR settlement period. The first set of PSAs were published in November 1998 and each subsequent CSR/SR has seen a fresh set of PSAs, although as we shall see later their format has evolved considerably over the five iterations so far.

1.4 Organizational Instability

Performance policies in the UK have been heavily oriented towards organizations, ministries, public agencies, etc. PSAs were, at least until 2007—primarily aimed at each government Ministry/Department², with only a small proportion of PSAs being shared by more than one Ministry. The structure of Ministry’s thus becomes of some importance. Because of the rather unique basis of UK Departments—not usually having constitutional or legal basis and subject to almost instant change by the Prime Minister of the day.

A recent study by the National Audit Office (NAO) showed that between 1980 and 2010 25 new Departments were created (almost one per year) and 13 of these had ceased to

¹ The next CSR is due for summer 2010 – after the General Election that is expected in May 2010. Both main parties – Labour and Conservative – appear to be committed to continuing the Spending Review process.

² For historical reasons government departments in the UK are known variously as Ministries (e.g., Ministry of Justice), Departments (e.g., Department of Health) or Offices (e.g., Home and Foreign Offices). There is no essential difference between these however. I will generally use Ministry or Department.

exist by 2010. This is a historical trend going back at least to the 1950s (Pollitt 1984) which may be accelerating. The NAO report also showed that the tendency to reorganise was extended to sub-Ministry level, with government agencies, quangos and other bodies undergoing substantial changes—the NAO identified 90 reorganisations in total between 2005 and 2009.

This is important because the performance system is meant to “cascade” from the top-level targets set for Departments in PSAs down through the performance measures and targets set for lower-level organizations. If both Departments themselves, and especially lower-level bodies, are subject to constant reorganisation then substantial issues may arise about how to redistribute performance measures and targets. This issue will be revisited below.

2 The Evolution of Performance Policies

There has been a somewhat unfortunate tendency sometimes to see the UK’s contemporary performance policies in a slightly ahistorical context. In fact there has been a lengthy, complex, and rich evolution of performance policies over three decades and the current (2010) configuration will undoubtedly change further in the future. It is important to have some grasp of this evolution in order to properly understand the current system.

2.1 Early Experiments with Performance Measurement, Reporting and Management (1980s–mid 1990s)

Although earlier experiments with measuring and reporting the performance of public agencies could certainly be found, it is generally agreed that the current “performance movement” began in the early 1980s.

Some of these developments originated in central government, thus for example from the early 1980s onwards the central Department³ responsible for the National Health Service (NHS) began programmes of measuring and reporting various aspects of the performance of NHS bodies such as hospitals. (Even this wasn’t entirely new; the relevant department had collected activity data from hospitals since the early 1950s.)

Over the same period there were experiments taking place with performance measurement, reporting and management in a range of public services, including local government, secondary schools, higher education, and nationalised industries. Whilst some of these were driven by Whitehall Departments, others originated inside the organizations themselves.

None of these developments could however be described as a systematic government policy, they were rather an “emergent” set of fairly haphazard changes, more of a tendency than an explicit policy direction.⁴

³ The name of the relevant department changed several times over this period.

⁴ See Jowett and Rothwell (1988) and Cave, Kogan and Smith (1990) for accounts of these developments.

2.2 More Systematic Policy Developments: Late 1980s and Early 1990s

In the late 1980s however central government began to develop a much more systematic approach to imposing performance reporting requirements on various parts of the public services. These included:

- Imposing “Key Performance Indicators” (KPIs) to be reported annually on all newly created civil service executive agencies from 1988 onwards;
- Imposing similar measures on “Non-Departmental Public Bodies” (NDPBs or “Quangos”) from the early 1990s;
- Imposing a set of some 200 performance measures to be reported annually by (English) local authorities from 1992 (organised through the Audit Commission);
- Similar requirements were gradually expanded over this period to many non-local government local services such as policing, fire services, probation, primary and secondary education, further education, higher education, etc.

This process was so pervasive that by mid-1990s there were few public services delivery bodies that did not have some form of performance reporting requirement. This is important for several reasons.

Firstly, it meant that most of the public services already had some form of performance measurement and reporting in place long before the developments in setting high-level performance targets commenced. This meant that the primary issue as these top-level policies emerged was not so much creating performance measurement and steering systems as aligning already existing systems with the new top-level systems.

Secondly, it also meant there was a great deal of experience in creating performance measurement, reporting and to some degree management systems available across a wide variety of public service settings. Many public managers at many different levels and in many different contexts had experience with such systems.

Thirdly, there were a whole set of “third-party” audit and inspection bodies that had experience in either setting performance measures themselves (e.g., the Audit Commission) or of auditing and analysing such systems (e.g., the National Audit Office).

Fourthly, there was also by this time a considerable “industry” of academic and other independent analysis of performance systems and substance, the section on “Capacity” below further discusses this.

None of this, of course, guaranteed that the voluminous experiences of the previous two decades would be properly utilised when central government began developing performance policies to apply to its own Departments.

2.3 Performance in Government Mk I: Output and Performance Analysis (1994–98)

Whilst it is generally thought that British government began applying performance measurement and reporting to itself only with the advent of PSAs in 1998 this in fact is not the case. Largely unremarked, the previous Conservative government had started to

introduce a form of performance reporting for Departments called “Output and Performance Analysis” (OPA) in the mid 1990s.

OPAs were first publicly suggested in a government “green (i.e., consultative) paper” in 1994 on the introduction of resource accounting and budgeting. Hidden away in this document was the proposal to require each government Department to produce, as “Schedule E” to its annual report and accounts, the “Output and Performance Analysis” statement. This would report on Departmental Objectives, with information about what was spent on each Objective and what was achieved (output and performance) for the money spent.

After the consultations this policy changed so that the main OPA statement would not appear as part of the Department Annual Report, but instead as a separate document. This, it was suggested at the time, was because the OPA statement would then not be subject to audit by the NAO (unlike the Annual Report). Analysis of the first rounds of OPAs suggested that they were in fact much more “outcome” than “output” oriented (Talbot 1998). However, OPAs were abandoned in favour of PSAs by the Labour government in 1998.

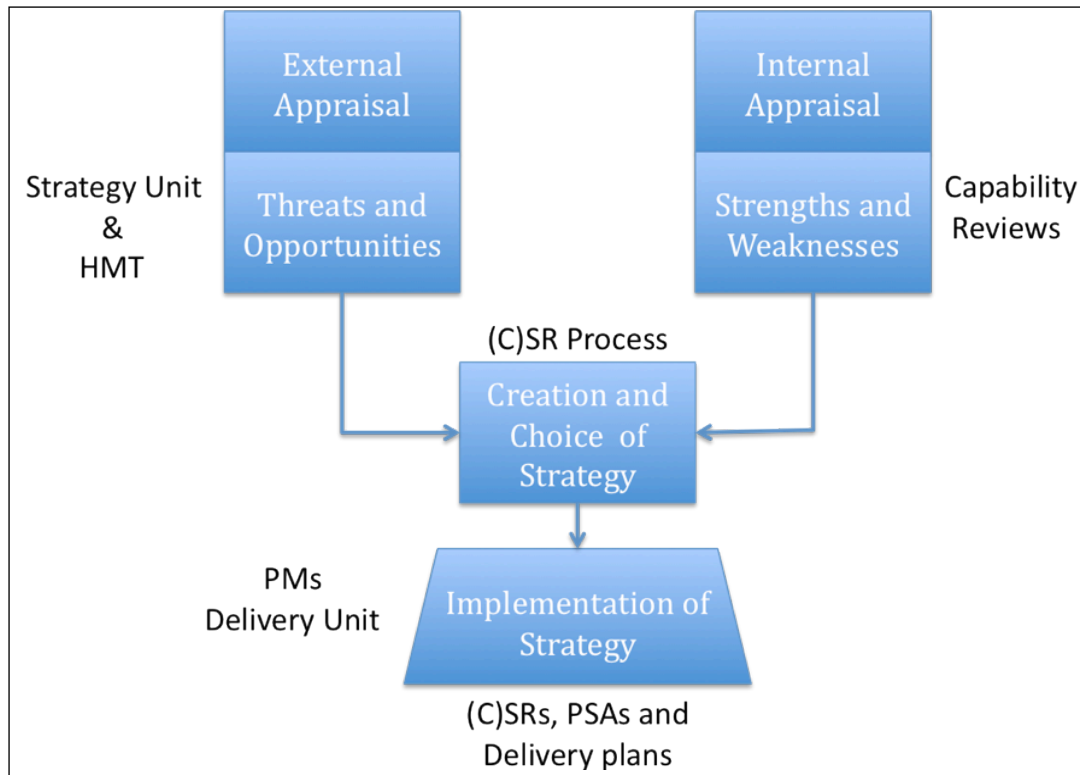
2.4 Performance in Government Mk II: Public Service Agreements (1998 onward)

As discussed above, the New Labour government which came to power in 1997 was committed to reforming the way in which public spending decisions were made and implemented. They were especially keen to create a system that was more strategic in the way in which resources were allocated, more medium term and more focused on the results of spending than the mere decision to spend (see Box 1).

The overall system can be mapped using a classic strategic planning/process framework borrowed from (Mintzberg 2007)—as in Figure 1.

It should be stressed this is only a rough map of the system, and it certainly was not designed like this in 1997—rather, it emerged incrementally over nearly a decade and different pieces were added to the overall ensemble at different times. This map may also mistakenly imply more coordination and cohesion to a system that it perhaps deserves. Nevertheless it is a useful “guide” to how the various pieces are at least intended to fit together.

Figure 1. The Overall “Strategy” Process and the Role of Various Units and Processes



Source: Talbot 2010.

Specifically on the performance aspects of this system, initially (1997 into early 1998) the government planned to continue to use OPA framework to measure performance⁵ but later in 1998 it created the idea of PSAs to replace the OPA framework.

PSAs were essentially a double contract. They were first and foremost contracts negotiated between HM Treasury and spending Ministries and were variously described as encompassing “resources in exchange for reform” and/or “resources in exchange for delivery.” But they were also described as contracts between the government collectively and “the people and Parliament” about what the government would deliver in terms of services and reform in exchange for the additional resources being devoted to public services. So there was some lack of clarity about exactly what sort of contracts and between whom.

But PSAs were also clearly not “contracts” in the legal sense: neither CSR/SRs nor PSAs had any legal standing. Although they both stated government intentions neither were approved by Parliament—actual spending decisions continued to be enacted through annual Budgets legislation and PSAs had no legal standing at all.

Nevertheless, despite these caveats, PSAs had substantial political and administrative energy behind them and in some areas in particular (such as health and education) they clearly had real “bite.”

⁵ Guidance sent to ministries in January 1998 by HM Treasury instructed them to prepare OPA measures and targets and made no mention of PSAs. Only later in the year did the idea of PSAs supersede OPAs (source: internal HMT documents and interviews with key actors).

Box 1 PSAs as Part of More Strategic Government?

In evidence to the parliamentary Public Administration Select Committee in 2003 the British government set out its rationale for using PSAs. As can be seen from the excerpt below, this explanation placed great emphasis on PSA targets as a strategic steering mechanism.

Excerpt from Memorandum Submitted by the Government to the Public Administration Select Committee

Why set targets?

The targets set out in Public Services Agreements have proved immensely valuable by providing a clear statement of what the Government is trying to achieve. They set out the Government's aims and priorities for improving public services and the specific results Government is aiming to deliver. Targets can also be used to set standards to achieve greater equity, in turn helping departments by:

- Providing a clear sense of direction and ambition. The aim, objectives and targets in each PSA provide a clear statement around which departments can mobilise their resources, helping in business planning and in communicating a clear message to staff and to the various public bodies which contribute to delivering each department's programme.
- Providing departments with a focus for delivering results. By starting from the outcome, Government is trying to achieve, the targets by encouraging departments to think creatively about how their activities and policies contribute to delivering those results. They also encourage departments to look across boundaries to build partnerships with those they need to work with to be successful. Departments prepare Delivery Plans for each of their targets so all are clear what needs to be done. The Prime Minister's Delivery Unit and the Treasury help departments with planning and monitoring progress with implementation..
- Providing a basis for monitoring what is and isn't working. Being clear what you are aiming to achieve, and tracking progress, allows you to see if what you are doing is working. If it is, you can reward that success; if it isn't, you can do something about it. And reporting against targets provides . . .
- Providing better public accountability. Government is committed to regular public reporting of progress against targets. Targets are meant to be stretching so not all targets will be hit. But everyone can see what progress is being made.

The PSAs have contributed to a real shift in culture in Whitehall away from inputs and processes towards delivering outputs and results.

PSAs have evolved considerably over the five iterations that have been published so far.

In 1998 the aim was to cover all departmental objectives and to focus on "outcomes." Whilst the former was probably achieved, the latter certainly wasn't. Somewhere

between 400 and 800 PSAs were eventually published, covering the period 1999-2002. The reason for the imprecision in counting is because many PSAs had sub-clauses and multiple measurements built into a single PSA statement—so it depends whether these are taken as single statements (in which cases there were about 400) or broken down (in which case there were around 800). Nor were they focused on outcomes—only 15 percent were measures of outcomes, with a further 27 percent covering outputs, 51 percent processes, and 7 percent inputs (Comptroller and Auditor General 2001a). These weaknesses, and the generally poor quality of PSA definitions, were explained mainly by the hurried way in which the whole PSA concept was introduced.

The second iteration of PSAs published in 2000 (covering 2001–04) was radically reduced in number (about 160) and much more outcome focused (68 percent of the PSAs). This was mainly because of many more operational targets and measures had been taken out of PSAs and incorporated in new “Service Delivery Agreements” (SDAs) published later to augment the PSAs. The advice to departments had improved, the experience of the first round had proved salutary and a longer time frame had been allowed to develop this second round.

This round of PSAs also saw the first introduction of “cross-cutting” or shared targets and measures. These resulted mainly from “cross-cutting reviews” carried out as part of the Spending Review 2000, of which there were 15. These covered issues where more than one Department was involved in delivering a desired outcome and ranged over topics as diverse as deprived areas, through care and support for the elderly, to nuclear safety in the former Soviet Union. Not all of these cross-cutting reviews gave rise to shared PSAs, but five did (including one gathering together all those affecting local government) and this was a major innovation in Whitehall.

Box 2 Structure of PSAs (as at SR2000)

- **Aims:** a single sentence summary of the role of the department
- **Objectives:** high level aspirations, drawing out comprehensively all areas of the department’s work
- **Performance targets:** under most objectives, outcome focused performance targets
- **Value for money:** each department is required to have a target for improving the efficiency or value for money of a key element of its work
- A statement of **who is responsible for the delivery** of these targets. Where targets are jointly held this is identified and accountability arrangements clearly specified.

Source: Public Service Agreements July 2000 HM Treasury.

Spending Review 2002 and the third round of PSAs saw the number further reduced to around 130. Otherwise, there were no major developments: PSAs were still supplemented by Service Delivery Agreements and there were still a few “cross-cutting” or shared PSAs. The only minor innovations were that:

- Government invited the National Audit Office to “validate the data systems underlying PSA targets”(not the data itself, just the systems)
- The new Prime Minister’s Delivery Unit (PMDU) became involved in developing the delivery plans of some departments (more on both of these developments in Users and Uses: The Evolving Performance Regime below)
- New “technical notes” explaining more details of how PSAs were to be measured were to be published

Spending Review 2004 saw further refinement of the basic structure of PSAs, with again slightly less (only 110) with “a large degree of continuity between 2002 and 2004 Spending Review PSAs and the vast majority of 2004 performance targets retain the focus on achieving improvements in the same high-priority area identified in 2002 PSAs” (Chancellor of the Exchequer 2004).

One major change was the abolition of Service Delivery Agreements—this followed on from a report published earlier in 2004 that recommended reducing the number of measures and targets and allowing greater flexibility to Ministries and other bodies in setting their own operational targets to achieve the high-level PSA outcome results (HM Treasury and Cabinet Office 2004). This change allegedly removed some “500 input and process targets” that had been included in the SDAs (Chancellor of the Exchequer 2004).

SR2004 also saw the launch of a major efficiency programme, based on a report by Sir Peter Gershon (Gershon 2004) to save considerable amounts over the period of the Spending Review. This has a separate set of measures of achievements against the Gershon efficiency targets, but these were not reported in the same way as PSAs. The efficiency programme ran in parallel to, rather than as part of, the PSA system.

The biggest qualitative change to the PSA system came in 2007 with the second “Comprehensive” Spending Review. The nature of PSAs was changed radically: prior to this a relatively small number of PSAs—not more than 20 percent—had been “cross-cutting” or shared targets: from CSR2007 all PSAs became shared targets across two or more Ministries, and the number was drastically reduced to only 30.

The smaller number of PSAs, and their shared nature, meant that it was again necessary to introduce some mechanism for spelling out more precisely how they were to be delivered and who would be responsible. So each PSA was to be underpinned by a “Delivery Agreement”, which was also shared by the relevant Ministries. Delivery Agreements differed from the earlier SDAs in two crucial respects:

- Each single PSA had its own Delivery Agreement (whereas SDAs covered all the PSAs for each individual Ministry/Department);
- Delivery Agreements were all shared between, and agreed by, more than one department, but with one Ministry/Department designated as the “lead.”

However things were rather more complicated because a new category of performance target had also been introduced: Departmental Strategic Objectives (DSOs). DSOs, as the name implies, were meant to cover all those things that departments had to do as key objectives that were not covered by the much reduced set of PSAs.

Although there were only 30 PSAs in the new system, there were also about 97 DSOs—i.e., a total of some 127 targets, of which 30 were “cross-cutting.” This compared to the SR2004 PSAs of which there were 110, of which about 22 were “cross-cutting”. So in some respects the system had not changed that much—this could be seen as mainly a change of names (Talbot 2007).

However, the nature of PSAs, as such, had clearly changed dramatically. Previous sets of (mainly) Departmental PSAs were primarily a quasi-contract between HM Treasury and the spending Ministry, linking resources to reform and delivery. But PSAs in 2007 had shifted to being mainly a statement of collective government targets. The function that PSAs had played previously between HM Treasury and individual departments was relegated to the DSOs. This was a major shift. The ambiguity noted at the outset of the PSA system about whether they were a contract between HMT and departments or between the government and the public (and Parliament) had been resolved decisively in the latter direction.

The question obviously arises to what extent the new DSOs would replace the previous departmental PSAs as a new quasi-contractual relationship between HMT and Ministries? This was, and remains, very unclear and little has been said by the government about these new DSOs and their role.

Throughout the whole initiative PSAs themselves, and results against them, have been published⁶. These have mostly appeared in departmental annual reports (usually published in July) and, from 2002, also in an autumn performance reports – meaning published results appeared twice a year. Internal, unpublished, results have been reported more frequently—usually quarterly—to HM Treasury and the Cabinet Committee on Public Services and Public Expenditure (PSX) (more on this below).

2.5 Performance versus Evaluation

Prior to 1997 evaluation was a very low level activity in the UK. The then head of the civil service said as much at a conference, declaring that policy implementation was rarely if ever evaluated. After the New Labour government came to power in 1997 there was a sharp increase in evaluative activity (see next section) but it was largely divorced from performance monitoring activity.

Performance monitoring and policy evaluation were very different areas of activity and although there ought to have been overlaps between these two activities there rarely were (see Table 1). The professional communities—both inside public organizations and in academia—dealing with evaluation and performance were mostly estranged from one-another. The focus of evaluation on policies and of performance on organizations created further divisions. Timescales and methods also differed sharply. Essentially this was seen by many—on both sides—as a split between “policy” oriented activity (evaluation) and “managerialism” and although some saw possibilities for integration (Blalock 1999) they remained radically disconnected.

Table 1 Evaluation versus Performance Monitoring

⁶ NAO studies have shown that in a very small number of cases no data was ever published against specific PSAs, because they turned out to be immeasurable.

	Evaluation	Performance monitoring
Focus	On policies and programmes	On organisations
Time	Episodic—usually “one-off” evaluations	Periodic—mostly annual, repeated, monitoring
Methods	Mixture of qualitative (very popular) and quantitative	Mainly quantitative
Who	Mostly conducted or commissioned by policy branches	Mostly conducted or commissioned by Finance, Operations, or even Personnel branches

Source: Talbot 2010.

Box 3 Performance versus Evaluation—A Case

In the late 1990s an adviser to a Scottish government agency was constructing a performance measurement and management system for both internal management and external reporting purposes. At the same time the Scottish government, who funded the new agency, had commissioned a three-year evaluation of the policy, to be carried out by independent evaluators.

When the adviser became aware that about 80 percent of the data required for the 3-year evaluation was identical to data being captured by the agency’s new, on-going, performance monitoring system it was proposed to the agency and the Scottish government that the two projects be combined—at least as far as designing and collecting data was concerned. The proposal was rejected. The disconnects noted above were simply too big.

2.6 Evaluation

As mentioned above, prior to 1997 the level of evaluation within British government and public services was relatively low when compared to most other OECD countries. Sir Richard Wilson, the then Head of the Civil Service noted this in 1998:

“So we need to ask ourselves some hard questions

How often—and I know the answer to this—How often do we go back and evaluate whether a policy which went through a couple of years ago actually achieved the objectives which were claimed for it at the time it was formulated? **The answer is very rarely.** We ought to do it a lot more.”

(Sir Richard Wilson, Speech to Civil Service Conference, 1998—emphasis added)

And indeed the incoming Labour government did embark on a large increase in evaluative activity, which included the development of the Magenta Book⁷ on guidance for evaluators (to complement the Green Book⁸).

⁷ http://www.nationalschool.gov.uk/policyhub/magenta_book/.

The Magenta Book is a collection of guidance notes for practitioners on a wide variety of aspects of evaluation and is fairly “eclectic” insofar as it does not recommend a particular approach. It is also a “work in progress”, being constantly updated and some parts not yet complete. For example, a fairly crucial paper on “Theory based and realist approaches to evaluation” (promised as Section 3.1 of the Magenta Book) had still not been published at the time this report was written (July 2010) even though it had been promised for several years.

Nonetheless, the Magenta Book clearly offers a range of useful advice (see Box 4).

Box 4 The Magenta Book

What does the Magenta Book provide guidance on?

The Magenta Book provides guidance on:

- how to refine a policy question to get a useful answer
- the main evaluation methods that are used to answer policy questions
- the strengths and weaknesses of different methods of evaluation
- the broad range of methods used in policy evaluation, and the approaches of different disciplines including social policy, sociology, economics, statistics, operational research.
- the difficulties that arise in using different methods of evaluation, and the benefits that are to be gained
- examples of evaluations that have used the available methods appropriately and effectively, and it highlights what is good about them
- how to use summative and formative, quantitative and qualitative, experimental and experiential methods of policy evaluation appropriately and effectively.
- where to go to find out more detailed information about policy evaluation and analysis

Source: <http://www.civilservice.gov.uk/my-civil-service/networks/professional/gsr/resources/Introduction-the-magenta-book.aspx> (accessed July 2010).

There are many other sources of advice within government about evaluation policy and practice, including the on-line service managed by the National School for Government called the Policy Hub⁹ and others (see Box 5).

⁸ http://www.hm-treasury.gov.uk/data_greenbook_index.htm.

⁹ <http://www.nationalschool.gov.uk/policyhub/>.

Box 5 Other Sources of Guidance on Policy Evaluation

Other sources of evaluation guidance within British government include:

- **The “Green Book”: appraisal and evaluation in Central Government: Treasury guidance** [Treasury website]. HM Treasury, TSO, 2003. This provides guidance on economic appraisal and evaluation. The Green Book promotes the ROAMEF (Rationale, Objectives, Appraisal, Monitoring, Evaluation and Feedback) framework for project appraisal and provides detailed guidance on the appraisal of capital projects. Chapter 9 of The Magenta Book (on Economic Evaluation), when published, will complement The Green Book by providing guidance for social researchers who may be less familiar with economic thinking and jargon.
- **The Better Regulation Executive** has developed an Impact Assessment tool and guidance which can help policy makers think through the consequences of Government interventions in the public, private and third sectors and enable Government to weigh and present the relevant evidence on the positive and negative effects of such interventions.
- **Research Methods for Policy Evaluation** (pdf, 99KB) [DWP website] DWP, 2001—The Department of Work and Pensions (DWP), in conjunction with the National Centre for Social Research (Purdon et al, 2001), has produced the above overview on some of the main evaluation methodologies used within DWP, especially the evaluation of active labour market programmes and policies.

Although no data on total spending or activity levels on evaluation of policies is available, the general view (from interviews with key actors) is that evaluative and policy-analytic activity expanded enormously after 1997. To give some idea of the range of activity, and its sources, the table in Annex 1 gives all the reports listed on the “Policy Hub” website (as accessed at July 27, 2010). They cover only just about two months worth of such reports and give some idea of the scale and range of activity—and this is almost certainly nowhere near a complete listing as it is a “self-report” system and some parts of government clearly do not report systematically.

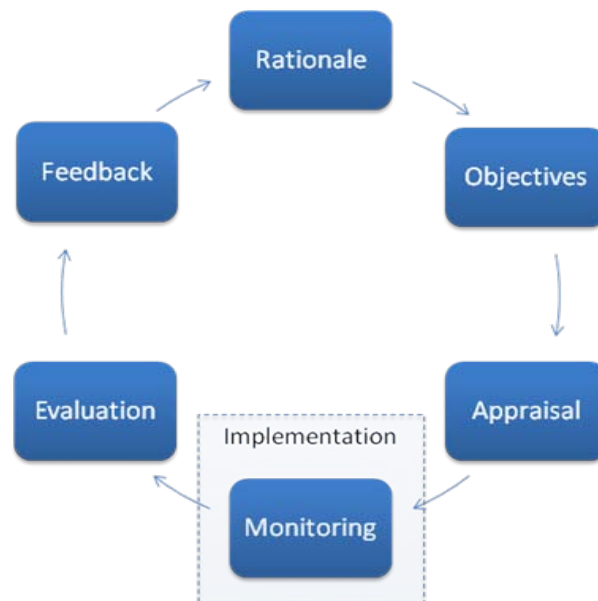
Especially notable are the large number of reports from think-tanks, lobby and interest groups, etc. This illustrates the level of civil society activity in this field, which is arguably a key ingredient to keeping government accountable and policy and evaluation debates “real.”

2.7 Evidence-Based Policy

The growth in evaluation was also linked to what has been called “evidence-based policy” —that is attempts to shape government policy based on evidence about “what works” in social, economic, health, education, criminal justice and other areas rather than on ideology. This was part of the Modernising Government agenda (Prime Minister and the Minister for the Cabinet Office 1999) and specifically attempts to modernise policy-making (Cabinet Office 1999a; Comptroller and Auditor General 2001b). In the new “best practice” guidelines issued for policy-makers, evaluation was one of nine core

elements to the process. The importance of evaluation was also spelt out in new Treasury guidance (see Figure 2).

Figure 2: HM Treasury ROAMEF Model



Source: HM Treasury Magenta Book 2003.

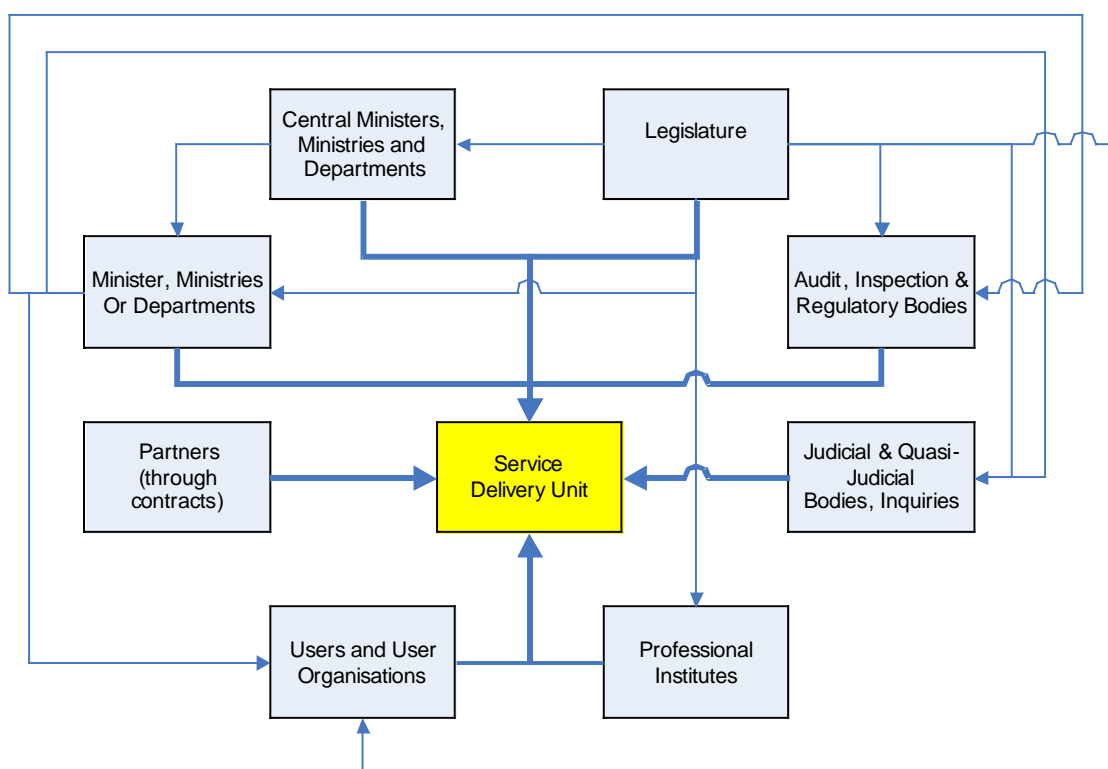
The degree to which policy formulation has been influenced by evidence in practice is however somewhat mixed and despite the extra resources devoted to evaluation, the impact has been very uneven (Davies, Nutley and Smith 2000; Bochel and Duncan 2007).

3 Users and Uses: The Evolving Performance Regime

The concept of a “performance regime” refers to the idea that within government multiple “principals” may have a legitimate interest in either trying to steer the performance of public agencies or of holding to account for their performance (which to some degree is the same thing). The “performance regimes” approach (Talbot 2010) focuses on two main issues: which *institutions* can and do have the powers to steer or hold to account public agencies? And what sort of *interventions* do they actually make to enact those powers?

Most obviously, within a system of “separation of powers,” different parts of government—the executive branch and the legislative branch for example—may both have the power to either set performance targets for public agencies, or hold them to account for their performance, or both. Other actors such as the judiciary, auditors and inspectors, (legally authorised) professional bodies, partner organizations, etc may all hold and exercise such powers to some degree. Figure 3 illustrates the idea of “performances regimes.”

Figure 3: Performance Regimes Model



(Heavy lines indicate direct influence, and lighter lines indirect influence, on service delivery unit's performance).

Source: Talbot 2010.

This approach is useful in examining the evolving UK performance policy environment because it emphasises how some of these actors have had their powers created or reinforced, whilst others have remained relatively weak or inactive. In this section therefore a selection of these types of actors will be examined to see what formal powers they have, how these have changed, and how they have used them? Of special interest will be questions such as: who decides what performance measures or targets to set? To whom is performance reported, and how? What use is made of performance information once reported? What, if any, rewards and punishments are attached to performance?

3.1 Overall Regime in the UK

The overall balance of power within the UK (English) performance regime of course reflects the broader governance arrangements, with some notable nuances.

Firstly, the executive branch of government (Cabinet and civil service) has strong discretionary and administrative powers quite unlike many other advanced democracies. In most cases it has been able to set either performance reporting requirements (such as PSAs and targets set for executive agencies) by administrative

means. In others it has used primary legislation but to create on-going powers to set targets or measures (as for example for local government). Also, because of the UK (English) highly centralised public administration these powers extend to most of nationally and locally delivered public services. However, central government has chosen to not always exercise all of these powers itself but has frequently delegated to “third parties” (see below).

Secondly, the parliamentary branch of government is relatively weak on issues such as authorising and scrutinising expenditure, so it is hardly surprising that evidence shows it has also been relatively weak on scrutinising performance and (unlike, say, the US Congress) has made no effort to set or steer performance reporting and targets.

Thirdly, and this is where the UK may be especially unique, the UK government has systematically created, or enhanced, and then delegated to, third-party auditors and inspectors some of its powers to set and monitor performance reporting requirements. The Audit Commission, for example, was delegated (through legislation) the power to set, collect and analyse performance measures for local government in 1992. Health and education especially have also been areas where a succession of audit or inspection bodies has been given powers to set and monitor performance measures. Whilst, of course, there have always to some degree been quasi-independent audit, inspection and monitoring bodies, the scope of the growth of these bodies and their powers in recent years has led to talk of “the audit society” and other well known analyses of this peculiarly British phenomena (Power 1997; Hood, and others 1999).

As will be discussed further below, the one notable area where the executive government has not delegated its powers to auditors or inspectors is over the setting and monitoring of its own performance. Although the NAO was asked to audit data systems for PSAs (but only since 2002), it has not played the same sort of role as the Audit Commission that actually set performance measures for local government.

Fourthly, the judicial branch of British government is reluctant to interfere with administrative decisions and whilst this has been changing in recent years, levels of judicial intervention are still relatively low. Whilst there are some cases where judicial, or more often quasi-judicial, interventions that may have the effect of “steering” performance to some degree have occurred, these are few. This aspect is therefore not analysed further below.

3.2 Core Executive (Prime Minister’s Office; Cabinet Office; HM Treasury)

The “core executive” in the UK, as it has been called (Smith 1999), consists of three entities: the Prime Minister’s Office (or simply “Number 10” as it is sometimes known); the Cabinet Office; and HM Treasury.

The relationship between the first two is often somewhat blurred. Although the machinery of policy advice (and political advisers) in the PM’s own immediate entourage are usually part of “No.10” in some cases they also play roles in the wider Cabinet Office.

An example of the sort of “turf wars” that go on within this complex is evidenced in the various names given to the Strategy Unit (see below). This has variously been called the

“Prime Minister’s Strategy Unit,” the “No. 10 Strategy Unit,” the “Cabinet Office Strategy Unit” and simply the “Strategy Unit”—depending on whom you talk to.

There is however no blurring of the demarcation lines between the No.10/Cabinet Office complex and HM Treasury, although there have been plenty of battles over where the lines are drawn. HM Treasury is relatively unique amongst advanced countries as it is a combined financial and economic Ministry with traditionally very strong powers and a great deal of independence from the Prime Minister of the day.

HM Treasury

The Treasury, as already noted, occupies a relatively strong position in British government (Heclo and Wildavsky 1981; Pliatzky 1989; Thain and Wright 1996). This was arguably strengthened still further in relation especially to domestic policy by the advent of Spending Reviews and Public Service Agreements.

Treasury has always had some influence over the policy-options of spending Ministries through the Budget process. It can agree, or veto, various spending plans and thereby affect policy-choices. By making these spending decisions more medium-term, and adding the formal requirement to report what was achieved for the spending (PSAs) and well as what was spent, Treasury markedly increased its influence. The process of bargaining between HMT and spending Ministries under the SR/PSA system seems to have been remarkably similar to that which existed under the old Public Expenditure System (PES), but Treasury’s hand had clearly been strengthened by the additional levers available to it under the new system.

What is less clear is how HMT used the information gleaned from Departments’ performance reports against their PSAs. The formal position has been maintained that HMT uses this data to inform subsequent negotiations about resources with the relevant Ministry. However no examples have been given of how this works in practice. Attempts by the parliamentary Treasury Select Committee to get such examples from Treasury officials and the Chancellor over the years have been blocked, and no research of the type carried out in earlier periods (see, e.g., Heclo and Wildavsky 1981) has been undertaken that would tell us how the system actually works.

Nor has HMT publicly used the PSA performance data to carry out its own analyses of how Ministries are doing. During earlier reforms—such as the creation of executive agencies in the civil service—detailed analyses of the performance of the new bodies was published by the Cabinet Office (see, e.g., Chancellor of the Duchy of Lancaster 1997). HMT has not attempted similar analyses of PSA results—that has been left to others such as parliamentary committees (e.g., Public Administration Select Committee 2003) and academics (e.g., Talbot 1999; 2000; James 2004). PSA results are not even published together, in a single easily accessible place, but are published by each department individually (often in inconsistent ways). It might have been expected, for example, that each new Spending Review and set of PSAs would have contained some analysis of previous rounds, but this has not been done.

Only one attempt to make some sort of “whole of government” performance report and that was the three government “Annual Reports” published between 1998 and 2000 (Cabinet Office 1998; 1999b; 2000). These documents were widely distributed through bookshops and other outlets to the public. However, they did not focus on systematic

reporting of the PSA data but rather used policy commitments contained in the Government's 1997 election Manifesto as an organising framework. This was partly due to these Reports mostly pre-dating the appearance of PSA data—the last Report was published in July 2000 only just as the first PSA data from the 1999-2000 to 2001-02 CSR/PSA was starting to emerge. After intense criticism in the media and other places of these Annual Reports as biased, selective, un-audited and essentially political propaganda, publication ceased.

The lack of concrete evidence about how precisely performance data—derived from the PSAs and other sources—affect government decision making at the Budgetary level is a major gap in our knowledge about how the new system operates¹⁰. However, it is clear that at least some of the performance data was used in other ways – specifically in analysing and developing the delivery of services in certain specific areas, through the Prime Minister's Delivery Unit, that will be considered next.

Prime Minister's Delivery Unit

Although the Prime Ministers' Delivery Unit (PMDU) began life in 2002, as the name suggests, as part of the No. 10/Cabinet Office it was later transferred to be located in HM Treasury. As such, it to some degree may be seen as a bridging mechanism between the two, but it is today firmly located in, and is for all practical purposes part of, HM Treasury.

Unusually in British government, the founding director of the PMDU, Sir Michael Barber, has written extensively about its formation and working methods (Barber 2007).

PMDU's initial remit was to analyse the results being produced in just four major areas of policy—health, education, criminal justice and transport—against the targets set in PSAs and to work with departments to improve delivery.

As Barber describes in detail, there were several crucial elements to this:

- Having the full political backing of the Prime Minister (Tony Blair), the Chancellor and Ministers in the four Departments.
- Building good working relationships at official level between PMDU, others parts of Downing St and Cabinet Office, with HM Treasury and with the four Departments concerned.
- Having in place a robust system for checking progress. This consisted mainly of quarterly “stock-take” meetings with each of the four Departments, with the PM and Ministers as well as officials. As Barber emphasises, this was a huge commitment by the PM - to attend sixteen such meetings a year.
- To build the credibility of PMDU as both an analytical and advisory unit—capable of making sophisticated analyses of Departmental performance and offering credible advice on how to make improvements—what became known as their “deliverlogy” methods.

¹⁰ The current author is trying to remedy this gap by interviewing a range of key actors in the system during the 1997-2010 period for a forthcoming book. Unfortunately that work is still in progress and it is too early to report on the results of that research.

PMDU obviously made extensive use of performance data gathered by the Departments, as well as information from the Office of National Statistics and other sources (including sometimes international comparisons). Later, PMDU became involved in helping to actually formulate PSA targets during the 2004 Spending Review process.

Cabinet Office/No. 10

Obviously, the Prime Minister's organisation in British government is—at least in theory—*primus inter pares*, which is first among equals. This polite constitutional convention of course ignores the degree to which other Ministers in government—especially the Chancellor—can exercise autonomous power with the British Cabinet system. Whilst the PM does have the ultimate power to “hire and fire” Ministers this power is always operated within various constitutional, political and practical constraints. The balance of power between the PM's office, the Chancellor and “spending Ministers” has always been subject to shifting equilibrium depending on a wide variety of factors.

In relation to performance it is clear the balance of power between the PM's Office and Treasury was “delicate” at best – the traditional rivalry between No. 10 and HMT was augmented by the personal rivalry between Tony Blair (PM) and Gordon Brown (Chancellor). This tension undoubtedly caused problems about how the new performance reporting and management systems were operated in practice.

The PM's Office was concerned with performance in several ways:

- First, it was concerned with the formulation of overall performance strategy as was evidenced by the creation of units like the Strategy Unit (see below);
- Second, it was concerned with what became known as “evidence-based policy” —that is, formulating policy on the basis of evidence about “what works”
- Third, it was concerned with performance “delivery” as evidenced by the creation of the PM's Delivery Unit (see above).

Strategy Unit

The Strategy Unit (SU) was created in (2001) out of a merger of two existing units—the Forward Strategy Unit and the Performance and Innovation Unit. The main role of the SU has been to look at substantial issues that cut across departmental boundaries, pose long-term challenges and require sophisticated analysis.

The most important contribution of SU work to the SR/PSA system has clearly been on the Spending Review and budget planning—helping to set government priorities. However, according to the former Director of the SU (Geoff Mulgan) they also played a substantial role in the discussions about formulating PSA performance targets (personal communication).

Importantly from a capacity point of view the SU has also produced a handbook¹¹ on “strategy” that encompasses performance issues and has also attempted to stimulate

¹¹ <http://interactive.cabinetoffice.gov.uk/strategy/survivalguide/>.

debate on how to measure performance and “public value” (Kelly, Mulgan, and Muers 2004).

Government Social Research Service

The creation of the Government Social Research Service¹² (GSRS) is emblematic of the increased emphasis on, and resources devoted to, the evaluation of policies. Unlike the PM’s Delivery Unit and the Strategy Unit, the GSRS is not a central Unit but a distributed professional network of social researchers and evaluators across government (including other tiers of government besides Whitehall). It has played an important role in the development what became known as “evidence-based policy” which includes both a pre- and post-implementation evaluative element.

The GSRS’s principle role in relation to M&E is the production of the “Magenta Book”¹³ which is the official guidance on policy evaluation and analysis, as well as various conferences, events and fora. It should be stressed that the GSRS does not itself organise evaluations, it is merely a professional network for exchanging ideas amongst those who do undertake actual evaluations on behalf of their Ministry or public agency.

3.3 Line Ministries

One of the least explored aspects of the new system is the extent to which line or spending Ministries have actually used the performance measurement system for internal performance management.

It is of course clear that line Ministries have used performance monitoring data for reporting their own achievements publicly and to Parliament and in relations with the centre of government (see PM’s Delivery Unit above). It is also clear they have used performance-monitoring data extensively in relation to subordinate or “arms-length” bodies, even where actual monitoring has been delegated to third party audit and inspection bodies. What is much less clear is the degree to which performance monitoring and PSAs have become part of the routine management processes *within* Ministries.

In 2006 the NAO published the results of surveys of PSA data users within line Ministries, mainly about the adequacy of the data they received (National Audit Office 2006). The results—from Finance Directors and from “Target Owners” (those formally responsible for PSAs)—were mixed. Whilst performance data were largely seen as clear and comprehensible, their use was rather more problematic.

A quarter of Target Owners said performance didn’t inform the management decisions they needed to take, whilst nearly 40 percent thought the data didn’t tell them what was wrong and nearly half thought it did not predict adequately what was likely to happen. The responses from Finance Directors were similar.

The surveys also indicated that departmental managers felt they had relatively low levels of influence (or “attribution”) over their PSA results. To quote the NAO “the majority of Target Owners feel that their efforts are not reflected in the outturn data

¹² www.civilservice.gov.uk/my-civil-service/networks/professional/gsr/index.aspx.

¹³ http://www.gsr.gov.uk/professional_guidance/magenta_book/index.asp.

reported for their PSA targets” (NAO p2). This had specifically to do with the “outcome” nature of PSA targets—Departments rarely had direct or unproblematic control over outcomes that were influenced by other agencies and external factors.

This survey data suggests that the actual use of performance monitoring data within government Departments was not yet very analytically sophisticated and was problematic. The degree to which performance data was integrated into management processes was “constrained” and it was not used well “to inform financial management decisions or to maximise efficiency and efficacy in the delivery of their PSA targets” (NAO p2).

The survey respondents’ views should also be put in the context of the accuracy of PSA data. NAO studies have shown continuing problems with the adequacy of PSA data and whilst they have clearly improved, by CSR2007 (i.e., almost a decade into the system) over one in ten of PSA data systems were judged “not fit for purpose” and another third needed additional work.

Table 2 Adequacy of PSA Data Systems

	Fit for purpose	Broadly appropriate but in need of strengthening	Not fit for purpose
SR02	30%	47%	23%
SR04	50%	35%	15%
CSR2007	56%	33%	11%

Source: Comptroller and Auditor General 2009.

This degree of uncertainty about the data systems underpinning PSAs must affect the ability of line Departments to utilise the data for effective performance management.

The situation was further complicated by the introduction of “Departmental Strategic Objectives” (DSOs) in the 2007 CSR (see above). To recap, PSAs were reduced down to 30 shared targets for the whole of government in CSR2007 and Departmental PSAs were replaced by DSOs.

In 2009 the NAO reviewed both PSA and DSO data systems. Whilst PSA data systems had continued to improve, the new DSOs were rather less well recorded.

Table 3 PSAs and DSOs: Comparison of Adequacy of Data Systems

	Fit for purpose	Broadly appropriate but in need of strengthening	Not fit for purpose
DSOs 2008	44%	33%	23%
PSAs CSR2007	56%	33%	11%

Source: Adapted from Comptroller and Auditor General 2009.

Overall what information we have suggests that internal performance management of Ministries has proved much more problematic than either performance reporting outwards or performance management downwards of subordinate bodies.

3.4 Parliament

One of the major innovations of the new PSA system was that individual Ministries could be held accountable to Parliament for their achievements rather than simply for what they spent. Indeed this was an aspect of the reforms that the government stressed at the start of the policy. (This whole section draws heavily on Johnson and Talbot 2007; 2008.)

In one important respect Parliament has adapted to this new policy. The Liaison Committee, which is a committee of committees, set down a set of “core tasks” in 2002 for all Parliamentary scrutiny committees and importantly this included the requirement to monitor Ministries’ performance based on their PSAs.

As is well documented, the British Parliament has a fairly weak role in both the especially the authorisation of public spending, but also, perhaps to a lesser degree, in the post hoc scrutiny of spending. It would therefore have been something of a challenge for Parliament to adapt rapidly or easily to the advent of PSAs. Research found that this was indeed the case. A survey¹⁴ of ten Select Committees work found that some progress had been made but that systematic scrutiny of PSA results was extremely rare. A survey of Select Committee members and officials found that there were serious doubts about the value of bothering to scrutinise PSAs coupled with lack of capacity issues in the Committees. Two of the more “cross cutting” Committees (Treasury and Public Administration) had carried out more detailed examinations of the policy (see, e.g., Public Administration Select Committee 2003).

During and since that research there appears to have been some further progress and Parliament has made some interesting institutional changes:

¹⁴ Covering a three-year period from 2002 to 2006.

- The establishment of a “Scrutiny Unit” to increase the capacity of individual Committees to access high-quality analytic resources;
- The innovation of asking the NAO to conduct work for Committees other than the Public Accounts Committee (to which it is formally accountable).

3.5 Auditors and Inspectors

As mentioned above, one of the relatively unique aspects of the UK’s performance regime is the degree to which the monitoring, and setting, of performance measurements for subordinate bodies (e.g., service delivery agencies and local government) has been delegated from the “executive core” of government to third-party audit and inspection bodies.

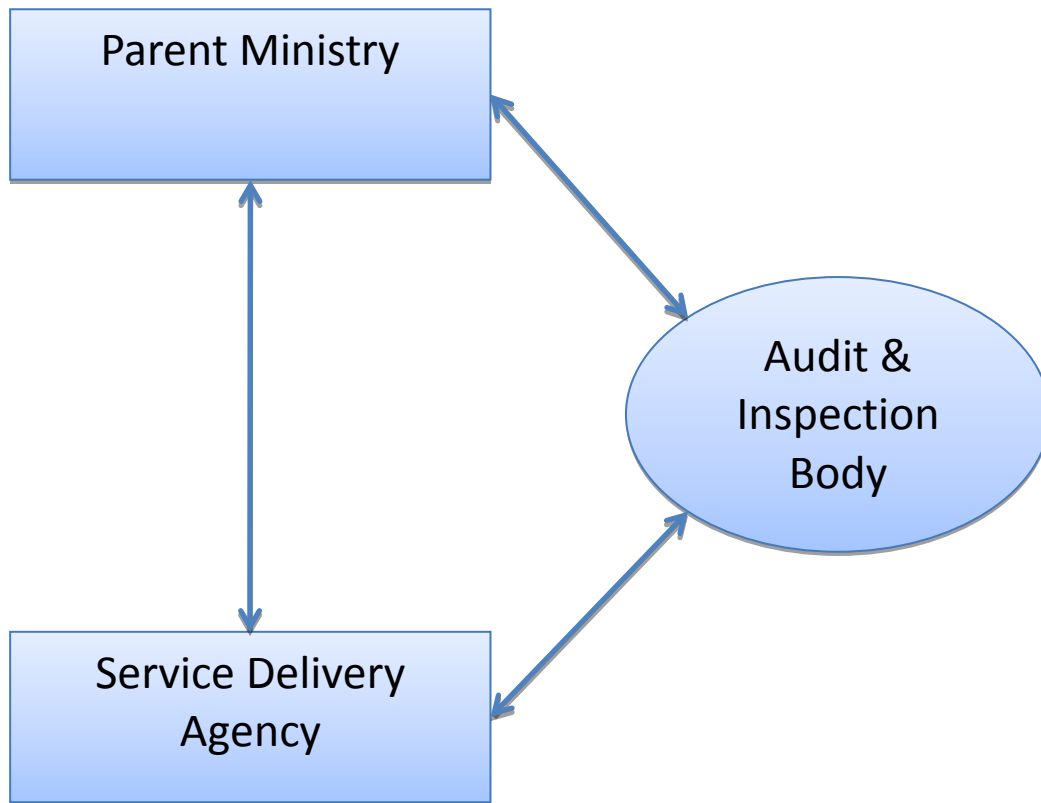
Because of the UK’s highly centralised public administration central Ministries usually have the formal power to instruct lower-tier public bodies to perform to specified performance standards or targets, or to impose performance monitoring requirements.

Through the 1980s and 90s this was largely carried out through a dual process: Ministries frequently imposed performance targets on lower tier bodies; they then delegated monitoring against these targets to third-party audit and inspection bodies (although the Ministry usually also retained powers to intervene).

(Another feature of the past three decades is that there has been a very high “churn” rate in the population of audit and inspection bodies with new ones being created, merged, remits changed, etc on a very rapid basis).

This system was further complicated with the advent of PSAs in 1998. In many cases these high-level government performance targets, in areas like health, education, criminal justice and local government, could only be delivered through the actions of lower tier bodies. This created a great deal of discussion on how to “cascade” and “align” PSAs with targets for lower level bodies (for a typical discussion see Comptroller and Auditor General 2001a). But in many cases performance targets were not just monitored by third-party audit and inspection bodies, they also developed the core set of measures. This created a complex triangular relationship between the “parent” Ministry, audit and inspection bodies, and service delivery agencies.

Figure 4: Complex Relationships of Performance Measure Setting and Monitoring



Source: Talbot 2010.

Probably the least explored aspect of these relationships is that between parent Ministries and the audit and inspection bodies.

In many areas such as education, health and local government these bodies were responsible for:

- Establishing various frameworks of performance measurement and assessment for service delivery agencies and local government;
- Collecting, verifying, and analysing data against these frameworks;
- Publishing the data, often in the form of “league tables” ranking the performance of agencies against one another.

At the central government level itself the National Audit Office¹⁵ is responsible for auditing the accounts of all central government bodies (Ministries, agencies, NDPBs, etc). It also carries out “value for money studies” (about 50–60 per year) quite a few of which have focused on performance issues, for example:

¹⁵ The NAO is an independent Parliamentary, not government, body.

- A general study of performance measurement in civil service executive agencies (Comptroller and Auditor General 2000) as well as of some specific agencies (e.g., Comptroller and Auditor General 1995; 1998);
- A general study of performance measurement in Government Departments (Comptroller and Auditor General 2001a); and
- Studies of the data systems underpinning PSAs (at the invitation of the Government)(Comptroller and Auditor General 2005; 2006a; 2006b; 2006c; 2007a; 2007b; 2009).

NAO studies are however somewhat limited in two crucial respects:

- The NAO is not allowed, by law, to question the policy decisions of Government—merely their implementation¹⁶ (unlike, for example, the General Accountability Office in the USA); and
- In the case of PSAs the NAO’s studies were limited to validating the data systems—they did not audit the actual data itself (a restriction imposed by the Government).

Despite these restrictions it is clear that the NAO’s work has had substantial influence on both Government and Parliament on performance policies. Their criticism of PSA data systems, in particular, seems to have been one of the main drivers for improvement in Departments. But they have also played an important role in stimulating debate about the general principles of good practice in measuring, reporting and managing performance. Besides their formal reports they have, for example, organised an annual conference on performance measurement that attracts hundreds of practitioners, policy-makers and academics. They have also involved a number of academics in the development of their reports (the current author has advised them on all their major performance studies for over a decade).

4 Capacity

With three decades of trying out various forms of performance monitoring, and a decade of specifically applying performance monitoring to Government, it would be surprising if the UK had not developed a strong capacity to formulate, apply, analyse and evaluate performance monitoring (and to a lesser extent evaluations). In this section some of these developing capacities are briefly outlined.

4.1 Capacity for Understanding and Scrutinising Performance

Within Government

Within the core executive the creations of Units like PMDU and the Strategy Unit, as well as the GSR Network, has clearly helped to develop capacity. PMDU has, for example, contributed a great deal of knowledge and practice about how to formulate and apply performance monitoring to Government activities. The Strategy Unit has likewise contributed to more high-level, conceptual, debates through its work on “public value,”

¹⁶ Incidentally this restriction also applies to the Audit Commission and most other audit and inspection bodies in the UK.

but it has been involved in international benchmarking activities for public services that enable comparisons to be made of UK performance in various policy areas.

Table 4 Capacity of Core Units (SU, PMDU, GSRN)

Unit/Network	Description	Number of Staff
Strategy Unit	SU operates with a core-fluid model of staffing: some staff are more long-term, but many are also brought in for specific projects from elsewhere in the civil service, public service, NGO and private sectors. Many ministries established their own SUs (Mulgan 2009).	100–150 plus SUs in (some) Ministries
PMDU	PMDU operated a fairly small, stable, staff mostly brought in from across Whitehall. They were reputedly of high quality with substantial analytical skills (Barber 2007).	35–40
GSR and GSR Network	GSRU originally had a head of full-time profession, plus a very small staff based in HMT. More recently the post has been down-graded and is currently divided between two officials, both located in line Ministries and with other responsibilities. Many Ministries have their own structures internally. ¹⁷	Unknown, but very small (under 10) but about 1,000 in network

Source: Talbot 2010.

HM Treasury—as the prime mover in the whole PSA system—has clearly accumulated knowledge and experience of how such systems work. Unfortunately however, there has been no (at least in public) formal evaluation of the PSA system and what conclusions have been drawn can only be inferred by looking at the way the PSA system has evolved over time.

One interesting development was the publication of an agreed set of definitions and concepts between HM Treasury, Cabinet Office, the National Audit Office, Office of National Statistics and the Audit Commission (HM Treasury 2001). This was clearly aimed at ensuring the development of a “common language” within government on performance monitoring to avoid confusion and misunderstandings (for a discussion of some of the terminological confusion in performance monitoring see Talbot 2010, Chapter 2).

In the “Departmental Capability Reviews” (DCRs) carried out in the late 2006/7 one of ten dimensions of capability covered was “Managing Performance.” The overall results of the DCRs were not encouraging, and “Managing Performance” featured mid-way down the rankings of the 10 capability areas. No Department received the maximum capability “score” managing performance:

¹⁷http://www.civilservice.gov.uk/Assets/Analytical%20support%20report_tcm6-4150.pdf.

- Four (of 17) were regarded as “well placed” on managing performance, which meant “well placed to address any gaps in capability for future delivery through practical actions that are planned or already under way, and are making improvements in capability and expected to improve further in the medium term.”¹⁸
- Eleven Departments had “managing performance” rated as a “development area,” where “the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.”¹⁹
- Two were rated as an “urgent development area,” where “significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.”²⁰

So the Government’s own internal capability reviews revealed that most departments still suffered from “significant weaknesses” when it came to managing performance, almost a decade after the new system had started and more than two decades into the development of systematic performance policies in central government.

Auditors and Inspectors

The five main audit bodies in the UK (the National Audit Office & the four local/regional audit bodies for England, Scotland, Wales and Northern Ireland) have been particularly active in developing capacity within government to formulate, monitor and interpret performance data. The NAO in particular started fairly early with its studies of specific civil service agencies, which often included de facto generalised advice about what “good practice” in performance monitoring should look like (see, e.g., Comptroller and Auditor General 1998). Similarly, the Audit Commission has been very active in the field (Campbell-Smith 2008). The NAO has also convened since 2006 an Annual Performance Conference that has attracted a significant audience of practitioners, policy-makers and academics.²¹ All of these have made significant contributions to increasing capacity.

Beyond Government

The longevity of performance (and to a lesser extent evaluation) policies in the UK, coupled with the importance placed on them by government since 1997, has attracted the interest of academics, think tanks, and the media. Most recently, for example, the main government funded the economic social science research council (ESRC), a six year programme studying “quality, performance and delivery” in public services, which included some 47 projects and fellowships.²² This is of course not the only research, and

¹⁸ Comptroller and Auditor General (National Audit Office) (2009) Cabinet Office: Assessment of the Capability Review programme, HC 123, London, NAO

¹⁹ Ibid.

²⁰ Ibid.

²¹ http://www.cityandfinancial.com/conference/nao_performance_measurement_6th.

²² <http://www.publicservices.ac.uk/>. The current author held one of the end of Programme Fellowships on ‘theories of performance’ – for a brief summary see <http://www.publicservices.ac.uk/wp-content/uploads/talbot-poster-2009.pdf>.

there has been a steady stream of studies that have contributed to increasing understanding of how performance monitoring works in theory and practice (see Talbot 2010 for a summary of some of these debates).

Think-Tanks²³ and even the media have also become involved and the latter especially have, in some cases, become quite sophisticated in analysing performance data and in some cases even creating their own methods of performance monitoring—for example, the *Financial Times* “league tables” of business schools.

It is worth noting however that one important feature of the ensuing debates about performance monitoring - the emerging strong critique of what has become popularly known as “targetry” in government. Whilst this has sometimes been built on careful academic research, it has more often been fuelled by anecdote, interest groups and media misreporting (see, e.g., some of the evidence submitted to Public Administration Select Committee 2003).

Both within Government, including audit bodies, and outside in civic society (including academia and the media) there has thus been a considerable development of capacity for understanding and analysing performance data. It would be wrong to exaggerate this capacity and there are obvious distortions and problems—nevertheless there has clearly been a relatively strong development of interest and capacity. However there are also obvious lacunae – most notably the very slow progress in Parliament. An important lesson for other governments might be just how long it takes to develop such capacity—even after two-three decades of experience there are still major difficulties and capacity issues in the British system.

5 Successes and Problems

Performance monitoring in the British public services has become almost ubiquitous over the past three decades. With the exception of some regional government controlled services, virtually every part of the UK public services has either legal or administrative mandates to produce publicly available performance data and, in theory at least, performance outcomes now form a core part of central decision making. Considerable capacity to formulate, monitor and analyse performance data has evolved.

Unfortunately, there are no comprehensive evaluations of the of these performance monitoring and management developments, either from Government itself or from academic or other commentators. So the best that can be done is to piece together evidence and analyses from multiple sources. So here is an attempt at summarising this evidence:

- It is clear that the UK has successfully created a fairly comprehensive performance monitoring system that embraces everything from central government Ministries down to front-line services. This system has become increasingly ubiquitous and sophisticated over time.

²³ There are many examples of reports from various Think Tanks, NGOs, academics and others outside of government on the Policy Hub website <http://www.nationalschool.gov.uk/policyhub/>.

- The system has become increasingly “outcome” focussed over time, although at various levels it still includes large elements of output, process and even input monitoring.
- This system has largely been a “top-down”, imposed one in which lower tier organizations are mandated—either legally or administratively—to produce performance reporting data.
- The actual formulating of performance measures, and their monitoring, has however often been delegated by executive government to third-party audit and inspection bodies, at least for lower tiers of government and public services (but not central government itself).
- This system has contributed to substantial improvements in actual performance in a wide range of policy areas, especially large volume services like health, education and criminal justice. Improvements in service delivery have been most marked, although there is something of an attribution problem in that this has occurred during a period of rising resources.
- However, there have also been significant cases of perverse outcomes and “gaming” of performance monitoring systems by those being monitored. This problem is also linked to significant data quality problems in some areas where some distortion has occurred, as highlighted by various academic and audit studies. This problem has been, however, somewhat exaggerated by some academic, interest group and media critics of the system. In most cases the benefits of performance monitoring appear to have substantially outweighed the dysfunctional aspects.
- Problems of changing political priorities and timescales have also caused some dysfunctional problems with performance monitoring. Instability in what is measured, and over what periods, as well as how the results are audited and published, has created some significant public mistrust in performance data.
- Parliament has particularly found it difficult to adapt itself to the changing performance policies, and especially the opportunity to develop its scrutiny role to embrace and effectively use performance monitoring data—although change is taking place, albeit very slowly.
- It is unclear what the popular impact of these policies has been. There certainly does not appear to be any evidence of a simple or direct link between actual performance and things like trust in government and satisfaction rates with public services. It has been speculated that this may be because the changes to performance levels in developed societies like the UK are relatively minor compared to the possible performance improvements in emerging societies, where a much more significant impact might be possible.

5.1 The Future

This paper was mainly written before the outcome of the UK general election (May 2010) that ousted the former New Labour government and replaced it with a coalition government of the Conservative Party and the Liberal Democrat Party. Because this is a

new coalition, and the initial coalition agreement covers only the main areas of policy, it is as yet difficult to tell exactly where it is going on performance and evaluation. It is clear that the new government is committed to a fairly radical retrenchment in public spending over the next four to five years.

In opposition the Conservatives and Liberal Democrats had both been critical of some aspects of the performance monitoring system as it has currently evolved, despite the fact it was previous Conservative government (1979–97) that laid much of the basis for the performance aspects of these policies, up to and including performance reporting by government Ministries (e.g., Output and Performance Analysis, discussed earlier).

We do know that the new Government is keeping—and indeed expanding—the medium term budgeting aspect of the SR-PSA system. The new government’s Spending Review (SR), published in October 2010, covers four years of future spending (rather than three) and includes much of “Annually Managed Expenditure” (AME) that was left out of previous SRs—thus expanding both the scope and duration of the Review process.

It has, however, also definitely abandoned the formal performance part of Spending Reviews—Public Service Agreements (PSAs) and Departmental Strategic Objectives (DSOs) have both been abolished. However, in their Spending Review 2010 they have said that each Government department “will publish a business plan setting out the details of its reform plans” before April 2011. The Review goes on to say that these business plans will include:

- Vision and priorities to 2014–15;
- A structural reform plan, including actions and deadlines for implementing reforms over the next two years; and
- Key indicators against which it will publish data to show the cost and impact of public services and departmental activities. This section will be published for consultation to ensure that the Government agrees the most relevant and robust indicators in time for the beginning of the Spending Review period in April 2011.

A White Paper is also promised for early 2011. All this suggests that the government may not be moving totally away from performance reporting at the central, departmental, level. Early indications from various sectors also suggest that whilst targets may be being given less prominence, or even abandoned, performance measurement is not—reports from health sector public organisations suggest that requirements for data have increased. In other areas, like local government, they appear initially to have decreased. So there is currently a mixed and uncertain picture.

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Appendix 1. Policy Analytic and Evaluative Documents Posted on the “Policy Hub” Web Site over Two Months (2010)

GOVERNMENT BODIES
Evidence and innovation strategy 2010-2012 - CLG report 1 April
Total place: spend counting analysis and customer insight status - CLG report 1 April
Reducing cancer inequality - NCEI report 19 March
Improving dementia services in England - PAC report 16 March
Personalization of education and learning services - Cabinet Office report 11 March
Rural insights: residents survey 2010 - CRC report 8 March
Rural advocate report 2010 - CRC report 4 March
Influencing behavior through public policy - Cabinet Office and Institute for Government report 2 March
The implications of housing type/size mix and density - NHPAU report 1 March
Putting the frontline first: meeting the local government challenge - CLG guidance 1 March
Place based innovation - Whitehall Innovation Hub report 8 February
Lone parent obligations - DWP report 2 February
Doing things differently: step changes in skills and inclusion - National Skills Forum report 3 February
PARLIAMENTARY BODIES
Young people not in education, employment or training - CSF Committee report 8 April
Tackling problem drug use - PAC report 7 April
Adapting to climate change - EAC Committee report 25 March
Preventing violent extremism - CLG Committee report 30 March
British transport priorities 2010-15 - BCC report 22 February
Priorities for investment in the railways - Transport Committee report 15 February
The role of carbon markets in preventing dangerous climate change - EAC report 8 February
The Home Office's response to terrorist attacks - Home Affairs Committee report 2 February
AUDIT AND INSPECTION BODIES
Local finances in the recession and beyond - Audit Commission report 23 March
Reorganizing central government - NAO report 18 March
A review of public health performance and spending - Audit Commission report 11 March
Tackling problem drug use - NAO report 4 March
One place national overview report: an overview of local public services - Audit

Commission report 24 February

Under pressure: tackling the financial challenge for councils of an ageing population - Audit Commission report 18 February

Progress in improving stroke care - NAO report 3 February

[Giving children a healthy start - Audit Commission report](#) 3 February

THINK TANKS, LOBBY AND INTEREST GROUPS

A new retirement village for the 21st century - JRF report 21 April

Liberation welfare - Demos report 20 April

Environmental policy since 1997 - IFS briefing note 20 April

A 2020 low carbon economy - Work Foundation report 19 April

Using evidence in the audit, inspection and scrutiny of UK government - Nuffield Foundation report 15 April

Widening participation in higher education - IFS report 12 April

A high-performing NHS? A review of progress 1997–2010 - King's Fund report 11 April

Putting quality first in the boardroom - King's Fund report 10 April

Skills supply and demand in Europe - CEDEFOP report" /> 6 April

The route to reform of public sector pensions - CBI report 6 April

Three practical steps to make localism real - CPS report 2 April

Supporting ambition in our young people - LGA report 1 April

Employment and skills: six critical priorities for the next government - IES paper 1 April

A qualitative study of apprenticeship pay - IPPR report 1 April

Poorer children's educational attainment - JRF report 29 March

Fewer hospitals, more competition - Reform report 17 March

Securing good care for more people - Kings Fund report 16 March

The entitlements of young adults to care in the community - Howard League for Penal Reform report 11 March

The renewal of government - Policy Exchange book 10 March

Women and the recession: one year on - TUC report 10 March

How the UK's migration policies could benefit the world's poor - IPPR report 1 March

Driving economic recovery: the core cities - Work Foundation report 23 February

The cost of cancer - Policy Exchange report 17 February

Mapping rapidly changing minority ethnic populations: a case study of York - JRF report 15 February

The politics of fairness: equality in the UK - Demos reports 9 February

Britain's lost talent? - Prince's Trust and Citi Foundation report 8 February

Capable communities: public service reform - PwC and IPPR paper 4 February

More bang for the buck: how we can get better value from the defense budget - CPS report 1 February

Source: Derived from Policy Hub website—Arrangement into categories by author. Categories relate to discussion on 'performance regimes.'