INSTITUTE FOR GOVERNMENT

Whitehall Monitor 2013

Annual commentary and analysis on the size, shape and performance of Whitehall

Justine Stephen, Petr Bouchal and David Bull

Foreword

This report is one of the most ambitious and informative that the Institute for Government has produced. It builds on the work of our regular *Whitehall Monitor* bulletins, which analyse the latest government data to address two fundamental questions. First, what information is available to assess the effectiveness of Whitehall? And, second, what does this data show us? In short, we are attempting to provide an anatomy of Whitehall to assist in holding the Government to account.

This *Whitehall Monitor* report is our first attempt to bring these insights together in a comprehensive manner. Therefore we have very deliberately not attempted to grade departments or Whitehall as a whole; rather we have tried to provide a baseline from which we can make judgements about improvements in future.

The report examines the resources that departmental leaders have available to them, how they are managing them and monitoring Whitehall's outputs, and how they are tracking whether they are bringing about the desired end effect.

The conclusions are revealing, both about the robustness of the data and the success of the Government in fulfilling its objectives. The Government is shown as having strong controls over some of its inputs, such as departmental budgets, and as having stayed on track in meeting targets for reductions in spending and staff cuts.

However, the existing measures for following outputs are more mixed in their usefulness, particularly when looking at reforms that are in trouble, though the recent annual report from the Major Projects Authority has been more candid and clear. It is also often hard to understand the outcome measures, the key test, after all, for voters. In part, this is because while Whitehall controls funding, the final results are determined by factors beyond central government's control at a local level. Moreover, departments' impact indicators vary enormously in their usefulness.

This report exposes flaws and gaps as well as strengths, both in the information available and how it is being used to drive effectiveness in government. There are lessons here for government departments as well as those who hold them to account. We are seeking to be constructive in pointing to ways in which the data, and our understanding of Whitehall, can be improved. Alongside this report we are also launching a dedicated area of the Institute website to improve the accessibility of the latest key data on Whitehall and our analysis of it. This has been a voyage of exploration for the authors and the Institute, and will be followed by further voyages as these reports are produced annually.

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About the authors

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Many people gave their time generously to support this work. We would particularly like to thank the members of the Advisory Group who have supported this project over the past year. Their insights and expert critiques of how we have used government data have been invaluable. We would also like to thank all those in government departments, the Office for National Statistics and the National Audit Office who have helped us gain a better understanding of the nuances within government data and how it is being used. We also owe a wider debt of gratitude to all those inside and outside of government who have campaigned for and supported the opening up of government data. Without their continued efforts, this report would not be possible.

We would also like to thank our colleagues, past and present, for their support in developing this report and the wider *Whitehall Monitor* area of work. In particular we would like to thank Katie Dash for her sterling work in collating and analysing Government's financial data. Special mention should also go to Julian McCrae, Peter Riddell, Jill Rutter and Nadine Smith. We would also like to thank Andrew Murphy for his support on both this publication and the development of the new *Whitehall Monitor* section of the Institute's website.

Any inaccuracies, errors or omissions are, of course, our own.

Justine Stephen, Petr Bouchal and David Bull

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Executive summary

The collection of central ministerial departments that make up Whitehall[1] play a crucial role in the government of Britain. Though small in scale relative to the wider public sector, these central departments are the principal tools that ministers have at their disposal to deliver their political agenda. They form the interface between political ideas and the wide network of official bodies and mechanisms that can implement them. As such, Whitehall is the channel through which most central government business happens, with the bulk of government resources flowing through these central departments and out into the wider public and private sectors.

Building on the regular *Whitehall Monitor* analysis that the Institute has been publishing since the 2010 Spending Review,[2] this report aims to build a systematic framework for thinking about the effectiveness of Whitehall in the pivotal role that it plays. It focuses on the three elements that you need information on in order to judge effectiveness: the resources Whitehall has available to it (inputs), what it does with them (outputs) and whether it achieves its goals (outcomes). We look at the challenges faced by departmental leaders (both official and political) and at the insights the data provides on the performance of Whitehall.

The report finds that while we can get compelling insights on parts of the picture, it is currently impossible to comprehensively assess Whitehall's effectiveness. In summary, the report shows:

Inputs: resources available to Whitehall

- Whitehall has strong controls over some of its inputs, such as departmental budgets, but other resources, such as departments' portfolios of assets, are comparatively ignored.
- Where the Government has set clear and ambitious plans on resource reductions (budgets and staff cuts), departments have so far succeeded in staying on track.

Outputs: managing the resources and judging Whitehall's performance

- The reforms that the Government is currently undertaking will fundamentally change the ways in which many departmental leaders manage the substantial resources flowing through their departments.
- The existing measures for tracking Whitehall's outputs provide some insights on performance, but have limitations. The Structural Reform Plans[3] provide little information on reforms that are off track, and many of the published objectives of permanent secretaries leave it unclear when, or on what measure, performance will be judged. The available measures also do not adequately cover departments' 'business as usual' activities.

Outcomes: tracking Whitehall's end goals

- Ultimately, departmental leaders want to improve real world outcomes, but the existing tools the Government uses to track its goals are limited. Because of this, a considerable number of departmental leaders have developed their own bespoke performance reporting.

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1 We use 'Whitehall' to denote the core ministerial departments plus HM Revenue and Customs, giving 17 main government departments. Please note that these do not include the devolved administrations in Scotland, Wales or Northern Ireland. We also report on the departmental group which comprises both the ministerial department and the collection of bodies associated with it. See Annex B for further details of how we have defined Whitehall and departmental groups within this report.

2 See www.instituteforgovernment.org.uk/our-work/whitehall-monitor

3 The Structural Reform Plans are the primary cross-government framework tracking departments' implementation of the reforms set out in the Coalition's *Programme for Government*. HM Government, *The Coalition: Our programme for government*, May 2010, www.gov.uk/government/publications/the-coalition-documentation. See pp. 57-66 for further details.

Inputs: resources available to Whitehall

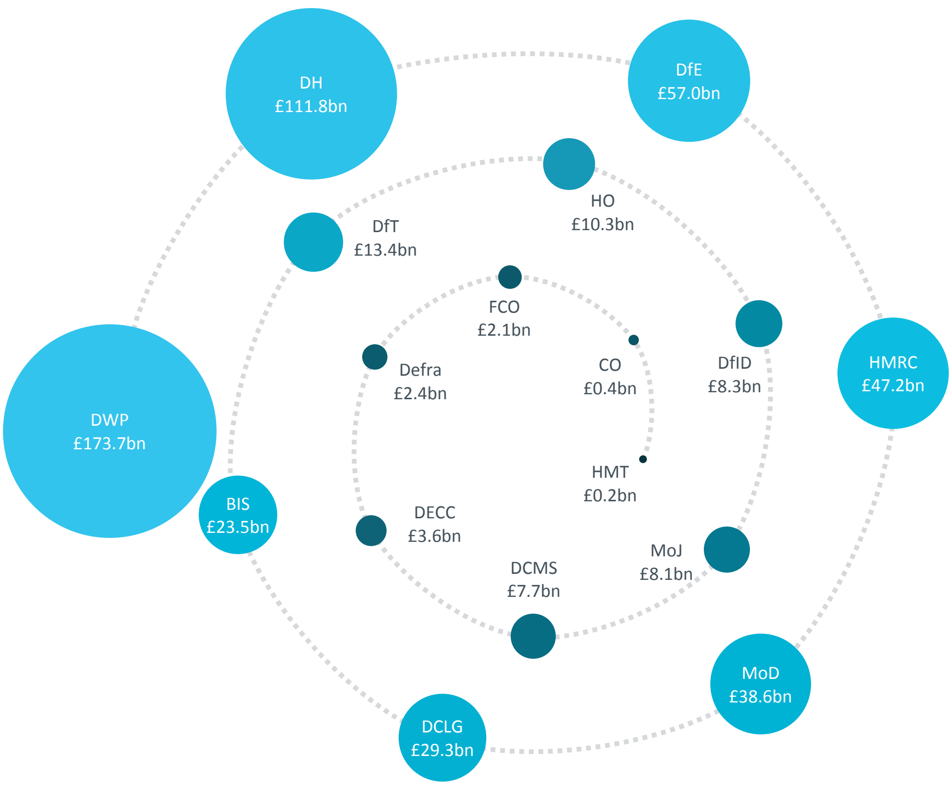
Whitehall has strong controls over some of its inputs, such as departmental budgets, but other resources, such as departments' portfolios of assets, are comparatively ignored.

Departmental leaders have two main types of resources available to them: their departmental budgets and their portfolio of assets and liabilities. These vary in scale and composition between departments, with departmental leaders having different degrees of discretion over the resources on their books. While departmental budgets are closely managed, there is comparatively little attention paid to assets and liabilities.

Departmental budgets

Some departments' budgets are much larger than others (see Figure 1). Leaders in departments such as the Department of Work and Pensions (DWP), the Department of Health (DH) and the Department for Education (DfE) oversee substantial chunks of the economy, equivalent in reach to many industrial sectors;[4] others have budgets running up to tens of billions (e.g. HM Revenue and Customs [HMRC], the Ministry of Defence [MoD], the Department for Communities and Local Government [DCLG] and the Department for Business, Innovation & Skills [BIS]), while even 'small' departments have budgets greater than all but the largest private sector businesses (e.g. the Foreign & Commonwealth Office [FCO] and the Department for Environment, Food and Rural Affairs [Defra]).[5]

Figure 1: Total Managed Expenditure, £bn, 2012/13[6]



Note: The Treasury's Annual Report does not provide a total as it does not have estimated Capital AME. Instead the figure shown here is for total Resource AME & DEL plus Capital DEL. Also note that, unlike Public Expenditure Statistical Analyses (PESA), departmental accounts do not include items such as pensions.

Source: Annual Report and Accounts 2011/12, planned total expenditure for 2012/13.

4 For example, the budget going through the Department of Health contributes around the same amount in value to the economy as the entire construction sector. For industrial sectors Gross Value Added, see ONS, *United Kingdom National Accounts – The Blue Book*, 2012 Edition, July 2012, www.ons.gov.uk/ons/rel/naa1-rd/united-kingdom-national-accounts/the-blue-book--2012-edition/index.html

5 For a full list of acronyms used within this report see Annex I.

6 We use the notation 2012/13 to signify the financial year 2012/13.

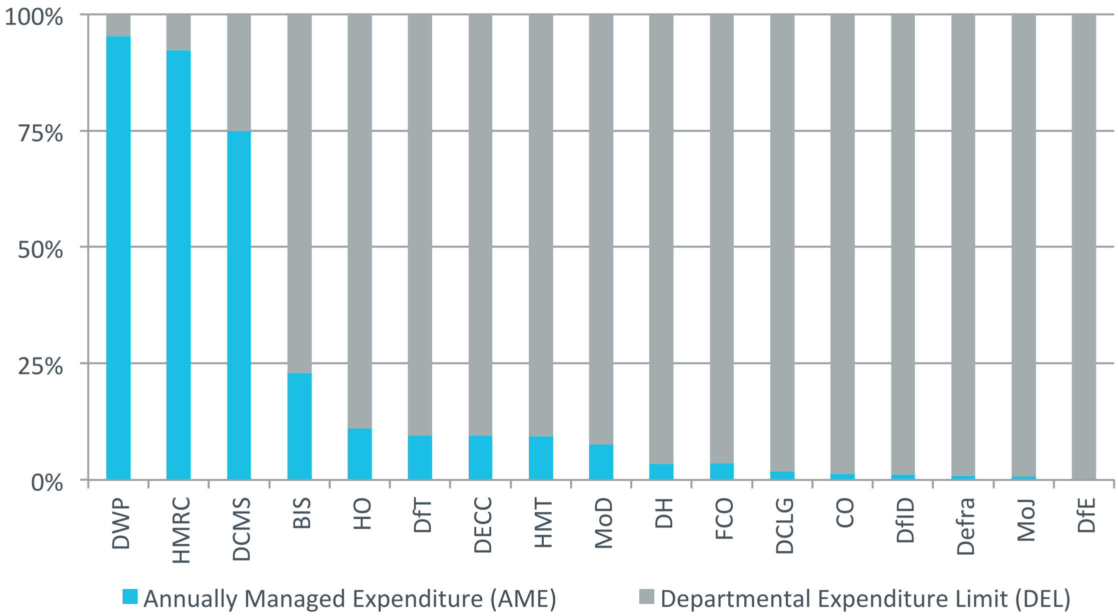
However, the composition of these budgets and the amount of discretion that departmental leaders have over them varies considerably.[7] In many cases, departments have substantial proportions of their budgets dedicated to certain kinds of spending.

In several departments, the leaders have little direct control over the vast majority of expenditure that passes through them. Instead this part of their budgets (classified as Annually Managed Expenditure [AME])[8] is set aside for meeting the department's obligations, and departmental leaders cannot transfer such funding to other programmes or policy areas of their choosing.

For AME, departmental leaders cannot directly control the total levels of expenditure within a given year, though they have some policy levers to indirectly control expenditure in the longer term.[9] As Figure 2 shows, DWP, HMRC and the Department for Culture, Media and Sport (DCMS) all have high proportions of their departmental budgets categorised as AME:

- Both DWP and HMRC pay out pensions, benefits and tax credits against set eligibility criteria.
- DCMS's accounts include expenditure by the BBC and National Lottery. However, the expenditure of each of these organisations is determined by the amount of income each gets (through the licence fee and ticket sales respectively).

Figure 2: DEL and AME as a proportion of departmental budgets, 2012/13



Note: We aggregated DCLG Communities and DCLG Local Government. See Annex B.

Source: Departmental Annual Reports and Accounts 2011/12 (plans for 2012/13).

Similar constraints operate on departmental leaders in the Department for Transport (DfT) and the Department of Energy & Climate Change (DECC), with more than half of their budgets committed to capital spending (see Figure 3 below). This means departmental leaders are prevented from using these resources on their other programmes or their running costs. DfT also has one of the larger capital budgets in absolute terms (£8.0bn), with MoD (£9.9bn) and BIS (£8.9bn) also having large amounts of resources allocated as capital funding.[10]

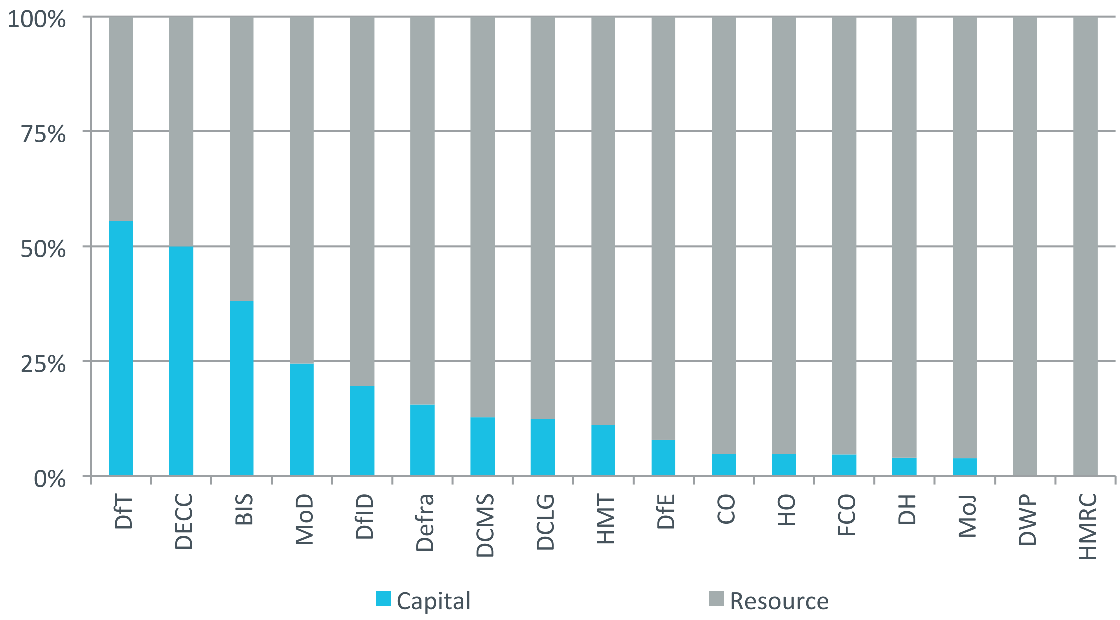
7 See pp. 22-29 for more details on how departmental budgets are categorised and the constraints on their use.

8 See pp. 25-28 for further details on Annually Managed Expenditure.

9 For example, changing the eligibility criteria for certain types of welfare payments.

10 Departmental Annual Report and Accounts, 2011/12; figures are plans for 2012/13.

Figure 3: Capital and Resource as a proportion of departmental budgets, 2012/13



Note: We aggregated DCLG Communities and DCLG Local Government. See Annex B.

Source: Departmental Annual Reports and Accounts 2011/12 (plans for 2012/13).

There are also a variety of other formal controls on departmental budgets, from the initial allocation process through to final accounting to Parliament, which impose restrictions on how departmental leaders can use these resources.[11]

Assets and liabilities

Compared with departmental budgets, the other set of resources available to departmental leaders, their portfolio of assets and liabilities, is largely ignored. Even in the scale of government, these portfolios are huge:

- The Treasury, MoD and DfT each has assets of more than £100bn on their books. For the Treasury this is a relatively recent development following the Government's bail-out of the banks. For MoD and DfT, these are longer-standing assets relating to property, plant and equipment.
- The biggest departmental liabilities[12] sit with DECC and DH for nuclear decommissioning (£51bn) and clinical negligence (£18.6bn) respectively.[13] The provisions for liabilities and charges in each of these departments have grown significantly over the last couple of years, with DECC's provisions increasing by 15.6% between 1 April 2010 and 31 March 2012[14] and DH seeing a 24.4% increase in its provisions over the same period.[15]

11 See Figure 2.3 for an overview of the formal processes surrounding departmental budgets and pp. 23-33 for further details on the central controls and accounting officer responsibilities.

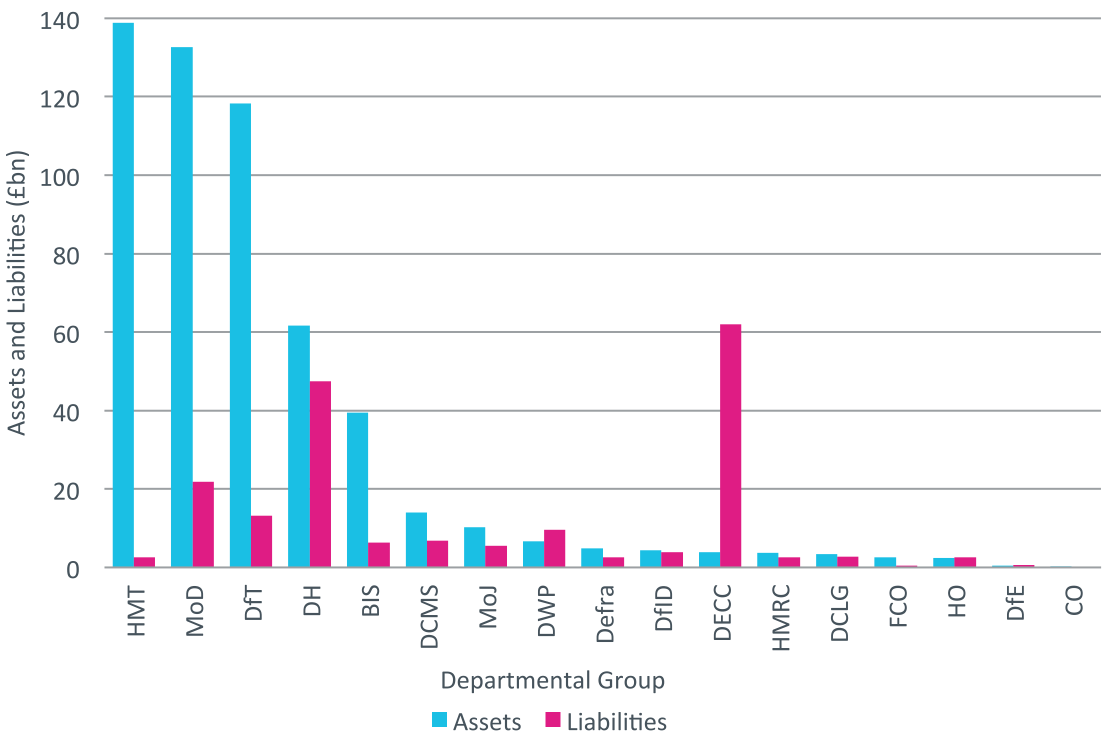
12 Note that departmental liabilities are dwarfed by the Government's other liabilities, such as the net pension liability (£1,007.8bn) and government financing and borrowing (£965.5bn). See Box 2.2 for further details.

13 Departmental Annual Report and Accounts 2011-12, figures as at 31 March 2012. In particular, *DECC, Annual Report and Accounts 2011-12* (HC 63), July 2012, Note 22, p. 155; *DH, Annual Report and Accounts 2011-12* (HC 66), October 2012, Note 20, pp. 181-183.

14 The Institute's analysis of DECC, *Annual Report and Accounts 2011-12* (HC 63), July 2012, Note 22, p. 155.

15 The Institute's analysis of DH, *Annual Report and Accounts 2011-12* (HC 66), October 2012, Note 20, pp. 181-183.

Figure 4: Departmental assets and liabilities at 31 March 2012 (£bn)



Note: Departmental accounts do not include pensions liabilities or government financing and borrowing. Pension liabilities are contained in separate annual accounts for specific pension schemes (e.g. the NHS Pension Scheme accounts). Borrowing liabilities are included in the National Loans Fund Annual Accounts.
Source: Institute for Government analysis of departmental Annual Reports and Accounts 2011/12.

Despite the significant sums involved, there are few central controls or objectives specifying how departmental leaders should manage their portfolios of assets and liabilities.

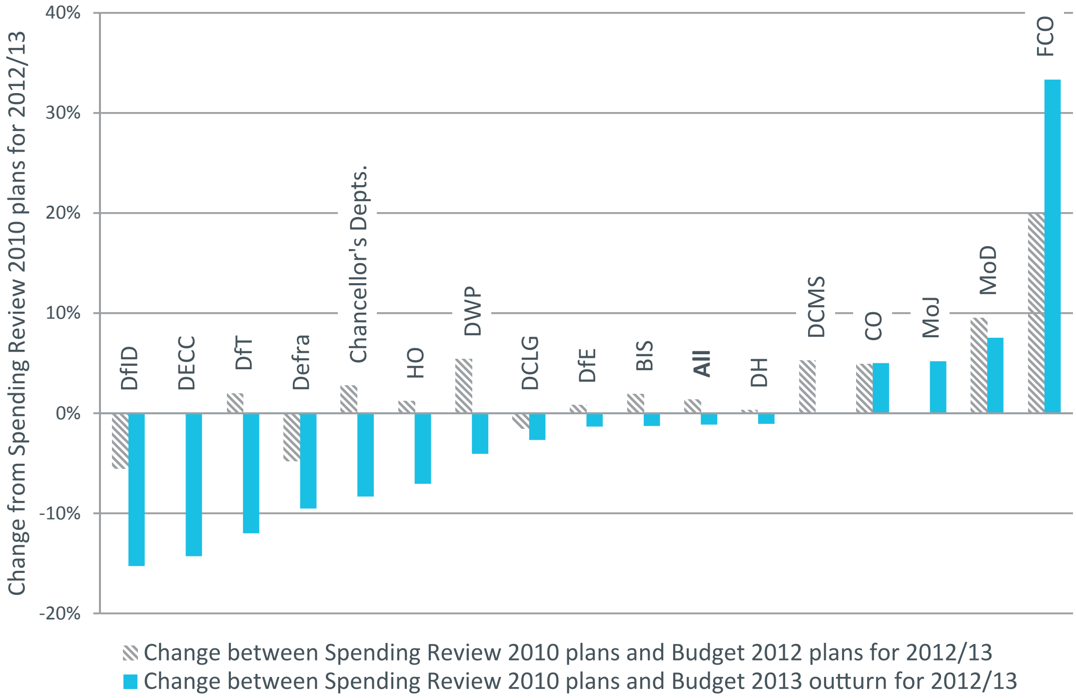
Inputs: Budget cuts and staff reductions

Where Government has set clear and ambitious plans on resource reductions (budgets and staff cuts), departments have so far succeeded in staying on track.

Shortly after the Coalition took office, it set out substantial budget cuts in many departments and also pledged to reduce the operating costs of all ministerial departments and their associated arm's-length organisations. Many departmental leaders also indicated that they would be reducing the size of their civil service workforces to reduce costs and streamline their departments.

At the top level, the majority of departments are currently on track against both their budget cuts and reductions to their civil service workforces. However, the big challenge for departmental leaders will be to sustain, or increase, the reductions as planned cuts continue beyond 2015.

Figure 5: Final plans and estimated outturns against Spending Review 2010 plans (Resource DEL 2012/13)



Note: The figures for Cabinet Office in the chart above include the Single Intelligence Service budget. See Annex B.

Source: Institute for Government analysis of Spending Review 2010 and Budgets 2012 and 2013.

Outturn figures from Budget 2013 show that the majority of departments are spending even less than their original Spending Review allocations, some by a considerable margin.[16] For example, DfID, DECC and DfT showed outturns that are more than 10% below their Spending Review plans for 2012/13.

However, caution is needed in interpreting these apparent 'underspends'. Undoubtedly some do reflect that departments have reduced their costs further than they anticipated, but there are signs that others reflect the transfers of costs between budget lines or that, in some areas, the Government's policies are not being taken up as much as the department had hoped.[17]

In terms of the costs of running their departments (the Administration budget), almost every department seemed to have 'underspent' against its latest sets of plans.[18] Whitehall departments have outturns for the financial year 2012/13 that are on average more than 10% below their latest sets of plans, with DCLG, DWP, the Home Office (HO) and DECC coming in more than 20% below and the FCO appearing to show an astonishing 40% reduction on its previous plans.[19]

16 For most of the departments spending more than their original Spending Review plan, the increases relate to claims on the central reserve. See p. 35 for further details.

17 See pp. 35-37 for further details.

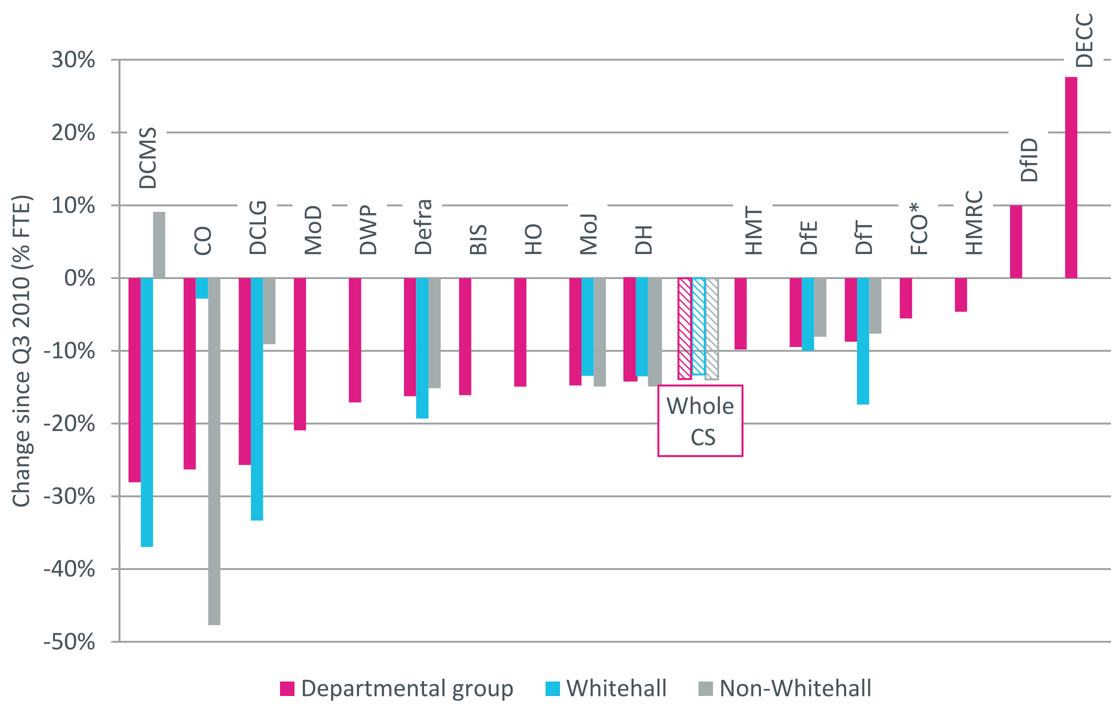
18 It is not possible to compare Administration Budgets with the figures provided in the 2010 Spending Review. Instead we compare the latest published plans for 2012/13 from PESA 2012 with the outturn figures for 2012/13 from PESA 2013.

19 See Figure 3.3.

Staff reductions

As part of their efforts to reduce departmental running costs, many leaders in Whitehall have made significant reductions to their civil service workforces. The biggest cuts in absolute terms have come from the departments with the largest workforces, such as DWP, the Ministry of Justice (MoJ) and MoD,[20] but some of the smaller departments (DCMS, CO and DCLG) have made the biggest proportionate reductions.[21] Departmental leaders have achieved these reductions through different means. In some cases, cuts have come from outside of the core ministerial department through abolishing or scaling back arm's-length bodies within the wider departmental group. In many other departments, leaders have cut Whitehall harder than the departmental group.[22]

Figure 6: Change in Civil Service staff since Spending Review 2010,[23] adjusted



Note: FCO (*) changed its reporting such that a comparable baseline is not available for Whitehall.

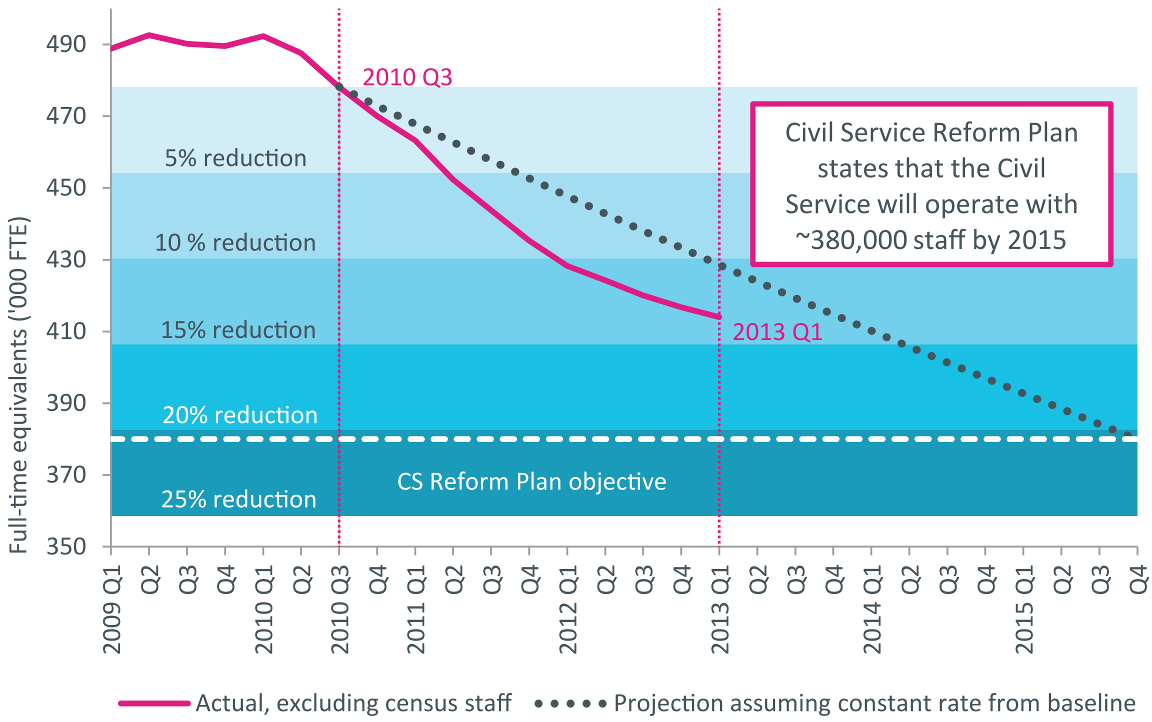
Source: Institute for Government analysis of ONS Public Sector Employment data, adjusted for reclassifications and machinery of government changes. See Annex D for a full explanation of these adjustments and and Annex B for details of the departmental groupings used.

In terms of the composition of the Civil Service, the very top and bottom grades have proportionally reduced the most.[24] The Civil Service has also seen reductions to its youngest staff while the proportion of those in the older age groups went up.[25] However, on most other diversity metrics (gender, ethnicity, disability), there was little apparent change to the Civil Service as a result of the cuts.[26] When comparing departments or grades, certain persistent trends stand out:

- There is still real variety in representation of these different groups at a departmental level: for example, only 4% of civil servants at MoD reported themselves as belonging to an ethnic minority, compared with 23% in the Home Office.[27]
- Women, ethnic minorities and disabled people were under-represented within the Senior Civil Service compared with the Civil Service as a whole.[28]

20 See Figure 3.5.
21 See Figure 3.6.
22 See Figure 3.7 and Annex D.
23 We take Q3 2010 as our baseline when showing change since the Spending Review 2010.
24 See Figure 3.8.
25 See Figure 3.9.
26 See Figures 3.10, 3.11 & 3.12.
27 Full departmental level breakdowns are available in Annex E.
28 See Annex E.

Figure 7: Actual and projected paths towards Civil Service Reform Plan objective



Source: Institute for Government analysis of ONS Public Sector Employment data.

While the Civil Service as a whole has made significant cuts over the last couple of years, staff numbers have begun to level off. With the initial rounds of staff reductions having been completed in many departments, the rate of reductions will need to increase again if the levels set out in the Civil Service Reform Plan are to be achieved by 2015.

Despite the cuts, the overall engagement levels of the Civil Service workforce have held up well.[29] However, the Institute's wider work on changes within departments indicates that the Civil Service is still fragile.[30] The way that departmental leaders approach the next round of savings will be critical in determining whether Whitehall emerges as a more effective, rather than just a smaller, workforce in years to come.

29 See Figures 3.17 and 3.18.

30 See Page, J., et al., *Transforming Whitehall: Leading major change in Whitehall departments*, Institute for Government, November 2012, www.instituteforgovernment.org.uk/publications/transforming-whitehall-departments-0

Outputs: how departmental leaders manage their resources

The reforms that the Government is currently undertaking will fundamentally change the ways in which many departmental leaders manage the substantial resources flowing through their departments.

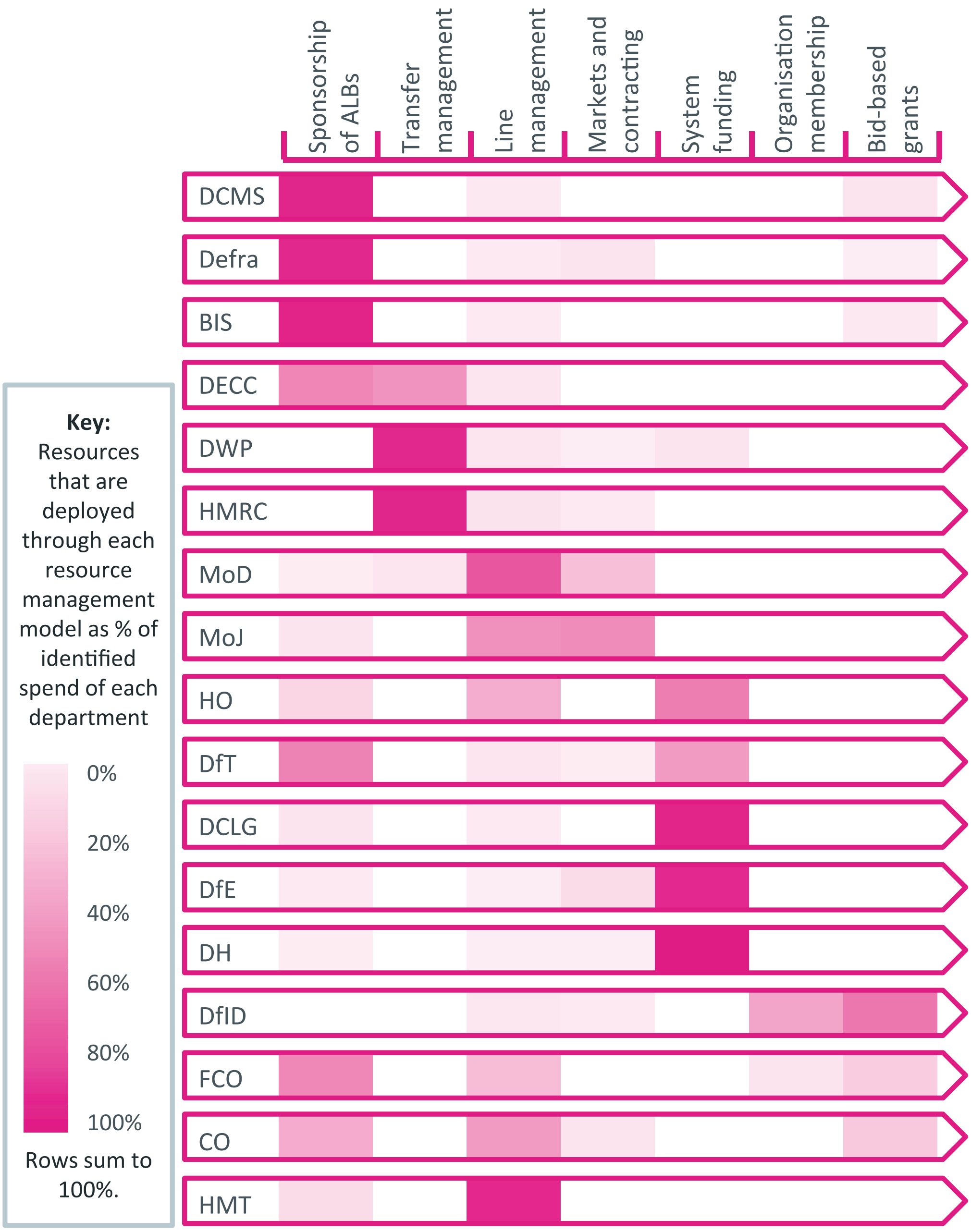
The vast majority of budgets pass through Whitehall and into the public, private and voluntary sectors or into the hands of individual citizens. How well departments manage these funds is therefore crucial to their effectiveness. Departmental leaders employ a variety of models to do this, giving them different kinds of control over their resources. Figure 8 sets out a broad typology, developed by the Institute, which characterises each of these models.[31]

Figure 8: Characteristics of resource management models

Model	Defining characteristics
Line management	*Departmental leaders have direct control over how resources are deployed via line management of staff (e.g. running job centres).*
Transfer management	*Resources are transferred to individuals or businesses when set criteria are met (e.g. paying benefit claims). Departmental leaders retain direct control over the transfer mechanisms.*
Sponsorship of arm's-length bodies	*Departmental leaders pass resources to bodies at 'arm's-length' from their departments, which they do not manage directly but whose objectives and governance they set and oversee (e.g. the Research Councils). The arm's-length bodies will also have their own governance systems, such as their own board.*
Markets and contracting	*Whitehall directly procures or commissions others to act on the Government's behalf. The relationship is underpinned by a contract of some form, usually commercial (e.g. private prison services). Departmental leaders have a role in negotiating contracts, and in many cases in shaping the entire market.*
System funding	*Whitehall provides resources to multiple bodies, usually performing the same function in different geographic areas (e.g. local authorities). Departmental leaders do not directly manage these bodies, or have a direct sponsorship relationship with them, but they do have a role in shaping the end system. Resources are usually allocated via agreed formulas.*
Organisation membership	*Whitehall transfers resources to supranational or international organisations in the form of 'membership fees' or to support joint objectives (e.g. the World Bank programmes).*
Bid-based grants	*Whitehall evaluates bids and has discretion over whether to award grants (e.g. Local Enterprise Partnership grants from BIS).*

31 For further details on the kinds of responsibilities the departmental leaders would have with respect to each of these models, see Figure 4.1.

Figure 9: Resource management models used by departments, early 2013



Note: Indicative breakdown only, covering around 80% of each department's spending. Annex G provides detail on how we arrived at the indicative breakdowns of spending.

Source: Departmental Business Plans 2012/13, NAO Overviews, departmental Annual Reports and Accounts 2011/12, OSCAR, and other sources. See Annex G.

As Figure 9 shows, some departments have a fairly simple operating model. DCMS, Defra, BIS and DECC all have a small central line-managed ministerial department but the bulk of their resources pass through to their arm's-length bodies through sponsorship mechanisms. However, other departmental leaders oversee a much more complex landscape. For example, the Cabinet Office spreads its resources between line-managed operations, sponsored bodies, grants and some contractual mechanisms.

Even where departments do not have the same overall shape, there are still comparable segments of spending. For example, there are valuable comparisons to be made between DWP's contracting of the Work Programme and MoJ's commissioning of services to reduce reoffending. These comparisons focus departmental leaders on where particular skills and capabilities are needed across the Civil Service to raise Whitehall's overall effectiveness.[32]

Some of the major government reforms are significantly reshaping departments. So for example, in MoD, mooted reforms to spin out the Defence Equipment and Support (DE&S) organisation could lead to a large section of the department's resources moving from direct contracting and commissioning to being managed via a sponsorship arrangement.[33] Recent reforms could significantly change the profile of DH, moving it away from a 'system funding' department to a sponsorship one, while the growth of the academies programme means that DfE is now moving to more contractual and market-based mechanisms.[34]

This framework provides one view of Whitehall's outputs, based on one of the more tractable measures – how the departmental leaders are managing the resources they have at their disposal. Naturally, there are outputs that staff in Whitehall work on (policy, legislation, regulation) whose production might consume relatively little of a department's budget, but whose importance and impact both in government and the country as a whole might be profound.[35]

Outputs: Government's performance measures of Whitehall

The existing measures for tracking Whitehall's outputs offer some insights into performance, but have limitations. The Structural Reform Plans provide little information on reforms that are off track and many of the published objectives of permanent secretaries leave it unclear when, or on what measure, performance will be judged. The available measures also do not adequately cover departments' 'business as usual' activities.

Currently there is no framework that systematically tracks the performance of departments in managing resources, or looks comprehensively at the associated responsibilities of departmental leaders.

The Government's own performance frameworks tend to focus on areas of change or specific roles. So there are performance targets that can be tracked for delivery of reforms (via the Structural Reform Plans) and there are published individual objectives for permanent secretaries. These provide some insights but, even within these restricted remits, there are limitations in what they tell you about Whitehall's performance.

Progress in delivering reforms

Looking at departments' performance in delivering the Coalition's programme of reforms,[36] around one in four of departments' Structural Reform Plan deadlines have been missed in 2012/13 (see Figure 10 below). This is fairly consistent with initial figures following the publication of the reform deadlines in 2010.

32 For further insights on the challenges in improving Civil Service capability, see Kidson, M., *Civil Service Capabilities: A discussion paper*, Institute for Government, June 2013, www.instituteforgovernment.org.uk/publications/civil-service-capabilities

33 See Figure 4.3.

34 See Figures 4.4 and 4.5.

35 Currently there is insufficient comparable data to measure outputs in these areas across areas across Whitehall. This is an area that the Institute hopes to return to in future *Whitehall Monitor* publications.

36 As pp. 57-66 describe, the Structural Reform Plans were developed by departments and set out how each department will deliver the reforms set out in: HM Government, *The Coalition: Our programme for government*, May 2010, www.gov.uk/government/publications/the-coalition-documentation

Figure 10: Structural Reform Plan actions completed on time, 2012-13

Dept	% deadlines missed (2012-13)		Rank (2012-13)		
	6 months in	12 months in	6 months in	12 months in	Change
DfID	0%	4%	1=	1	→
BIS	10%	6%	4	2	→
MoD	0%	9%	1=	3	→
DCLG	24%	17%	10=	4	↑
DECC	22%	19%	9	5	↑
HO	14%	22%	5=	6=	→
CO	24%	22%	10=	6=	↑
Defra	14%	23%	5=	8=	↓
DfE	26%	23%	13	8=	↑
DH	50%	30%	17	10=	↑
DWP	45%	33%	15	10=	↑
DCMS	14%	34%	5=	12	↓
MoJ	47%	35%	16	13=	↑
DfT	18%	35%	8	13=	↓
HMRC	0%	38%	1=	15	↓
FCO	29%	39%	14	16=	→
HMT	25%	39%	12	16=	↓

Source: Institute for Government analysis of Structural Reform Plans, 2012-13. Latest data extracted from API on 29 May 2013.

However, just tracking departments' performance against their own deadlines does not necessarily give an accurate reflection of departments' progress in implementing the reforms. The data provides limited visibility of the progress being made in some of the key reforms.[37] For example, the scaling back of Universal Credit pilots in DWP is not visible within the reported information. Similarly, DfT's recent problems with rail franchising are not visible within the reform plans as the department does not have to report a status update on rail franchising until 2015.

In certain cases the new Major Projects Authority annual report provides better insights.[38] However, this is intended to give a view of selected projects only, rather than provide a comprehensive picture of departmental performance.

Permanent Secretary Individual Performance Objectives

The Permanent Secretary Individual Performance Objectives were published in December 2012 as part of a push to increase transparency and accountability. They give a sense of the breadth of permanent secretaries' responsibilities.[39]

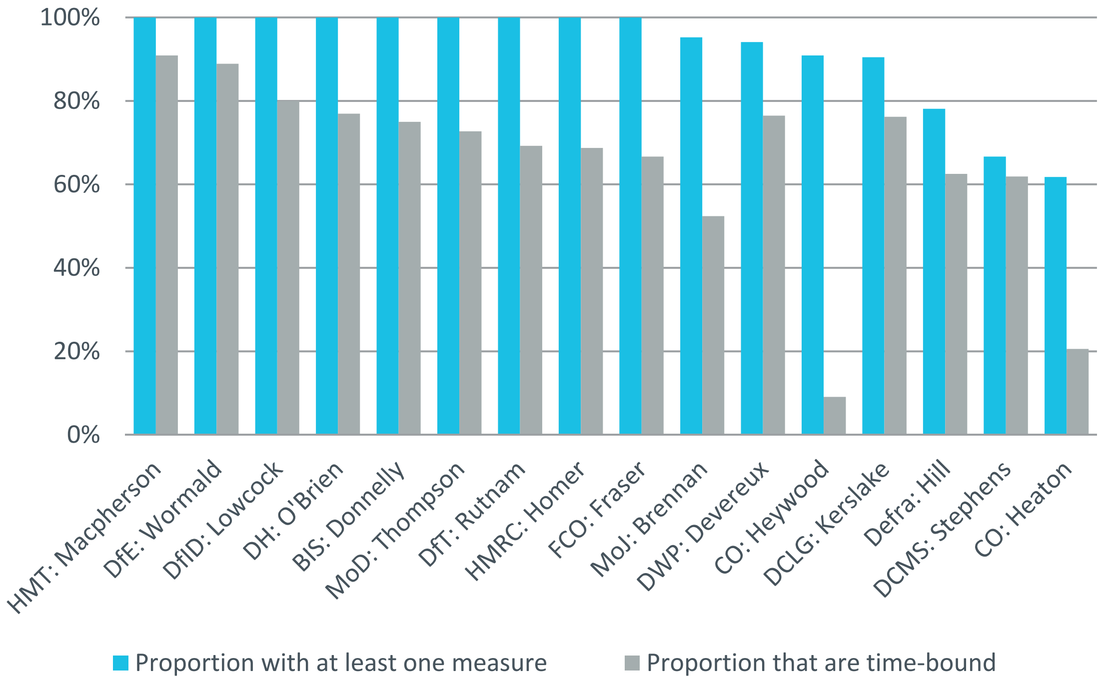
Specific performance data has not yet been published against these objectives. As Figure 11 shows, in many cases it is unclear when or on what measure performance against these objectives will be judged.

37 See Figure 5.4.

38 See Figure 5.5 and Annex H.

39 See Figure 5.6.

Figure 11: Proportion of permanent secretary objectives with an associated measure or containing a time element (2012/13)



Note: We were unable to find any objectives for the permanent secretaries of DECC or the Home Office. These departments have seen recent turnover at the permanent secretary level, but no objectives appear to exist in the public domain for the current officials or their predecessors.

Source: Institute for Government analysis of the Permanent Secretary Individual Performance Objectives, 2012/13.

Crucially, neither the Structural Reform Plans nor the Permanent Secretary Individual Performance Objectives are yet locked into a properly functioning system of accountability. Departmental leaders, and those working under them, are not currently being held to account for their outputs using these cross-government frameworks.[40]

Outcomes: Whitehall's end goals

Ultimately, departmental leaders want to improve real world outcomes, but the existing tools the Government uses to track its goals are limited. Because of this, a considerable number of departmental leaders have developed their own bespoke performance reporting.

The final element in measuring effectiveness is to see whether the desired outcomes actually occurred in the real world.

However, there is generally no simple causal chain linking outputs and outcomes. The links between what happens in Whitehall (e.g. controlling schools funding) and real world outcomes across society (e.g. children getting a better education) are often tenuous and influenced by factors beyond the Government's control. So departmental leaders rarely, if ever, directly control the end goals they are seeking to achieve.[41]

To lead effectively within this kind of environment, it is crucial that departmental leaders have a clear view of what their end goals are, and that they have some way of tracking whether the situation is improving or not. This should allow them to refine what Whitehall itself does, which should, in turn, improve the real world outcomes.

40 See pp. 57-66.

41 The Institute has suggested that departmental leaders should view themselves less as sitting on top of a delivery chain, and more as stewards of systems with multiple actors and decision makers – whose choices will determine how policy is realised. See Hallsworth, M., *System Stewardship: The future of policy making?*, Institute for Government, April 2011, www.instituteforgovernment.org.uk/publications/system-stewardship

Government's sole cross-government measures of outcomes are the departmental Impact Indicators. These were introduced by the Coalition Government as part of a wider suite of performance information known as the Business Plans, replacing the previous outcome targets contained within the Public Service Agreements (PSAs). However, these indicators have gaps in their coverage[42] and are not central to how many departmental leaders judge their performance.

In the absence of a strong cross-government framework, a considerable number of departmental leaders have developed their own departmental performance frameworks to track their outcomes. Eight out of 17 departments use their own bespoke frameworks as the primary basis of their internal reporting for outcomes.[43] Some of these approaches are summarised below.

Internal performance frameworks – case study summaries

- **MoD:** With the Defence Board's focus on management information, the department is making significant improvements in its internal reporting. One of the new tools allows capability to be modelled over a period of time. This helps the leadership consider future requirements and trade-offs in their decision-making.
- **DECC:** With a shift of focus to delivery, the department is working to develop indicators that can check whether performance is on track even though many of the outcomes will not be apparent for years.
- **DfE:** The department's outcome reporting has undergone a number of refinements. Supported by non-executive board members, it has streamlined its Board reporting and, following the department's 'zero-based review' in 2012, the reporting now focuses on a core set of ministerial priorities.
- **DH:** As part of the reforms of the health system, the department is moving away from a direct role in managing the NHS, social care and public health systems. With the ministerial department moving towards acting as a 'system steward', the departmental board is also making adjustments and now requires reporting that supports its assurance role.

Though many of these departments are individually benefiting from the frameworks they have developed, the fact that so many departments are using their own systems makes the performance landscape very fragmented.

Conclusions

In the UK we are fortunate to have access to such an array of information about the inner workings of government. The current Government's Transparency Agenda has helped push this further, opening up even more information for public review. In Annex A we set out our suggested principles that government data should adhere to, covering accessibility, quality and comparability. We also review the range of data sources used within this report and note the areas where we think improvements could be made.

However, simply having more data does not necessarily make it easier to build a picture of Whitehall or see how effectively it is performing.

Currently, while we can get insights on parts of the picture, it is impossible to comprehensively assess Whitehall's effectiveness. There are insufficient links between the resources departmental leaders receive, how they are deployed and the outcomes the Government is pursuing. It would be unrealistic to expect any government to model this perfectly, but Whitehall should be striving to improve its own understanding of how its actions affect real world outcomes, and how it can improve its performance.

42 For example, around 40% of DCMS's budget is allocated to Museums & Galleries, Heritage and the Arts. However, until the June 2013 refresh of the Business Plans it did not have a single Impact Indicator relating to any of these areas.

43 See Figure 6.3.

1. Introduction

Over the past three years, the Institute for Government has produced periodic *Whitehall Monitor* bulletins analysing key government data sources.[44] This report is our first attempt to bring this work together alongside extensive new analysis and wider insights from across the Institute's programme of work. We draw on the latest data to build a picture of Whitehall and provide insights on its effectiveness, focusing particularly on the changes that have occurred since the 2010 Spending Review.

1.1. Aims of this report

This report aims to build a systematic framework for thinking about the effectiveness of Whitehall. It focuses on the three elements that you need information on in order to judge effectiveness: the resources Whitehall has available to it (inputs), what it does with them (outputs) and whether it achieves its goals (outcomes).

The report evaluates, as far as possible given the data, how Whitehall is performing against the Government's objectives in each of these three areas. Taking the viewpoint of departmental leaders, it aims to give a clear view of the particular challenges associated with leading each department, and also to draw out where there are similar issues stretching across a range of departments.

Departments combine a mix of political and official leadership. They are jointly headed by a politically appointed secretary of state, and a permanent secretary drawn from the Civil Service. We use the phrase 'departmental leaders' to abstract from this split – the issues of effectiveness should concern leaders regardless of their official or political nature.[45]

Where we find weaknesses in the available data or how it is being used, we aim to show why this information is important and to offer constructive suggestions for how to improve it. In Annex A we set out suggested principles that government should follow when producing data on Whitehall. We also review all the major data sources used within this report and recommend ways in which each of these could be improved.

1.2. What do we mean by 'Whitehall'?

There is no standard definition of 'Whitehall'. The name originates from the street in central London where many of the departments have offices, though over time departments have built headquarters outside this narrow geographical definition.

In this report we use 'Whitehall' to denote the collection of central ministerial departments (including HM Revenue and Customs [HMRC],[46] though this is a non-ministerial department). The nature of these departments varies widely, including in terms of the scale of resources they control and the size of the departmental workforce. Some recent machinery of government (MoG) changes have meant that substantial delivery arms have been moved inside the central ministerial department boundary – for example, Jobcentre Plus moved into the Department for Work and Pensions (DWP) in October 2011. In some cases, information is available only for the departmental group as a whole, providing a single figure for the diverse collection of organisations that report into the central ministerial department. This view of the departmental group can sometimes provide a useful comparison point with the central, Whitehall part of the department. In our analysis we present the most informative and complete version of the information available, making the distinction between Whitehall and the wider departmental group where possible. In Annex B we set out the full details of how we have classified Whitehall and the organisational groupings that are available in the different data sources used within this report.

44 See www.instituteforgovernment.org.uk/our-work/whitehall-monitor

45 The exact relationship between the political and official leadership varies both across departments and over time. For further information, see the Institute for Government's forthcoming (September 2013) work on accountability in central government, by Akash Paun, Joshua Harris and Pepita Barlow, www.instituteforgovernment.org.uk/our-work/parliament-and-political-process/accountability-central-government

46 For a full list of acronyms used within this report see Annex I.

1.3. Why focus on Whitehall?

In context of the wider public sector and the whole of government's remit, Whitehall is tiny, around 30,000-40,000 people out of a public sector workforce of 5.7 million.[47] Despite its size, Whitehall plays a pivotal role within government.

We focus on Whitehall in this report because:

It is the channel through which most government business happens

The majority of the resources available to government get channelled through Whitehall departments, and Whitehall has considerable ability to control where and how they are used. Moreover, departmental leaders in Whitehall are at the heart of the accountability system of the UK Government.[48] As the policy-making core of government, Whitehall also sets the rules and strategic direction for the whole of government's remit. Through the policies and legislation it drafts, it can have significant downstream effects for both the public and private sectors and for individual citizens.

It forms the interface with elected politicians

Most departments constitutionally exist only as extensions of the secretary of state for that area. As such they are principally the tools of their minister, and exist to support him or her. As the interface between the politicians and officials, Whitehall is the transmission mechanism through which secretaries of state can get their ideas implemented. The effectiveness of this interface has important implications for democracy: officials must ensure that ministers act within the bounds of law and do not misuse public funds, but ministers must also have confidence that their electoral mandate will be respected and that officials will act to deliver the Government's priorities.

It is often misunderstood or overlooked entirely

Whitehall is often either ignored or confused with the wider public sector. While plenty of attention is paid to the end services that government delivers, such as schools or hospitals, there is little interest in, or understanding of, how the central bureaucratic parts of government operate. This report hopes to help remedy this, providing insights into what Whitehall looks like and what it does with the resources flowing into it.

1.4. Report structure

This report is structured around three elements necessary to judge effectiveness: what resources there are, how they are being used, and whether this is having the desired effect (a basic inputs/outputs/outcomes framework).

Inputs: resources available to Whitehall

The initial chapters focus on the resources available to departmental leaders. Chapter 2 sets out the totality of these resources and the various constraints and controls on how departmental leaders can use them; chapter 3 then examines in more detail how departmental leaders are managing the Government's drive to reduce budgets and staff numbers.

Outputs: managing the resources and judging Whitehall's performance

Chapters 4 and 5 look at the outputs of Whitehall: chapter 4 uses a framework built by the Institute to show how departmental leaders deploy the resources that they receive, examining the different resource management models being used by departments; chapter 5 then focuses on how government tracks its own outputs, offering a critique of its information on the Coalition's reform programme and its performance management of permanent secretaries.

47 ONS Statistical Bulletin, Public Sector Employment, Q1 2013, www.ons.gov.uk/ons/dcp171778_314151.pdf. See Annex C for comparisons of the size of workforce in Whitehall and different parts of the public sector.

48 For more on accountability in the UK government and the respective roles of the secretary of state and permanent secretary, and accounting officer responsibilities, see the Institute for Government's forthcoming (September 2013) work on accountability in central government, www.instituteforgovernment.org.uk/our-work/parliament-and-political-process/accountability-central-government

Outcomes: tracking Whitehall's end goals

Finally, in chapter 6 we look at the outcomes that Whitehall is trying to achieve. Here we show that the Coalition's performance frameworks were created in reaction to the 'targets' focus of the previous Labour government, with outcome measures appearing to be somewhat of an afterthought. As a result, many departments have developed their own performance frameworks, but the absence of a coherent, government-wide view means it is virtually impossible to see whether the Government's end goals are being achieved.

2. Inputs: Resources available to departmental leaders

The first step in understanding the effectiveness of Whitehall is to have a clear picture of the resources that are available to each set of departmental leaders.

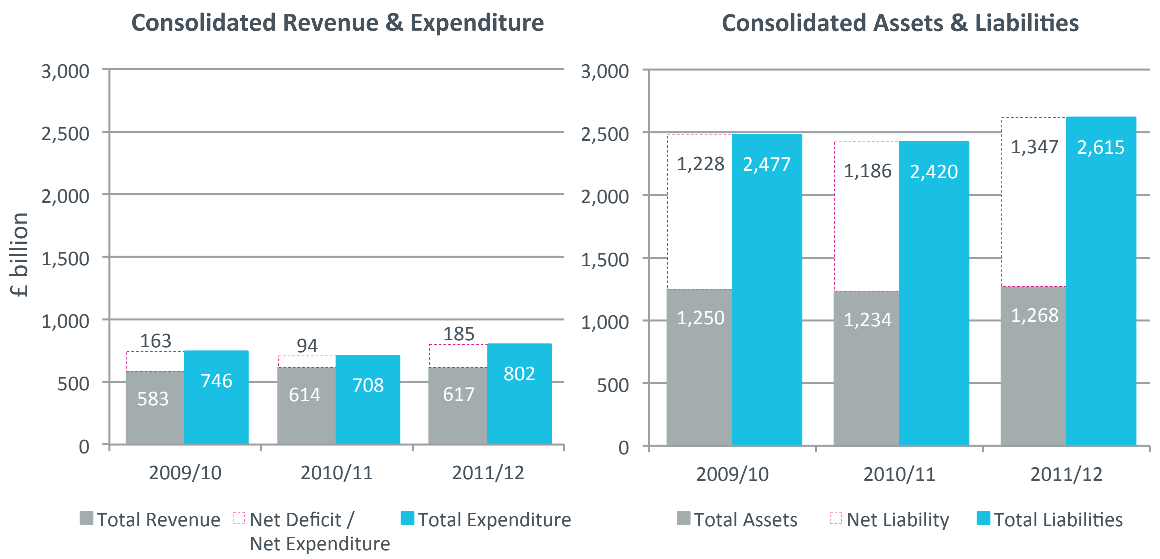
In this chapter we look at the types of resources available to departmental leaders and the controls and constraints on their allocation and use. Underneath the £673 billion (bn) of public expenditure,[49] we show the variations in the scale and types of budget that different departments receive. However, public spending is only part of the picture of departmental resources, and we note that while there are reasonably strong controls around the annual budgets that departmental leaders receive, assets and liabilities are comparatively neglected.

2.1. Departmental resources

Departmental leaders have two types of resources at their disposal: their departmental budgets and their portfolio of assets and liabilities.

The resources that departmental leaders have at their disposal broadly fall into two categories. First is the part that is most commonly talked about – the annual revenues the government collects, and the associated budgets for spending that departments receive and use each year.[50] Second are the assets that Whitehall and the broader departmental group already owns, such as properties or equipment. These assets are balanced against the financial obligations that the department has – such as its liabilities for public sector pensions.[51] As Figure 2.1 shows, while total revenue and expenditure figures are vast (£500bn-£800bn), the government's balance sheet runs to several £1,000bn.

Figure 2.1: Whole of government Revenue & Expenditure and Assets & Liabilities



Note: In Whole of Government Accounts (WGA) 2011-12, the net deficit was renamed 'net expenditure'.[52] In 2010/11, there was an adjustment of £126bn, reflecting the change in the inflation rate linked to the pensions liability from the Retail Price Index to the Consumer Price Index. In line with International Financial Reporting Standards (IFRS), this was shown as a reduction in the expenditure account. The expenditure figure for 2010/11, shown above, includes this reduction, in keeping with the way that it is reported in the WGA.

Source: Institute for Government analysis of WGA 2011-12, Chapter 7, pp. 37-40.

49 HM Treasury, *Budget 2013* (HC 1033), March 2013, Table 2.3 Table 2.3: 'Total Managed Expenditure' (TME), 2012/13, www.gov.uk/government/uploads/system/uploads/attachment_data/file/221885/budget2013_complete.pdf. Planned TME for 2013/14 is £720bn.

50 The gap between what government spends and the amount it receives in revenue from taxes and other sources is funded by government borrowing. This gap, plus the costs associated with borrowing, makes up the net deficit.

51 The gap between assets held and an organisation's liabilities is referred to as its 'net liability'.

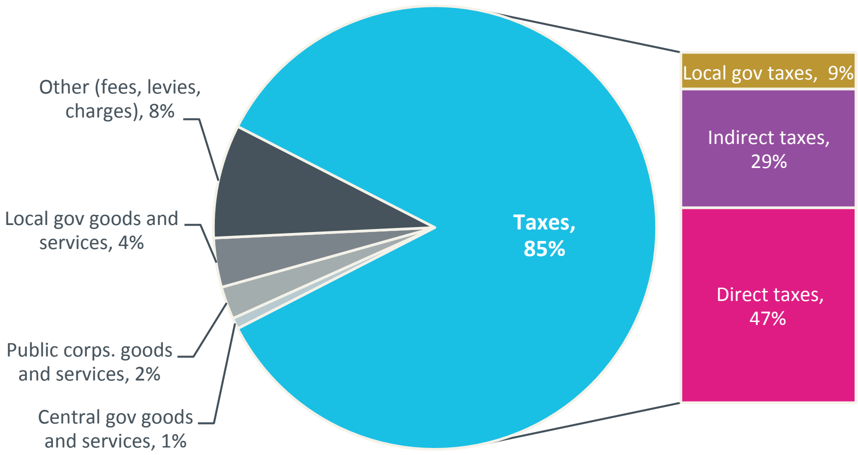
52 See, HM Treasury, *Whole of Government Accounts: Year ended 31 March 2012* (HC 531), July 2013, p. 155.

Government revenues and departmental budgets

Departmental leaders are allocated their budgets by the Treasury. These budgets vary considerably in size and there are extensive processes governing their use and scrutiny.

The primary income that departmental leaders receive comes from the revenues managed by the Treasury. As Figure 2.2 shows, government revenue comes primarily from taxation. Some departments do have other sources of income, such as charging for services like driving licences. However, income from many types of departmental revenue (e.g. fines) passes straight back to the Treasury and the government's bank account, the Consolidated Fund.[53]

Figure 2.2: Breakdown of sources of government revenue, 2011/12



Source: Institute for Government analysis of WGA 2011/12, Notes 3, 4 and 5, pp. 68-69.

Departmental leaders negotiate their individual departmental allocations with the Treasury. The periodic Spending Review or Spending Round processes are the main way that they are allocated resources, usually setting budgets over a number of years. While these allocations are largely fixed, they can subsequently be amended by the Treasury, as most recently happened in Budget 2013, which lowered most departments' allocations by 1%.

In the allocation phase, the periodic Spending Review or Spending Round processes are characterised by a series of intense bilateral negotiations between departmental leaders and the Treasury. These involve both officials – with spending plans submitted by the department being scrutinised by their civil service counterparts in the Treasury spending teams – and a political negotiation between secretaries of state and the Chancellor. The Budget and the Spending Reviews are also typically subject to extensive media and public debate.

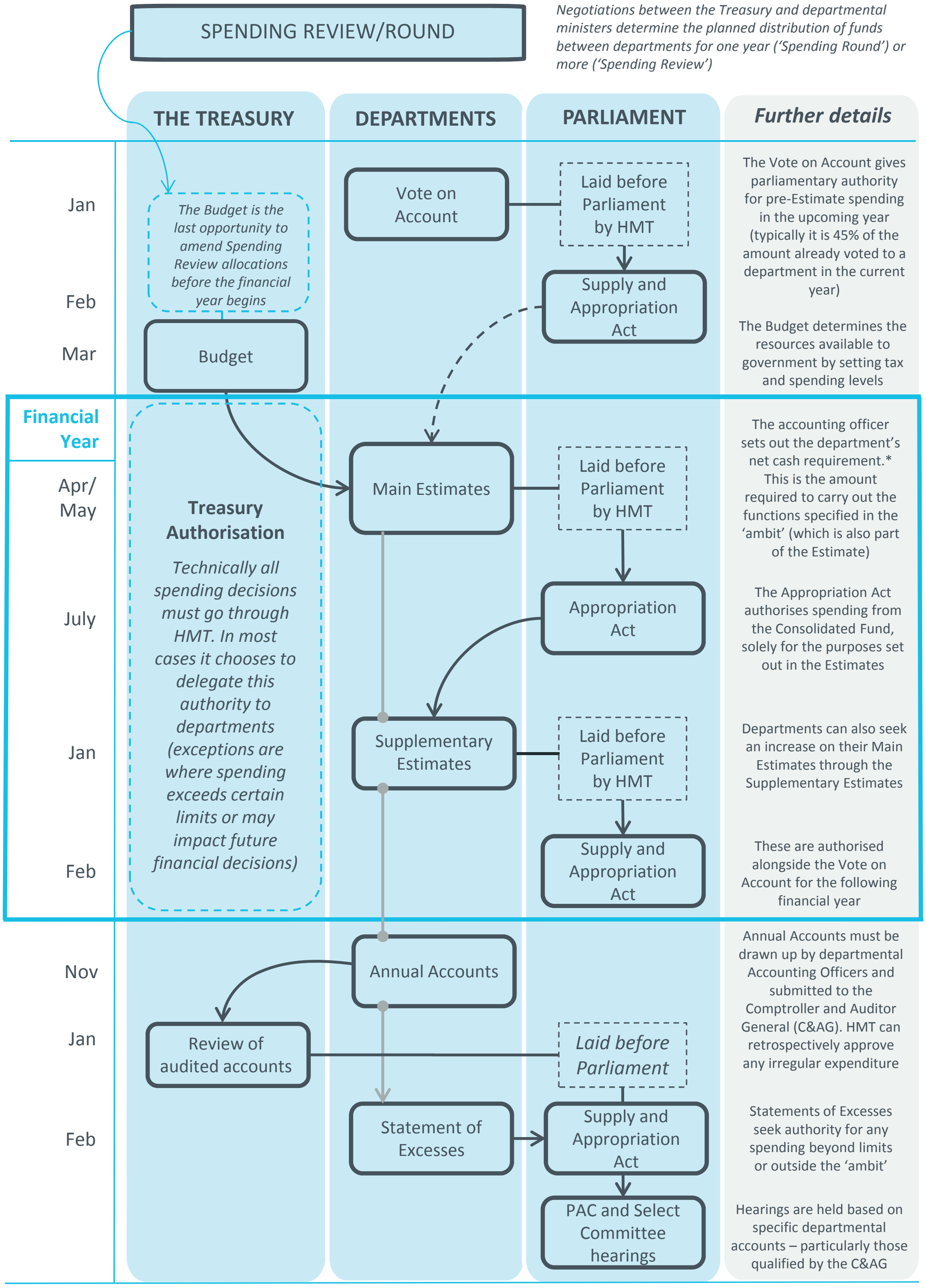
Once these allocations have been set, Parliament must give formal approval for departments to spend through the Estimates process.[54] Any changes must be cleared by the Treasury and accounted for to Parliament in the Supplementary Estimates and Excess Vote. Unauthorised breaches of these limits are treated seriously and lead to the department's accounts being qualified and potential fines imposed.[55] An overview of the processes governing the allocation and use of departmental budgets is set out in Figure 2.3.

53 The Consolidated Fund is the Government's general bank account at the Bank of England. See www.parliament.uk/site-information/glossary/consolidated-fund

54 This is in effect a formality – in practice, Parliament would only turn down estimates that have been approved by Treasury in extremely rare circumstances.

55 For example, DCLG's 2012/13 accounts were qualified and it was fined £20,000 by the Treasury for an unauthorised overdraft after it failed to manage its cash flows. Arguably, the reputational damage to the permanent secretary, financial director and the secretary of state are probably more significant than the financial penalties. See www.nao.org.uk/report/department-for-communities-and-local-government-accounts-2012-13

Figure 2.3: Spending controls for one financial year



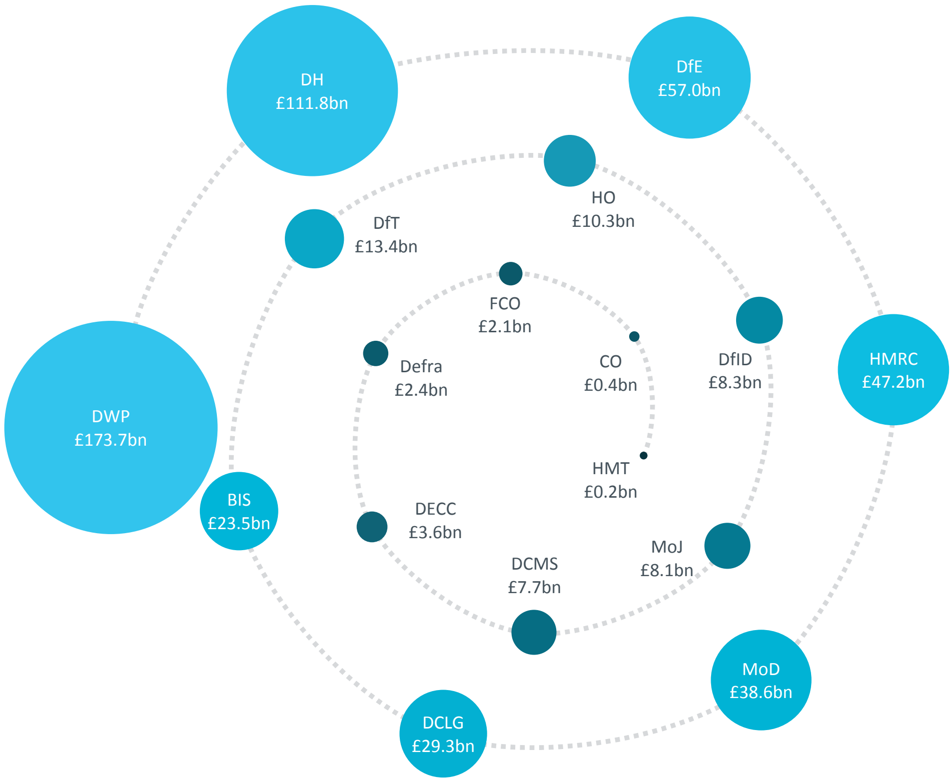
* The net cash requirement is the sum of net resources and net capital, excluding non-cash items (depreciation, etc.) and including changes relating to stocks, debtors and creditors.

Source: Government financial legislation and manuals; CIPFA, *Guide to central government finance and financial management*, September 2012.

The total budgets that Whitehall departments get allocated vary considerably by department. Leaders in departments such as the Department of Work and Pensions (DWP), the Department of Health (DH) and the Department for Education

(DfE) oversee substantial chunks of the economy, equivalent in reach to many industrial sectors.[56] Leaders in the mid-sized departments such as the Department for Business, Innovation & Skills (BIS), the Department for Transport (DfT) and the Home Office control budgets of more than £10bn per year. Meanwhile those with the smallest budgets still have resources in the hundreds of millions to billions, making them larger than virtually all commercial enterprises. Figure 2.4 shows the total budgets allocated to departments in 2012/13.

Figure 2.4: Total Managed Expenditure, £bn, 2012/13



Note: The Treasury's Annual Report does not provide a total as it does not have estimated Capital AME. Instead the figure shown here is for total Resource AME & DEL plus Capital DEL. Also note that, unlike Public Expenditure Statistical Analyses (PESA), departmental accounts do not include items such as pensions.

Source: Annual Report and Accounts 2011/12, planned total expenditure for 2012/13.

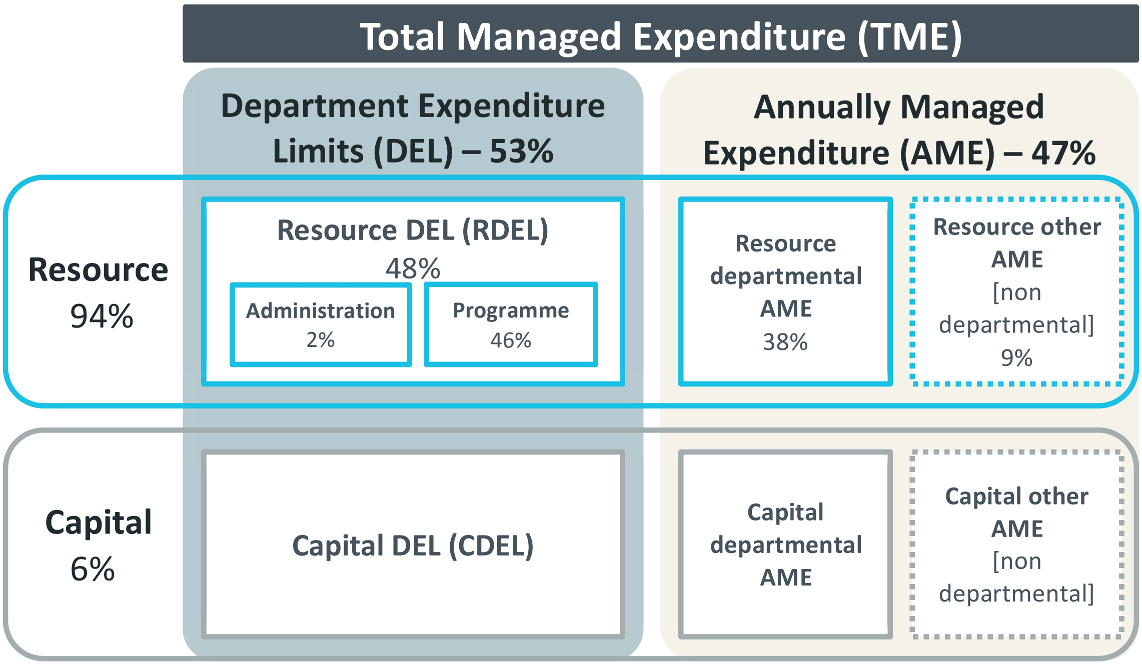
Composition of departmental budgets

Departmental leaders have parts of their budget set aside for particular types of spending. DWP and HMRC have the majority of their budget dedicated to meeting entitlements, such as pensions and benefits, whilst DfT and DECC have more than half of their budgets committed to capital spending.

Within these top level totals, there are further constraints on how departmental leaders can use these funds. The departmental allocations are subdivided into different categories, which are intended to be used for different types of spending. Figure 2.5 sets out the different components of departmental budgets.

56 For example, the budget going through the Department of Health contributes around the same amount in value to the economy as the entire construction sector. For industrial sectors Gross Value Added, see ONS, *United Kingdom National Accounts – The Blue Book, 2012 Edition*, July 2012, www.ons.gov.uk/ons/rel/naa1-rd/united-kingdom-national-accounts/the-blue-book--2012-edition/index.html

Figure 2.5: Components of Total Managed Expenditure

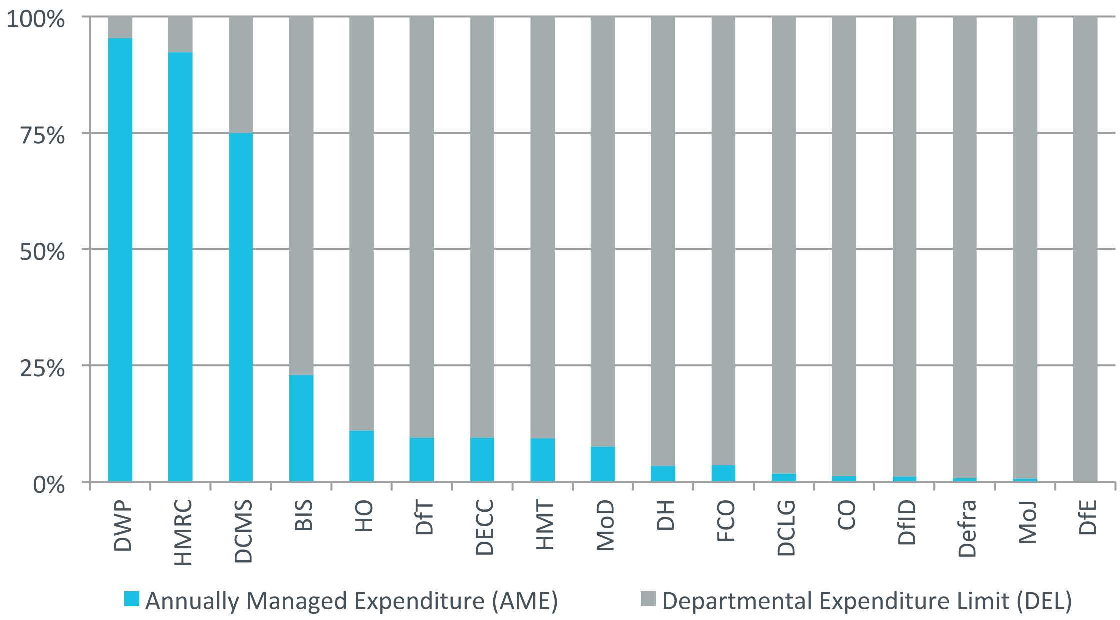


Source: Institute for Government analysis of Public Expenditure Statistical Analysis 2013, 2012/13 outturn.

DEL and AME

The first categorisation in departmental budgets is between the Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME). DEL represents the known departmental expenditure plans that departmental leaders can firmly commit to. In contrast, AME relates to expenditure where the maximum levels cannot be firmly set in advance. This includes items such as paying debt interest, and demand-led areas such as welfare payments and pensions, where the government is obliged to pay everyone who is entitled to these benefits.

Figure 2.6: DEL and AME as a proportion of departmental budgets, 2012/13



Note: We aggregated DCLG Communities and DCLG Local Government. See Annex B.

Source: Departmental Annual Reports and Accounts 2011/12, (plans for 2012/13).

As Figure 2.6 shows, in departments such as DWP and HMRC, the majority of their budget is for AME. This is intended strictly to meet the department's obligations, such as paying pensions or benefits, and departmental leaders cannot redeploy this resource into other areas. For DWP, the largest single element of AME is the state pension (£79.9bn).[57] DWP also has AME covering a range of other benefits and welfare support measures.[58] For HMRC, the AME budget covers £30.4bn of tax credits and £12.6bn of social benefits and grants, which include Child Benefit.[59] Even if the department changes rules governing who is eligible to receive these benefits, the Treasury will simply alter the department's budget for AME to match.

The Department for Culture, Media and Sport (DCMS) also has significant proportions of its budget dedicated to AME. Here the major components of AME spending are £3.4bn for the BBC and £1.1bn for lottery grants. There is also £2.3bn categorised as 'New and adjustments to existing provisions and impairments' in DCMS's planned AME expenditure for 2012/13.[60]

For most departments, however, the majority of their budget is categorised as DEL. This represents the total amount that departmental leaders can spend on delivering their departments' business within a given year. Spending Reviews typically set this out in outline format for multiple years, with the precise control totals being set on an annual basis. In the Main Estimates, departments are also required to set out how they will spend their DEL budget.[61]

Historically, while departmental leaders have been directly responsible for ensuring that they do not spend more than they have been set for DEL, there has been no corresponding responsibility for keeping to the AME forecasts. This is not to say that AME expenditure was uncontrollable – instead the mechanisms through which government was able to affect it operated differently. While for DEL expenditure the Treasury set a fixed total and departments were given wide-ranging discretion on how they spent it, most AME spending was managed through government policies that set the level and eligibility criteria of the entitlements.

Box 2.1: Changes to controls on AME

In Budget 2013, the Chancellor announced plans to 'strengthen the spending framework by introducing a firm limit on a significant proportion of AME, including areas of welfare expenditure'.[62] In the 2013 Spending Round, he set out further details of how he intended to introduce this 'limit on the nation's Credit Card'[63] by introducing a cap on parts of the welfare budget from 2015-16. Notably, this excluded some of the areas where the big increases are likely to be: debt interest and public service pensions.[64] In practice, departments will continue to look at their policies and forecast how they think these will affect AME. The main difference is that for the areas within the cap, if their forecast goes above the cap level[65] by a significant margin, the department will be forced to adjust its policies to reduce the anticipated level of spending required. Exactly how the cap will operate, or how any breaches will be dealt with, is not fully specified, though the Spending Round 2013 document does note that the Office for Budget Responsibility (OBR) will judge departments' performance against the cap.[66]

57 DWP, *Annual Report & Accounts 2011/12*, (HC 53), July 2012, p. 210, Table 1: 'Public spending for the Department for Work and Pensions'(Section AH), www.gov.uk/government/uploads/system/uploads/attachment_data/file/214340/dwp-annual-report-and-accounts-2011-2012.pdf

58 These include: housing benefit (£17.1bn), disability living allowance (£13.6bn), pension credit and minimum income guarantee (£7.8bn), rent rebates (£5.7bn), attendance allowance (£5.6bn), income support (£5.1bn), Jobseekers Allowance (£5.5bn), council tax benefit (£4.8bn), and employment support allowance (£4.1bn). *Ibid*.

59 HMRC, *Annual Report & Accounts 2011/12* (HC 38), June 2012, p.25, Table 1, 'Total departmental spending' (Sections M and F), www.hmrc.gov.uk/about/annual-report-accounts-1112.pdf. Planned expenditure in 2012/13 includes Resource AME.

60 DCMS, *Annual Report and Accounts 2011-12* (HC 859), February 2013, p.24, table 1, 'Public Spending', ('Resource AME'), www.gov.uk/government/publications/dcms-annual-report-and-accounts-2011-12

61 This explanation of what different parts of the budget will be used for is called the 'ambit'.

62 HM Treasury, *Budget 2013* (HC 1033), March 2013, p. 26, www.gov.uk/government/uploads/system/uploads/attachment_data/file/188357/budget2013_complete.pdf.pdf

63 Chancellor's Spending Round 2013 speech, 26 June 2013, www.gov.uk/government/speeches/spending-round-2013-speech

64 For additional context, see the Institute for Fiscal Studies' Spending Round 2013 briefing papers www.ifs.org.uk/projects/418

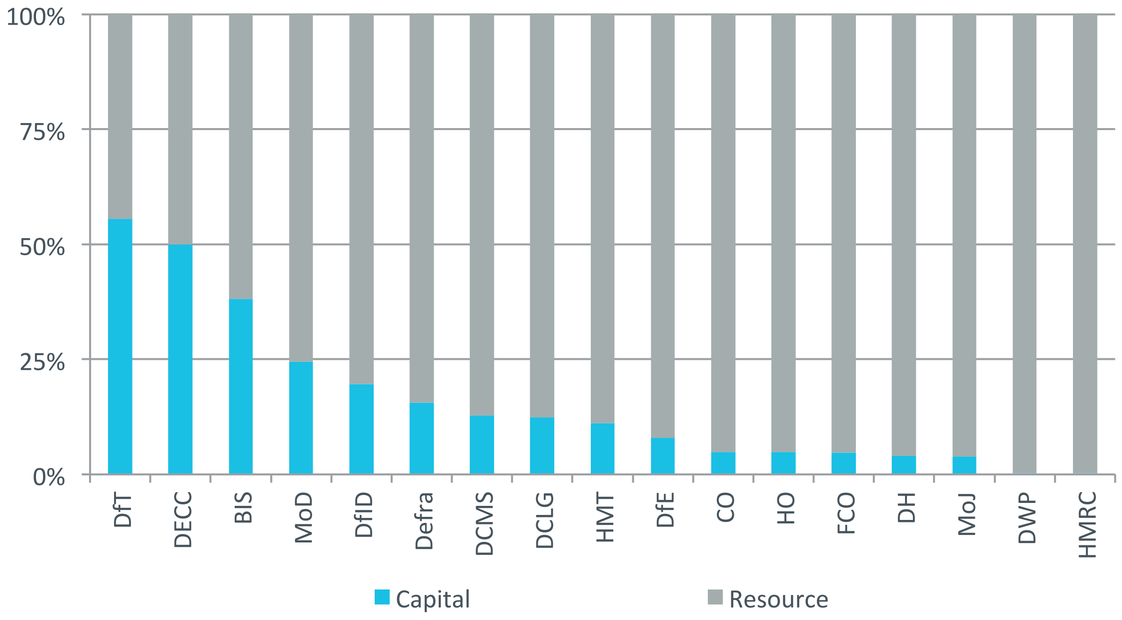
65 As yet, there is no indication of the level of this cap. The Spending Round 2013 document states: "The Government will set the cap at Budget 2014 alongside the OBR's fiscal forecast." See HM Treasury, *Spending Round 2013* (Cm 8639), June 2013, p. 8, www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf

66 *Ibid*., p. 27.

Resource and Capital

The other big divide in how departmental leaders can use the resources allocated to them is between Resource and Capital expenditure. Resource DEL is further divided between Programme and Administration spending, with the Programme budget provided to cover current spending on government programmes and policies, and Administration spend reflecting the cost of 'running the department'. In the 2010 Spending Review, the Administration budgets for departments' arm's-length bodies were combined with that of the core ministerial departments for the first time.[67] This gave departmental leaders greater discretion over how to distribute this budget within the departmental group and also incentivised them to look for savings that could be made to the running of their arm's-length bodies. This budget includes the pay bill for civil servants working in Whitehall and also back-office costs such as building rents or IT equipment. As we describe in chapter 3, Administration budgets are an area that have come under pressure, with all departments being asked to make considerable cuts.

Figure 2.7: Capital and Resource as a proportion of departmental budgets, 2012/13



Note: We aggregated DCLG Communities and DCLG Local Government, see Annex B.

Source: Departmental Annual Reports and Accounts 2011/12, (plans for 2012/13).

Capital expenditure is spending that adds to the public sector's fixed assets. Capital DEL was separated out as a specific budget line by the last Labour government, with the distinction designed to correct the perceived underinvestment in the public sector.[68] This ringfences the funds – departmental leaders are not allowed to transfer it to their Administration or Programme budgets. For some departmental leaders, a significant portion of their budget is dedicated to capital spending. Proportionally, DfT and the Department of Energy & Climate Change (DECC) have the largest amounts of their budgets allocated for capital spending. For DfT this includes: Network Rail (£3.7bn), Local Authority Transport (£1.4bn), Crossrail (£1.2bn) and the Highways Agency (£1.0bn).[69] For DECC, most of its capital expenditure goes to the Nuclear Decommissioning Authority and its Site Licence Companies (£1.6bn). The biggest capital budgets in absolute terms are in the Ministry of Defence (MoD) (£9.9bn), BIS (£8.9bn) and DfT (£8.0bn).[70] For BIS, the majority of its capital budget is also

67 This was as part of the 'Clear Line of Sight' reform; departments now provide a single budget for Administration for their entire departmental group. For more details, see HMT, *Alignment (Clear Line of Sight) Project* (Cm 7576), March 2009, www.official-documents.gov.uk/document/cm75/7567/7567.pdf

68 See Crawford, R., et al., *A survey of public spending in the UK*, Institute for Fiscal Studies, September 2009, p. 10, www.ifs.org.uk/bns/bn43.pdf

69 DfT, *Annual Report and Accounts 2011-12* (HC 51), July 2012, p. 39, table 1, 'Public Spending: total departmental spending' ('Capital DEL', sections B, C, D and J), www.gov.uk/government/uploads/system/uploads/attachment_data/file/209505/annual-report-and-accounts-1112.pdf; DECC, *Annual Report and Accounts 2011-12* (HC 63), March 2012, p. 222, table 1, 'Total departmental spending' ('Capital DEL', section F), www.gov.uk/government/uploads/system/uploads/attachment_data/file/48452/5718-decc-annual-report-and-accounts-201112-.pdf

70 Figures are plans for 2012/13. See MoD, *Annual Report and Accounts 2011-12* (HC 62), December 2012, p. 55, table 8.3, 'Total departmental spending' ('Total Capital Budget') www.gov.uk/government/publications/mod-annual-report-and-accounts-2011-12; BIS, *Annual Report and Accounts 2011-12* (HC 60), September 2012, p. 225, table 1, 'Total departmental spending' ('Total Capital Budget'), www.gov.uk/government/uploads/system/uploads/attachment_data/file/34762/12-p102-bis-annual-report-and-accounts-2011-12.pdf; DfT, *Annual Report and Accounts 2011-12* (HC 51), July 2012, p. 40, table 1, 'Public Spending: total departmental spending' ('Total Capital Budget'), www.gov.uk/government/uploads/system/uploads/attachment_data/file/209505/annual-report-and-accounts-1112.pdf

classified as AME, with £6.0bn being allocated to Higher Education as Capital AME in 2012/13.

Further controls on departmental budgets

> *Even within the budget categories, departmental leaders are not able to spend money as they choose – the accounting officer must ensure that there is good value for money for all spending in their department, and both the Treasury and Cabinet Office exercise controls over particular kinds of spending.*

The respective roles of the departmental leaders themselves act as a further set of controls on how the money is spent. Despite the extensive formal powers invested in them, secretaries of state do not have a completely free rein on expenditure. Permanent secretaries, in their role as departmental accounting officers,[71] have a duty to ensure that public money is spent according to the specified principles of regularity, propriety, value for money and feasibility.[72] If the minister decides to continue with a course that has been advised against, the accounting officer can ask the minister for a formal written 'direction to proceed'.[73]

There are also central controls on certain areas of departmental spending. The Treasury requires departments to get its approval before embarking on particular types of spending – such as contentious projects or those with long-term contractual implications.[74] The Efficiency and Reform Group in the Cabinet Office, which was created by the Coalition Government, exercises an additional level of central controls on spending. This includes areas such as consultancy spend and the running of major projects, with their remit including many of the arm's-length bodies within departmental groups as well as Whitehall.[75]

Expenditure must also be formally accounted for each year in the department's Annual Report and Accounts, which are audited by the National Audit Office (NAO). Furthermore, departments are subject to ongoing scrutiny and challenge from parliamentary select committees on whether they are using their allocated resources appropriately.

2.2. Assets and liabilities

> *Assets and liabilities are comparatively neglected, with few systematic controls governing how departmental leaders should manage their portfolios.*

The other set of resources that departmental leaders have on their books are the assets and liabilities that their departmental group holds. However, in many cases, the degree of direct managerial control a departmental leader can exercise over substantial proportions of their portfolio of assets and liabilities may be quite limited. It is the accounting officer of each individual public sector organisation who is responsible for the acquisition, maintenance and disposal of their organisation's assets.[76]

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71 The departmental accounting officer is accountable to Parliament for the stewardship of their department's resources. Arm's-length bodies also have their own accounting officers, who are responsible to the relevant departmental accounting officer. For further information, see HM Treasury, *Managing Public Money*, July 2013, chapter 3, www.gov.uk/government/publications/managing-public-money

72 *Ibid.*, Box 3.2.

73 *Ibid.*, chapter 3.4.3. (In practice, formal directions are rare.)

74 The Treasury cannot delegate responsibility for transactions that set precedents, are novel, contentious or could cause repercussions elsewhere in the public sector. See HM Treasury, *Managing Public Money*, July 2013, chapter 2.3, www.gov.uk/government/publications/managing-public-money

75 See www.gov.uk/government/news/francis-maude-reveals-further-savings-that-beat-expectations

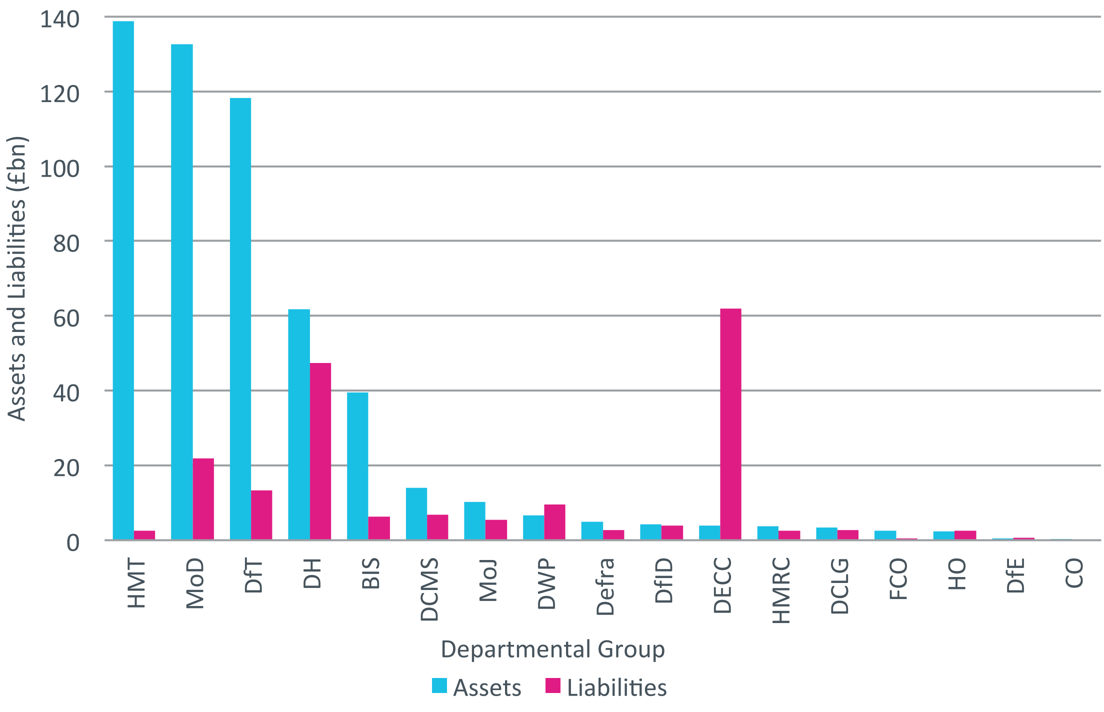
76 HM Treasury, *Managing Public Money*, July 2013, annex 4.15, www.gov.uk/government/publications/managing-public-money

Compared with current spending, assets and liabilities are largely ignored, despite the substantial sums involved. This is notwithstanding the current and anticipated future costs of maintaining certain assets and the fact that resources tied up in assets could be converted in some cases to cash. It also should be noted that liabilities are items that the departments expect to have to provide funds to meet at some point in the future, and the eventual spending incurred to meet these liabilities is subject to the controls outlined in Figure 2.3.

Levels of assets and liabilities

The Treasury, MoD and DfT have significant assets on their books, relating to the banks and property, plant and equipment. The biggest departmental liabilities sit with DECC and DH for nuclear decommissioning and clinical negligence respectively.

Figure 2.8: Departmental assets and liabilities at 31 March 2012 (£bn)



Note: Departmental accounts do not include pensions liabilities or government financing and borrowing. Pension liabilities are contained in separate annual accounts for specific pension schemes (e.g. the NHS Pension Scheme accounts). Borrowing liabilities are included in the National Loans Fund Annual Accounts.

Source: Institute for Government analysis of departmental Annual Reports and Accounts 2011/12.

As Figure 2.8 shows, the bulk of the government's assets sit in a few departments: the Treasury, MoD and DfT each have assets of more than £100bn on their books. Most of the Treasury's assets are 'financial assets, loans or derivative financial assets' relating to the recent bail-out of the banks; for MoD and DfT, the majority of their assets are classified as 'property, plant and equipment'.[77] In BIS, the asset portfolio is dominated by the student loan book, which accounts for £28bn, 71% of its total.[78]

77 See *Statement of Financial Position* in relevant departmental Annual Report and Accounts 2011-12.

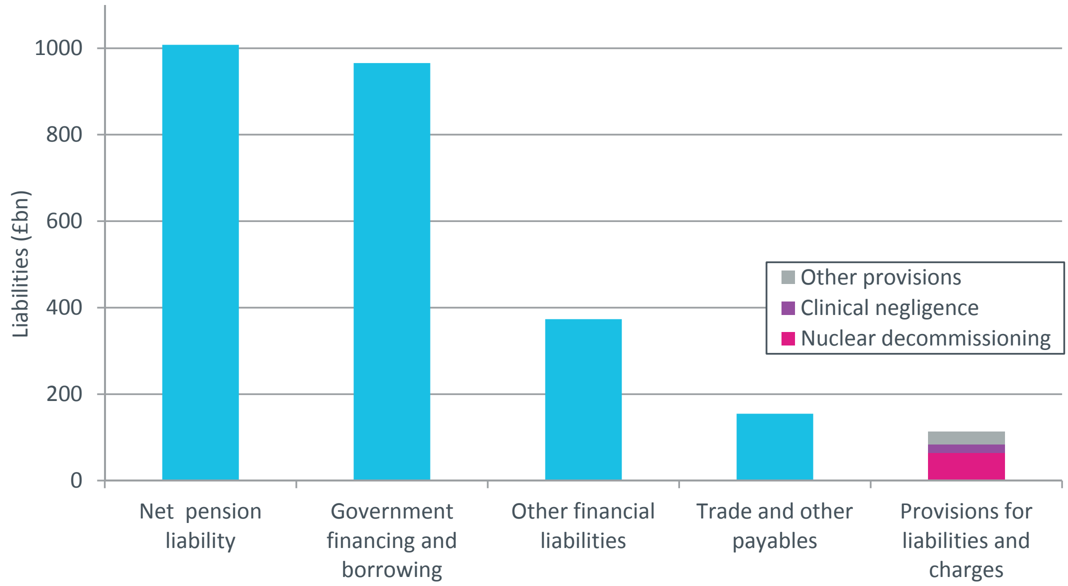
78 BIS, *Annual Report and Accounts 2011-12* (HC 60), September 2012, Note 20.1, p. 165, www.gov.uk/government/uploads/system/uploads/attachment_data/file/34762/12-p102-bis-annual-report-and-accounts-2011-12.pdf

Departments' annual accounts do not include some of the major government liabilities, such as public sector pensions or government borrowing.[79] Figure 2.8, which is based on departments' accounts, shows that DECC and DH hold the largest departmental liabilities. For DECC this is primarily composed of the £51bn provisions for nuclear decommissioning. Clinical negligence provisions make up £18.6bn of DH's liabilities. The liabilities in each of these departments have grown significantly over the last couple of years, with DECC's liabilities increasing by 16% between 1 April 2010 and 31 March 2012,[80] and DH seeing a 25% increase in its liabilities over the same period.[81]

Box 2.2: Liabilities – from a whole of government perspective

Though at a departmental level, nuclear decommissioning and clinical negligence provisions make up some of the largest items on departments' balance sheets, they make up a minority of the government's liabilities as a whole. In 2011/12, the net pension liability and government borrowing and financing make up 38.5% and 36.9% of the total government liabilities respectively. In comparison, the provisions for nuclear decommissioning and clinical negligence for that year amount to 3.2% of the total.

Figure 2.9: Government's consolidated liabilities at 31 March 2012 – WGA (£bn)



Note: These consolidated government liabilities are significantly larger than those shown at the departmental level in Figure 2.8. This is because departments' annual accounts exclude items such as pensions and government borrowing (see note to Figure 2.8).

Source: Institute for Government analysis of WGA 2011/12, Statement of Financial Position, pp. 39-40, and Note 25, p. 98.

79 Departmental accounts do not include pensions liabilities or government financing and borrowing. Pension liabilities are contained in the annual accounts of specific pension schemes (e.g. the NHS Pension Scheme accounts). Borrowing liabilities are included in the National Loans Fund Annual Accounts.

80 DECC, *Annual Report and Accounts 2011-12* (HC 63), March 2012, Note 22, p. 11, www.gov.uk/government/uploads/system/uploads/attachment_data/file/48452/5718-decc-annual-report-and-accounts-201112-.pdf

81 DH, *Annual Report and Account 2011-12* (HC 66), October 2012, Note 20, pp. 181-183, www.gov.uk/government/uploads/system/uploads/attachment_data/file/212977/23735_HC-66-DoH.pdf

Management and controls of assets and liabilities

Though there are some central support services, there are few central controls or objectives for how departmental leaders should manage their portfolios of assets and liabilities.

Unlike departmental spending, there are no regular, comprehensive review or allocation processes for assets or liabilities. There is no equivalent of the Spending Review to look at what assets each department needs for the next few years. Departmental leaders are not set any limits or plans for either the total levels of assets or liabilities, nor are there controls governing the types of assets or liabilities held.[82]

Currently, there is no systematic management of the government's portfolio of assets and liabilities. There are limited central controls focused on certain liabilities at their inception, but once these are created there are no apparent central controls on their ongoing management or growth.[83] There have been major improvements in getting visibility of the whole portfolio, with the Whole of Government Accounts (WGA) painting a more comprehensive picture of the government balance sheet than exists in other countries. However, it remains unclear who should take responsibility for the issues that the WGA highlights, such as the rapid growth in nuclear decommissioning and clinical negligence liabilities.[84]

In some areas, departmental leaders can draw on dedicated central resources to help them access specialist knowledge and assistance. For example, the Government Property Unit in the Cabinet Office works with departments to help them get the best out of their estate.[85] But this is a support service; it has no powers to control or reallocate property across government and it can set no binding commitments on departments to manage their estates in certain ways.

At a departmental level, though these assets and liabilities are accounted for as part of the departmental group, leaders in Whitehall may have only limited control over them. While some of the major assets are directly managed by the department, such as the estates and inventories within the MoD, others sit out in arm's-length bodies or the wider public sector. DH, for example, does not exercise direct management control over assets in NHS Trusts. Furthermore, as the departments are not set any objectives in relation to their assets and liabilities centrally, the Annual Reports give a descriptive account that lacks a yardstick against which their performance can be judged unless departmental leaders choose to set their own.

This is not to say there is no evaluation or scrutiny of how departments are managing their balance sheets, but this is on an ad hoc, case-by-case basis. For example, following a highly critical NAO report on the MoD's estate development plan,[86] the department created the Defence Infrastructure Organisation to manage its land and infrastructure.

82 Efforts have been made in the past to manage assets more strategically from a whole-of-government perspective, but there is no evidence that these initiatives have survived. See HM Treasury, *Operational Efficiency Programme: final report*, April 2009, chapter 3, www.bis.gov.uk/assets/BISCore/shex/files/oep_final_report_210409_pu728.pdf

83 Departmental leaders retain the primary responsibility for the management of assets and liabilities. The Treasury outlines 'good practice', rather than obligations. Departments are expected to notify Parliament of any new liabilities, and ideally gain statutory backing. However, this does not apply to ongoing liabilities, liabilities incurred in the 'normal course of business' or those under £300,000. See HM Treasury, *Managing Public Money*, July 2013, Annexes 4.15 and 5.4.

84 See PAC, *HM Treasury: Whole of Government Accounts 2010–11* (HC 867), Thirty-seventh Report of Session 2012-13, March 2013, Question 42 and Question 98.

85 www.civilservice.gov.uk/networks/pam/property-asset-management-in-government/government-property-unit

86 NAO, *Ministry of Defence: A defence estate of the right size to meet operational needs* (HC 70), Session 2010-11, July 2010, www.nao.org.uk/wp-content/uploads/2010/07/101170.pdf. Recommendations formalised in Lord Levene's *Defence Reform: An independent report into the structure and management of the Ministry of Defence*, June 2011, www.gov.uk/government/uploads/system/uploads/attachment_data/file/27408/defence_reform_report_struct_mgt_mod_27june2011.pdf

2.3. Conclusions

Looking at the overall system of resources available to Whitehall we can see that while there is reasonably good visibility and control over some types of resources, other areas, such as assets and liabilities, receive comparatively little attention.

On the expenditure side, we discussed how departmental leaders are subject to tight controls on the allocation and use of their budgets. We also noted that there are considerable differences in the size and composition of budgets that departmental leaders have at their disposal. So while some departments such as DWP or HMRC may have considerable total budgets, departmental leaders must spend almost all of their budgets on funding AME entitlements rather than having the flexibility to use these resources to fund programmes of their choosing. Similarly, while DCMS's budget may appear bigger than might be expected, the majority passes straight through to the BBC and other sponsored bodies as AME expenditure. In a similar vein, DfT and DECC each have at least half of their budgets dedicated to capital spending.

For assets and liabilities, while there have been commendable attempts to shed more light on the government's balance sheet, departmental leaders are subject to very few constraints on how they manage their own balance sheets. Instead, this area appears to be comparatively ignored, with no central direction or management of the government's portfolio of assets and liabilities, despite the significant sums involved.

Overall, it is clear that the level of controls on what resources departments are allocated and how they should use them is much more extensive for departmental budgets than it is for the balance sheet. In the next chapter we look at how departments have been asked to reduce their budgets, and whether these controls have meant that the Government's austerity measures have been implemented by departments.

3. Inputs: Resource reductions in departments

In this chapter we look at the challenges that departmental leaders have faced in managing budget cuts and staff reductions. We start by looking at whether departments are meeting Spending Review objectives to reduce their departmental resource budgets and cut their department's running costs. We then look at the staff cuts that have been made by departments, noting who has cut the most and whether it has changed the profile of the civil service workforce. Finally we look at whether these staff cuts appear to be sustainable and whether staffing levels set out in the Civil Service Reform Plan are likely to be reached.

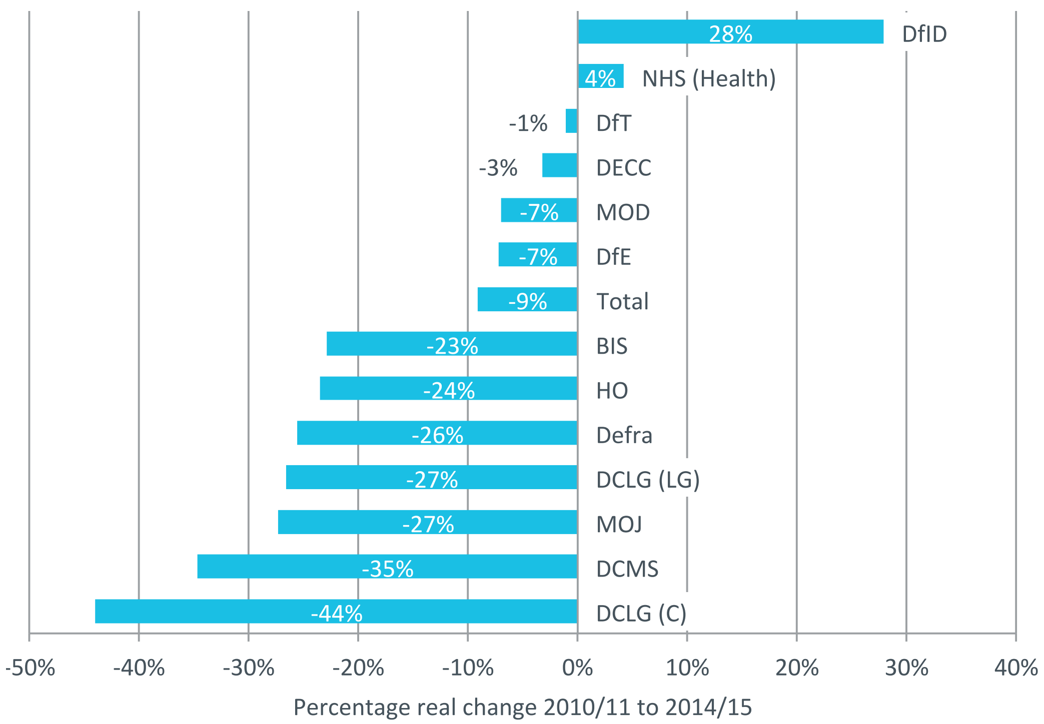
3.1. Departments' resource budget plans

Over the past three years, most departmental leaders have had to make significant reductions to their budgets and to their Whitehall staff.

At the 2010 Spending Review, departments were given challenging settlements. Overall, the Resource DEL budget saw cumulative real reductions of 8.3%, with many of the non-ringfenced departments[87] facing reductions of more than 20%.[88] In the 2013 Spending Round, the Chancellor made clear that departments could expect further cuts beyond the current parliament.[89] Departmental leaders were also asked to make deep cuts to the cost of running their departments, with Administration budgets being cut by a third in all departments, including those that were within the ringfence.

At the 2010 Spending Review, the ringfencing of certain departmental budgets meant that the leaders of unprotected departments faced considerably higher levels of cuts. Figure 3.1 sets out the levels of cuts to each departmental budget.

Figure 3.1: Estimated cuts over five years – real % change 2010/11 to 2014/15



Note: The Chancellor's departments have been omitted by the Institute for Fiscal Studies (IFS). Departmental groupings as per source material.

Source: IFS analysis of Spending Review and Budget data, June 2013 briefing on Spending Round 2013.

87 Ringfenced budgets in 2010 were for the NHS (DH), Schools (DfE), International Aid (DfID), Official Development Assistance and the Nuclear Decommissioning Authority (DECC).

88 HM Treasury, *Spending Review 2010* (Cm 7942), October 2010, Table 1, 'Departmental Programme and Administration Budgets (Resource DEL excluding depreciation)', p. 10, www.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf

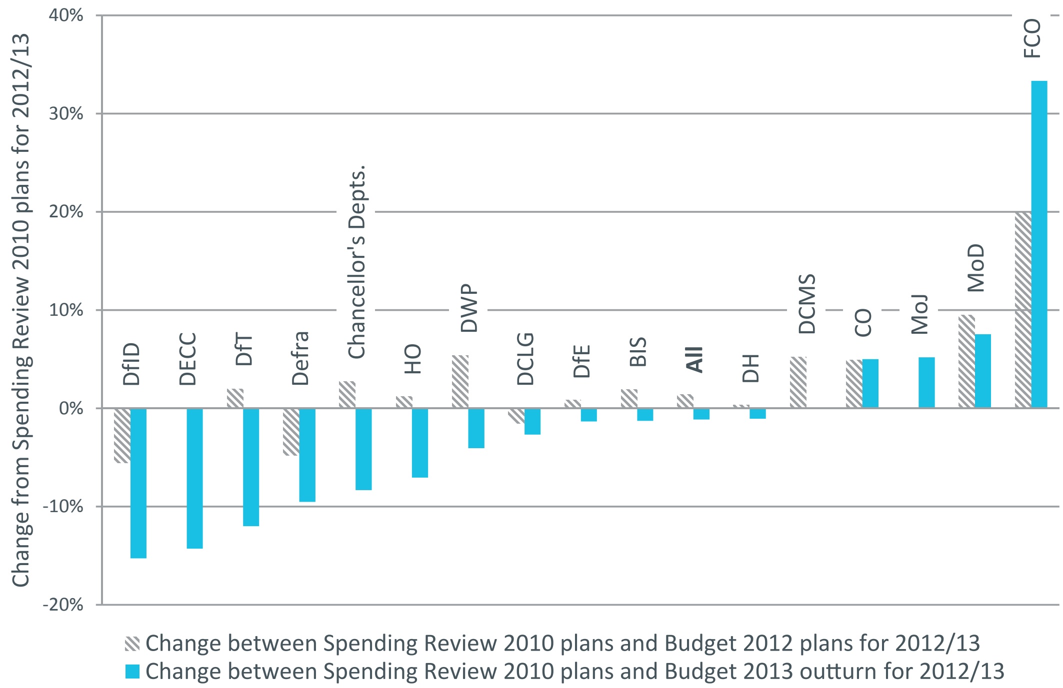
89 Chancellor's Spending Round 2013 speech, 26 June 2013, www.gov.uk/government/speeches/spending-round-2013-speech

Reductions to resource budgets

Departmental leaders have successfully stuck to the planned spending reductions, with many showing an outturn below the level expected in Spending Review 2010.

We have analysed whether departments have been able to keep to these settlements for their planned resource expenditure (RDEL). Looking at the differences between these planned numbers and the latest figures on how much departments actually spent (see Figure 3.2 below), we can see that many departments appear to have spent even less than their original allocation. For example, the Department for International Development (DfID), DECC and DfT showed outturns that are more than 10% below their Spending Review plans for 2012/13.

Figure 3.2: Final plans and estimated outturns against Spending Review 2010 plans (Resource DEL 2012/13)



Note: The figures for Cabinet Office in the chart above include the Single Intelligence Service budget. See Annex B.

Source: Institute for Government analysis of Spending Review 2010 and Budgets 2012 and 2013.

While both the Foreign & Commonwealth Office (FCO) and MoD show significant 'overspends', these are largely due to claims against the central reserve fund for conflict prevention and peacekeeping duties. These kinds of claims are what the central reserve funds are intended to cover. In the case of the Ministry of Justice (MoJ), the apparent 'overspend' was due to a number of additional reserve claims, including more than £150m to fund 'emerging cost pressures' in the prisons and probation service.[90]

As Figure 2.3 sets out, departments have had a number of opportunities to amend their plans since the Spending Review. We can see in many departments the figures were revised between the Spending Review 2010 and the latest plans published in Budget 2012. In some departments, these revisions were in the opposite direction to the eventual outturn. So DWP's Budget 2012 plans anticipated a 5% increase on the Spending Review 2010 plans, whereas in fact Budget 2013 outturn shows they came in 4% below it.

90 Ministry of Justice, *Memorandum on Single Supplementary Estimate 2012-13*, February 2013, www.publications.parliament.uk/pa/cm201213/cmselect/cmjust/writev/mojsse201213.pdf

While, at a top level, these underspends might appear to be a sign that departmental leaders are doing better than expected in achieving the cuts, there are reasons to be cautious about how we treat these figures.

Unplanned variations from the original budgets, both upwards and downwards, can point to weak forecasting and financial management. The underspend figures in Budget 2013 were also questioned by the Institute for Fiscal Studies (IFS), which noted that some of the underspend was simply down to deferral of spend to later years. It commented: 'it is unlikely that this has led either to an economically optimal allocation of spending across years or to a good use of time by officials and ministers.'[91]

In some cases, it is possible to see what is driving the change from plans. For example, DfE spent £156m less on apprenticeships in 2012/13 than planned – in part because fewer employers than expected provided places. Other cases are less clear, with some underspends appearing to be more about transfers between budget lines rather than real reductions. For example, the Home Office Resource DEL underspend appears to reflect a transfer of pension liabilities to AME, rather than a real reduction in costs.[92]

Reductions to Administration budgets

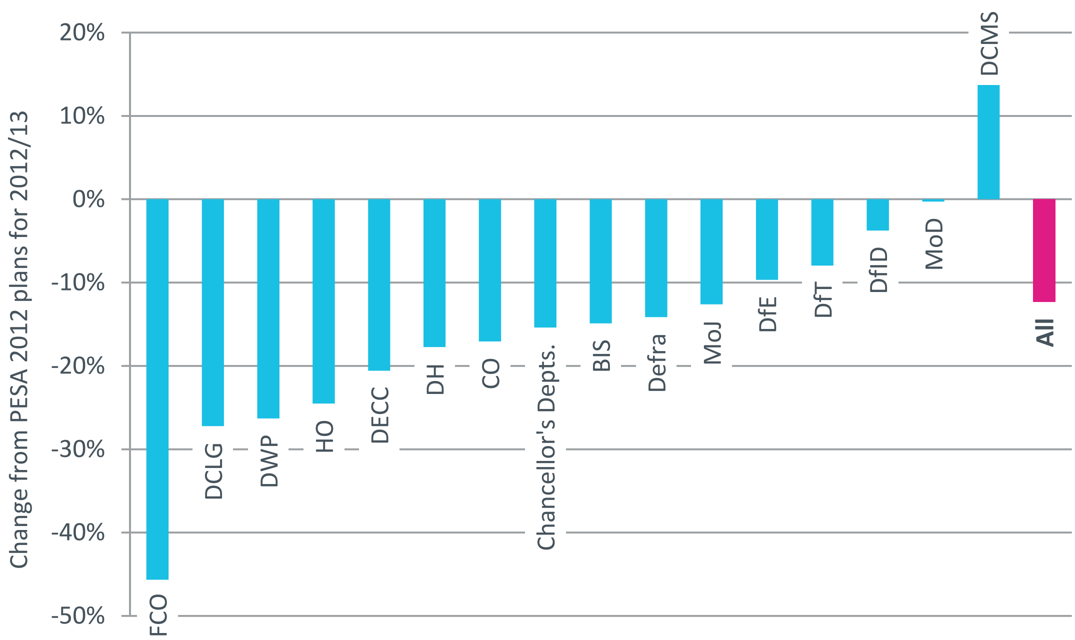
> *Within their overall resource budgets, all departmental leaders were asked to cut their operating costs by at least a third. Many departments do seem to be underspending against their latest set of plans.*

The Administration budget is usually described as the 'costs of running a department'. Made up of civil service staff costs and other 'back office' expenditure, this component of the resource budget was an area that was particularly targeted, with all departmental leaders asked to make cuts of around a third in their 2010 Spending Review settlements.

However, tracking how well departments are doing at achieving these objectives is more problematic. Because of 'Clear Line of Sight'[93] reforms that were being implemented, the Spending Review baseline figures are on a different basis to figures reported in the Treasury's Public Expenditure Statistical Analyses (PESA) or the departments' Annual Report and Accounts.[94]

What we can do is look at a particular reporting series, such as the PESA figures, to see whether there is a difference between the planned figures and the outturn that is subsequently reported.

Figure 3.3: Outturn compared to Administration budget plans, 2012/13



Source: Institute for Government analysis of PESA 2012 plans for 2012/13 and PESA 2013 outturn for 2012/13 for Administration budgets.

91 Institute for Fiscal Studies, *Budget Briefing*, March 2013, p. 4, www.ifs.org.uk/budgets/budget2013/intro.pdf

92 See, Home Office, *Supplementary Estimate 2012-13*, February 2013, www.parliament.uk/documents/commons-committees/home-affairs/Home%20Office%20Estimate%20Memorandum%20Supp%2012-13.pdf

93 For more details see *HM Treasury, Alignment (Clear Line of Sight) Project*, March 2009, www.official-documents.gov.uk/document/cm75/7567/7567.pdf

94 There are also differences in how the different publications treat depreciation and how they define the departmental groups.

Looking at PESA 2012 plans against the reported outturn in PESA 2013 outturn for the financial year 2012/13, we can see that there was an average underspend of 12%.[95] In some cases, the reported differences between the latest set of plans and the outturns provided are significantly higher. For example the FCO's Administration outturn for 2012/13 appears to be an astonishing 46% lower than the plans the department set out in PESA 2012.

Box 3.1: Challenges in tracking departmental budgets

When judging effective financial management it is helpful to be able to have a view of the finances over time, and to track progress against any specific financial goals.

With government, both of these elements are currently very challenging. Below we set out some of the difficulties that currently exist, and in Annex A we suggest principles that all government data should follow to improve quality and usability.

The organisational reporting boundaries are not consistent

Currently the definitions of departments and what falls within a departmental group are inconsistent between the main sources of financial reporting. For example, the Treasury and HMRC produce separate Annual Accounts, but are grouped together as the 'Chancellor's Departments' in the Budget and PESA.

There are inconsistencies in how spending has been reported

At the time of the 2010 Spending Review, there were significant differences in how the Budgets, Annual Reports and the Estimates reported different types of spending. The Clear Line of Sight (Alignment) project was set up to try to remove the discrepancies in the way figures were produced for the Treasury, departments and Parliament. These reforms were implemented in 2011/12, leaving discontinuities in the published data series.

There is inadequate explanation of the changes

Despite the differences in how expenditure has been reported, there is nothing that comprehensively sets out how the different sets of official published figures can be reconciled to each other. There is also inadequate documentation of how spending plans change over time – for example, in response to policy changes or machinery of government restructuring. While the Supplementary Estimates do provide some details, this is relatively inaccessible and does not give a full account of the changes between different sets of published plans or the end outturns. For example, in the Spending Round 2013, there were considerable differences in the 'baseline' 2014/15 figures for departments and those published previously in Spending Review 2010 or the recent Budget 2013. Despite these movements, there was no documentation of the changes within the Spending Round document.

The data is hard to access

The Government has taken commendable steps forward in improving the range of information that is available in the public domain. However, some of the data is still hard to access. As we have noted above, the data in this area comes from a range of published sources, which are not collated or reconciled. Also, key sources, such as the Estimates Memorandum, are not routinely published. Even where the published information is available, some of these sources do not make the data available in a machine-readable format, which makes it much harder to analyse. For example, all of the Spending Review and Budget figures must be manually extracted from pdf documents. Despite ministerial guidance stating that departments should make the key figures from their Annual Reports available as a spreadsheet, only a minority of departments actually produced their figures in an accessible form last year.[96]

95 DCMS has confirmed that the increase in its Administration budget between PESA 2012 plans for 2012/13 and the outturn figures in PESA 2013 are mainly due to a transfer of £10m from the Programme budget to Administration and an increase of £12m as a result of a machinery of government change moving the Government Equalities Office into DCMS. (Statement from DCMS officials to the Institute for Government, July 2013.)

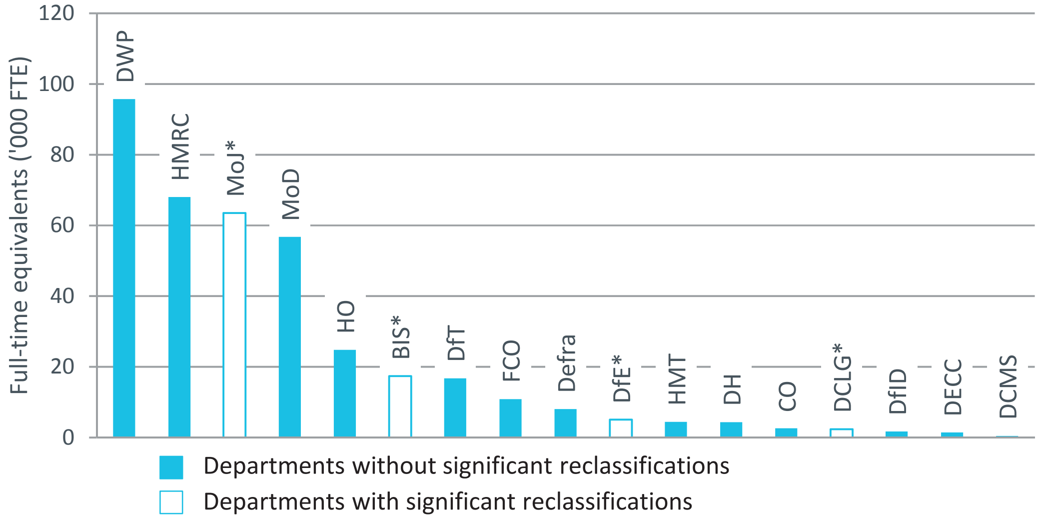
96 Rogers, S., 'Government data pdf enthusiasts will be "dealt with", says Maude', *Guardian Datablog*, October 2012, www.guardian.co.uk/news/datablog/2012/oct/17/open-government-data-pdfs

3.2. Civil Service headcount reductions

To reduce their Administration budgets, most departments have been cutting their civil service workforces. Departmental leaders have taken very different approaches to the level and shape of these staff reductions.

A key driver of the Administration budget levels is the staffing level in individual departments.[97] Our analysis shows that most departments have been making significant reductions to their civil service staff as part of their plans to achieve the necessary Administration budget savings. As Figure 3.4 shows, departments have very different staffing levels, and have been adopting different approaches to how they carry out any planned reductions.

Figure 3.4: Civil Service staff numbers by department, 2013 Q1



Note: Several departments (*) were subject to significant MoG changes. See Annex D for an explanation of how we have treated these reclassifications of staff. Precise Civil Service staff numbers are in Table D.1 in Annex D.

Source: Office of National Statistics (ONS) Public Sector Employment, 2013 Q1.

Staff reductions in departments

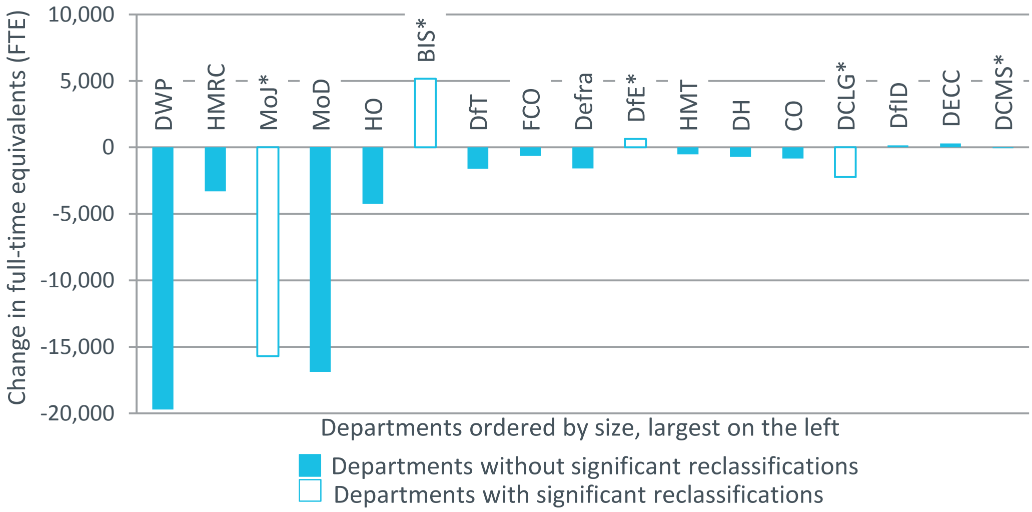
The biggest cuts in absolute terms have come from the departments with the largest workforces, such as DWP, MoJ and MoD. Proportionally, however, some of the smaller departments (DCMS, the Cabinet Office and DCLG) have made the biggest reductions.

In absolute terms, the larger departments, DWP, MoD, MoJ, have reduced the most. Even excluding machinery of government transfers, together they have shed more than 45,000 full-time equivalent (FTE) staff[98] since the Spending Review (see Figure 3.5).

97 Note that while the staff in ministerial departments and executive agencies tend predominantly to be civil servants, staff in other arm's-length bodies are typically not part of the Civil Service.

98 FTE provides a measure based on the hours the employee is contracted to work (e.g. someone who works 2.5 days per week would be 0.5 FTE). We use FTE rather than headcount figures, unless otherwise noted, as the latter counts both full-time and part-time employees as one unit.

Figure 3.5: Changes in Civil Service staff (FTE) from Spending Review 2010 to 2013 Q1, by departmental group,[99] unadjusted

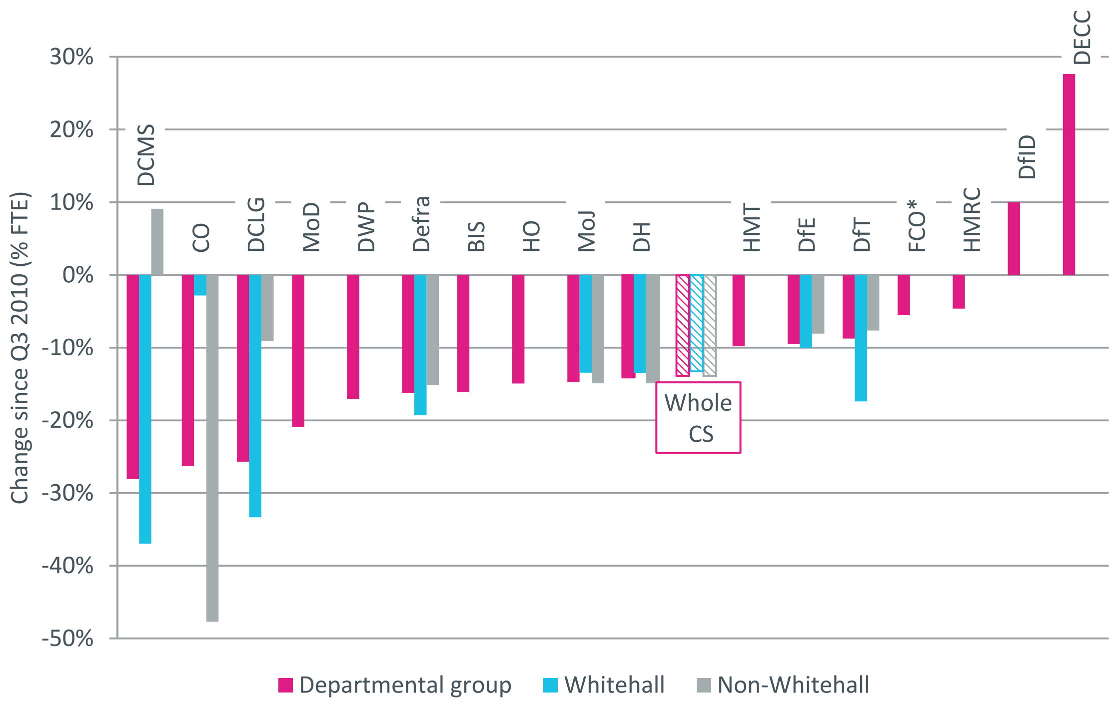


Note: Several departments (*) were subject to significant MoG changes. See Annex D for an explanation of how we have treated these reclassifications of staff.

Source: Institute for Government analysis of ONS Public Sector Employment data, not adjusted for reclassifications.

In order to see whether the levels of cuts are consistent across departments, we also looked at the proportion of staff that have been cut. Figure 3.6 shows that departments are cutting at proportionally very different rates.

Figure 3.6: Changes in Civil Service staff since Spending Review 2010, adjusted



Note: FCO (*) changed its reporting such that a comparable baseline is not available for Whitehall.

Source: Institute for Government analysis of ONS Public Sector Employment data, adjusted for reclassifications and machinery of government changes. See Annex D for a full explanation of these adjustments and and Annex B for details of the departmental groupings used.

99 We use figures for Q3 2010 as our 'Spending Review 2010' baseline for staff numbers. This is different to figures produced by the Cabinet Office, which tends to use Q2 2010 as its baseline for the Coalition Government.

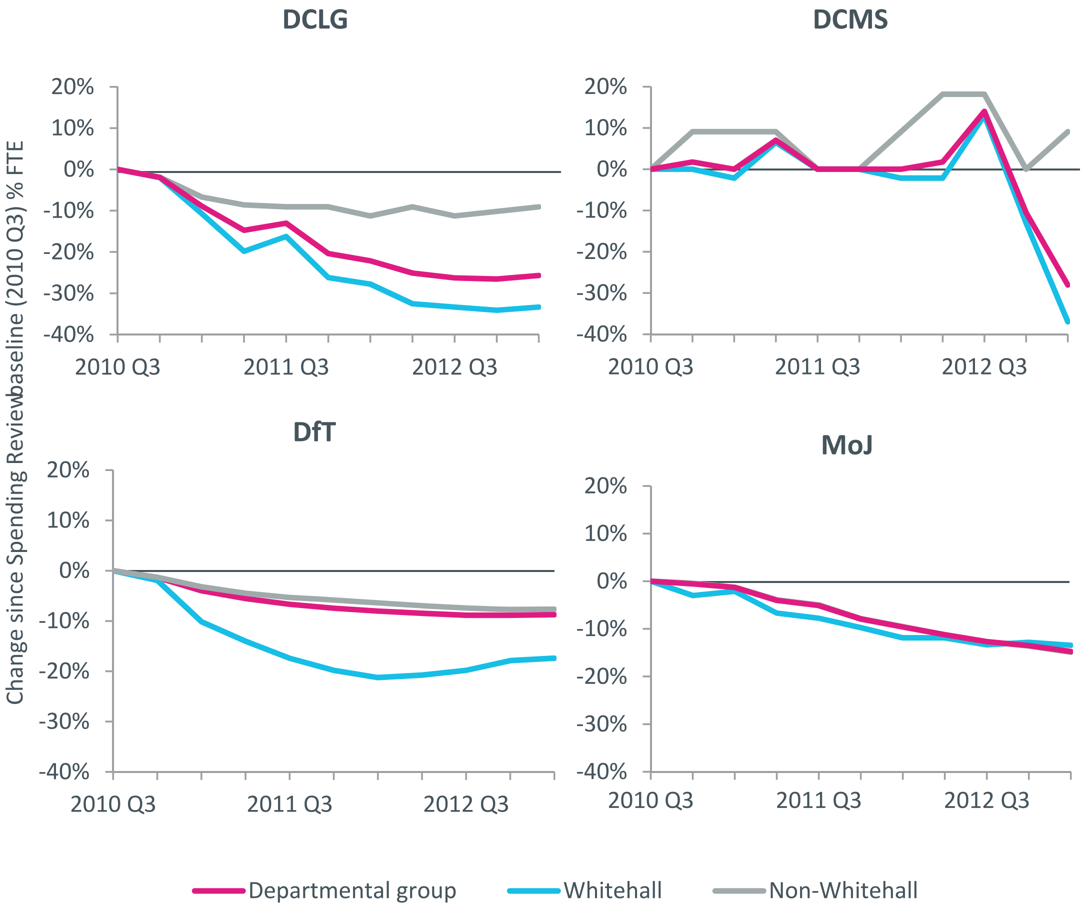
Proportionally, DCMS, the Cabinet Office and the Department for Communities and Local Government (DCLG) have cut the most from their departmental groups – reducing civil service levels by more than 20% since the Spending Review. At DCMS, because of the small total level of civil servants, small changes in absolute terms can show up as considerable percentage moves. So the upward spike in non-Whitehall staff relates to a fluctuation of 10-20 people over the last few years (with the ONS rounding to 10 FTE). Inside Whitehall, DCMS actually saw small increases in staffing numbers over most of the period (during which it was supporting the 2012 Olympic and Paralympic Games), before numbers dropped sharply in Q1 2013 to their current level (see Figure 3.7 below).

The cuts to the Cabinet Office and DCLG show how departmental leaders have achieved reductions in very different ways. For the Cabinet Office, the cuts are primarily due to the abolition of arm's-length bodies such as the Central Office of Information. The central ministerial department has been reduced by only 3% over the same period. In contrast, leaders in DCLG have cut its core Whitehall department harder and faster – reducing by 33% compared with an average of 26% for the departmental group.

DECC has continually increased its civil service staff over the last few years. Unlike other departments, it did not indicate that it would make staffing cuts at the time of its Spending Review 2010 settlement. The department has previously noted that it is understaffed against its planned operating levels.[100]

Looking at the departmental profiles we can observe that departments have been cutting in quite different ways (see Figure 3.7 and Annex D for the full set of departments).

Figure 3.7: Profiles of civil service workforce reductions within departments, adjusted



Source: Institute for Government analysis of ONS Public Sector Employment data, adjusted for reclassifications and machinery of government changes. See Annex D for explanation of these adjustments.

100 Institute for Government interview, July 2012.

In most departments, leaders have set the tone from the centre, with Whitehall being cut first and at a faster rate than the wider departmental family. Some departments, such as DfT and BIS, which cut hard initially, are now beginning to take on Whitehall staff again. But in others we observe a more continual downward trend.

Changes to the composition of the Civil Service

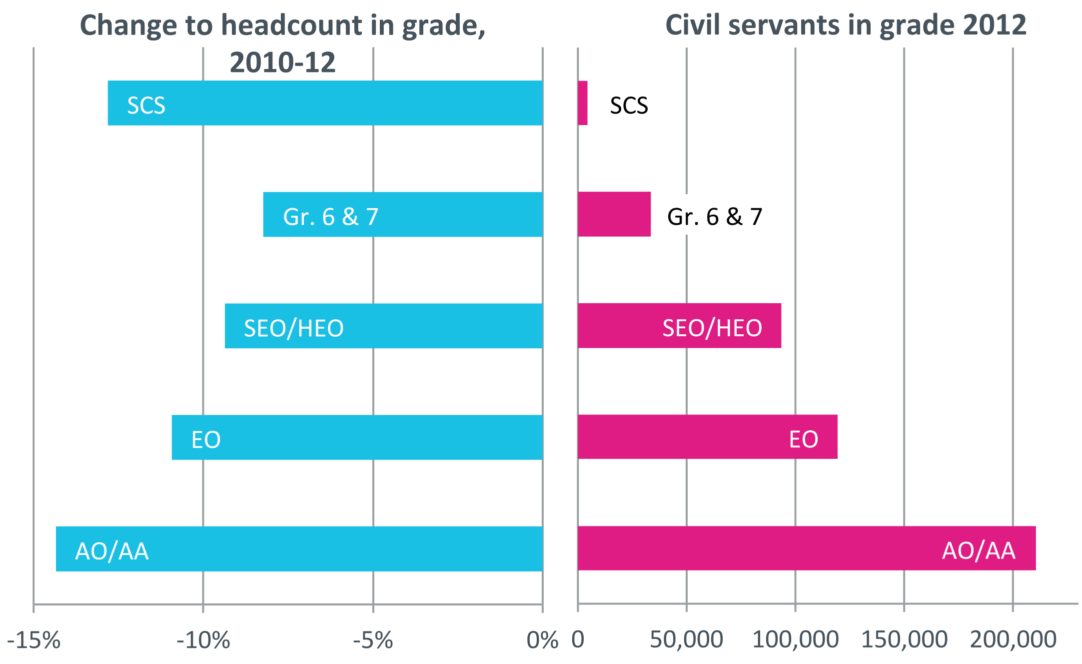
Whilst most diversity measures remain relatively unaffected by the cuts, certain groups are still under-represented, especially in the top grades.

Grades

We initially observed that some departments were choosing to cut from the top to begin with, starting with their most senior grades and working down.[101] From our work looking at transformations in departments we know that many started the process by restructuring their top teams and the senior civil service (SCS) before implementing wider reforms.[102]

Currently, more than 70% of civil servants belong to the most junior grades – administrative officer/assistant (AO/AA) and executive officer (EO). The next grades (senior/higher executive officer [SEO/HEO] and grades 6 and 7) make up about a quarter of the Civil Service, while the SCS is just 1% of the workforce. Looking at the grade structure, the cuts have been more pronounced at the top and bottom of the grade scale. While the Civil Service shrank by around 12% overall, the SCS has been reduced by around 13% and, at the other end of the grade ladder, the administrative officer/assistant grade has shrunk by more than 14%. By contrast, headcount in grades 6 and 7 – the grades just below the SCS – has been cut by just over 8%.

Figure 3.8: Changes in the grade profile of the Civil Service between 2010 and 2012



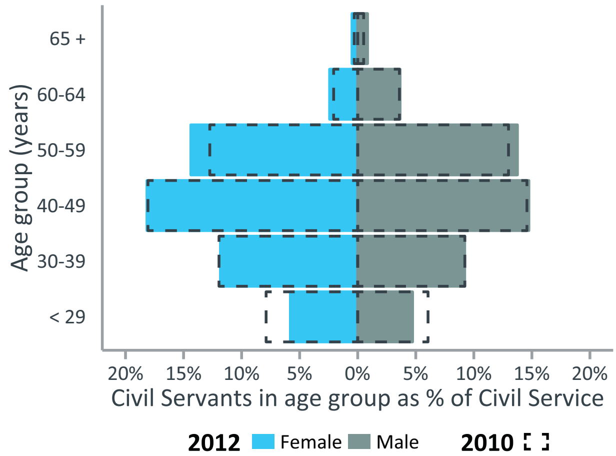
Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey data, 2010-12.

101 Stephen, J., *Whitehall Monitor #7*, Institute for Government, www.instituteforgovernment.org.uk/sites/default/files/whitehall_monitor_7.pdf

102 See Page, J., et al., *Transforming Whitehall: Leading major change in Whitehall departments*, Institute for Government, November 2012, www.instituteforgovernment.org.uk/publications/transforming-whitehall-departments-0

We also analysed whether there had been any significant changes to the composition of the Civil Service in terms of key diversity statistics: gender, ethnicity and age.

Figure 3.9: Civil servants by age group and gender, 2010 and 2012



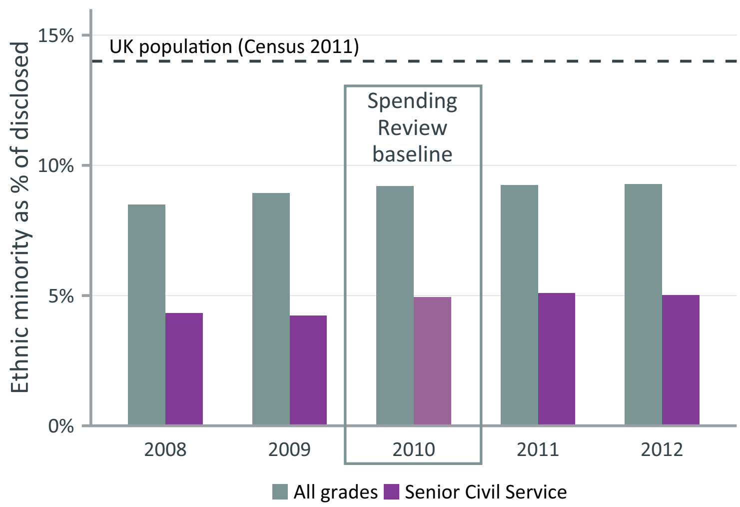
Age group (years)	Change in share of Civil Service 2010-12 (% pts)
65+	+0.5
60-64	+0.4
50-59	+2.4
40-49	+0.3
30-39	-0.1
Under 29	-3.4

Note: See Annex E for full departmental breakdown.

Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey data.

The data shows that between 2010 and 2012, the Civil Service has changed little on most diversity metrics apart from age. As a result of staff reductions and the ageing of existing civil servants, the Civil Service is now older on average: the share of those aged 20-29 has fallen by more than 3% while the share of those over 50 years old has increased by more than 3%.

Figure 3.10: Civil servants identifying as ethnic minority[103]



Note: See Annex E for full departmental breakdown.

Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey data.

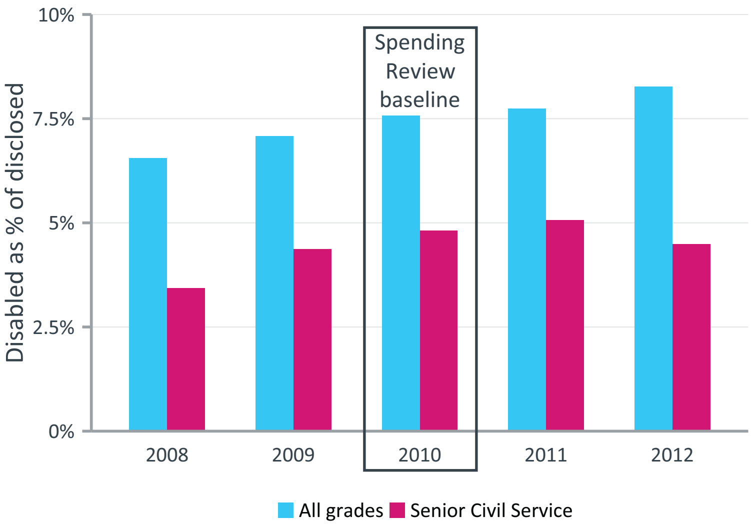
Ethnic minorities comprise about 9% of the Civil Service, compared with 14% in the UK population.[104] This under-representation is more pronounced in the SCS, where the proportion of ethnic minority staff is 5%. Both of these indicators were virtually unchanged between 2010 and 2012. However, the representation of minorities varies significantly between

103 In the 2011 Census, 14% identified themselves as ethnic minority. See 'Ethnicity and National Identity in England and Wales 2011', www.ons.gov.uk/ons/rel/census/2011-census/key-statistics-for-local-authorities-in-england-and-wales/rpt-ethnicity.html

104 Note that about 17% of respondents did not declare their ethnicity and more than 30% did not declare their disability status. Non-disclosure rates were similar at the SCS level. The figures should therefore be interpreted with caution.

departmental groups, from 4% in MoD to 23% in the Home Office. In several departments[105] the number of senior civil servants identifying as an ethnic minority is below the reporting threshold, which suggests that ethnic minorities may be severely under-represented in these departments' senior workforces.[106]

Figure 3.11: Civil servants identifying as disabled

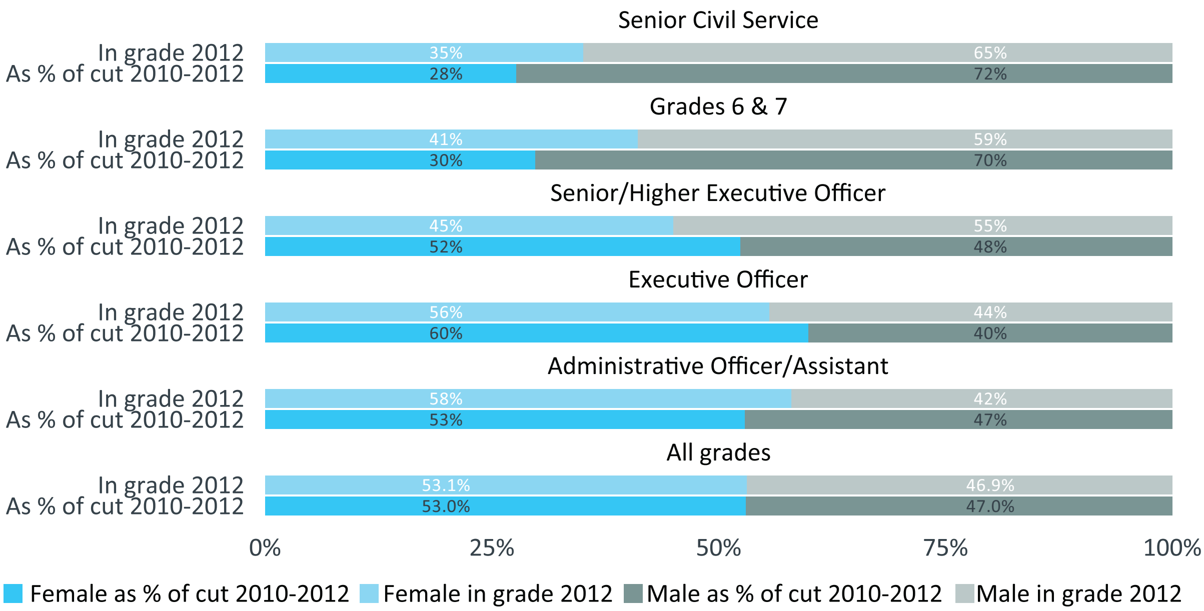


Note: See Annex E for full departmental breakdown.

Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey data.

The proportion of civil servants identifying as disabled has increased from 7.5% in 2010 to 8% in 2012 in the Civil Service as a whole. At the SCS level, it is now at 4%, which represents a small drop in the last year after a steady increase between 2008 and 2011. Departments do not vary as much on this metric – DCMS has the lowest proportion, with 4%; HMRC the highest, with 16%.[107]

Figure 3.12: Gender balance in Civil Service grades and change between 2010 and 2012



Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey data.

105 Cabinet Office, DCMS, DECC, Defra, DfT. Note this may reflect non-responses – in these departments, around 20% SCS did not declare their ethnicity, but in the Cabinet Office this rate was more than 50%.

106 ONS does not report figures below five. In a small department, this can distort the relevant percentage.

107 The figures reported here are percentages of those who declared their ethnic identity or disability status. The non-disclosure of numbers smaller than five may also affect results, especially in small organisations, so care should be taken when interpreting figures for individual departments.

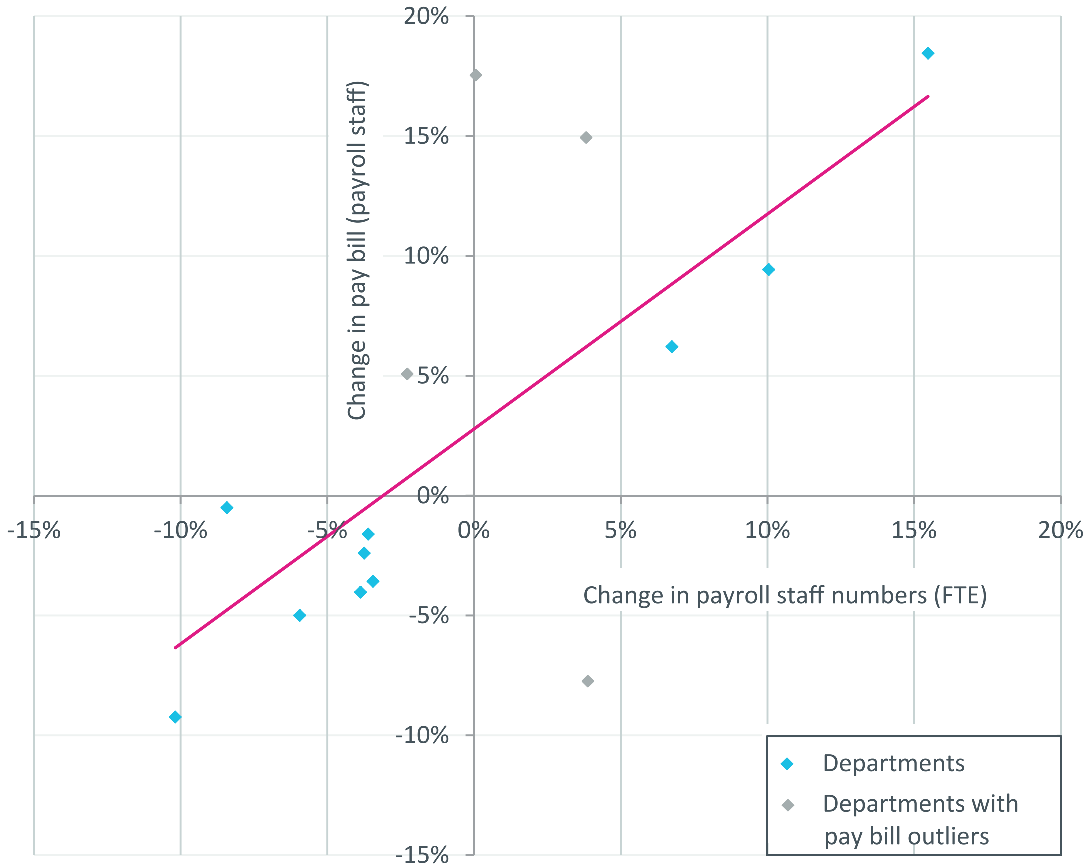
Women make up 53% of the Civil Service, but this proportion varies significantly by grade. In the lowest grades,[108] which also make up almost half of the workforce, the proportion of women is 58%. At higher grades, the proportion of female staff is much lower – only 35% of senior civil servants are women. Between 2010 and 2012, the proportion of women increased at the top (SCS and grades 6 and 7) and at the bottom of the grade scale.

The diversity data shows that, generally, these groups have not been disproportionately affected by the cuts. However, there are no externally published metrics tracking whether the Civil Service has managed to retain its top talent or the skills and capabilities that it requires to operate effectively.

Box 3.2: Reducing the staff pay bill

One of the primary motivations for cutting staff numbers was to reduce the overall pay bill. While there are issues with the data in this area,[109] we can see a broad positive correlation between changes in civil service numbers and the overall pay bill for departments. Though in some departments, such as the Cabinet Office and MoD, there is a fairly close relationship between staffing levels and the pay bill, in others there is no apparent relationship from the available data.

Figure 3.13: Correlation between % change in headcount and pay bill for payroll staff over the financial year 2012/13



Note: Grey points represent outliers which Institute for Government analysis identified as being driven by erratic pay bill data. For an explanation of the identification of outliers, see Annex F.

Source: Institute for Government analysis of departmental Workforce Management information. Chart based on figures for Whitehall showing % change between Q4 2011/12 and Q4 2012/13 (using an average for each quarter). See Annex B for details of the grouping used.[110]

108 Administrative assistant and administrative officer

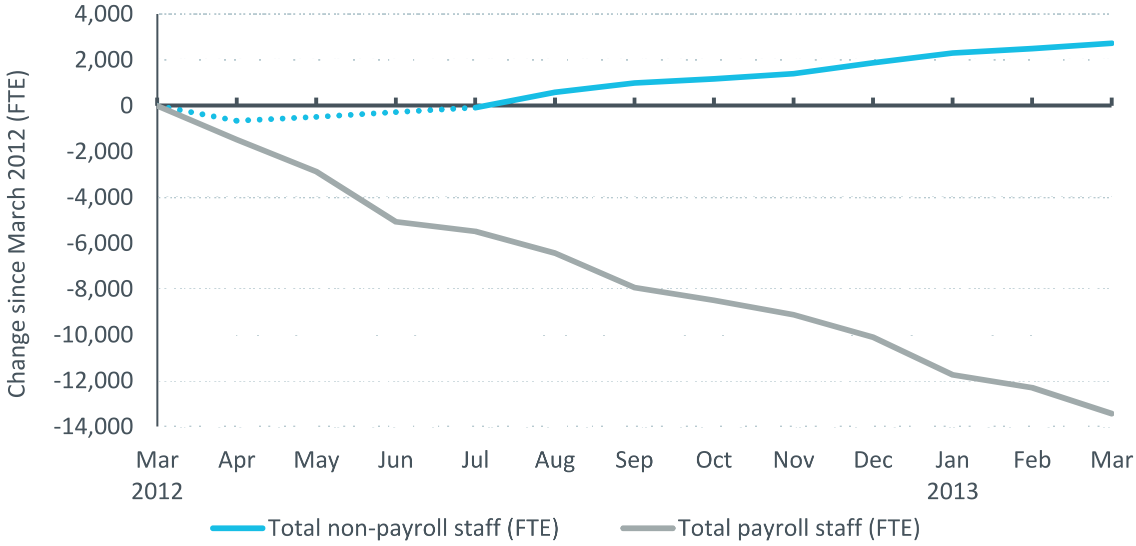
109 The Workforce Management Information data published by departments are not official statistics. Early releases of this data appear to be very poor quality, but for 2012/13 the headcount information appears to be much more consistent with reporting in official statistics. For many departments, the pay bill information shows considerable volatility each month. We have excluded values that we believe to be outliers from our analysis. See Annex F for full details.

110 In some cases we were not able to cleanly separate out the ministerial department consistently over the period. See Annex B for full details on how these figures were compiled.

Box 3.2: Reducing the staff pay bill (cont...)

We have also examined whether departmental leaders appear to be compensating for staff losses by employing more consultants or temporary staff, who may well end up costing the department more. Our initial analysis shows that overall there has been an upward trend in the levels of non-payroll staff in Whitehall over the last year – but that this is far outweighed by the overall levels of staff cuts (see Figure 3.14). We also found that the levels of consultants had remained fairly static, with most of this increase coming from other kinds of non-payroll staff (contractors, managers and clerical/admin temps).

Figure 3.14: Changes to payroll and non-payroll staff numbers, 2012/13



Note: The dip in non-payroll staff, shown as a dotted line, was created almost entirely by the temporary absence of figures for HM Courts and Tribunals over this period.

Source: Institute for Government analysis of departmental Workforce Management Information, March 2012 to March 2013.

3.3. Sustainability of the cuts

At a top level, departmental leaders are on track against their Civil Service Reform Plan objectives, but there are questions over whether Whitehall can continue to sustain the cuts at the required pace.

While many departmental leaders have been making considerable cuts to their staff numbers, further reductions will be required to reach the levels set out in the Civil Service Reform Plan. By looking at the overall picture of headcount reductions and the impact that this has had on staff engagement, we can get some insight into whether the cuts are sustainable.

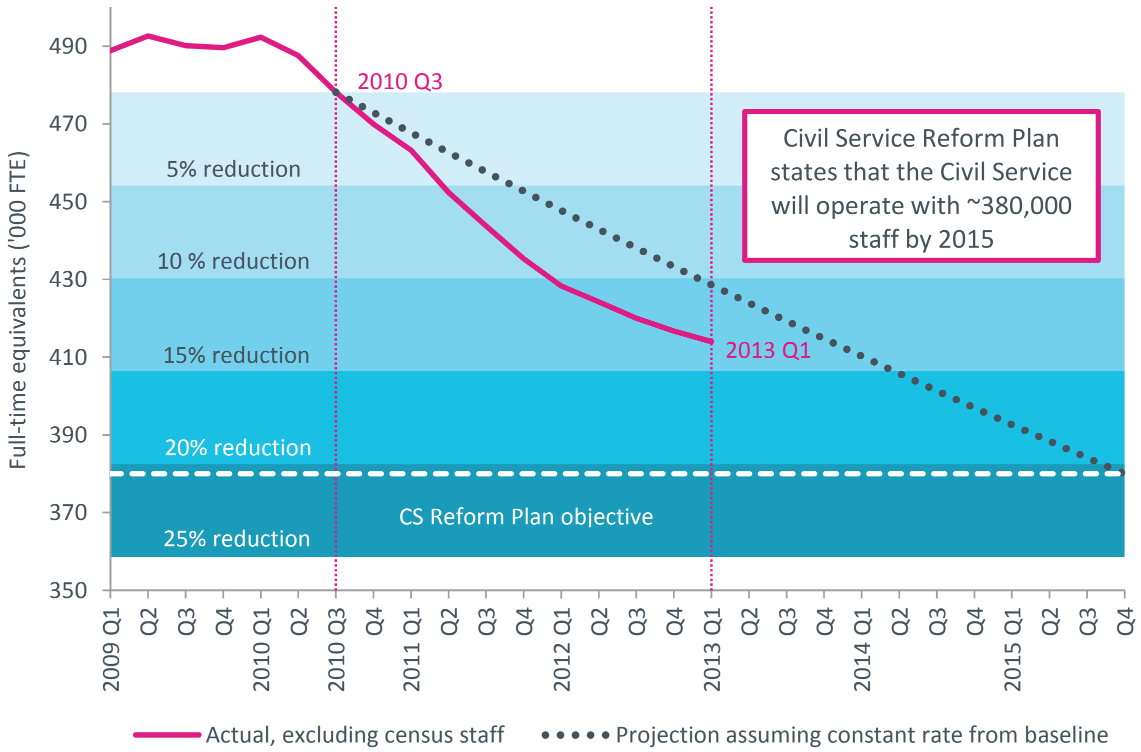
Progress towards the Civil Service Reform Plan operating size

The Civil Service as a whole has made significant cuts over the last couple of years but it will need to increase the current rate of reductions if it is to get to the levels set out in the Civil Service Reform Plan by 2015.

As a whole, the Civil Service has continued to reduce in size since the Spending Review. This is a continuation of a broadly downwards trajectory since the Second World War.[111] The Civil Service Reform Plan states that the Civil Service will operate with around 380,000 FTE[112] staff by 2015, a drop of more than 20% from the time of the 2010 Spending Review. To put this in context, in the 1980s, Margaret Thatcher attempted to reduce the size of the Civil Service by a little over 10% in four years.[113]

As Figure 3.15 shows, currently, the Civil Service as a whole looks on track to achieve this objective.

Figure 3.15: Actual and projected paths towards Civil Service Reform Plan objective



Source: Institute for Government analysis of ONS Public Sector Employment data.

As might be expected, the initial reductions were steeper, reflecting the fact that most departments ran discrete redundancy rounds soon after they had received their Spending Review settlements. However, in recent quarters the rate of reductions has slowed and in some departments it has tailed off completely.

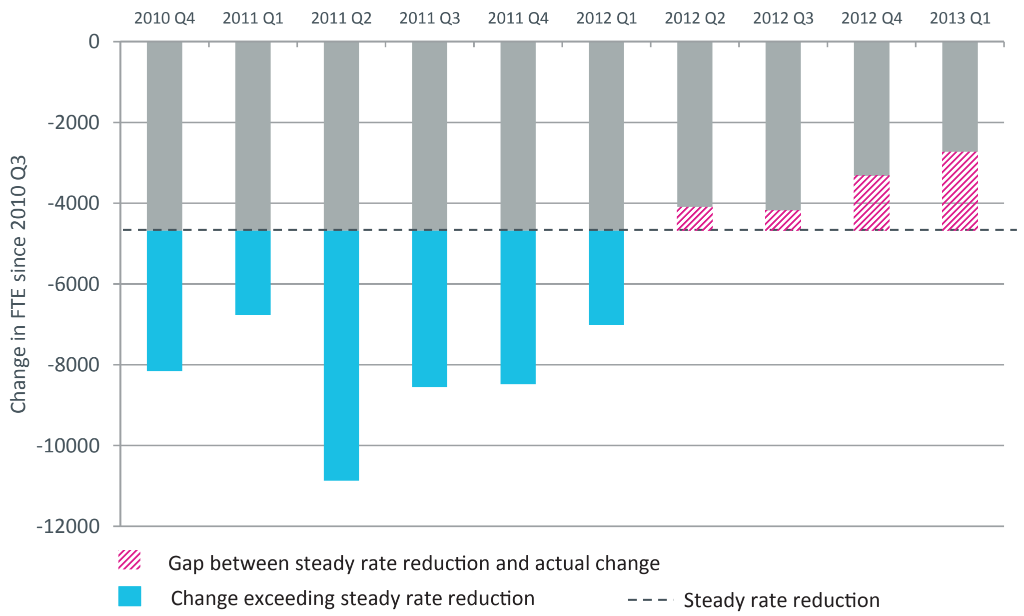
In the last reported quarter (Q1 2013), the Civil Service reduced by 2,760 FTE. In order to reach the Reform Plan objective, it will need to increase this to an average reduction of more than 3,000 FTE each quarter between now and 2015.

111 Note there were small peaks in the late 1970s, early 1990s and early 2000s. See, HM Government, *The Context for Civil Service Reform*, June 2012, p. 9, www.civilservice.gov.uk/wp-content/uploads/2012/03/The-Context-for-Civil-Service-Reform-v2.pdf

112 HM Government, The Civil Service Reform Plan, June 2012, p. 5, www.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf

113 Mandate and Departmental Returns (Civil Service Statistics). Between April 1980 and April 1984, the size of the Civil Service decreased by around 11%.

Figure 3.16: Civil Service reductions made, compared with the steady rate needed to achieve the Civil Service Reform Plan objective



Source: Institute for Government analysis of ONS Public Sector Employment data.

Staff engagement levels

There is considerable variation in reported staff engagement levels between departments, but overall the Civil Service has held up remarkably well to date. The Institute's work on departmental change programmes suggests that the way in which departmental leaders approach the next round of cuts beyond 2015 will be crucial to maintaining and building their workforces' morale.

In the Civil Service Reform Plan, the Head of the Civil Service notes that the aim is to 'create a stronger Civil Service for the future'[114] rather than one that is just smaller. In order to achieve this, departments will need to ensure that their remaining staff are engaged and motivated.

Despite the cuts, official surveys of the Civil Service are broadly positive (see Figure 3.17 below).[115] The overall engagement score has gone up by two percentage points in the last year and is now back to 2009 levels (58%).

114 HM Government, *The Civil Service Reform Plan*, June 2012, p. 5, www.civilservice.gov.uk/wp-content/uploads/2012/06/Civil-Service-Reform-Plan-acc-final.pdf

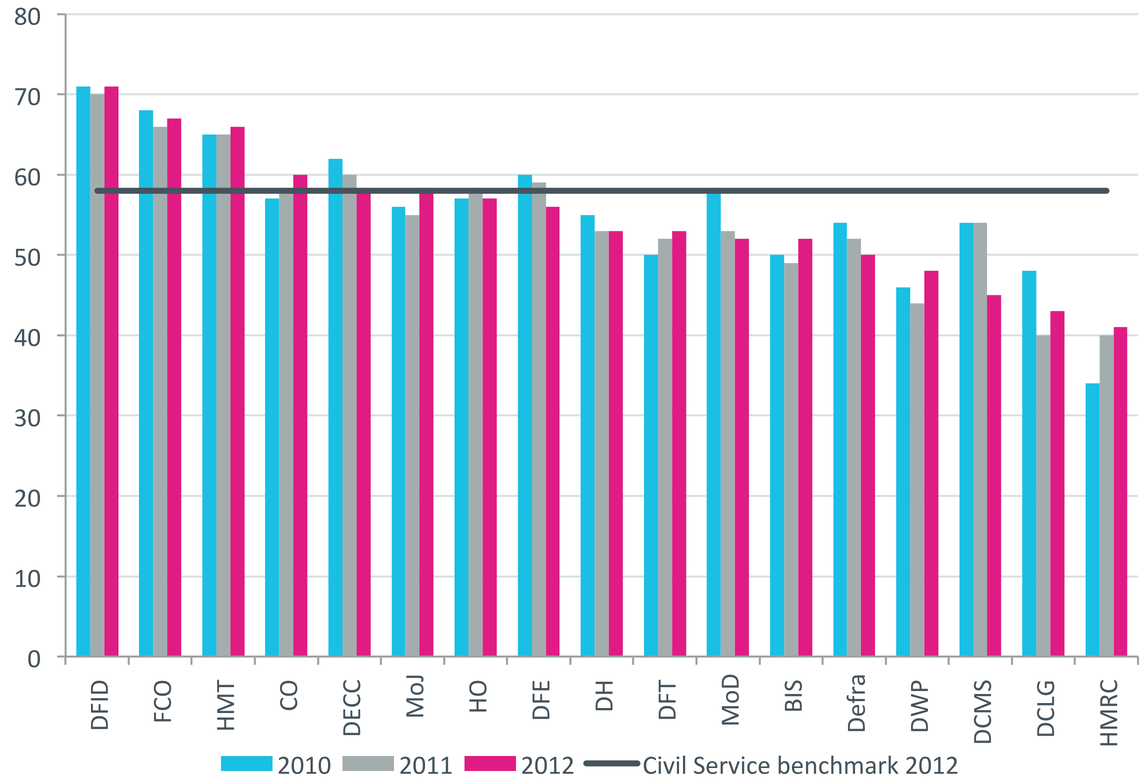
115 The Cabinet Office produces excellent analyses on the drivers of engagement based on more granular internal data sources. For more details see: http://resources.civilservice.gov.uk/wp-content/uploads/2013/01/csps2012_summary-of-findings_final.pdf

Figure 3.17: Engagement Index and theme scores

Engagement Index & Themes	2009	2010	2011	2012	Change on last year (% pts)
Employee Engagement Index	**58%**	**56%**	**56%**	**58%**	+2
Themes:					
My work	75%	71%	71%	72%	+1
Organisational objectives and purpose	81%	81%	81%	82%	+1
My manager	64%	64%	64%	66%	+2
My team	76%	77%	77%	78%	+1
Learning and development	50%	43%	43%	44%	+1
Inclusion and fair treatment	74%	73%	73%	75%	+2
Resources and workload	72%	73%	73%	74%	+1
Pay and benefits	37%	37%	31%	30%	-1
Leadership and managing change	38%	37%	38%	41%	+3

As might be expected, given the continuing pay freezes, scores for 'Pay and benefits' are still reducing, dropping down one percentage point this year to 30%. However, scores for 'Leadership and managing change' have improved significantly (up three percentage points this year), but remain below international and private sector benchmarks.[116]

Figure 3.18: Engagement Index results by department



Note: Departmental groupings follow the source information, see Annex B.

Source: Civil Service People Survey (Cabinet Office summaries 2010-2012).

116 *Ibid*. p. 20.

At a departmental level, there are sustained variations in engagement index results and the direction of travel. DfID and FCO have consistently scored highly, while HMRC has scored significantly below the other departments every year.[117] Though 10 departments saw an increase in their engagement scores last year, DCMS saw a sharp drop. This could potentially be explained by the fact that the survey was taking place at the same time as staff were issued formal warnings that they all could be at risk of redundancy.

However, for the most part, the changes in engagement do not seem to be directly linked to the extent of the cuts experienced by the departments. Indeed, there is little apparent connection between the scores related to workload and the level of staff reductions.[118]

Despite the data painting a reasonably positive picture, Institute research on departmental change programmes notes that this belies a deeper fragility in the Civil Service. The data shows that many departments look like they have completed their staff cuts, but simply reaching the levels set out for 2015 in the Civil Service Reform Plan will require Whitehall to pick up the pace. With the 2013 Spending Round setting out further reductions to top level budgets, departments will either have to open up further rounds of redundancies or look for savings elsewhere. The Institute's wider research indicates that the way that leaders in Whitehall approach the next round of savings will play a large part in determining whether Whitehall emerges as a more effective rather than just a smaller workforce in years to come.[119]

3.4. Conclusions

Within the existing sets of constraints, we looked at how departments have been managing the cuts to date. Many departmental leaders have exceeded the 2010 Spending Review objectives, both in terms of their top level budget and in achieving reductions in the cost of running their departments. However, as we observed, it is important to understand what is driving any apparent changes from departments' plans.

Staff reductions have played a key role in driving cuts to departments' Administration budgets. The data shows that departments have implemented significant headcount reductions in a very short space of time. Many departmental leaders have led the way in Whitehall, cutting their core department first before rolling out the cuts to their wider departmental group.

However, with the rates of reduction slowing down, there are wider questions over Whitehall's ability to sustain the cuts. Furthermore, though the available data suggests that Civil Service engagement has held up to date, wider Institute research warns that parts of Whitehall will require high quality leadership if departments are to end up 'stronger' rather than just smaller.

117 The Government's commentary on the Civil Service People Survey notes that there is a correlation between grade and engagement levels, so departments with a larger proportion of staff at higher grades such as DfID and FCO would be expected to show higher engagement scores than departments such as HMRC that have a substantial number of staff at lower grades.

118 Question B35 in Civil Service People Survey.

119 See Page, J., et al., *Transforming Whitehall: Leading major change in Whitehall departments*, Institute for Government, November 2012, www.instituteforgovernment.org.uk/publications/transforming-whitehall-departments-0

4. Outputs: Deployment of Whitehall's resources

Departmental budgets are, in large part, not spent directly by Whitehall itself. Instead the resources flow through Whitehall, with departments employing a range of resource management models to control these flows. Though some departments deploy the bulk of their resources through just one kind of model, others have a much more complex landscape, using a variety of models simultaneously.

This chapter uses a framework, developed by the Institute, to characterise these different resource management models and shows how their use varies by department. It also charts the changes in the ways departmental leaders manage their resources that are occurring as a result of this Government's ambitious reforms. It looks at the responsibilities of departmental leaders in terms of how their department manages resources, and suggests ways in which this kind of perspective could support benchmarking across Whitehall's diverse landscape.

4.1. Whitehall's resource management models

Whitehall departments use a variety of resource management models. These point to the different kinds of responsibilities that departmental leaders have.

Figure 4.1 sets out the basic resource management models used by departments to deploy their resources. The different models are characterised by the mechanism by which the resources are controlled, such as line management, via a system funding formula or through a contract. These different models point to the types of responsibilities that departmental leaders have with respect to the different ways they deploy their resources.

Figure 4.1: Characteristics of resource management models[120]

Resource management model	Defining characteristics	Examples of areas departmental leaders would be directly responsible for
Line management	*Departmental leaders have direct control over how resources are deployed via line management of staff (e.g. running job centres).*	• Delivering public goods directly – from jobseeker support to influencing and negotiating on a world stage • Ensuring effective line management and talent development of staff
Transfer management	*Resources are transferred to individuals or businesses when set criteria are met (e.g. paying benefit claims). Departmental leaders retain direct control over the transfer mechanisms.*	• Advising on / setting the criteria • Managing the mechanisms by which entitlements are assessed and funds transferred

120 For full details on each of these models and the kinds of spending they include, see Annex G.

Sponsorship of arm's-length bodies	*Departmental leaders pass resources to bodies at 'arm's-length' from their departments, which they do not manage directly but whose objectives and governance they set and oversee (e.g. the Research Councils). The arm's-length bodies will also have their own governance systems, such as their own board.*	• Ensuring appropriate relationships with, and governance of, the department's arm's-length bodies • This includes ensuring there are fit-for-purpose framework agreements, clear roles and responsibilities, appropriate board appointments, sufficient guidance and performance management.
Markets and contracting	*Whitehall directly procures or commissions others to act on the Government's behalf. The relationship is underpinned by a contract of some form, usually commercial (e.g. private prison services). Departmental leaders have a role in negotiating contracts, and in many cases in shaping the entire market.*	• Devising, awarding and monitoring the contract and maintaining oversight of the wider market • This includes ensuring: 1) there is sufficient and appropriately calibrated funding; 2) that 'choosers' are informed and engaged; 3) that new providers can enter the market; 4) that there is healthy competition in the market; and 5) that providers can/do exit in an orderly way.[121]
System funding	*Whitehall provides resources to multiple bodies, usually performing the same function in different geographic areas (e.g. local authorities). Departmental leaders do not directly manage these bodies, or have a direct sponsorship relationship with them, but they do have a role in shaping the end system. Resources are usually allocated via agreed formulas.*	• Setting the appropriate funding levels and revising the allocation formulas • Stewarding of the wider system to ensure wider government objectives are being met
Organisation membership	*Whitehall transfers resources to supranational or international organisations in the form of 'membership fees' or to support joint objectives (e.g. the World Bank programmes).*	• Maximising the return that the Government gets as a member • Ensuring that the Government's views are effectively represented
Bid-based grants	*Whitehall evaluates bids and has discretion over whether to award grants (e.g. Local Enterprise Partnership grants from BIS).*	• Assessing bids and awarding grants

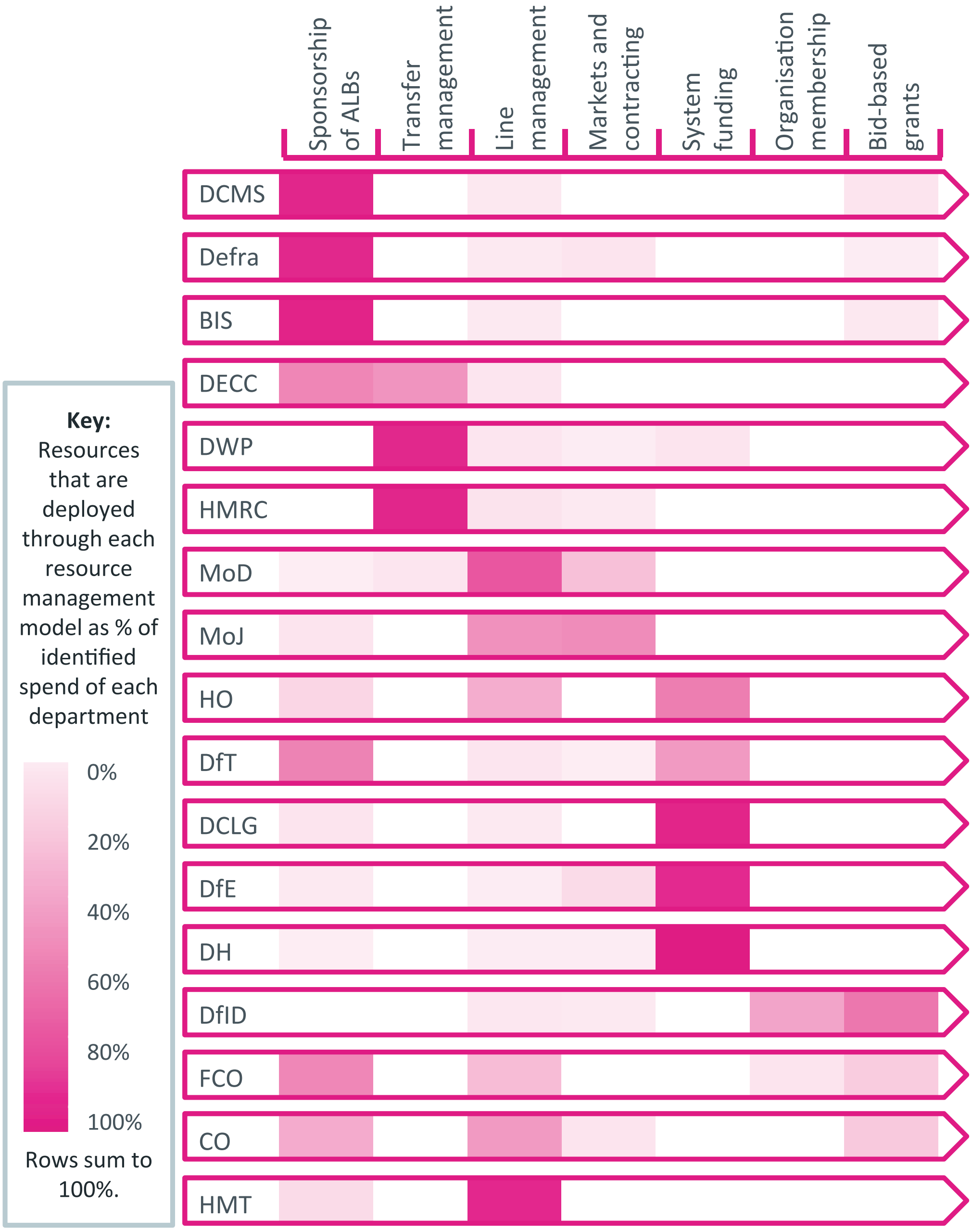
121 For further details of these responsibilities, see Gash, T., et al., *Making Public Service Markets Work: Professionalising government's approach to commissioning and market stewardship*, Institute for Government, July 2013, www.instituteforgovernment.org.uk/publications/making-public-service-markets-work

Departmental resource management models

Departments such as Defra and BIS have relatively straightforward resource management models. But other departmental leaders oversee much more divergent landscapes, with departments such as the Cabinet Office and MoJ deploying significant resources through a mix of different models.

Figure 4.2 shows the basic resource management models different departmental leaders are currently using. The heat map gives an indicative view of the proportion of each department's resources that is deployed through these different routes.[122]

Figure 4.2: Resource management models used by departments, early 2013



Note: Indicative breakdown only, covering around 80% of each department's spending. Annex G provides detail on how we arrived at the indicative breakdowns of spending.

Source: Departmental Business Plans 2012/13, NAO Overviews, departmental Annual Report and Accounts 2011-12, OSCAR, and other sources. See Annex G.

122 The available financial data means that these results are necessarily indicative; however, the heat map includes at least 80% of each department's expenditure. For full details of how the model is constructed, see Annex G.

What is initially striking is both the variation between resource management models used by departmental leaders, and the range of control mechanisms that can be simultaneously in place within a single department.[123] DCMS, the Department for Environment, Food and Rural Affairs (Defra), BIS and DECC are all relatively consistent models: a small line-managed central department dwarfed by the significant outflow of resources to their networks of arm's-length bodies. Similarly, for DCLG, DfE and DH, system funding clearly shows up as the primary route through which they currently deploy their resources.[124] However, MoJ, Home Office, DfT, FCO and Cabinet Office all have much more divergent landscapes with substantial amounts of their resources flowing through a variety of different models.

By focusing only on Whitehall's direct responsibilities within each of the different models, departmental leaders can also start to address the questions of what kinds of skills and capabilities they require to discharge these responsibilities.[125] For example, a recent review by the Institute found that many departments that are deploying significant resources via market mechanisms lacked the necessary skills and capabilities to set up or manage them effectively.[126]

Whitehall departments vary greatly and leaders can often struggle with benchmarking or comparative assessments because each department can legitimately claim that it is unique. By breaking down departments according to how they manage resources, we can see that there are meaningful groupings. The most obvious groupings are at the departmental level, such as the sponsorship-focused departments[127] or between the big system funders.

But even where a department does not have the same overall shape as others, it is still possible to find comparisons for each of its segments of spending. So, to extend the example on markets and contractual spending, there are valuable comparisons that could be made between the efficacy of the different approaches taken by DWP in contracting for the Work Programme and MoJ in commissioning services to reduce reoffending.

In a similar vein, by looking at parts of the resource management models separately, there is increased scope for benchmarking with organisations outside of government. For example, fraud and error rates for transfer payments at DWP or HMRC can be benchmarked against similar transactions in the private sector.

Departmental leaders should reflect on the ways that they are deploying their resources and ask themselves whether they are using the most appropriate methods and whether they have the necessary capabilities. For departments with diverse resource allocation models, leaders should consider whether they have the right governance structures in place to oversee such a complex system. For example, the Cabinet Office stands out as a very complex model with significant proportions of its resources being deployed through a mix of sponsorship, line management, market and grant-based mechanisms. The Foreign Office and the Home Office also have their resources spread out across a variety of different resource management models.[128] This is particularly relevant for departments undertaking major reforms that will change the kinds of resource allocation models the department uses.

123 Figure 4.2 is based on the immediate control mechanism employed by the Whitehall department. Often those receiving resources from Whitehall will then allocate the resources onward using a different model. So, for example, BIS has a sponsorship relationship with the Higher Education Funding Council for England (HEFCE), with HEFCE in turn providing system funding to UK universities. Given our focus on clarifying Whitehall's responsibilities, in cases like this we are interested in the immediate sponsorship relationship between the department and the arm's-length body. Whitehall's primary responsibilities are to set up and manage the relationship between the department and its arm's-length bodies, rather than determine and process the specific allocations, functions which in such cases fall to the arm's-length body itself.

124 The ongoing reforms to the health and education sectors mean that these departments could be viewed as moving away from their system funding model. We provide more details on the implications of these reforms in section 4.2 below.

125 For further insights on the challenges in improving civil service capability, see Kidson, M., *Civil Service Capability*, June 2013, www.instituteforgovernment.org.uk/publications/civil-service-capabilities

126 For further details on the kinds of skills and capabilities required to support public sector markets and contracting, see Gash, T., et al., *Making Public Service Markets Work*, Institute for Government, July 2013, www.instituteforgovernment.org.uk/publications/making-public-service-markets-work

127 See the Institute's work on arm's-length bodies for more details on how Whitehall can more effectively manage these organisations and the issues surrounding their current classification: www.instituteforgovernment.org.uk/our-work/new-models-governance-and-public-services/arms-length-bodies

128 The Cabinet Office and FCO have the lowest normalised Hirschman-Herfindahl Index scores (under 0.3), indicating that substantial amounts of their departmental resources are 'spread out' between multiple models. In contrast DH, DCLG, HMRC, DCMS, DECC and DWP all have scores of over 0.8, indicating that they tightly concentrate their resources through a small number of models.

4.2. Major reforms in resource allocation models

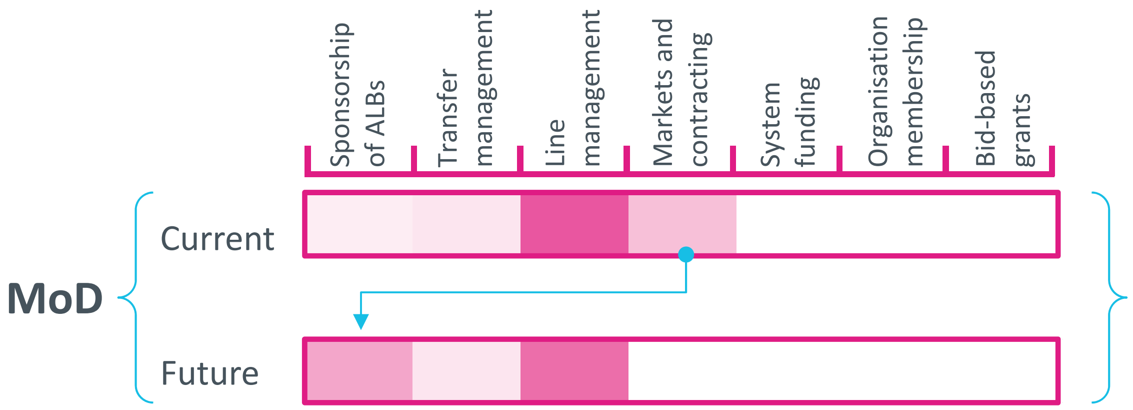
The Government is undertaking a series of major reforms that could significantly reshape departments' resource allocation models.

Some of the ongoing major government reforms are substantially changing the shapes of departments. As the examples below highlight, these reforms mean a change in the resource management model being used and have significant consequences for how departmental leaders will be able to control these resources.

MoD – potential move to a government-owned, contractor-operated model

MoD currently directly deploys significant resources through contractual and commissioning mechanisms to deliver its equipment programme. This is carried out by a part of the department called Defence Equipment and Support (DE&S). However, following the Gray review of defence acquisition in 2009,[129] departmental leaders have been considering whether DE&S should move out of the department as some sort of arm's-length body. Figure 4.3 provides an indicative view of how this would change the overall picture of the way resources are deployed by the department.

Figure 4.3: MoD – illustration of potential change in DE&S status

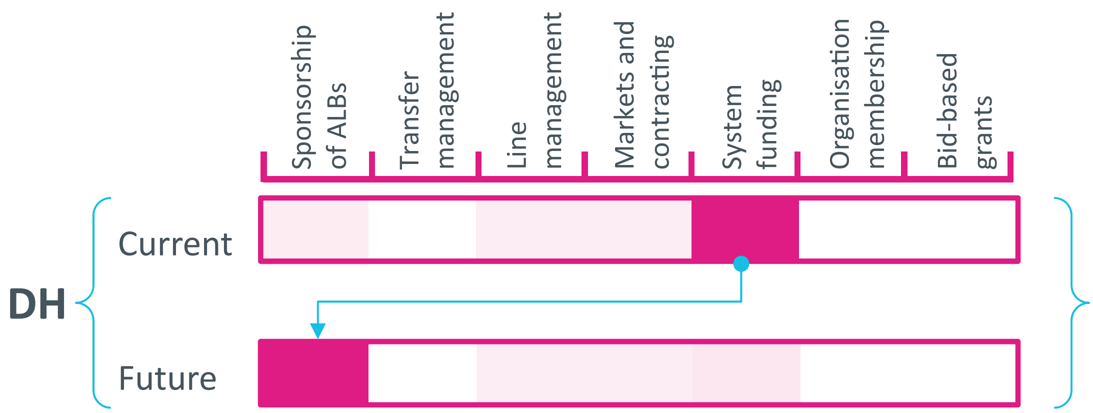


129 Gray, B., *Review of Acquisition for the Secretary of State for Defence*, October 2009, www.bipsolutions.com/docstore/ReviewAcquisitionGrayreport.pdf

DH – moving to a central assurance role

At DH, the health reforms have led to a fundamental restructuring of how the department is supposed to operate.[130] From April 2013, NHS England and Public Health England took on responsibilities that previously used to sit in the department. So now, rather than directly funding and shaping the overall health system, Whitehall will specify strategic goals and the overall risk appetite of the department in framework agreements for the NHS, public health, and adult care and support. The revamped system of arm's-length bodies will be responsible for getting the system to deliver against these frameworks, with Whitehall taking more of an assurance role.

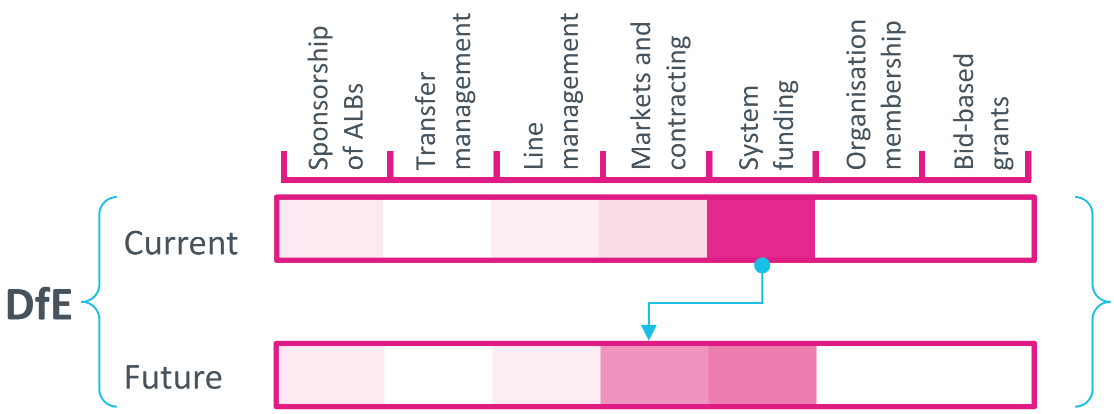
Figure 4.4: DH – illustration of NHS reforms from April 2013



DfE – more direct contractual link to academies

The academies programme is loosening some of the wider influence DfE has over the education system, such as being able to specify the qualifications of teachers. The manner in which academies are funded is also different, moving from money being distributed into the system via a ringfenced grant to local authorities, to schools receiving a funding contract directly from an executive agency within the department. With the growth of the academies programme, it looks like the department is moving from a system funding role to a more direct contractual/commissioning role.

Figure 4.5: DfE – planned shift of schools funding towards academies



130 For further insights and health reforms see Timmins, N., *Never Again? The story of Health and Social Care Act 2012*, Institute for Government, July 2012, www.instituteforgovernment.org.uk/publications/never-again

This framework provides one view of Whitehall's outputs, based on one of the more tractable measures – how the departmental leaders are managing the resources they have at their disposal. Naturally, there are outputs that staff in Whitehall work on (policy, legislation, regulation) whose production might consume relatively little of a department's budget, but whose importance and impact both in government and the country as a whole might be profound.[131]

4.3. Conclusion

Whitehall currently does not have a systematic view of how it deploys its resources and there is little in the public domain that usefully shows what departments do with the resources they receive. By setting out the different resource management models that Whitehall is using, and the amount of resources that different departments are deploying through these mechanisms, we can start to understand the responsibilities of each departmental leader with respect to the resources they receive. The potential comparisons that can be made between similar resource management models across Whitehall could, in future, provide a form of comparable output metrics, showing Whitehall's outputs in relation to its inputs. As the next chapter will show, the existing frameworks for tracking what Whitehall itself has produced are limited in their coverage and do not always provide a good reflection of Whitehall's achievements.

131 Currently there is insufficient comparable data to measure outputs in these areas across Whitehall. We hope to look into how these kinds of outputs could be measured in future *Whitehall Monitor* publications.

5. Outputs: Performance measures of Whitehall

In the previous chapter we have tried to illustrate how departmental leaders in Whitehall are using their resources. We have had to construct our own model as there is nothing available in the public domain that comprehensively ties the resources the departments receive to what departmental leaders do with them.

In this chapter, we look at the available cross-government frameworks tracking Whitehall's performance against its outputs. By outputs, we mean the items that are within Whitehall's control to do or produce. These are the items for which departmental leaders can be held directly responsible, rather than the end outcomes that they are trying to influence, which are discussed in the next chapter.

The selection of cross-government frameworks showing what departments have done, or that tracks their outputs, is fairly limited. There is nothing that sets out the totality of each department's business and how well it is delivering it in a comparable and systematic way. However, the Government has made available information on some of the major reforms that departmental leaders are delivering. The Structural Reform Plans have provided regular updates on the status of the Government's programme of reforms, and in 2013 the Cabinet Office released the Major Projects Authority's first Annual Report, providing a time-lagged view of the progress of selected government projects. At an individual level, we are also able to see the personal performance objectives of the permanent secretaries of the major government departments.

We find that departments have consistently missed a quarter of their reform plan deadlines, but note that the information provided by the Structural Reform Plans and the Major Projects Authority does not give an accurate reflection of whether departmental leaders are delivering the Coalition's programme of reforms. At an individual level, the permanent secretaries' objectives have been drawn up to reflect many of the responsibilities they hold. However, no data against their performance has yet been published and in many cases it is not clear on what basis their performance could be judged.

5.1. Progress on reforms

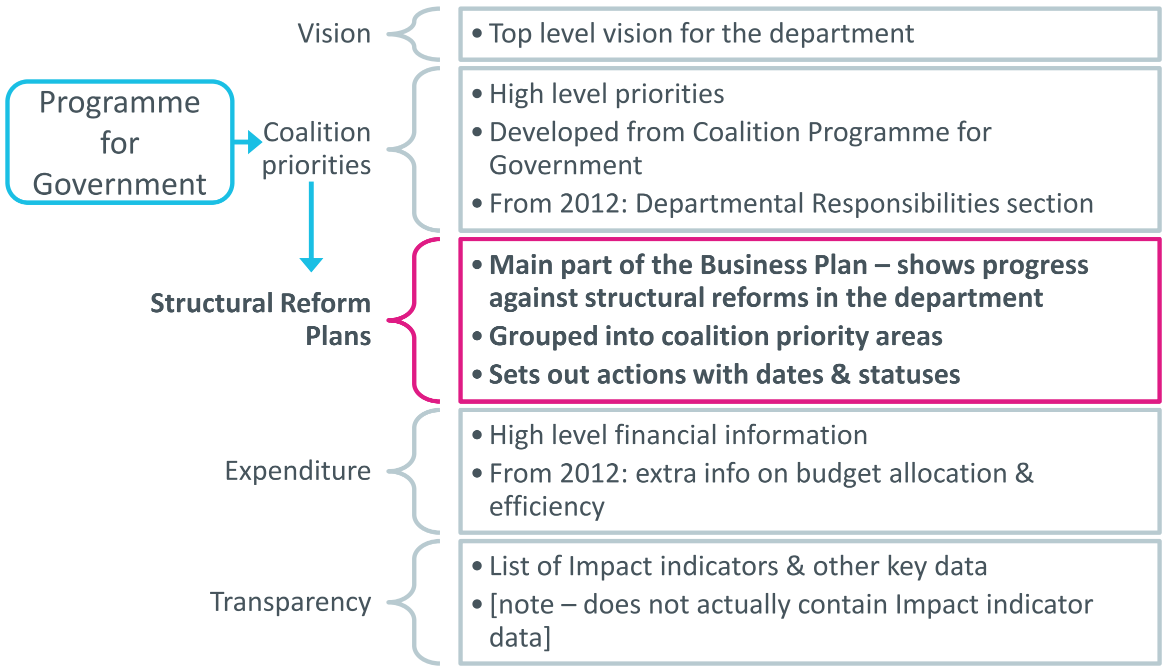
The Coalition Government aims to deliver an ambitious programme of reform. Each department set out how it would contribute to these reforms within its individual Structural Reform Plan.

Shortly after the Coalition Government was formed, it published its *Programme for Government*,[132] setting out the joint programme of policies that it would pursue over the parliamentary term. Departmental leaders were then asked to set out the actions they would take to implement these reforms. The resulting Structural Reform Plans were formally published in November 2010 as part of a broader suite of documents collectively known as the departmental Business Plans (see Figure 5.1 below).[133]

132 HM Government, *The Coalition: our programme for government*, May 2010, www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf

133 We discuss the outcomes measures (the Impact Indicators) contained within the wider Business Plans suite of metrics in the following chapter.

Figure 5.1: Structural Reform Plans in the departmental Business Plan structure, November 2010 to May 2013



The Structural Reform Plans set out groups of actions under each Coalition priority for each department, showing what the department planned to do to try to implement the Coalition's programme of reforms. Each of these actions had a due date and a current status marked against it, and departments were required to provide a written explanation for any missed deadlines. The plans have been refreshed several times since their initial publication, to allow departments to add new actions or remove obsolete ones.[134] Figure 5.1 shows the structure of the suite of departmental Business Plan documents prior to their latest refresh on 26 June 2013. In this refresh the Structural Reform Plans section was renamed 'Key policy and implementation actions for the remainder of this Parliament'.

Prior to this latest refresh, the Structural Reform Plans covered only structural reform. They did not provide any insights into the 'business as usual' activities going on in Whitehall. As such, they have only provided a partial insight into what Whitehall is doing. This has been particularly problematic for those departments that were either not undertaking significant reforms, or that have sizeable resources working on 'business as usual' operations.

It is not yet clear whether the content of the renamed section now reflects the whole of departments' business. Our initial review suggests that the actions are still focused primarily on the changes that departments are making, rather than offering an overall view of departmental performance.

134 The Structural Reform Plans were published in draft form for most departments in summer 2010 and formally launched as part of the Business Plans in November 2010. They were refreshed in May 2011 and May 2012. Whilst this was billed as a regular annual refresh, the Structural Reform Plans were not refreshed in 2013 until June, when they were released to coincide with the Spending Round announcement.

How have departments been performing in their delivery of the Government's reform agenda?

Departments have consistently missed a quarter of their Structural Reform Plan deadlines – but this data gives a flawed picture of departmental performance on reform. New information from the Major Projects Authority might offer a more thorough assessment for the areas within their remit.

Performance against the Structural Reform Plan deadlines

Since their initial publication, the Institute has been reviewing the Business Plans, offering feedback to government on how they can be improved, and commenting on departmental progress against the Structural Reform Plan actions.[135]

Our latest analysis showed that departments missed one in four deadlines since the May 2012 refresh, with 12% completed late and 13% marked as still overdue.[136] This was fairly consistent with our findings from the first year of the Structural Reform Plans, when 74% of actions were completed on time.[137]

Figure 5.2: Structural Reform Plan actions completed on time, 2012-13

Dept	% deadlines missed (2012-13)		Rank (2012-13)		
	6 months in	12 months in	6 months in	12 months in	Change
DfID	0%	4%	1=	1	→
BIS	10%	6%	4	2	→
MoD	0%	9%	1=	3	→
DCLG	24%	17%	10=	4	↑
DECC	22%	19%	9	5	↑
HO	14%	22%	5=	6=	→
CO	24%	22%	10=	6=	↑
Defra	14%	23%	5=	8=	↓
DfE	26%	23%	13	8=	↑
DH	50%	30%	17	10=	↑
DWP	45%	33%	15	10=	↑
DCMS	14%	34%	5=	12	↓
MoJ	47%	35%	16	13=	↑
DfT	18%	35%	8	13=	↓
HMRC	0%	38%	1=	15	↓
FCO	29%	39%	14	16=	→
HMT	25%	39%	12	16=	↓

Source: Institute for Government analysis of Structural Reform Plans, 2012-13. Latest data extracted from API on 29 May 2013.

Problems with using the Structural Reform Plans to judge departments' progress on reform

However, caution should be applied in using these results to judge departmental progress against reforms. As the Institute has previously reported, the Structural Reform Plans faced a number of teething issues when they were introduced.[138] Encouragingly, the government has acted to fix some of these errors, and has introduced improvements such as reporting departments' explanations for delays next to the related action on the No. 10 Transparency website. But there is still a long way to go to make the plans into a genuinely useful tool.

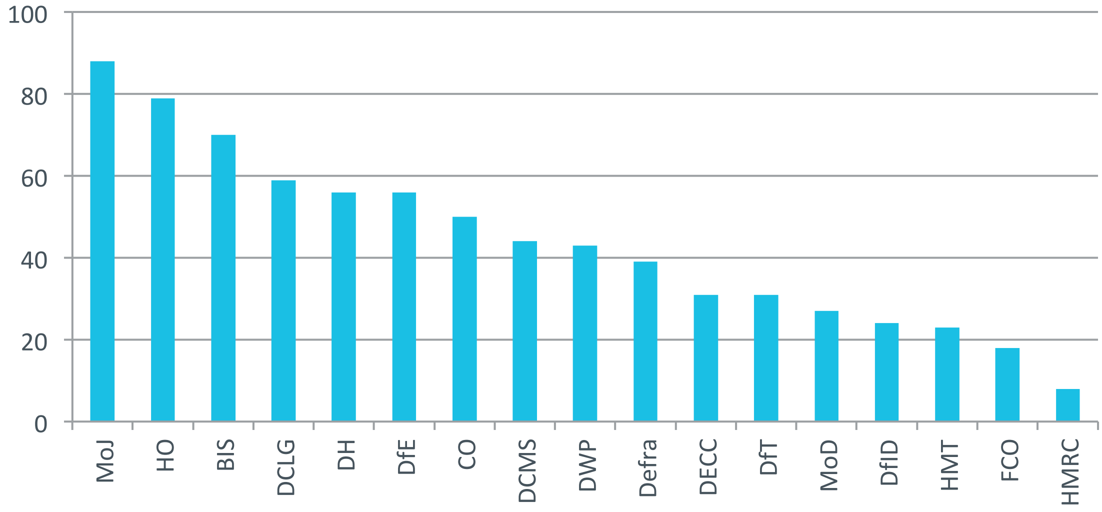
135 See, Stephen, J., et al., *See-through Whitehall: Departmental Business Plans one year on*, Institute for Government, November 2011, www.instituteforgovernment.org.uk/publications/see-through-whitehall

136 Bouchal, P., and Stephen, J., *Whitehall Monitor #20*, Institute for Government, May 2013, www.instituteforgovernment.org.uk/sites/default/files/WHM_20_BusinessPlans_May2012.pdf

137 *Ibid.*

138 See, Stephen, J., et al., See-through Whitehall: Departmental Business Plans one year on, Institute for Government, November 2011, www.instituteforgovernment.org.uk/publications/see-through-whitehall.

Figure 5.3: Number of Structural Reform Plan actions due May 2012-13 by department



Source: Institute for Government analysis of SRP data 2012/13, extracted 29 May 2013 from No.10 API.

A simple count of missed deadlines provides a somewhat skewed picture. As Figure 5.3 shows, departments have significantly different numbers of actions within their plans and there are still variations in the granularity of departmental actions. For example, MoD only had a single action encompassing the whole of the redesign and delivery of a reformed DE&S organisation.[139] DE&S has an annual budget of £14bn to buy and support all the equipment and services that the Royal Navy, the Army and Royal Air Force need to operate effectively. It employs approximately 16,500 people around the UK and overseas.

Futhermore, as the Structural Reform Plans are only updated annually[140] they do not always reflect what departments are actually working on if there is a change of plan midway through the year. For example, following a ministerial reshuffle in October 2012, four out of the five ministers in MoJ changed. MoJ has confirmed that this led to a number of revisions to policies or delivery timescales and that 'a gap developed between the programmes of work published in our SRP [Structural Reform Plan] and activity actually underway in the department'.[141] So while the Structural Reform Plan did show that the department was not achieving its original plans, it did not provide any insights into whether it was delivering against its revised internal objectives.

Despite their name, the Structural Reform Plans do not always provide real insights into the major reforms that the Government is undertaking. Figure 5.4 shows examples of the problems that are encountered when trying to use the Structural Reform Plans to track the progress of reforms in departments.

139 MoD, *Business Plan 2012-15*, May 2012, Action 3.1.iii 'Identify and implement proposed future DE&S Organisation Design via The Materiel Strategy'

140 The May 2012 refreshed Business Plans noted that the plans would be updated annually. However, the refresh in 2013 did not occur until the end of June 2013, coinciding with the publication of Spending Round 2013.

141 Statement from MoJ officials, provided to the Institute for Government, June 2013.

Figure 5.4: Visibility of reforms in the Structural Reform Plans, 2012-13

Universal Credit

- **Scope changes are not visible**
- The initial pathfinder roll-out of Universal Credit by DWP is marked as complete (DWP Action 1.1.iv).
- But this does not reflect significant changes to the scope of this stage of the reform.[142]

Rail franchising

- **No reporting as deadlines not due until 2015**
- Changes to DfT's rail franchising programme are not visible in the data.
- The entire franchising programme is bundled into one action, which is not due until 2015 (DfT Action 2.2.i).

Rural broadband

- **Quality of reform not apparent**
- Delays to broadband roll-out are partially reflected in the SRP reporting.
- Both DCMS and Defra are able to tick the action relating to the initial rounds of rural broadband bids. (DCMS 5.4.iii & Defra 3.11.ii.) However, recent reports from the NAO have been heavily critical of the scheme.

Source: Institute for Government analysis of departmental Structural Reform Plans 2012/13.

Figure 5.4 shows that changes to plans can be invisible within the current format. As many of the reforms are bundled as a single action, with a due date in 2015 or beyond, there is no obligation for departments to account for how the reforms are progressing until these deadlines have passed. Furthermore, even where actions can be marked as completed, this often reveals little about the state of reforms. The way that actions are worded can mean that departments still accurately mark them as completed, even though the scope has changed. Even where the scope remains consistent, marking actions as completed often provides no information about the quality of the work done.

Insights on reforms from the Major Projects Authority

The Major Projects Authority was launched on 31 March 2011 in response to criticisms of the Government's management of its biggest and highest-risk projects.[143] Many departments' major reforms are implemented via dedicated projects and some of these fall under the remit of the Major Projects Authority. In May 2013, the Major Projects Authority published its first Annual Report reviewing the status of the portfolio of projects under its remit. The data released provides a red/amber/green (RAG) rating[144] of each project with a six-month time lag.[145]

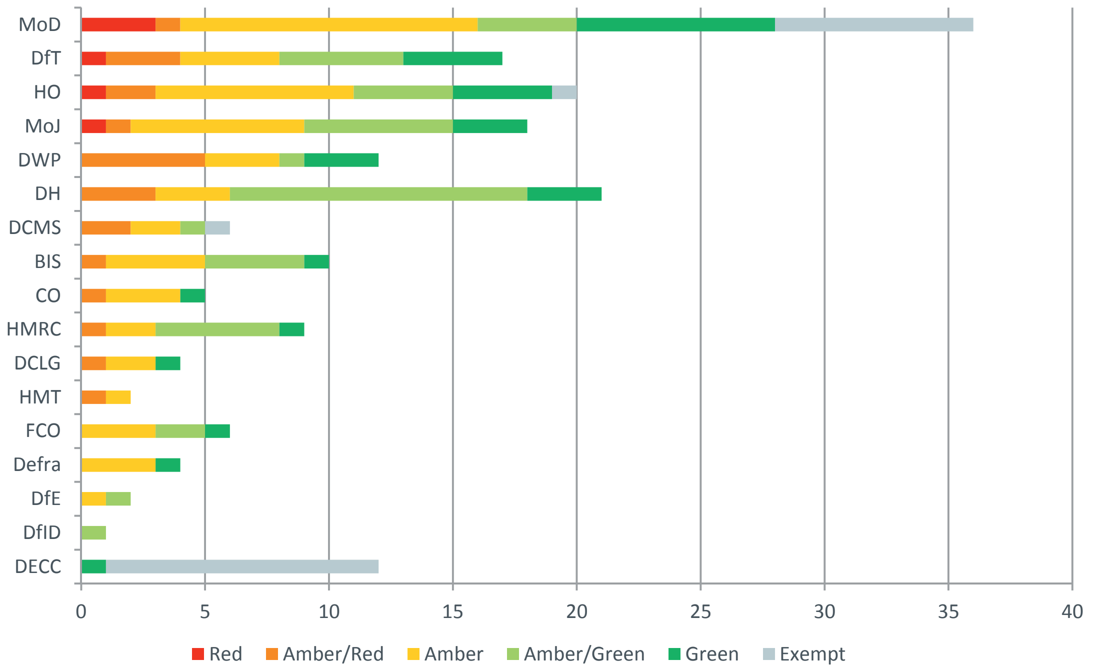
142 Landale, J., *Benefits reform trial scaled back*, BBC News website, 29 March 2013, www.bbc.co.uk/news/uk-politics-21972026

143 Criticisms came from NAO, *Assurance for high risk projects*, June 2010, www.nao.org.uk/wp-content/uploads/2010/06/Assurance_for_high_risk_projects.pdf, and the Government's Major Projects Review 2010.

144 The Major Projects Authority also includes ratings of amber/red and amber/green. For full definition of the RAG ratings used, see Cabinet Office, *The Major Projects Authority Annual Report, 2013*, 'The MPA's Delivery Confidence Assessments (RAG ratings)', chapter 2, retrieved 24 July 2013, https://engage.cabinetoffice.gov.uk/major-projects-authority/chapter-2-the-major-projects-authority-remit

145 The RAG rating and other project data are based on the position as at Q2 2012-13, which covers June-September 2012. See https://engage.cabinetoffice.gov.uk/major-projects-authority/chapter-3-progress-to-date-facts-and-figures, retrieved 24 July 2013.

Figure 5.5: Major Projects Authority – RAG rating of projects



Source: Institute for Government analysis of the MPA Annual Report 2013. Data based on Q2 FY 2012-13.

Departments also provide narratives for their RAG rating, slippages from their original schedule and for variances from their budget for the current year and for their whole-life costs.[146] This provides valuable additional context on the status of selected reforms. In some cases it also provides a more granular breakdown of the reforms in departments than is visible in the Structural Reform Plans. For example, we can see the individual statuses against each of the regional rail refranchising programmes. Annex H sets out the additional details provided for each of the reforms discussed in Figure 5.4: Universal Credit, rail franchising and rural broadband.

However, though the Major Projects Authority data provides some additional insights on selected reforms, it does not offer a comprehensive view of whether departmental leaders are delivering the Coalition's reform agenda. Simply tracking the RAG ratings of Major Project Authority projects does not provide an accurate reflection of the status of the Coalition's programme of reforms.

Is there effective accountability for the delivery of the Government's reforms?

While it is too early to see the impact of the Major Projects Authority assessments, there is no evidence that departmental leaders are being held to account for delivery of the Government's reform programme through the Structural Reform Plans.

Accountability for reforms through the Major Projects Authority

As there has been only one release of the Major Projects Authority data, it is difficult to judge its impact on departmental leaders and the projects' senior responsible officers. Certainly, the commentary against many of the projects states that departments have made certain improvements since the time of the original assessment. The real test for the Major Projects assessments will be whether they look like they are being 'gamed' in future years and whether there appear to be real consequences for projects that are being badly implemented.

146 Note that not all departments provide these narratives against all of their projects.

Accountability for reforms through the Structural Reform Plans

At the outset, the question of whom the Structural Reform Plans were supposed to be for was somewhat ambiguous. They were described by government ministers at the centre as being 'a tool for us, because we have a responsibility to the Prime Minister, the Deputy Prime Minister and to the Cabinet to make sure that we implement our programme for government'.[147] But it was also stressed that the plans were supposed to be departmentally led: 'This is not an exercise of the centre, the Treasury, the Cabinet Office, Number 10 Downing Street, imposing a Business Plan on Departments. It's a matter of the Departments themselves, the Permanent Secretary and the Secretary of State working together, producing a Business Plan that is the way in which that Department will set about achieving what the programme for government has allocated that Department as its task.'[148]

At their launch, the Prime Minister noted that they were intended to be a tool for the public as well, stating: 'Instead of bureaucratic accountability to the government machine, these Business Plans bring in a new system of democratic accountability – accountability to the people.'[149]

However, nearly three years after the first drafts of the Structural Reform Plans were published, it is not clear that the centre, departments or the general public are using them for accountability purposes.

Initially, progress against the Structural Reform Plans was reported to the senior ministers in the 'Quad'[150] by a team in No. 10. But after the team was transferred into the new Implementation Unit in the Cabinet Office, there were no indications that any of these senior ministers were using the plans to hold their colleagues in departments to account. Instead the Cabinet Office has confirmed that the 'Business Plans are primarily a tool for public accountability' and that 'the form of any internal escalation will depend on the nature of the action and the reasons for it being missed'.[151]

Some departmental leaders have integrated parts of the Structural Reform Plan actions within their internal performance reporting. Officials have noted that their existence as a published set of commitments can be useful in getting colleagues or ministers to act rather than having to publicly explain a missed deadline. However, many departments have confirmed that they view the Structural Reform Plans primarily as a public-facing exercise mandated by the centre and that they are not integrated into their internal accountability or performance systems.[152]

Unlike the outcome-focused Public Service Agreements (PSAs),[153] neither the public, the media, nor Parliament has paid any significant attention to the Structural Reform Plans. As the Structural Reform Plans are focused on Whitehall's outputs and lack clear links to the 'real world' end outcomes that the electorate are interested in, it is perhaps unsurprising that they have been largely ignored by the public who are supposed to be using them. Though some parliamentary select committees showed some initial interest in how they might use the Structural Reform Plans, this did not go beyond an initial couple of sessions looking at what the Structural Reform Plans were.[154]

147 Oliver Letwin giving evidence on the Business Plans to the Public Accounts Committee (PAC), 9 February 2011.

148 Oliver Letwin giving evidence to the Public Administration Select Committee (PASC), 12 January 2011, www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/c693-i/c69301.htm

149 Speech from David Cameron at the launch of the Business Plans publication, 8 November 2010, www.number10.gov.uk/news/pms-speech-on-business-plans

150 The 'Quad' group of ministers is made up of the Prime Minister, the Deputy Prime Minister, the Chancellor and the Chief Secretary.

151 Statement from Cabinet Office officials, provided to the Institute for Government, June 2013.

152 Institute for Government, interviews and workshops with departmental officials, 2011 - 2013. Also see Figure 6.3 in chapter 6.

153 Public Service Agreements are discussed further in chapter 6.

154 Both PASC and the PAC conducted initial sessions on the Structural Reform Plans. See: www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/c693-i/c69301.htm and www.publications.parliament.uk/pa/cm201011/cmselect/cmpubacc/c650-ii/c65001.htm

5.2. Permanent secretary objectives

Permanent secretary objectives have been published and offer a view of the responsibilities and outputs of these departmental leaders.

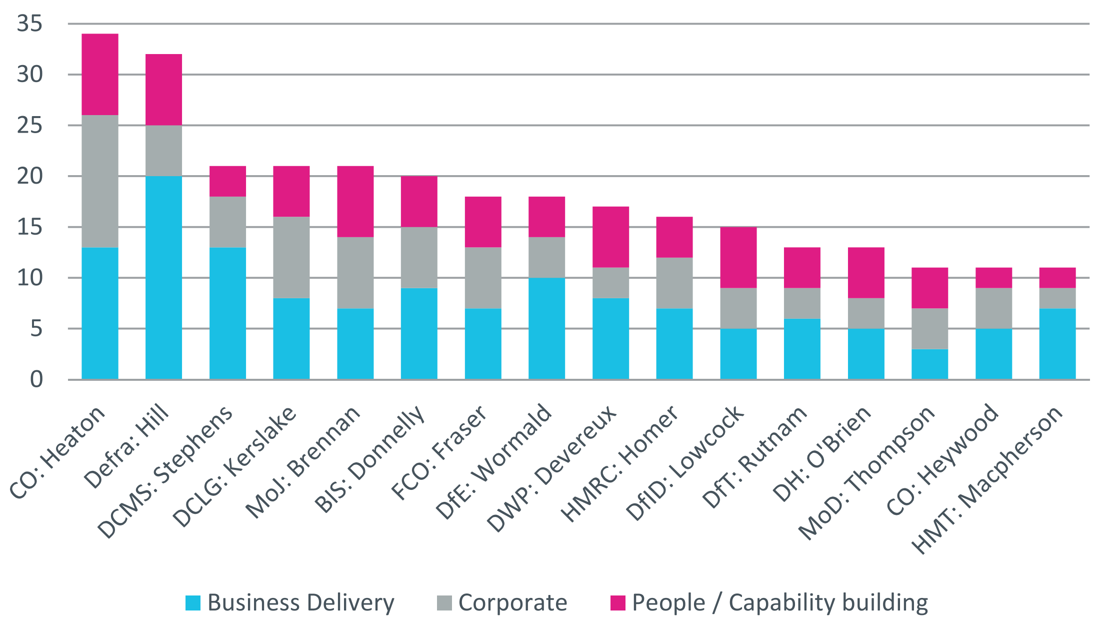
The objectives of departmental permanent secretaries, the Cabinet Secretary and the Head of the Civil Service[155] were published at the end of 2012.[156] This was part of a push to increase the accountability of civil servants.[157] As heads of Whitehall departments, we might expect information on the individual performance of permanent secretaries to reflect wider departmental performance.

Scope of the Permanent Secretary Individual Performance Objectives

The Permanent Secretary Individual Performance Objectives reflect the various responsibilities that these individuals hold, though they do not specifically include their accounting officer responsibilities.

The Permanent Secretary Individual Performance Objectives are designed to reflect the whole range of responsibilities that these individuals hold. As such, the objectives are categorised in three main groups: business delivery, corporate, and people / capability building.[158] However, the majority do not include objectives relating to the accounting officer role that permanent secretaries also hold. Figure 5.6 shows the number of objectives each permanent secretary has in each area.

Figure 5.6: Number of permanent secretary objectives by category (2012/13)



Note: We were unable to find any objectives for the permanent secretaries of DECC or the Home Office. These departments have seen recent turnover at the permanent secretary level, but no objectives appear to exist in the public domain for the current officials or their predecessors.

Source: Institute for Government analysis of Permanent Secretary Individual Performance Objectives 2012/13.

155 Note, the Head of the Civil Service, Sir Bob Kerslake, is also the Permanent Secretary of DCLG and has a single set of objectives encompassing both roles.

156 We were unable to find any objectives for the permanent secretaries of DECC or the Home Office. These departments have seen recent turnover at the permanent secretary level, but no objectives appear to exist in the public domain for the current officials or their predecessors.

157 For the objectives and how they were described by the Government, see www.gov.uk/government/publications/permanent-secretaries-objectives-published-for-the-first-time

158 Note, some sets of objectives separate out 'people' and 'capability' into distinct sections.

The process of setting the objectives was viewed as seriously flawed by some of those involved. Some considered the end sets of objectives too long to allow for effective prioritisation; others noted the odd timing of their publication – midway through the financial year.[159]

The objectives also do not always distinguish between the end goal and the outputs that the permanent secretary can have direct responsibility for. For example, the Permanent Secretary of DCMS has the objective of 'Delivering technological infrastructure – through the rollout of superfast broadband, to give the UK the best superfast network in Europe by 2015', which belies the complex network outside of Whitehall through which this policy is being delivered.[160]

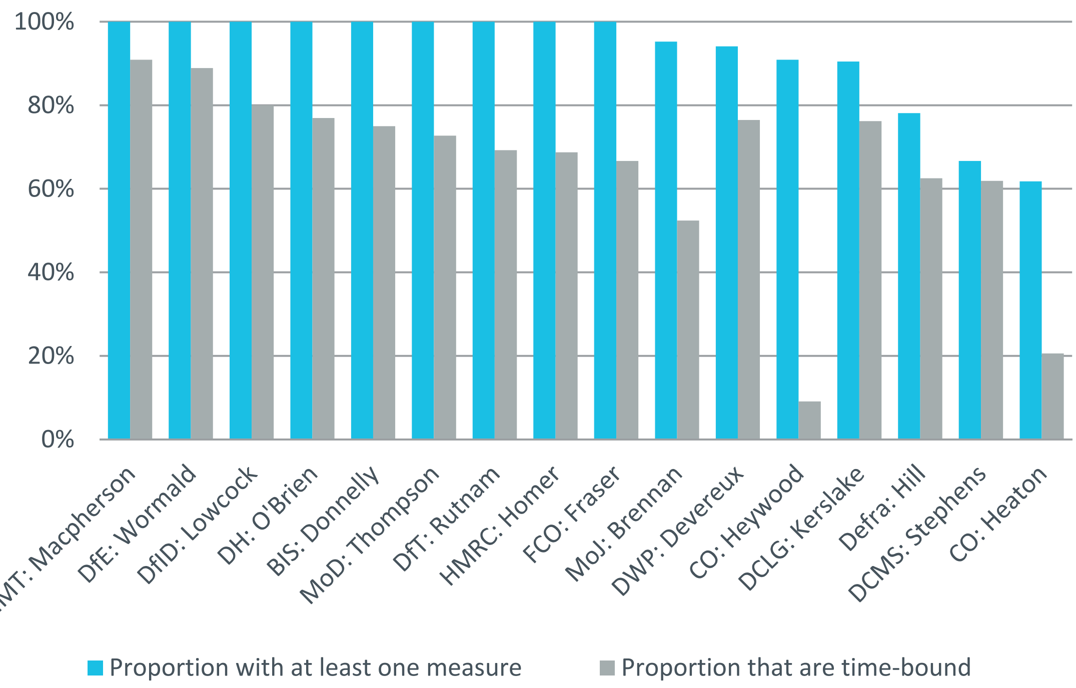
What insights do the Permanent Secretary Individual Performance Objectives give into the performance of Whitehall's leaders

No data has yet been published against the Permanent Secretary Individual Performance Objectives – in many cases it is unclear when or on what measure performance will be judged.

Although the government has published the objectives that have been set, it has not yet published specific data showing how permanent secretaries have performed against them.

Our analysis also shows that not all of the objectives indicate how or when performance will be monitored.

Figure 5.7: Proportion of permanent secretary objectives with an associated measure or containing a time element (2012/13)



Note: We were unable to find any objectives for the permanent secretaries of DECC or the Home Office. These departments have seen recent turnover at the permanent secretary level, but no objectives appear to exist in the public domain for the current officials or their predecessors.

Source: Institute for Government analysis of Permanent Secretary Individual Performance Objectives 2012/13.

159 For further details see the Institute for Government's forthcoming (September 2013) work on accountability in central government, www.instituteforgovernment.org.uk/our-work/parliament-and-political-process/accountability-central-government

160 Cabinet Office, *Permanent Secretary Individual Performance Objectives 2012/13*, Jonathan Stephens, DCMS, Objective 1c, www.gov.uk/government/uploads/system/uploads/attachment_data/file/79992/Jonathan_Stephens-objectives-2012-13_0.pdf

Seven of the permanent secretaries have objectives that lack any associated measures on which to judge their success. All of the permanent secretaries also have some objectives with no deadlines or review points indicated. Five permanent secretaries have no time-based element mentioned for at least a third of their objectives.

Are the Permanent Secretary Individual Performance Objectives part of an effective accountability system

Without data or any public performance review, it is not clear how these objectives have been used internally. However, few people believe that these will be the criteria against which permanent secretaries are really judged.

The gaps in the published measures make it somewhat challenging for the public to know when and on what grounds the performance of the permanent secretaries will be judged.

However, the most significant problem with the Permanent Secretary Individual Performance Objectives is that few people associated with the process believe that these will actually be the framework against which performance is judged.[161] There is little indication that they are locked into any sanctions or rewards, and there is widespread belief that, fundamentally, permanent secretaries will be assessed on other criteria, such as the quality of their relationship with the secretary of state.

Looking at the departures that have occurred to date, publicly no permanent secretary has left because of formal issues raised at their performance reviews – either before or after the objectives were published. Though there is no official data on the reasons that permanent secretaries left, retired or moved roles, it is often internally apparent that a breakdown of the relationship with the secretary of state played a key role in some of the departures.

5.3. Conclusions

Looking at how the Government currently monitors Whitehall's outputs, our analysis shows that there are real gaps in what this can tell us about the performance of departments as a whole.

There are several sources of cross-government information on the reforms that departments have been carrying out. However, as we have seen in this chapter, there are problems in using this information to judge departments' performance or their progress against the Coalition's programme of reforms.

Looking at the individual performance of permanent secretaries, there is not yet a published view on how well they have done against their stated objectives. In many cases it is also not clear on what basis any judgement will be formed.

As the Institute noted in its report on management information,[162] a key factor in getting good quality information is the extent to which it is used. The most crucial part of any performance framework is that it gets locked into an effective system of accountability and is used to judge performance. While it is perhaps too early to judge whether the Major Projects Authority's report is being used in this manner, it does not appear that either the Permanent Secretary Individual Performance Objectives or the Structural Reform Plans achieve this.

161 Institute for Government, private conversations with senior officials, 2012/13. See also, the Institute for Government's forthcoming (September 2013) work on accountability in central government, www.instituteforgovernment.org.uk/our-work/parliament-and-political-process/accountability-central-government

162 McCrae, J., et al., *Improving decision making in Whitehall*, Institute for Government, May 2012, www.instituteforgovernment.org.uk/publications/improving-decision-making-whitehall

6. Outcomes: Whitehall's end goals

The final element in measuring effectiveness is to see whether the desired end outcomes actually occurred. Departmental leaders ultimately care about these end outcomes, with the political side of the leadership explicitly having to seek electoral approval for their record.

However, there is generally no simple causal chain linking outputs and outcomes. In the case of government, the links between what happens in Whitehall (e.g. controlling schools funding) and the final outcomes across society (e.g. raising educational standards) may be particularly tenuous. So departmental leaders rarely, if ever, directly control the end goals they are seeking to achieve.

To lead effectively within this kind of environment, it is crucial that departmental leaders have a clear conception of what their end goals are, and that they have some way of tracking whether the situation is improving or not. This should allow them to refine what Whitehall itself does, which should, in turn, improve the real world outcomes.

This chapter examines how Whitehall measures outcomes. The Government's Impact Indicators within departmental Business Plans remain the sole cross-government framework for measuring whether departments are achieving their end outcomes. However, as we show, these Impact Indicators appear to have been developed as an afterthought and are not central to the way many departmental leaders judge their performance.

In response to the weaknesses of the Impact Indicators and wider Business Plan framework, a substantial number of departmental leaders have developed their own frameworks for tracking outcomes. Our case studies show how these departments have innovated in building outcomes into their whole departmental performance and are using them to help departmental leaders focus and prioritise.

While these innovations show that many departmental leaders remain focused on delivering their end goals to the best of their abilities, the inadequacies of the existing cross-government framework mean that it is impossible to see what government as a whole is delivering.

6.1. Cross-government frameworks

Departmental leaders ultimately are concerned with real-world outcomes, and their performance frameworks should enable them to judge whether their actions are having a positive end effect. The current cross-government framework, the Business Plans, was developed after the Coalition scrapped the target-driven Public Service Agreements (PSAs).

Departmental leaders ultimately care about end goals that are often beyond their direct control. However, identifying these goals, let alone measuring them, can be difficult.

Political manifestos articulate a range of goals, but typically they will not cover the essential – but not currently electorally salient – elements of 'business as usual' for departments. Where political outcomes are identified, they can often sit at a variety of logical levels – from policy-specific goals, such as the creation of academies, to much more abstract objectives, such as building the 'Big Society'.

Box 6.1: Outcome measurement – a historical perspective

The UK Government has made a number of different attempts to track and measure its performance. These have all to a lesser or greater degree tried to tie departmental resources to top-level outcome goals and the quality of services delivered to the public. Figure 6.1 shows a timeline of some of the larger central government initiatives used by the UK Government since 1980. It shows that there have been considerable changes in who oversaw the initiative, who the primary audience was and how incentives were used to drive better performance.

These initiatives ranged from internal drives to improve control of resources within departments, as in the case of the Financial Management Initiative, to stronger accountability for public service delivery under Next Steps and the Citizen's Charter.

PSAs placed a much greater focus on the outcomes that departments were seeking to achieve, and linked targets firmly to ministerial accountability. By 2004, however, the Cabinet Office urged departments to consider 'how the aggregation of input, output and process targets and other controls beyond the framework of national PSAs impact on the front line'.[163] As such, after the Spending Review 2004, there was a marked effort to reduce the number and rigidity of the targets set, particularly at the local level. After the Spending Review 2007, efforts were also made to expand the scope of PSAs beyond departments to cross-cutting issues.[164]

However, following the creation of the Coalition Government in 2010, PSAs were scrapped in line with the Government's ambition to remove 'top-down … bureaucratic levers'.[165]

Current cross-government approach to outcome measurement

In the Business Plans, the Coalition has sought to separate areas of direct departmental accountability from the indicators on its end outcomes. However, the outcome measures in the Business Plans (the Impact Indicators) appear to be somewhat of an afterthought.

The Coalition Government has sought to separate out the areas for which departmental leaders can be held directly to account from the end outcomes it seeks to influence, but does not have total control over. As the Cabinet Office minister Oliver Letwin commented: 'We came to the conclusion that it would be better to try to organise things so that the Government machine had as its immediate objectives the fulfilment of certain actions that are actually within the control of Government to fulfil.'[166]

However, with the focus on areas under the control of departmental leaders, outcomes were comparatively neglected. Outcomes were completely absent from the initial draft release of the Business Plans in summer 2010. This release focused exclusively on the Structural Reform actions for which the Government intended to hold departmental leaders directly to account. Even when the Business Plans were formally launched in November 2010, the Government published only a list of what the outcome indicators were – not the actual data or where to access it.

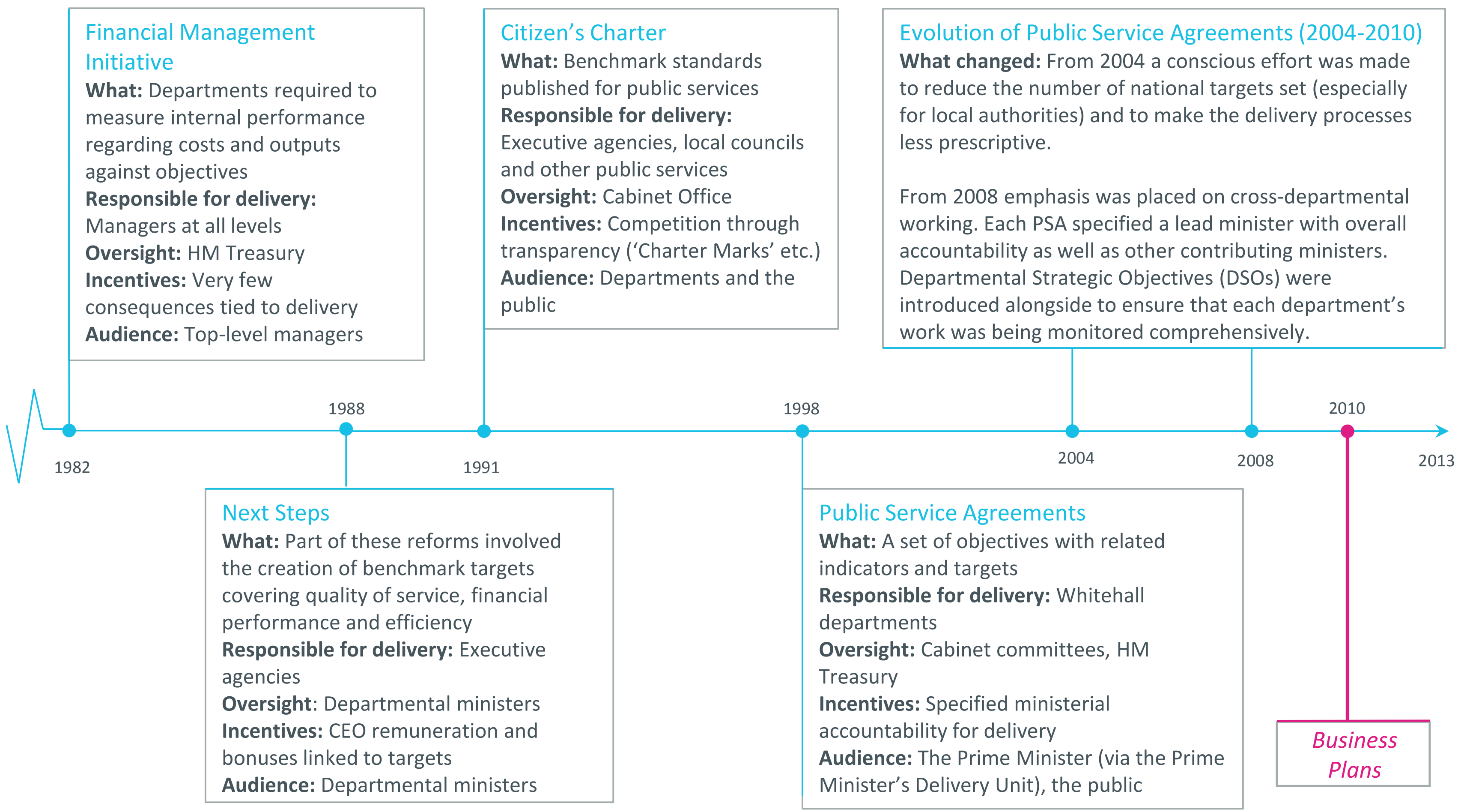
163 HM Treasury and Cabinet Office, Devolving decision making: 1 - Delivering better public services: refining targets and performance management, March 2004, p.18, http://webarchive.nationalarchives.gov.uk/+/http:/www.hm-treasury.gov.uk/media/9B9/26/devolving_decision1_409.pdf

164 For more details on changes to PSAs and the counterpart Local Area Agreements, see Gash, T., et al., *Performance Art: Enabling better management in the public services*, Institute for Government, December 2008, www.instituteforgovernment.org.uk/publications/performance-art

165 HM Treasury, Spending Review 2010 (Cm 7942), October 2010, p.34, retrieved 24 July 2013, www.gov.uk/government/uploads/system/uploads/attachment_data/file/203826/Spending_review_2010.pdf

166 Oliver Letwin giving evidence on the Business Plans to PASC, 12 January 2011, retrieved 24 July 2013, www.publications.parliament.uk/pa/cm201011/cmselect/cmpubadm/c693-i/c69301.htm

Figure 6.1: Key government performance initiatives since 1980



Source: NAO, *The Financial Management Initiative*, October 1986; Gay, O., *The accountability debate: Next Steps Agencies*, January 1997; NAO, *The Next Steps Initiative*, June 1989; Haddon, C., *Reforming the Civil Service*, Institute for Government, May 2012; HM Government, *The Citizen's Charter: Raising the standard* (Cm 1599), July 1991; Gash, T., et al., *Performance Art: Enabling better management of public services*, Institute for Government, November 2008; Gay, O., *Public Service Agreements*, December 2005.

Box 6.2: Accessing the Impact Indicators

Until recently, the Impact Indicators were neither referenced on the No. 10 Transparency site on the Business Plans, nor systematically reported against by departments.[167]

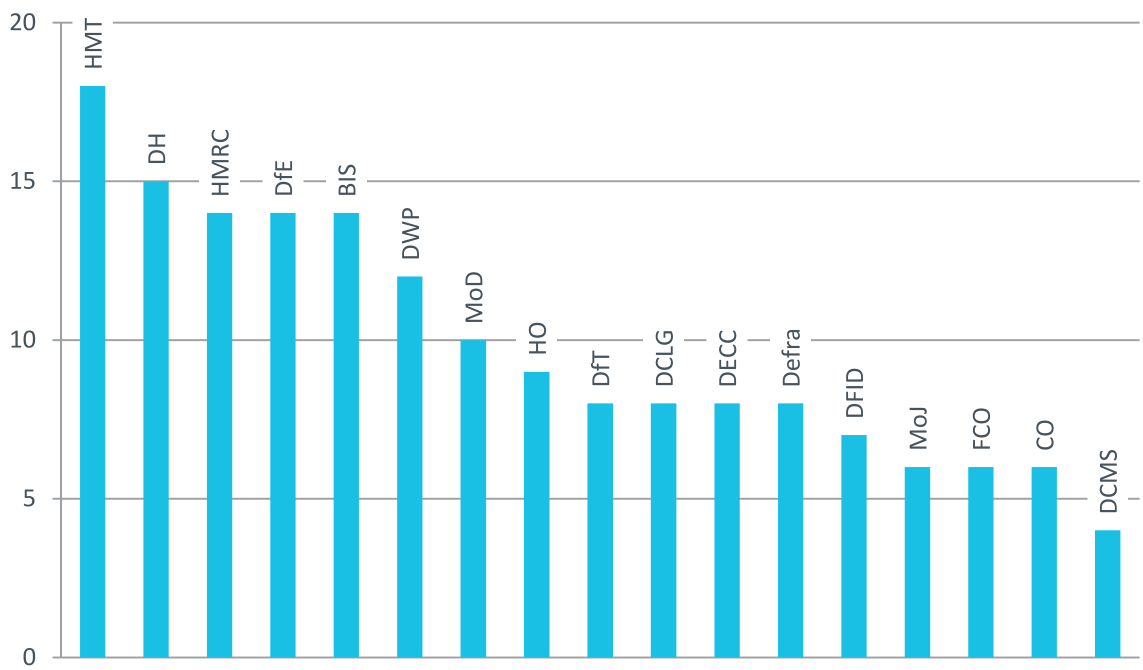
Departments now each have a single webpage that collates links to their Impact Indicators, but navigating to this page from the departments' home webpages is not straightforward. They clearly are not 'front and centre' in departments' presentation of themselves and what they are aiming for.

The majority of departments do not provide the information in summary form or provide any sort of overview indicating how they view themselves as performing against the Indicators.[168] Instead, for most departments, it is necessary to navigate to individual documents relating to each indicator, and in many cases the actual figures are only available within a pdf document.

This makes it highly impractical for anyone to routinely collate this information and create a picture of whether an individual department or government as a whole is achieving its desired outcomes.

Looking at the indicators themselves it is apparent that there is substantial variation between the numbers of indicators and the robustness of the information.

Figure 6.2: Number of Impact Indicators by department, 2012/13



Source: Institute for Government analysis of Business Plans Impact indicators 2012/13.

Despite the indicator sets being published more than two years ago, several indicators still do not yet have any data against them. For example, BIS states that it will track: 'The gap between young graduates from professional backgrounds who go on to a "graduate job" six months after graduating and young graduates from non-professional backgrounds (Social Mobility).' However, to date it has published no information at all on this indicator.[169]

167 Since Number 10 migrated to gov.uk, the No. 10 Transparency site has a much lower profile within the Number 10 webpage.

168 While No.10 and gov.uk do not reference this directly, DCLG has a beta version of a site that displays the current and previous figures for each indicator as a single summary webpage. This is available at: http://dclgapps.communities.gov.uk/indicators, retrieved 24 July 2013.

169 BIS, Business Plan 2012-2015, May 2012, p.26. There is no mention of this indicator within the relevant sub-group of published indicators on BIS's website: www.gov.uk/government/publications/bis-performance-indicators-knowledge-and-innovation, retrieved 24 July 2013. BIS stated it would have an indicator on adult social mobility in the May 2011 refresh and specified the details of what the indicator would cover precisely in the 2012 refresh.

There are also significant gaps in what the indicators cover. For example, around 40% of DCMS's budget is allocated to museums and galleries, heritage and the arts. However, until the June 2013 refresh of the Business Plans it did not have a single Impact Indicator relating to any of these areas.[170]

Though the scrapping of specific targets from the indicators was intended to remove perverse incentives,[171] it has made it more difficult for the general public to use them to judge departmental performance. For example, while most people would recognise that the Government is seeking to get more houses built,[172] few would have an accurate sense of how many additional properties are required to meet future demand. Though departments do now publish detailed documentation on how the indicators should be treated, again, there is nothing that helpfully summarises whether the department judges this indicator to be on track against where it would like it to be (e.g. a RAG rating or similar).

It is, perhaps, unsurprising that even though there have been significant improvements to the reporting of impact indicators, they do not come close to having the public or political salience that PSAs had.

6.2. How are departments tackling outcome reporting?

In the absence of a strong cross-government framework, a considerable number of departmental leaders have developed their own departmental performance frameworks to track their outcomes.

With the main cross-government measures garnering a muted public reception, we looked at how departments were reporting and using outcome measures internally.

In the absence of a strong central directive on which outcomes should be paramount or how they should be reported, departmental leaders have been given more leeway to experiment with different forms of reporting.

We asked departments what they viewed as their main outcomes and whether this information was reported to their departmental boards. This information is summarised in Figure 6.3.

The results are a fairly damning indictment of the Business Plans – with eight out of 17 departments using bespoke creations rather than the Business Plans as their primary reporting framework.

170 At the time of writing it has yet to publish any data relating to the new indicators in this area, http://transparency.number10.gov.uk/business-plan/17, retrieved 2 August 2013.

171 For the different types of 'gaming' that were documented in relation to health targets see Gash, T., et al., P*erformance Art: Enabling better management in public services*, Institute for Government, December 2008, Fig. 2.3, p. 21.

172 See, for example, DCLG, *Business Plan 2012-15*, May 2012, Priority 4, 'Meet people's housing aspirations', p. 3.

Figure 6.3: Departmental outcome measurement frameworks

Dept.	Outcome measurement framework	Monitoring
CO	**Business Plan** • Sets out the department's five key priorities	• The Departmental Board has a standing agenda item on 'performance'. Progress is reported to the Board on a monthly basis
DCLG	**Business Plan** • Reporting is organised around seven priority areas	• Indicators are reported to sub-committees, the Executive Team and the Departmental Board on a monthly basis
DCMS	**Business Plan** • Arm's-length bodies also have their own key performance indicators	• Data on indicators is seen by the strategy team, the Permanent Secretary and the Ministerial Board
Defra	**Business Plan**	• The Departmental Board sees data on the delivery of Structural Reform Plan actions, as well as financial and operational delivery (monthly)
DfT	**Business Plan**	• A Management Information Pack is seen by the Executive Committee (monthly) and Departmental Board (six times per year)
HMT	**Business Plan** • These indicators are currently being expanded, reworked and improved	• Primary oversight at the Executive Management Board level (every six months). The Departmental Board also meets quarterly and reviews updates on finance and HR indicators
HMRC	**Business Plan** • Points to six strategic objectives relating to top-level outcomes	• Indicators reported to the Departmental Board. The Executive Committee meets to evaluate performance against them (monthly)
HO	**Business Plan**	• Performance indicators are included 'when necessary' on the agenda of the Departmental Board (bi-monthly)[173]
MoJ	**Business Plan** • These are used at the top level, but delivery arms have their own boards and plans	• Reviewed by the Departmental Board (six times a year), the Executive Management Board, the Departmental Executive Committee (monthly) and Delivery Group Boards
BIS	**Internal Operations Plan** • Covers business as usual **Business Plan** • Encapsulates the department's overall vision (less comprehensive)	• The Departmental Board sees selected updates and recommendations • The Executive Board discusses the Operational Plan monthly

173 Home Office, Response to the Institute's Freedom of Information request, 7 March 2013.

DECC	**Operational Business Plan** • The most detailed system **Business Plan** • Seen as an external facing document	• Performance information is seen by the Executive and Departmental Boards • The Chief Operating Officer reports on performance indicators
DfE	**Delivery Plan** • The primary system used for management **Business Plan** • Seen as an external facing document	• The Ministerial Board and Performance Committee see a monthly delivery report
DfID	**DfID Results Framework (four levels)** • (1) Development (2) DfID interventions (3) Operational effectiveness (4) Organisational effectiveness	• These indicators are a standing agenda item for the Departmental Board (reported to the Board bi-annually)
DH	**(1) The NHS Outcomes Framework** **(2) The Public Health Outcomes Framework** **(3) The Adult Social Care Outcomes Framework**	• The Departmental Board receives a Quarterly Performance Report containing indicators from all three frameworks
DWP	**Delivery Plan** • Ensures that day-to-day business is aligned with its strategic priorities **Business Plan** • Relates to delivering reform and improving operational efficiency	• The Departmental Board meets quarterly, discussing 'performance, planning and business priorities' [174] at each meeting
FCO	**The FCO's Priorities** (published yearly) • Contains 18 specific priorities **Business Plan** • Secondary reporting document	• These are looked at monthly by the Departmental Board and progress reviews are conducted bi-annually
MoD	**Quarterly Performance and Risk Report** • Based on top-level budgets **Decision and Support Template** • Lists individual pieces of capability and their readiness over time **Business Plan** • Primarily for reporting to the centre. Not seen to capture day-to-day business	• The Quarterly Performance and Risk Report is discussed by the services boards, which in turn provide it to the Departmental Board • The Decision Support Template is a standing item on the agenda of the Armed Forces Committee

Source: Institute for Government interviews with officials and responses to Freedom of Information requests.

174 DWP, Response to the Institute's Freedom of Information request, 25 February 2013.

For some, the Business Plans priorities and the indicators do form the basis of their internal reporting. However, as the Business Plans have focused only on reform rather than the department as a whole, several departments have extended the reporting around them to ensure that the whole of their departmental business is covered.

In other departments, while the Business Plans do accurately reflect the reform priorities, they are not the 'live' document at the centre of departmental reporting and decision making. Instead, departments have developed a variety of tools to help them ensure that outcome measures are used effectively in their department.

In the case studies below, we reflect on how a selection of departments have developed their own frameworks.[175]

Case study 1: Ministry of Defence

With the Defence Board's focus on management information, the department is making significant improvements in its internal reporting. One of the new tools allows capability to be modelled over a period of time. This helps the leadership consider future requirements and trade-offs in their decision-making.

In the Institute's report *Improving Decision Making*, we note that strength of demand and how information is used are crucial to good management information.[176] At the MoD, the Secretary of State and Permanent Under-Secretary have accountancy backgrounds and value good information. This, alongside the insight of the Defence Board's non-executive members and the role of the Director General Finance in board reporting, has helped strengthen the demand for accurate, timely and useful information from the top of the organisation down.

The MoD's primary goal is to deliver the military capability needed to support the Government's objectives. As well as delivering for current military operations, it must also ensure that the department is able to meet future demands and challenges. Given the long timescales required to deliver military capability, the leadership must make these decisions far in advance.

To support this objective, the department has developed a new tool: a model of defence capabilities that shows future confidence ratings for force elements over time. This lets leaders see where and when weaknesses might appear and provides information about the lead times required to build capability in these areas. It allows the leadership to address the issues highlighted, indicating when decisions will be required and identifying trade-offs across Defence. It has helped leaders balance immediate concerns and the department's longer-term requirements in a more informed way.

Case study 2: Department of Energy and Climate Change

With a shift of focus to delivery, the department is working to develop indicators that can check whether performance is on track even though many of the outcomes will not be apparent for years.

Many of DECC's policies are moving from development into the delivery phase, which has driven a shift in the department's approach to outcome measurement and board reporting. This change in emphasis was reinforced by the arrival of a new permanent secretary with a commercial perspective, and demand from the non-executive members of the departmental Board for better information on performance and outcomes.

Some of DECC's policies, such as the Green Deal, are delivered through relatively complex models. Others, such as climate change policy, target outcomes with long lags in measurement. To develop a robust performance measurement system, the centre of the department is working with experts and policy leads to develop proxy measures or leading indicators for outcomes that have long time horizons.

175 Based on interviews with departments 2013 and Freedom of Information Requests 2013.

176 McCrae, J., et al., *Improving decision making in Whitehall: Effective use of management information*, Institute for Government, May 2012, www.instituteforgovernment.org.uk/publications/improving-decision-making-whitehall

Case study 3: Department for Education

DfE's outcome reporting has undergone a number of refinements. Supported by the non-executive board members, it has streamlined its Board reporting and, following the department's 'zero-based review' in 2012, now focuses on a core set of ministerial priorities.

The non-executives were described as a 'key customer' who helped shape the initial refinements to DfE's reporting. They called for Board information that was much more concise, covered the entire business of the department, and was based on hard data. They helped to prioritise the reporting, setting six areas that would be reported on in full, with other areas summarised and periodically assessed in more depth. As a result, the department's performance report was reduced from an unwieldy 90 pages to 10-15.

Following this, as part of DfE's 'zero-based' review in 2012, ministers worked with officials to agree a core set of priorities that would drive the department's business. This created a window of opportunity for the department to realign all its reporting around the 'single golden thread' of agreed ministerial priorities.

The reporting framework that resulted includes detailed monthly progress updates and a more in-depth, termly, 'in the round' consideration of progress. The Performance team has worked closely with policy teams to develop performance indicators that underpin the reporting. A new approach to risk management also contributes to the scrutiny and challenge of the department's reform agenda. The framework is designed to ensure that a single picture of performance for the whole department is provided.

Case study 4: Foreign and Commonwealth Office

The department's new performance framework is underpinned by the aspiration to 'inculcate a culture of outcomes, not process'. It has also drawn on internal and external expertise to develop more sophisticated performance indicators.

The FCO identifies three long-term, top-level priorities (security, prosperity and consular) and 18 specific priority outcomes (split between its three foreign policy priorities) for the year 2012/13. The central Policy Unit collects information from departmental teams and overseas posts, who supply evidence of how their work contributed to the department's outcomes. The central team noted that this generates an element of competition between the different parts of the organisation. Director generals and directors responsible for different areas were keen to find out how they could improve their performance and the quality of the evidence that they provided in order to score more highly in future.

The department also uses external challenge to test some of its outcome measures. For example, it has developed an externally validated composite indicator in order to assess progress on Diplomatic Excellence, its agenda for reform and improvement, focused on the three themes of Policy, People and Network. Work is under way to focus even more rigorously on outcome measures and not just output measures, such as listing agreements reached. The department recognises the challenges of measuring relatively 'intangible' outcomes and is drawing on a range of experts inside and outside of government to help it develop suitable indicators. For example, it has consulted with colleagues in DfID and external non-governmental organisations such as Oxfam on how organisations can measure their influence and is looking at tools such as the independently compiled nation-branding index. It is also working with industry experts, for example in public relations, to look afresh at how to measure the impact of its trade promotion campaigns. The aim is to distinguish the specific FCO contribution. So for trade, the FCO's goal is to create 'open and transparent markets', while UK Trade & Investment (UKTI) is responsible for the execution element. For the GREAT Britain campaign, outcomes of the joint work of FCO and UKTI teams are independently evaluated to give a projected economic benefit to the British economy. This approach is replicated by other partners including VisitBritain and the British Council.

Case study 5: Department of Health

As part of the reforms of the health system, the department is moving away from a direct role in managing the NHS, social care and public health systems. With the ministerial department moving towards acting as a 'system steward', the departmental Board is also making adjustments and now requires reporting that supports its assurance role.

Responsibility for each of the top-level areas of the health system (NHS, public health and adult social care) is now becoming more firmly located in a revamped system of arm's-length bodies. For example, the NHS chief executive role was previously located inside the department. However, following the NHS reforms enacted in 2012, there is no longer an NHS chief executive responsible both for the commissioning of health care and health care providers. Leadership of local and specialised commissioning has moved out of the department to the newly created NHS England (a non-departmental public body), and the NHS Trust Development Authority is responsible for those providers that have not yet achieved foundation trust status. Each of the top-level areas (NHS, public health, and adult care and support) has its own outcomes frameworks. Overall accountability arrangements are set out in the department's Accounting Officer System Statement.

Reporting to the departmental Board on outcomes is evolving as the new relationships between the department and its arm's-length bodies become established. While there is continuity in the types of outcome indicators that are provided to the Board, the way the Board engages with the data is changing as it takes more of an assurance role. There are indications that this approach is changing thinking about how policy is made, focusing attention on risk and long-term trade-offs.

These case studies show that there are obvious weaknesses in the cross-government Business Plans and Impact Indicators, but this does not mean that departments are not focused on outcomes. Instead we have seen a number of departments trying to innovate and develop ways of tracking outcomes and incorporating them within their reporting and performance systems. Many of these new tools and reporting systems are still in their infancy, so it is probably too early to judge their impact. However, they do demonstrate that this is an area that many departments, and departmental leaders, recognise as being important.

6.3. Conclusions

Having some idea of whether the Government's end goals are being delivered is crucial. Even where departments wield only partial or indirect influence over the end objective, they still should be looking to the end result to which they are contributing, to try to judge whether their activities are having the desired effect. Similarly, using proxies or imprecise metrics is much better than having no information, as long as they are used sensibly and help to inform decision making.

However, the cross-government outcome frameworks are clearly not working effectively. They are inaccessible to the public and our research shows that many departments have developed their own frameworks instead.

From our case studies, it can be seen that many departments place improving outcomes at the core of what they are trying to achieve. However, this still leaves us a long way from being able to judge whether the Government as a whole is achieving its goals.

7. Conclusions

In the UK we are fortunate to have access to such an array of information about the inner workings of government. The Government's Transparency agenda has helped push this further, opening up even more information for public review. Credit should also be given to the officials and politicians in government, and external users and campaigners outside of government, who have been working to support improvements to government information over the past few years. This is an area which is continually evolving, with new data and tools, like the Government Interrogating Spending Tool, coming online.[177] In Annex A we set out our suggested principles on which government data should be based, covering accessibility, quality and comparability. We also review the range of data sources used within this report and note the areas where we think improvements could be made.

However, simply having more data does not necessarily mean it is easier to build a picture of Whitehall or see how effectively it is performing.

Currently, while we can get insights on parts of the picture, it is impossible to comprehensively assess Whitehall's effectiveness. There are insufficient links between the resources that departmental leaders receive, how they are deployed and the real-world outcomes that the Government is pursuing. It would be unrealistic to expect any government to model this perfectly, but Whitehall should be striving to improve its own understanding of how its actions affect real-world outcomes, and how it can improve its performance.

In areas where government has and uses the information itself, such as around departmental budgets, the quality and completeness of the information is usually better. But even during a period of austerity, there are significant barriers to understanding the data for the public, Parliament and potentially even departmental leaders. These prevent them from building an accurate picture of the resources departments have, or from judging whether departments are meeting their objectives.

For outputs and outcome measures that are billed as 'for public transparency'[178] rather than for use inside departments, the quality and usefulness of the available information is much lower.[179] Despite this information being intended for public use, it is often highly inaccessible, patchy and hard to interpret. More importantly, if the information is not salient to departments, then it is unlikely to be of use to those outside government. No 'armchair auditor' wants to waste their time trying to analyse the data and hold the Government to account using frameworks that those inside Whitehall consider to be irrelevant.

In the 2013 Spending Round, the Government indicated that it expected austerity measures to continue beyond this parliamentary term.[180] With a shrinking pool of resources at their disposal and demand on key public services set to increase, departmental leaders are under even more pressure to provide 'more for less'. It is therefore crucial that they have the information they need to make Whitehall as effective as possible.

177 See http://www.gist.cabinetoffice.gov.uk

178 The Structural Reform Plans, the Impact Indicators and the Permanent Secretary Objectives were all described as being for public transparency and accountability purposes. On Structural Reform Plans, see David Cameron, speech at Civil Service Live, 8 July 2010, www.gov.uk/government/speeches/pms-speech-at-civil-service-live. On Impact indicators see, David Cameron, speech on Business Plans, 8 November 2010, www.gov.uk/government/speeches/pms-speech-on-business-plans. On Permanent Secretary Objectives, see www.gov.uk/government/news/reforms-to-increase-accountability-at-the-very-top-of-the-civil-service

179 As the Institute has previously argued, the best way to drive improvements in the quality of management information is to ensure that the data provided is actually used by decision-makers. For further discussion, see McCrae, J., et al., *Improving decision making in Whitehall: Effective use of management information*, Institute for Government, May 2012, www.instituteforgovernment.org.uk/publications/improving-decision-making-whitehall

180 The Opposition also indicated that they would adopt these spending plans for 2015/16. See Ed Miliband, speech to Labour's National Policy Forum, 22 June 2013, www.labour.org.uk/the-discipline-to-make-a-difference---ed-miliband

Annex A: Improving data on Whitehall

In researching this report, we have compiled and analysed data from a wide range of sources, whether on government finance and staff numbers, or on Structural Reform Plans, workforce management, and the composition of the Civil Service. We have drawn on official statistics and financial data, as well as other data published by the Government as part of its transparency drive.

We analyse these data sources from the point of view of an external user. But other users, and ultimately government itself, would also benefit if data were made easier to access, better and more usable, and if documentation were improved. Parliament could use more of its precious time performing effective scrutiny. Departmental leaders could more easily make comparisons and better understand the organisations they run.

Below, we make suggestions for improvements. These range from the practical steps that would make the data easier to analyse to the significant changes that would radically improve understanding of government. We present principles that anyone wanting to provide genuinely useful data should follow. They are grouped under three categories: availability and access, data purpose and documentation, and comparability. We then review the data sources used within this report and highlight particular improvements that could be made in each of these categories (see Table A.1).

The Institute has argued previously that a key driver of improvement in data quality is demand for data from decision makers.[181] The evidence suggests that there are improvements in this area, but there is still a long way to go.[182] Nevertheless, one would expect this to be a 'virtuous cycle': when data is good enough to be used effectively, whether for scrutiny or management, there is demand for the data to be further refined and improved.

Availability and access

Use of government data by the public would be greatly facilitated if there were greater consistency in how and where data can be accessed. Making sure that all datasets in each series are published together and remain accessible would be a great improvement.

The first challenge in using government data can often be to locate the relevant information:

- **Provide an index of key data and an explanation of what it covers.** At the moment it can be difficult to work out what data is available in any given area or where to find it. Providing a complete data index or a more navigable or searchable website that included the totality of the available information[183] would be a real step forward.
- **Label and name data files in an informative way.** Part of the issue with finding the relevant data at the moment is that data can be named inconsistently. Adopting a standard naming and labelling convention (preferably making the dates clear) would make it much easier to find.
- **Make it clear whether you are looking at the latest version of the information.** Some government data is published regularly; other information is produced on a more ad-hoc basis. It would be useful if the latest versions of any data source could be marked as such so that users know whether they are looking at the most up-to-date information.
- **Explain the update cycle.** For data that has more than one release, clearly signpost periodicity, when the next release is expected and when the data becomes final.
- **Enable users to find all of the data in a given series easily.** Often government data is produced at regular intervals and is published separately by different organisations. It can be quite difficult to know how many editions there are, or how many organisations produce the same data series or where to find them. Government should ensure that it is possible to easily access all the information on a given data series – including the full-time series and the full range of organisations that produce it.
- **Collated versions of data that is published in frequent releases by multiple organisations would facilitate comparison.** Given that so much government data is produced by individual organisations with multiple releases over time, providing collated time series or collated data for all organisations would also be really helpful.

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181 See McCrae, J., et al., *Improving decision making in Whitehall: Effective use of management information*, Institute for Government, May 2012, www.instituteforgovernment.org.uk/publications/improving-decision-making-whitehall

182 See, for example, Lord Browne, *Lead Non-Executive Annual Report*, financial year 2012/13, www.gov.uk/government/uploads/system/uploads/attachment_data/file/205211/Government_Lead_Non-Executive_Annual_Report_2012-13_FINAL.pdf

183 Or at least signposting where to search for different types of data, e.g. should I search on gov.uk or data.gov.uk for any given data series?

- **Signposting other relevant data is helpful.** For example, not everyone looking at Workforce Management Information will know about the senior staff organograms but they may still find them valuable.

Having located the information, the next challenge is to access it in a form that is usable:

- **Enable different users to access data in a form that is most useful for their needs.** Different users will want to use the data in different ways, and therefore different formats may work better to support their needs (e.g. pdfs for those wanting simply to read or print the information, spreadsheet files for those wanting to analyse the data, APIs for those wanting to use the data in a more advanced fashion).
- **Key data should be provided in a machine-readable format –** CSV or Excel rather than pdfs. Often this does not happen despite stated ministerial intention.[184]
- **Data should also be structured to make it easy to analyse.** Simply putting data into a spreadsheet does not mean that it is easy to analyse. For example, the ONS provides its headcount data as an Excel file – but this is formatted to make it easy to print, rather than easy to analyse.
- **Where an advanced way of presenting data has been chosen, a straightforward format should be provided alongside this.** Not all users are able to use APIs, for instance.
- **Try to make the source data stable where possible.** Those who regularly analyse data will often try to build shortcuts or tools to interface directly with the source data to reduce the time taken to extract the data and to minimise translation errors. However, building these interfaces can take time, and too much government data changes its format or is suddenly discontinued. Signposting where a source of data is stable (and therefore investment in analysing it is worthwhile) would be helpful.

Data purpose and documentation

Better information on what different data sources contain and how they are intended to be used can help users to get to grips with the available information. There are also simple data maintenance and documentation steps that would make the data much more usable.

Understanding what the scope and intended use of the data is can be crucial to using it effectively:

- **Provide clarity as to what is and what is not in scope.** The precise details of the scope are often not clear. Does the information provided reflect the totality of what the organisation does/spends etc. or are these just the priority areas? What areas are not included in the scope of this data that you might expect (e.g. pension liabilities are not included in departmental annual accounts)?
- **Be clear what the data's purpose is, who it is for and how it should be treated.** Data is produced for different audiences and different purposes. So initial indicative figures used as management information will need to be used differently to official statistics as they are intended to meet different needs.
- **Document the degree of confidence there should be in the data and the level of quality assurance.** How data is used or produced gives some indication of how robust it is likely to be. But just because data is an official statistic, this does not necessarily mean there are not margins of error in it. Similarly, many new series of information can often suffer data quality issues initially, even if they go on to be quite robust. It should be clear whether the data is being developed, or if the process for generating it is stable and of high quality. It should also be clear whether the data is rigorously quality checked before release and who has responsibility for doing this.

Proper documentation and simple 'housekeeping' of the data can make it make it much easier to understand and use:

- **Devise a consistent set of labels for organisations and ensure these remain stable over time unless the units change.** It is unhelpful if, for instance, in one month BIS is reported as the 'Department for Business, Innovation & Skills' and next month as 'Business, Innovation and Skills'.
- **Document all the key details and ensure that these are embedded within the dataset.** Is this data for the calendar year, the financial year or some other point? Does it encompass the departmental group or just the ministerial department? These details should all be still apparent even if the data is used in a standalone form away from its source webpage and any contextual information that this might provide.

184 Rogers, S., 'Government data pdf enthusiasts will be "dealt with", says Maude', *Guardian Datablog*, 17 October 2012, www.guardian.co.uk/news/datablog/2012/oct/17/open-government-data-pdfs

- **Ensure all variables and specialist terms are explained.** Different categories and 'variables' should be properly defined so it is clear what the data shows. (For example, do staff costs include redundancy payments?) All acronyms and specialist terms should be explained in full.
- **Mark missing data consistently to distinguish it from zeros and omissions.** Ensure consistent, user-friendly formatting of numbers (e.g. currency units should be marked in the column heading rather than hard-coded in the data cells).
- **Make it clear who the owner of the data is so that it can be attributed correctly.** (For example, is this data about departments that has been generated centrally by Cabinet Office, or is this data that they produce and take responsibility for themselves?)
- It is also helpful to **provide contact details** for someone who understands and manages the data if users have further queries or want to report errors.

Comparability

Once the user has made sense of the data, they will want to draw useful comparisons and insights out of it. This is difficult if baselines shift, if different boundaries are used in each source or at different times, and if changes to plans or the reporting basis are not documented.

Comparisons are a key way of making sense of the data, but users will want to ensure that they are comparing 'like with like' where possible:

- **Report on consistent boundaries.** In different sources, departments are grouped differently – HMT and HMRC have their own Accounts and Estimates, but Budgets refer to them, together with other bodies, as 'Chancellor's departments'.
- **Make groupings explicit.** 'Ministry of Justice' can mean just the core department, the department and its agencies, or the whole group including sponsored bodies. Data releases should be explicit about what grouping is being presented.
- **Provide consistent sets of information across departments – in particular in Annual Reports and Accounts.**[185] Some departments choose not report their pay bill costs in the core tables and report different subsets of costs in their accounts tables.

There are inevitable differences between different sets of information – because they are used for different purposes and because government itself changes. However, the aim should be to facilitate comparison wherever possible rather than issuing a blanket disclaimer that nothing can be compared:

- **Document changes between sources to allow reconciliation.** Despite the differences in how expenditure has been reported, there is nothing that comprehensively sets out how the different sets of official published figures can be reconciled to each other.
- **Explain changes over time.** There is inadequate documentation of how plans change over time – e.g. in response to policy changes or machinery of government restructuring. For example, in the Spending Round 2013, there were considerable differences in the 'baseline' 2014/15 figures for departments and those published previously in Spending Review 2010 or the recent Budget 2013. Despite these movements, there was no documentation of the changes within the Spending Round document.[186]
- **Publish restated series where basis for reporting has changed.** At the time of the 2010 Spending Review, there were significant differences in how the Budgets, Annual Reports and the Estimates reported different types of spending. The Clear Line of Sight (Alignment) project removed most of the discrepancies in 2011/12, but this left discontinuities in the published data series. A restatement of the key data series would allow for more accurate tracking against plans, enabling users to separate out 'real' changes and 'reporting' changes and judge whether the Government is still on track against its plans.

185 The Treasury is running a consultation on this topic in summer 2013. See, www.gov.uk/government/consultations/central-government-annual-reports-and-accounts-consultation-on-simplifying-and-streamlining-the-presentation-of-annual-reports-and-accounts

186 See also Paul Johnson's opening remarks at the IFS Spending Round 2013 briefing, www.ifs.org.uk/budgets/sr2013/paul_johnson.pdf

Table A.1: Suggested improvements to government data

Key: **Critical improvement** – **Important improvement** – Helpful improvement

Chapter	Data source	Availability and access	Data purpose and documentation	Comparability
2 & 3	Spending Review	**Publish in accessible format**		**Report on consistent departmental boundaries across time and sources (e.g. Chancellor's departments, Independent bodies)** **Publish reconciliation across sources** **Explain changes to/publish restated baseline data where reporting basis has changed – e.g. SR 2010 and CLoS** **Provide documentation where plans have changed**
2 & 3	Budget	**Publish in accessible format**		
2 & 3	Annual Reports and Accounts[187]	**Publish in accessible format**	Make level of detail consistent across departments (core tables and accounts tables, e.g. on pay bill cost)	
2 &3	PESA			
2 & 3	Estimates	**Publish in accessible format**		
2 & 3	Estimates memoranda	**Publish all memoranda**		
2 & 3	Whole of Government Accounts	**Publish in accessible format**		
2 & 3				
3	ONS Public Sector Employment	**Re-release back data (pre-2010)** Publish format for analysis	Use consistent names for departments	Publish comprehensive MoG change data more often
3	ONS Civil Service Statistics	Publish format for analysis Highlight existence of NOMIS		Publish record of significant MoG changes by year
3	Workforce Management Information	**Ensure availability of back releases for all depts** Publish collated versions if possible	Mark missing data, ensure consistent data entry Document what entries cover (e.g. what does 'pay bill' include?)	
4	Business Plans – spend	Publish in accessible format		Ensure comparable breakdowns across departments
–	Business Plans – responsibilities	Poor visibility after 2013 refresh	Clarify ownership – what are the Cabinet Office's and departments' roles?	Ensure consistent level of detail across departments
5	Business Plans – Structural Reform Plans	**Make back data available to allow tracking actions 2010-15** **Publish CSV/Excel alongside API**	Improve data quality (date errors, code inside fields, etc.) Make explanations of changes/missed deadlines more informative Provide contact details Clarify update cycle timing	
-	Quarterly Data Summary	**Publish full QDS dataset from Autumn 2012 onwards.**		

3	Civil Service People Survey	Publish collated question scores in structured format		Signpost boundaries for departmental scores – and changes to these between years
5	Permanent Secretary objectives	Publish in structured format	Signpost how measures relate to objectives	
5	Major projects	Publish collated version	Clarify exemptions Provide financials on all projects Provide unambiguous references where announcements are mentioned	
-	Staff organograms	Publish collated version API and interface are very complex, difficult to use	Clarify update cycle	Clarify groupings of departments in interface/ data
4	NAO Overviews	Publish in structured format Make more prominent	Make more consistent across departments	
6	Business Plans – input and impact indicators	Publish collated versions Make more visible	**Make documentation more visible and user-friendly ('Is a higher number better?')**	

187 For an exposition of the issues with Annual Reports and Accounts, see Rogers, S., 'Named and shamed: the worst government annual reports, 2012', *Guardian Datablog*, 4 December 2012, www.guardian.co.uk/news/datablog/2012/dec/04/departmental-reports-worst-named-shamed, accessed 24 July 2013.

Annex B: Definition of Whitehall and departmental groups

The main Whitehall departments

Government consists of 24 ministerial departments and 20 non-ministerial departments. Departments sponsor or work with 334 agencies and other public bodies, as well as 12 public corporations.[188] In this report we focus on the 17 main Whitehall departments:[189]

- Cabinet Office (CO)
- Department for Business, Innovation and Skills (BIS)
- Department for Communities and Local Government (DCLG)
- Department for Culture, Media and Sport (DCMS)
- Department for Education (DfE)
- Department for Environment and Rural Affairs (Defra)
- Department for International Development (DfID)
- Department for Transport (DfT)
- Department for Work and Pensions (DWP)
- Department of Energy and Climate Change (DECC)
- Department of Health (DH)
- Foreign and Commonwealth Office (FCO)
- Her Majesty's Revenue and Customs (HMRC)[190]
- Her Majesty's Treasury (HMT)
- Home Office (HO)
- Ministry of Defence (MoD)
- Ministry of Justice (MoJ)

Though there are no specific criteria to define them, this grouping is commonly used in government to describe the main departments. For example, these are the only organisations that were required to produce departmental Business Plans.[191]

'Whitehall' and the departmental group

Departmental group

Many of the main departments also have 'arm's-length' organisations associated with them.[192] In many cases, these collections of organisations can be considerably larger than the ministerial department that sponsors them. Together the ministerial department and its associated arm's-length bodies are referred to as the 'departmental group'.

188 www.gov.uk/government/organisations#agencies-and-public-bodies, retrieved 2 August 2013.

189 With the exception of HMRC, these are all ministerial departments. However, there are further ministerial departments that are not included in the list (e.g. the Attorney General's Office). Most, but not all, are headed by a secretary of state that is a cabinet minister (the exceptions being HMRC and the Cabinet Office).

190 HMRC is classified as a 'non-ministerial department' rather than a 'ministerial department' and it does not have its own secretary of state. However, it is typically included by government within definitions of the main Whitehall departments.

191 http://transparency.number10.gov.uk/, retrieved 2 August 2013.

192 These include Executive Agencies, NDPBs, and other public bodies such as trading funds and public corporations. Unless otherwise stated, our definition of the departmental group excludes regulatory bodies. Government generally does not include independent regulators in definitions of departmental groups, but in some cases we want to draw attention to the sponsorship relationship.

‘Whitehall’

We use ‘Whitehall’ to denote the ministerial department (or non-ministerial department in the case of HMRC) for the 17 main departments listed above.

The groupings used in this report vary slightly between different pieces of analysis depending on the available data and the nature of the questions being asked. While this report is primarily concerned with Whitehall, there are instances where we include information based on the departmental group. In some cases, such as for the financial information, this is because the resources of the departmental group pass through Whitehall’s management. In others, it is simply because the source data is not provided at a lower level of aggregation.

Table B.2 sets out the groupings that have been used for each piece of analysis and the reasoning behind them.

Where possible, we use the 17 departments listed above. In the case of the Budget, PESA, the core tables of the Annual Reports and Accounts, and Spending Reviews, a different list of departments is used in the source data (aggregating some and splitting others). Table B.1 summarises these differences, and how we approached these sources.

Table B.1: Treatment of alternative source groupings in this report

<table>
<tr><th>Main government departments</th><th>Source data groupings (Budget/ PESA)</th><th colspan="2">Source data groupings (Spending Reviews and Annual Accounts core tables)</th><th colspan="2">The Institute’s grouping</th></tr>
<tr><td>BIS</td><td>Business, Innovation and Skills</td><td colspan="2">Business, Innovation and Skills</td><td colspan="2">BIS</td></tr>
<tr><td rowspan="2">CO</td><td>Cabinet Office</td><td colspan="2" rowspan="2">Cabinet Office</td><td rowspan="2">CO</td><td rowspan="2">CO[193]</td></tr>
<tr><td>Single Intelligence Account</td></tr>
<tr><td rowspan="2">DCLG</td><td>CLG (Communities)</td><td colspan="2">CLG (Communities)</td><td colspan="2" rowspan="2">DCLG</td></tr>
<tr><td>CLG (Local Government)</td><td colspan="2">CLG (Local Government)</td></tr>
<tr><td>DCMS</td><td>Culture, Media and Sport</td><td colspan="2">Culture Media and Sport</td><td colspan="2">DCMS</td></tr>
<tr><td>MoD</td><td>Defence</td><td colspan="2">Defence</td><td colspan="2">MoD</td></tr>
<tr><td>DfID</td><td>International Development</td><td colspan="2">International Development</td><td colspan="2">DfID</td></tr>
<tr><td>DfE</td><td>Education</td><td colspan="2">Education</td><td colspan="2">DfE</td></tr>
<tr><td>DECC</td><td>Energy and Climate Change</td><td colspan="2">Energy and Climate Change</td><td colspan="2">DECC</td></tr>
<tr><td>Defra</td><td>Environment, Food and Rural Affairs</td><td colspan="2">Environment, Food and Rural Affairs</td><td colspan="2">Defra</td></tr>
<tr><td>FCO</td><td>Foreign and Commonwealth Office</td><td colspan="2">Foreign and Commonwealth Office</td><td colspan="2">FCO</td></tr>
<tr><td>DH</td><td>NHS (Health)</td><td>NHS (Health)[194]</td><td>DH[195]</td><td colspan="2">DH</td></tr>
<tr><td>HMRC</td><td rowspan="2">Chancellor’s Departments</td><td colspan="2">HMRC</td><td rowspan="2">Chancellor’s Departments[196]</td><td>HMRC[197]</td></tr>
<tr><td>HMT</td><td colspan="2">HMT</td><td>HMT</td></tr>
<tr><td>HO</td><td>Home Office</td><td colspan="2">Home Office</td><td colspan="2">HO</td></tr>
<tr><td>MoJ</td><td>Justice</td><td colspan="2">Justice</td><td colspan="2">MoJ</td></tr>
<tr><td>DfT</td><td>Transport</td><td colspan="2">Transport</td><td colspan="2">DfT</td></tr>
<tr><td>DWP</td><td>Work and Pensions</td><td colspan="2">Work and Pensions</td><td colspan="2">DWP</td></tr>
</table>

193 Spending Review, Budgets, and PESA include the Single Intelligence Account (Security and Intelligence Agencies) with Cabinet Office. We present these totals in Figures 5 and 3.2 in order to compare Spending Review to Budget figures. Where we present figures from Annual Reports and Accounts, the Security and Intelligence Agencies are not included for Cabinet Office.

194 Spending Review.

195 Core tables.

196 Budget and PESA.

197 Spending Review and Core tables.

Table B.2: Groupings used in the context of this report

Chapter	Analysis	Figures	Source data grouping	Grouping used for the Institute's analysis
2	Net deficit, net liability, government revenues and government liabilities	Figures 2.1, 2.2 and 2.9	**Data source:** Whole of Government Accounts **Source grouping:** The whole public sector (consolidated)	**The Institute's analysis based on:** The whole public sector (consolidated) The same grouping as the source data was used given that accounts were consolidated and could not be further sub-divided.
2	Budget analysis – TME, DEL/AME, CAP/RES	Figures 1, 2, 3, 2.4, 2.6, 2.7	**Data source:** Departmental Annual Reports and Accounts – Core Tables **Source grouping:** The core tables provide information on the whole departmental group Groupings follow Table B.1 ('Source data grouping')	**The Institute's analysis based on:** Departmental Group The same grouping as the source data was used. There is no information available that provides these breakdowns at lower levels of aggregation. As per Table B.1 DCLG was re-aggregated to reflect a single point of ministerial control.
2	Departmental assets and liabilities	Figure 4 and 2.8	**Data source:** Departmental Annual Reports and Accounts – Statement of Financial Position **Source grouping:** Reporting split between 'core department', 'core department and agencies' and 'departmental group' (not all departments have figures for all three groupings)	**The Institute's analysis based on:** Departmental Group Not all assets and liabilities are contained in the ministerial department. A much more informative picture of the distributions is given at the departmental group level. HMRC did not provide 'departmental group' figures, so its figure for 'core department and agencies' was used.
3	Estimated cuts to resource budgets	Figure 3.1	**Data source:** Institute for Fiscal Studies **Source Grouping:** Departmental Group The source data includes departments according to the Budget (Table B.1, 'Source data grouping'), but excludes the Chancellor's departments	**The Institute's analysis based on:** Departmental Group as presented by IFS
3	DEL plans and outturn	Figure 5 and 3.2	**Data source:** Budget 2012 and 2013 **Source Grouping:** Departmental Group Groupings follow Table B.1 ('Source data grouping')	**The Institute's analysis based on:** Departmental Group The same grouping as the source data was used. There is no information available that provides lower levels of aggregation. As per Table B.1 DCLG was re-aggregated to reflect a single point of ministerial control.
3	Departmental Administration spend	Figure 3.3	**Data source:** PESA **Source Grouping:** Departmental Group Groupings follow Table B.1 ('Source data grouping')	**The Institute's analysis based on:** Departmental Group The same grouping as the source data was used. There is no information available that provides a lower level of aggregation. As per Table B.1 DCLG was re-aggregated to reflect a single point of ministerial control.

Chapter	Analysis	Figures	Source data grouping	Grouping used for the Institute's analysis
3	Staff numbers	Figures 6, 7, 3.4, 3.5, 3.6, 3.7 3.6, 3.7, 3.15, 3.16 and Annex D	**Data source:** ONS Public Sector Employment figures **Source grouping:** Reporting on ministerial department, executive agencies, regulators and other bodies employing civil servants[198]	**The Institute's analysis based on:** These groupings are outlined in Table B.3.
3	Civil Service composition and diversity	Figures 3.8, 3.9, 3.10, 3.11, 3.12, and Annex E	**Data source:** ONS Annual Civil Service Employment Survey 2008-12, extracted from Nomis **Source grouping:** Reporting on ministerial department, executive agencies, regulators and other bodies employing civil servants	**The Institute's analysis based on:** The same groupings were used as for analysis of staff numbers, where possible.[199]
3	Pay bill and headcount correlation, trends in payroll and non-payroll staff	Figures 3.13, 3.14	**Data source:** Departmental Workforce Management Information **Source grouping:** Data published by 17 departments covering ministerial departments, non-ministerial departments, executive agencies, NDPBs and other public bodies	**The Institute's analysis based on: IfG's 'Whitehall' grouping[200] where possible** DCMS, FCO and Defra did not publish all data. To achieve continuity where staff were reclassified between Whitehall departments and agencies midway through the period, we included some agencies with the Whitehall departments.[201]
3	Staff engagement (Civil Service People Survey)	Figures 3.17 and 3.18	**Data source:** Civil Service People Survey (Cabinet Office summaries 2010-12) **Source grouping:** Mixed Departments were in charge of publishing their own summaries – some included only their Whitehall departments; others included agencies.	**The Institute's analysis based on:** Source data groupings
4	Departmental resource management models and model changes	Figures 9, 4.1, 4.2, 4.3, 4.4, 4.5	**Data source:** Departmental accounts, NAO overviews, Business Plans, OSCAR data **Source grouping:** Depending on source	**The Institute's analysis based on:** Departmental Group and regulators for the 17 main Whitehall departments[202] The inclusion of regulators helps to better elucidate sponsorship relationships.

Chapter	Analysis	Figures	Source data grouping	Grouping used for the Institute's analysis
5	Structural Reform Plan actions	Figures 10, 5.2, 5.3, 5.4	**Data source:** Structural Reform Plan data 2012/13, last extracted on 29 May from No. 10 API. **Source grouping:** Published for the 17 main Whitehall departments	**The Institute's analysis based on:** The 17 main Whitehall departments
5	Permanent Secretary Objectives	Figures 11, 5.6 and 5.7	**Data source:** Permanent Secretary Objectives 2012/13 **Source grouping:** Objectives are published for the permanent secretaries of the 17 main Whitehall departments, as well as for the NHS chief executive and the Director of Public Prosecutions. Cabinet Office published a set for its Permanent Secretary, Richard Heaton, as well as for Jeremy Heywood, the Cabinet Secretary.	**The Institute's analysis based on:** The 17 main Whitehall departments. We include the Cabinet Secretary but exclude the NHS chief executive and the Director of Public Prosecutions.
5	Major Projects	Figure 5.5	**Data source:** Major Projects Authority Annual Report 2013 **Source grouping:** The 17 Main Whitehall departments (+ ONS and NS&I) covering the departmental group	**The Institute's analysis based on:** Departmental group for the 17 main Whitehall departments
6	Impact Indicators by department	Figure 6.2	**Data source:** Departmental Business Plans **Source grouping:** Published for the 17 main Whitehall departments	**The Institute's analysis based on:** The 17 main Whitehall departments

198 Generally, NDPB staff are not classed as civil servants. There are exceptions, such as the Health and Safety Executive and the OBR.

199 This data extends over a longer period (2008-12) than ONS data, creating greater churn in terms of the entry and exit of organisations from departments. In these cases, successor organisations were grouped (e.g. in the case of DIUS and BIS). The Government Equalities Office is grouped in Non-Whitehall DCMS to make Whitehall DCMS comparable across years.

200 Staff shifts across the boundaries of internal groupings meant that, in order to observe consistent trends, some alterations had to be made to our definition of ministerial Whitehall departments.

201 All MoJ executive agencies with MoJ, Child Maintenance and Enforcement Commission with DWP, and all Home Office agencies with Home Office.

202 Unless otherwise stated, our definition of the departmental group excludes regulatory bodies.

Table B.3: Groupings used in analysis of Civil Service staff numbers[203]

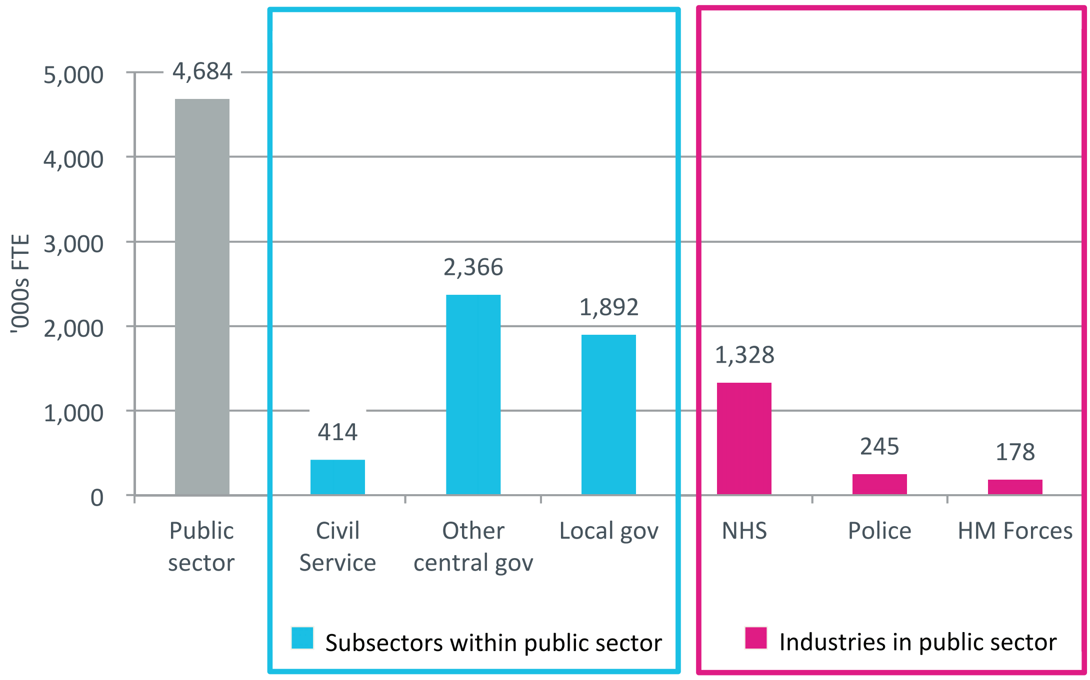
Departmental group	Whitehall/non-Whitehall Civil Service	Organisation
BIS	Whitehall Non-Whitehall Civil Service	Business, Innovation and Skills Advisory, Conciliation and Arbitration Service Companies House Export Credit Guarantee Department HM Land Registry Insolvency Service Met Office National Measurement Office Office of Fair Trading Office of Gas and Electricity Markets Ordnance Survey Skills Funding Agency UK Intellectual Property Office UK Space Agency
CO	Whitehall Non-Whitehall Civil Service	Cabinet Office (excluding agencies) Charity Commission Government Procurement Service Office of the Parliamentary Counsel
DCLG	Whitehall Non-Whitehall Civil Service	Department for Communities and Local Government Fire Service College Planning Inspectorate Queen Elizabeth II Conference Centre
DCMS	Whitehall Non-Whitehall Civil Service	Department for Culture, Media and Sport Royal Parks
DECC	Departmental group	Department of Energy and Climate Change
Defra	Whitehall Non-Whitehall Civil Service	Department for Environment, Food and Rural Affairs Animal Health and Veterinary Laboratories Agency Centre for Environment, Fisheries and Aquaculture Science Food & Environment Research Agency OFWAT Rural Payments Agency Veterinary Medicines Directorate
DfE	Whitehall Non-Whitehall Civil Service	Department for Education Office of Qualifications and Examinations Regulation Ofsted Standards and Testing Agency Education Funding Agency National College Teaching Agency
DfID	Departmental group	Department for International Development

203 For the rationale behind these groupings, see Bouchal, P., and Stephen, R., *Whitehall Monitor #21*, Institute for Government, June 2013, www.instituteforgovernment.org.uk/sites/default/files/Whitehall_Monitor_21_Civil_Service_Headcount_2013-Q1.pdf. We are currently reviewing these groupings to ensure that they reflect ministerial responsibility – in particular, the classification of Ofgem, the ONS, OBR and FCO Services may change. For consistency, the grouping in this report follows those used in the published *Whitehall Monitor #21*.

Departmental group	Whitehall/non-Whitehall Civil Service	Organisation
DfT	Whitehall Non-Whitehall Civil Service	Department for Transport Driver and Vehicle Licensing Agency Driving Standards Agency Government Car and Despatch Agency Highways Agency Maritime and Coastguard Agency Office of Rail Regulation Vehicle and Operator Services Agency Vehicle Certification Agency
DH	Whitehall Non-Whitehall Civil Service	Department of Health (excluding agencies) Food Standards Agency Medicines and Healthcare Products Regulatory Agency
DWP	Departmental group	Department for Work and Pensions The Health and Safety Executive
FCO	Whitehall Non-Whitehall Civil Service	Foreign and Commonwealth Office (excluding agencies) Foreign and Commonwealth Office Services Security and Intelligence Services Wilton Park Executive Agency
HMRC	Departmental group	HM Revenue and Customs Valuation Office
HMT	Whitehall Non-Whitehall Civil Service	HM Treasury Office for Budget Responsibility Asset Protection Agency Debt Management Office Government Actuary's Department National Savings and Investments UK Statistics Authority
HO	Departmental group	Home Office (excluding agencies) Criminal Records Bureau UK Border Agency National Fraud Authority
MoD	Departmental group	Ministry of Defence Defence Science and Technology Laboratory Defence Support Group UK Hydrographic Office
MoJ	Whitehall Non-Whitehall Civil Service	Ministry of Justice (excluding agencies) Her Majesty's Courts and Tribunals Service National Archives National Offender Management Service The Office of the Public Guardian UK Supreme Court Wales Office Scotland Office (including Office of the Advocate General for Scotland)

Annex C: The Civil Service in context

Figure C.1: Civil Service – comparison of staff numbers with other, selected parts of the public sector



Note: For illustration only – some categories are omitted. Sector and industry are different classifications, so the figures shown should not be added.

Source: ONS Public Sector Employment, 2013 Q1.

Annex D: Reducing the size of the Civil Service

How we calculated changes to departments' civil service workforces

We have developed a methodology for calculating percentage changes to staff numbers in departments. This allows us better to account for reclassifications of staff between bodies.[204]

The methodology used in this report calculates rates of change in each period for each department, adjusted for reclassifications of staff between bodies. Reclassifications are usually noted by the ONS in footnotes to the data tables.

The figures shown for each department in our 'change from baseline' charts (Figure 3.6) are derived by taking a geometric average of per-period change rates over all periods from 2010 Q3 (our Spending Review baseline) and the latest period.

As a result, figures in this publication showing percentage changes from the 2010 Spending Review to 2012 Q2 (the previous period) may differ from those we reported in *Whitehall Monitor* bulletins #19 and earlier.

For visibility of absolute sizes of departments as currently reported by the ONS, Figures 3.4 and 3.5 show unadjusted totals and absolute changes on these totals since our Spending Review 2010 baseline.

We will continue to use this methodology in future *Whitehall Monitor* bulletins on Civil Service staff numbers.

Table D.1: Civil Service staff in departments, 2013 Q1 (full-time equivalents)

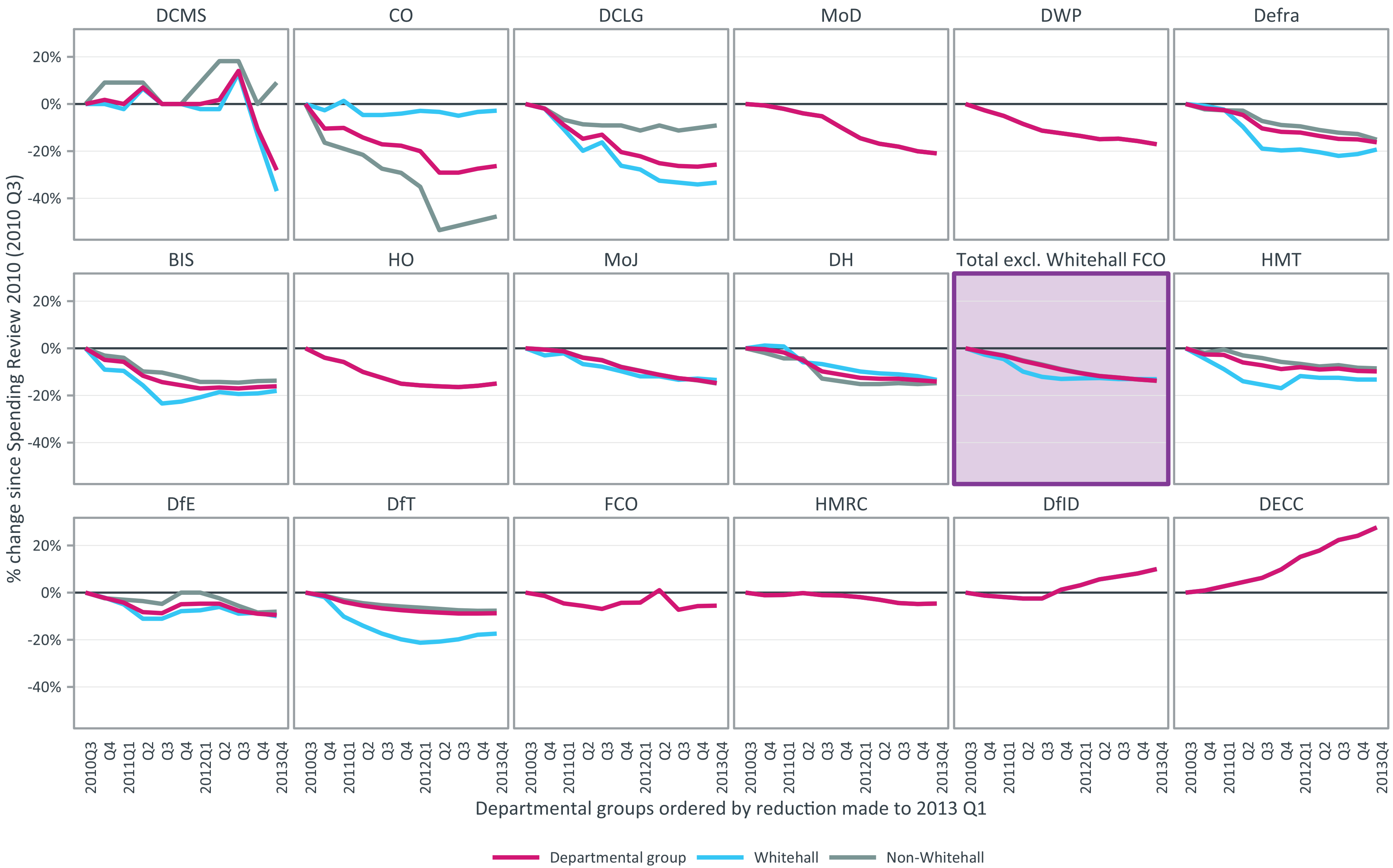
Department	Whitehall	Non-Whitehall	Departmental groups
Main departments			
BIS	3,060	14,310	17,370
CO	1,810	810	2,620
DCLG	1,680	710	2,390
DCMS	390	120	510
DECC	1,430		1,430
Defra	2,090	6,000	8,090
DfE	2,520	2,590	5,110
DfID	1,760		1,760
DfT	1,710	15,080	16,790
DH	2,200	2,190	4,390
DWP			95,710
FCO	5,630	5,290	10,920
HMRC		68,020	68,020
HMT	1,150	3,330	4,480
HO			24,810
MoD		56,710	56,710
MoJ	4,310	59,210	63,520
Other departments			
Northern Ireland Office	90		90
Attorney General's Office	40	8,030	8,070
Scottish Government		15,820	15,820
Welsh Government		5,390	5,390
Total	**29,870**		**414,000**

Note: for details of how departmental groups and Whitehall and non-Whitehall categories were created, see Annex B: Definition of Whitehall and departmental groups.

Source: Institute for Government analysis of ONS Public Sector Employment, 2013 Q1.

204 First published in Bouchal, P., and Stephen, J., *Whitehall Monitor #21*, Institute for Government, June 2013, www.instituteforgovernment.org.uk/sites/default/files/Whitehall_Monitor_21_Civil_Service_Headcount_2013-Q1.pdf

Figure D.1: Profiles of reductions by departmental group, 2010 Q3 – 2013 Q1, adjusted for reclassifications of staff between bodies

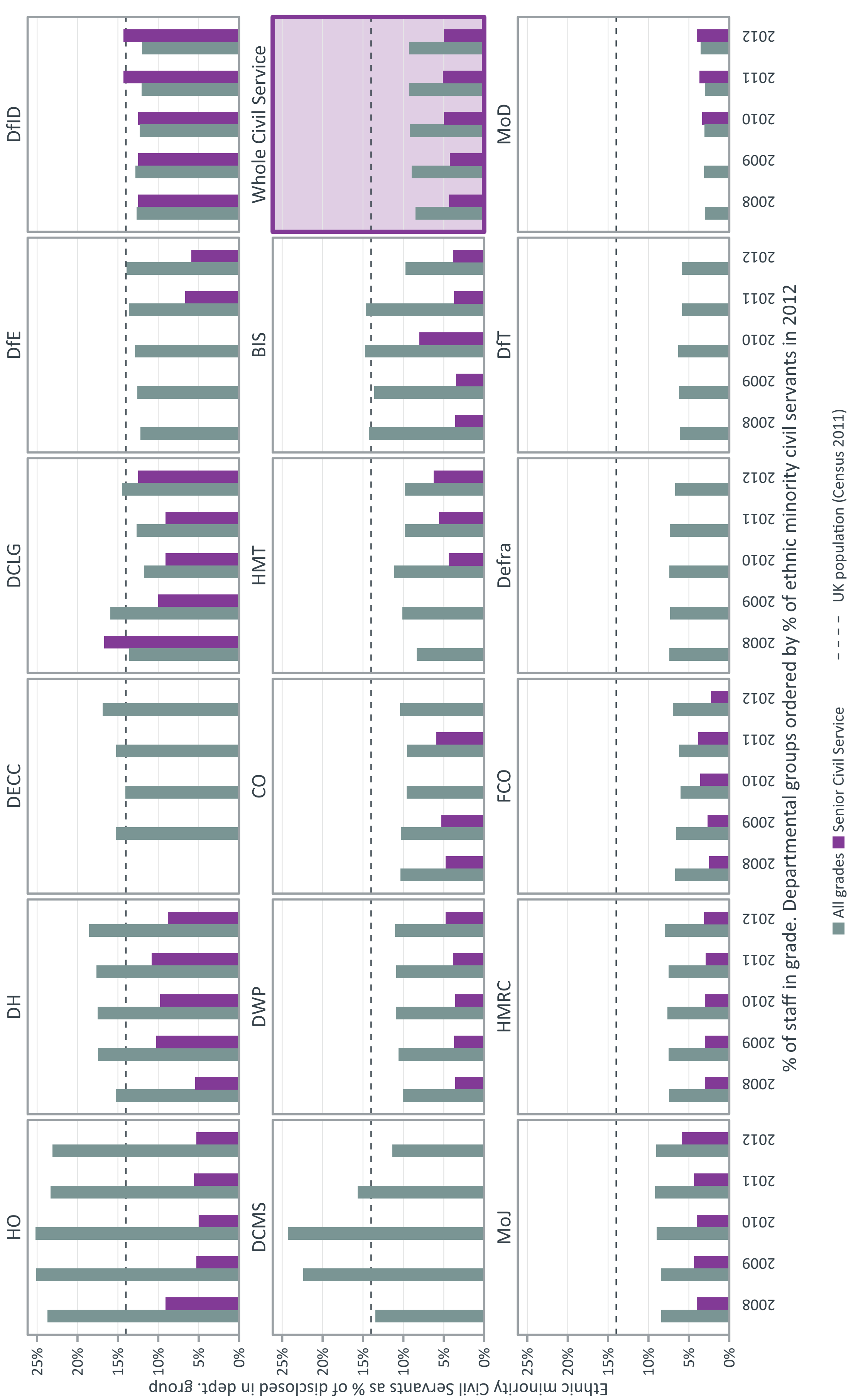


Note: See above for details on how these figures were calculated. See Annex B for details on how departmental groups are defined.

Source: Institute for Government analysis of ONS Public Sector Employment, 2010 Q3 – 2013 Q1.

Annex E: Composition of the Civil Service

Figure E.1: Civil servants identifying as ethnic minority (departmental groups)



Note: Some departments have high non-disclosure rates with respect to disability and ethnic minority status, so all of the relevant percentage figures should be treated with caution. ONS does not report figures under 5, which can distort the percentages esp. in small departments.

Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2008-12.

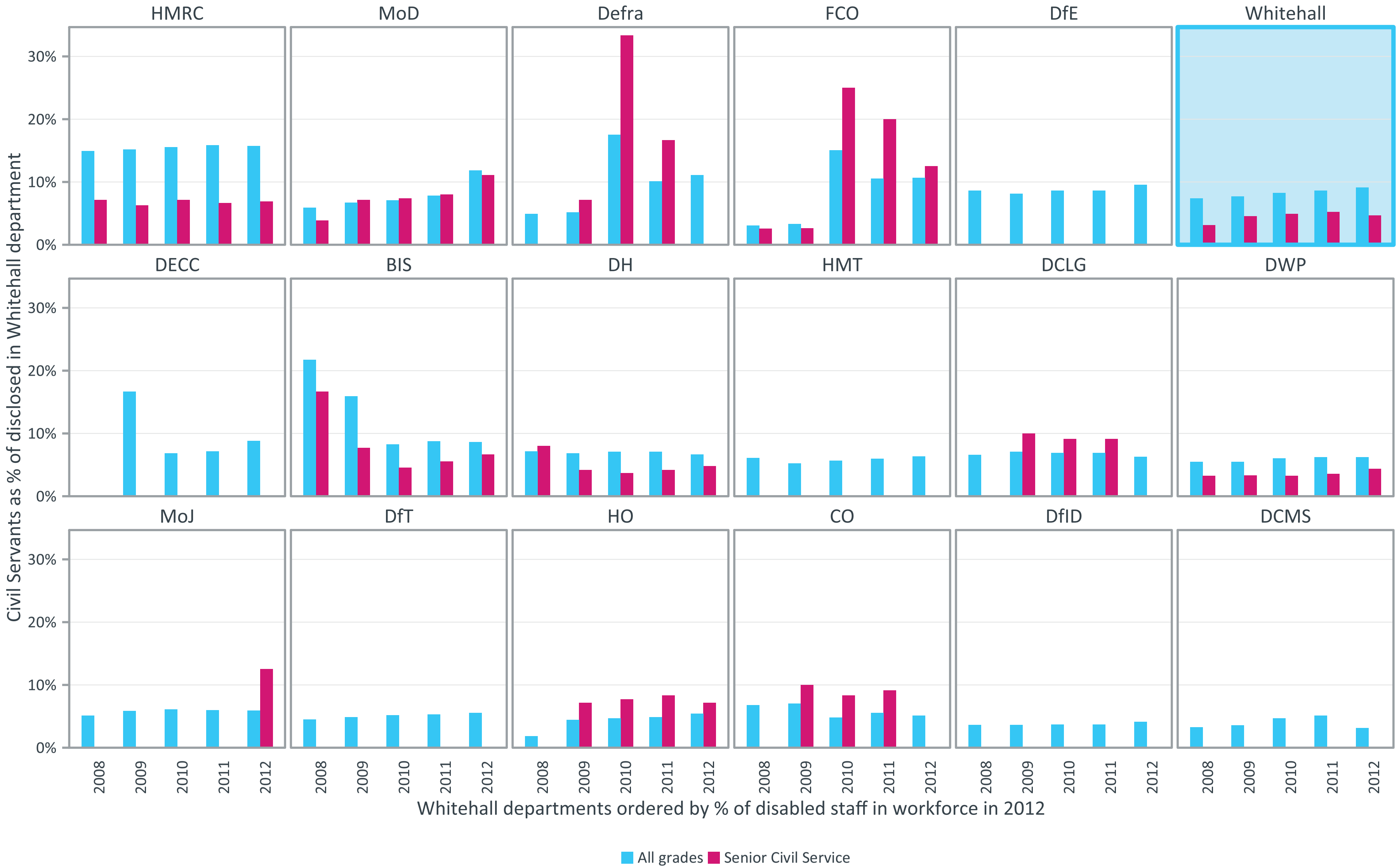
Figure E.2: Civil servants identifying as ethnic minority (Whitehall)

Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2008-12.

Figure E.3: Civil servants identifying as disabled (departmental groups)

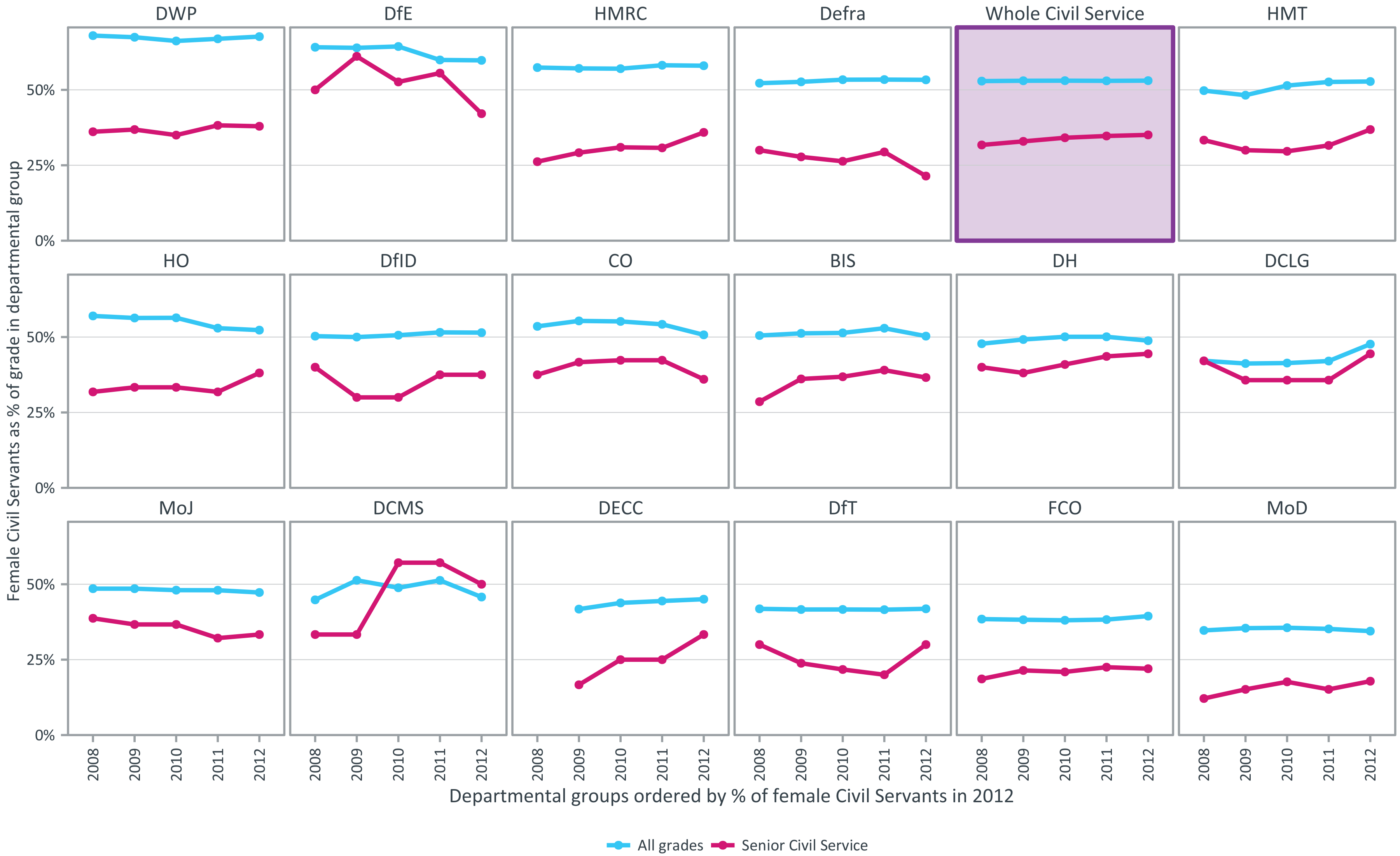
Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2008-12.

Figure E.4: Civil servants identifying as disabled, 2008-12 (Whitehall)



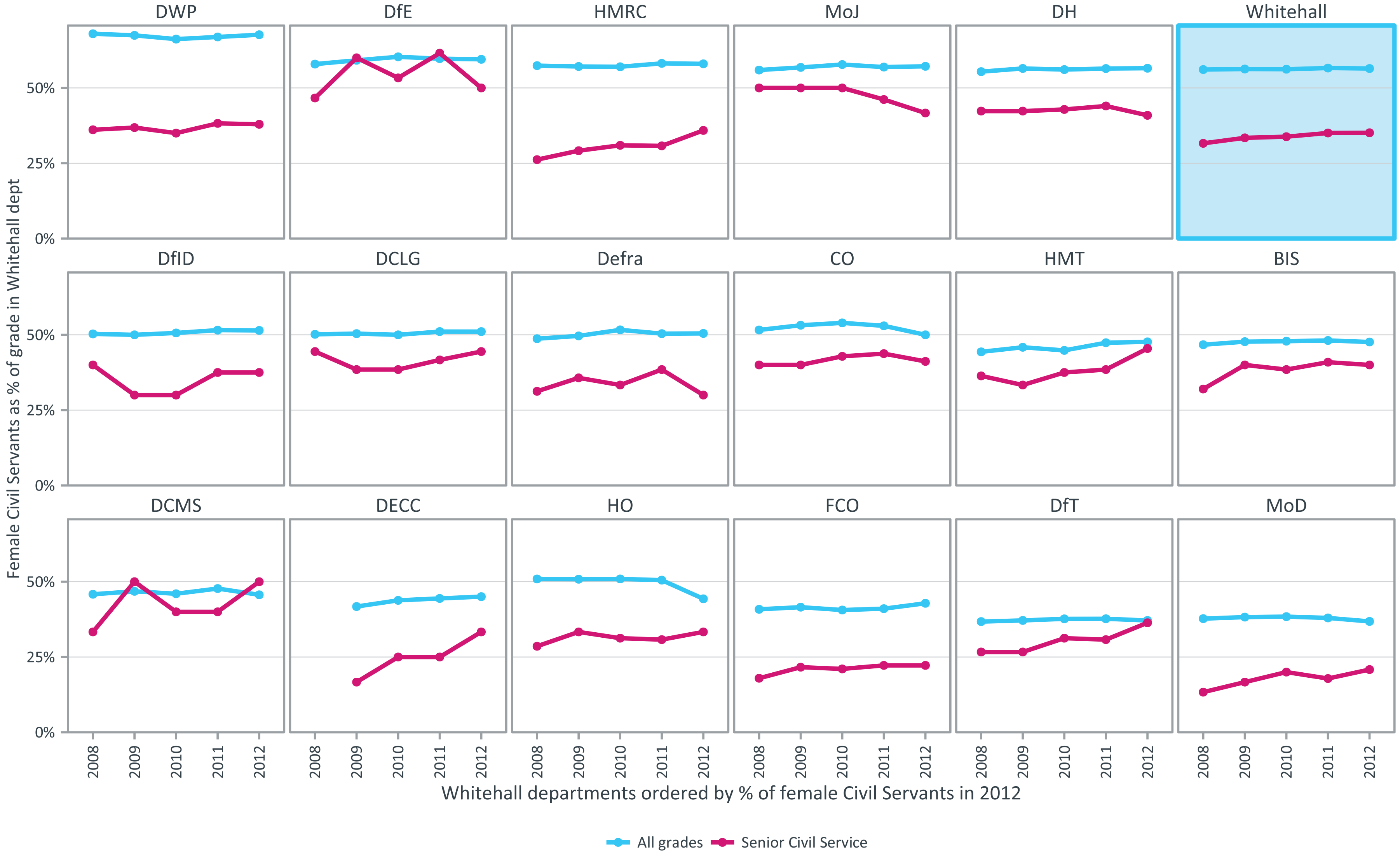
Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2008-12.

Figure E.5: Civil servants by gender and grade (departmental groups)



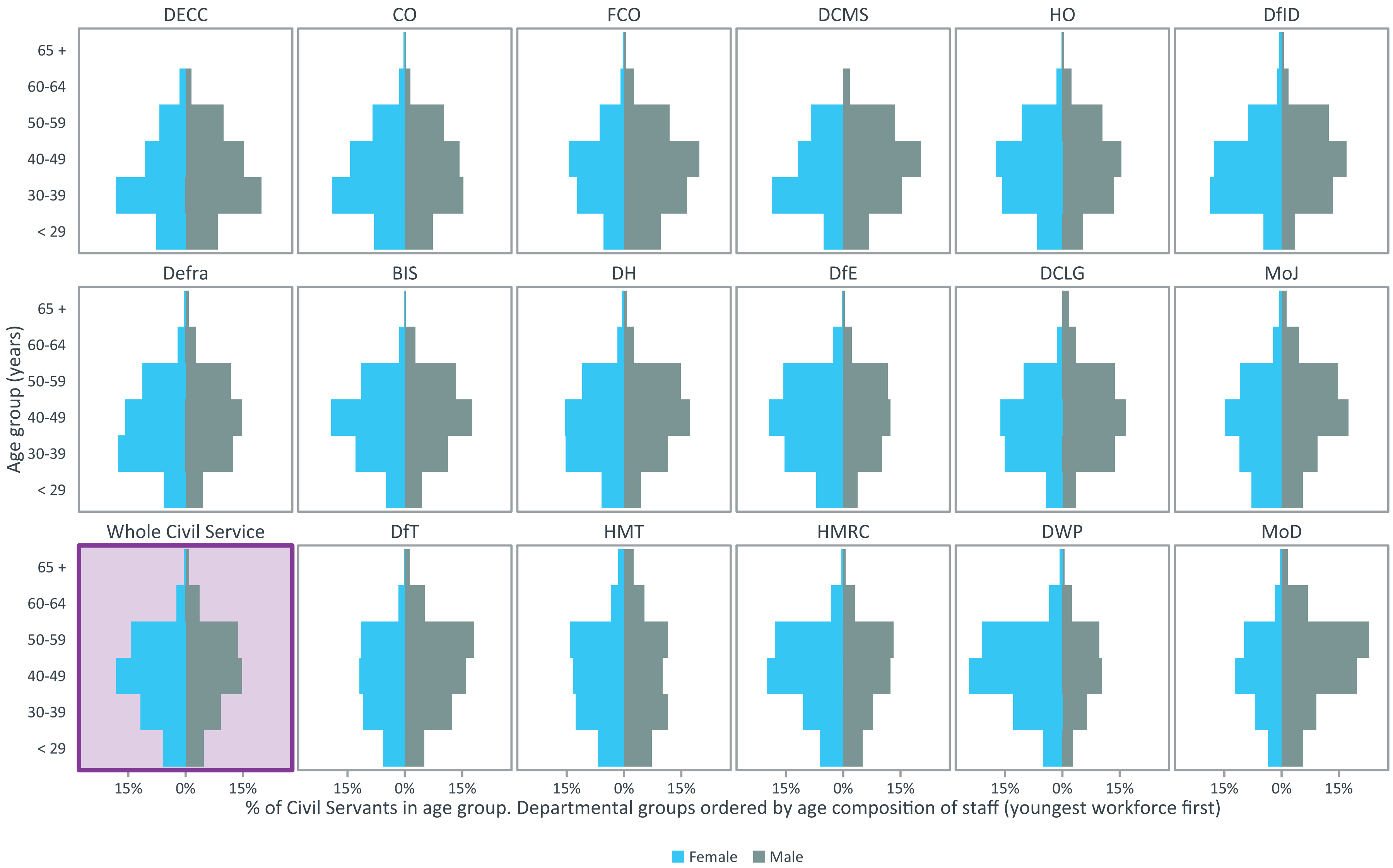
Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2012.

Figure E.6: Civil servants by gender and grade (departmental groups)



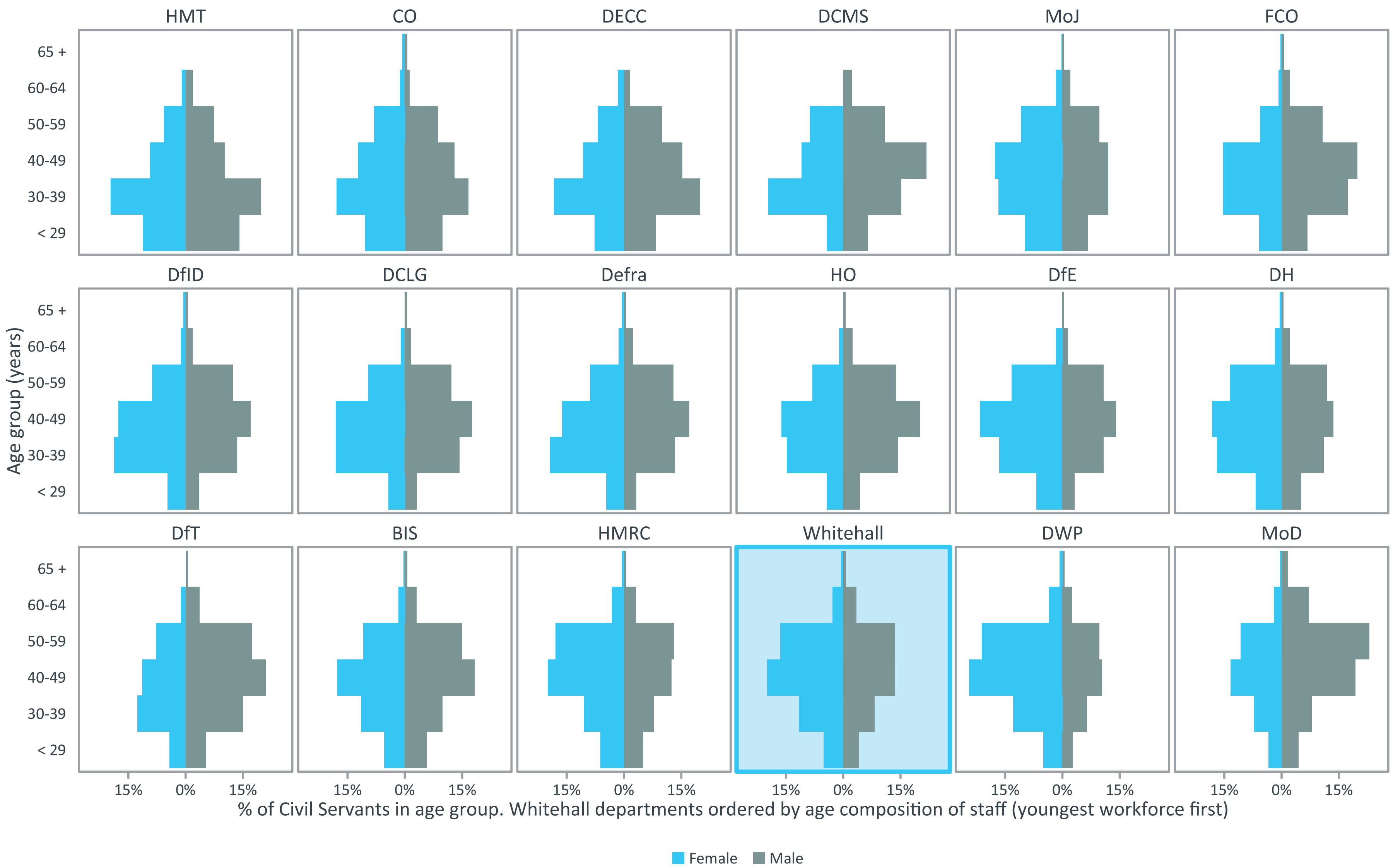
Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2008-12.

Figure E.7: Civil servants by gender and age (departmental groups)



Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2008-12.

Figure E.8: Civil servants by gender and age (Whitehall)



Source: Institute for Government analysis of ONS Annual Civil Service Employment Survey 2012.

Annex F: Variability in pay bill costs in Workforce Management Information

We have used the Workforce Management Information (WMI) data to get a sense of how closely staff costs follow changes in staff numbers. The data is not national statistics, and departments often heavily caveat it. However, it is the most detailed source of information on staff numbers and staff costs, and the label 'management information' suggests departments use this for making decisions. The staff numbers also correspond fairly closely to numbers reported by the Office for National Statistics, especially in recent periods.

Figure 3.13, showing the correlation between Whitehall's headcount and pay bill, was created based on percentage change values showing the difference between Q4 of the financial year 2012 (an average of January, February and March 2012 figures) and Q4 of the financial year 2013 (an average of January, February and March 2013 figures).

Pay bill data provided in the WMI was often very volatile. (See Table F.1.) Any extreme volatility occurring during either of the quarters being compared had the potential to skew the percentage change figures, and in turn impact the correlation shown in Figure 3.13. To highlight this, we separated out departments in which the volatility in the data could have affected the overall change rate that we are interested in.[205]

To do so, we first calculated a percentage change from the previous month.[206] Based on the full set of pay bill data for the main Whitehall departments, an upper bound for the separation of outliers was calculated, based on the standard definition for outliers.[207] This gave an upper bound of 14.66%.

Given that the final analysis (Figure 3.13) focused only on two quarters, we looked for any figures that crossed the upper bound in February 2012, March 2012, February 2013 or March 2013. Table F.1, below, highlights those values classed as outliers. The departments to which they correspond were separated out (coloured grey) in the final analysis.

Table F.1: Change in payroll staff and payroll pay bill costs, 2012-13

Department	Month	Pay bill – change from previous month	Headcount – change from previous month
CO	Feb 2012	4.9%	2.9%
CO	Mar 2012	1.4%	2.0%
CO	Feb 2013	1.2%	0.1%
CO	Mar 2013	1.1%	0.5%
BIS	Feb 2012	1.3%	2.2%
BIS	Mar 2012	3.4%	0.8%
BIS	Feb 2013	16.5%	0.5%
BIS	Mar 2013	0.1%	0.2%
DCLG	Feb 2012	1.9%	1.2%
DCLG	Mar 2012	3.8%	0.2%
DCLG	Feb 2013	8.0%	0.1%
DCLG	Mar 2013	13.9%	0.3%
DfE	Feb 2012	5.7%	0.5%
DfE	Mar 2012	9.4%	0.3%

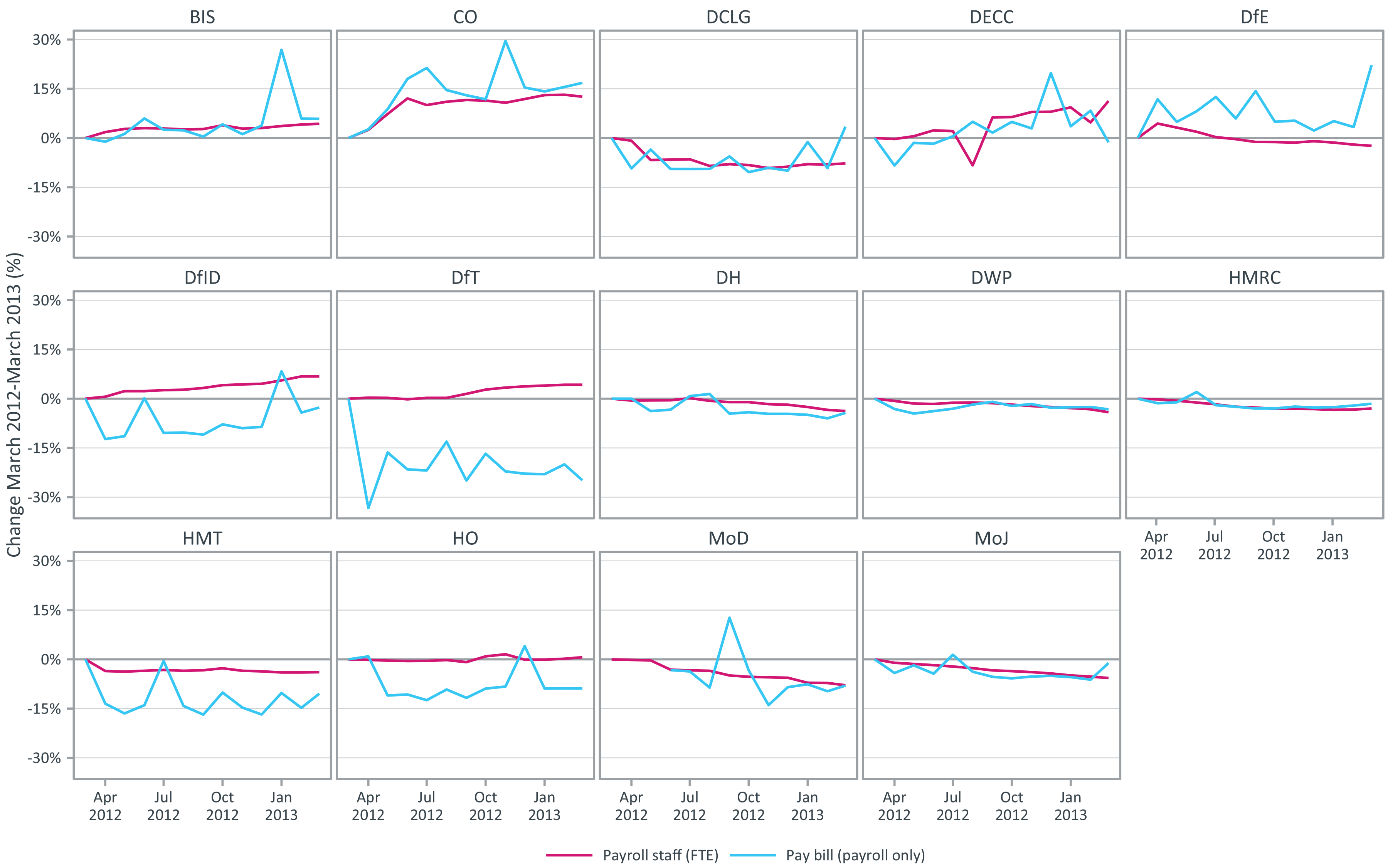
205 Given that the WMI data are not official statistics, it is not made clear what the components of the pay bill are. It seems likely that the large fluctuations in pay bill could be explained by redundancy payments, but we have not been able to locate information that would allow us to distinguish between these effects and those resulting from problems with the data.

206 Given that the size of fluctuation was the focus, these values were taken as absolutes, not taking account of the direction of change (positive/negative).

207 Upper bound = Upper quartile + 1.5 (Inter-quartile range). Any values above this upper bound were counted as outliers. This seems to be the 'industry standard' in standard statistics texts. See, for example, Hogan, T. P., and Evalenko, K., 'The Elusive Definition of Outliers in Introductory Statistics Textbooks for Behavioral Sciences', *Teaching of Psychology*, Vol.33, No. 4, 2006, pp. 252-6.

Department	Month	Pay bill – change from previous month	Headcount – change from previous month
DfE	Feb 2013	1.7%	0.6%
DfE	Mar 2013	18.3%	0.4%
DfID	Feb 2012	0.1%	0.9%
DfID	Mar 2012	8.8%	0.1%
DfID	Feb 2013	11.6%	1.1%
DfID	Mar 2013	1.6%	0.0%
DfT	Feb 2012	7.9%	0.6%
DfT	Mar 2012	37.5%	0.7%
DfT	Feb 2013	3.9%	0.2%
DfT	Mar 2013	6.1%	0.0%
DWP	Feb 2012	0.4%	0.2%
DWP	Mar 2012	0.4%	0.4%
DWP	Feb 2013	0.1%	0.4%
DWP	Mar 2013	0.7%	0.9%
DECC	Feb 2012	4.2%	1.2%
DECC	Mar 2012	6.6%	1.6%
DECC	Feb 2013	4.6%	4.2%
DECC	Mar 2013	8.9%	6.2%
DH	Feb 2012	0.2%	0.4%
DH	Mar 2012	1.7%	0.8%
DH	Feb 2013	1.1%	0.9%
DH	Mar 2013	1.8%	0.3%
HMRC	Feb 2012	0.6%	0.4%
HMRC	Mar 2012	0.4%	0.4%
HMRC	Feb 2013	0.5%	0.1%
HMRC	Mar 2013	0.6%	0.3%
HMT	Feb 2012	4.2%	0.6%
HMT	Mar 2012	12.4%	0.5%
HMT	Feb 2013	5.0%	0.0%
HMT	Mar 2013	5.1%	0.1%
HO	Feb 2012	0.0%	0.0%
HO	Mar 2012	50.8%	0.3%
HO	Feb 2013	0.1%	0.3%
HO	Mar 2013	0.1%	0.5%
MoD	Feb 2012	2.4%	0.6%
MoD	Mar 2012	0.1%	4.1%
MoD	Feb 2013	2.3%	0.1%
MoD	Mar 2013	1.9%	0.7%
MoJ	Feb 2012	1.9%	0.3%
MoJ	Mar 2012	0.2%	1.2%
MoJ	Feb 2013	0.8%	0.4%
MoJ	Mar 2013	5.4%	0.4%

Figure F.1: Change in payroll staff (FTE) and pay bill by departmental group, March 2012-March 2013



Note: See Annex B for an explanation of how departmental groups are defined.

Source: Institute for Government analysis of Workforce Management Information.

Annex G: Resource management models

What this framework does

This framework attempts to answer the question 'How much of its resources does each department deploy using different resource management models?'

We started by identifying substantial items of departmental spending and grouping them under a set of resource management models. We took a pragmatic approach, using multiple data sources to attach approximate amounts to distinct parts of departments' business.

The items underpinning the framework jointly cover around 80% of each department's expenditure. Because we combined multiple sources, and because the source data is not always categorised in line with our model classifications, there will almost certainly be a degree of overlap and approximation within our figures. The result is intended to be an indicative breakdown of departmental spending rather than a comprehensive inventory.

What data sources we used

As a starting point, we have used the budget breakdowns contained in the departmental Business Plans for 2012/13. As the categories and level of detail in these vary by department, we have used the NAO's departmental overviews to complement these figures. Indicative figures for the budgets of sponsored bodies were taken from Estimates for 2012/13 where available.

For detail on individual items, we have also drawn on the departments' and agencies' annual accounts for 2011/12; OSCAR data for 2012/13; and NAO reports. To guide our understanding of some services provided by departments, we also used the Government Digital Service's Transactions Explorer.[208]

To understand how particular parts of spend are managed, we drew on departmental announcements, policy papers and guidance notes available in the public domain.

For categorising the relationships between Whitehall departments and their agencies and other public bodies, we have drawn on the Accounting Officer System Statements and the relevant Framework Agreements.

How we categorised Whitehall's resources

Line management

This includes resources spent directly by the department, both for its own corporate needs and for executing functions and providing services to the public, where this is done by the Whitehall department's line-managed staff. It also includes the resources used to run services whose purpose is to manage transfers (see below), for instance the staff working in Job Centres or in HMRC offices.

The line management category also includes executive agencies, which are line managed inside the department, typically with no alternative governance system independent of the department. One atypical case in this category is HM Courts & Tribunals Service (HMCTS). Although statute requires that the judiciary be represented on its board, the body is an executive agency whose chief executive is line-managed by the Permanent Secretary. We therefore categorise HMCTS as line-managed.

208 http://transactionsexplorer.cabinetoffice.gov.uk/, retrieved 27 July 2013.

Transfer management

This category includes resources transferred to individuals on the basis of a predefined set of criteria, which also set out the levels of payment that recipients are entitled to. These are entitlement payments, with no space for discretion by the department and no service provided for the Government by the recipient. This includes substantial items such as benefits payments and pensions paid to individuals, but also more diverse entitlements, such as the financial support provided directly to farmers. Typically, resources being deployed through this mechanism are categorised within departmental budgets as 'Annually Managed Expenditure'. If the transfers are paid through an arm's-length body (ALB), they are categorised as 'sponsorship'.

Sponsorship of arm's-length bodies

This includes departmental resources transferred to ALBs within the departmental group which are not line-managed and which have separate governance from the department. It includes non-departmental public bodies but excludes executive agencies.

The ALB landscape is complex and the Government does not use any clear taxonomy. The Institute has published work suggesting how the ALB landscape can be conceptualised.[209] Following the typology set out in the Institute's work, we include independent regulators. Although their resources do not come from the department (they have their own Estimate), a minister is responsible for setting the framework for their operation. We have grouped these bodies with departments depending on which minister would be responsible for deciding on the relevant policy framework – so for instance Ofgem is grouped with DECC and Ofsted with DfE.

We also include Network Rail within the sponsorship category. Although the Government regards it as a private corporation, it receives a major grant from DfT and provides a public service; its grant in effect covers the cost of the rail franchising system.[210] We have, however, omitted the Bank of England and the Government's holdings in commercial corporations for the sake of simplicity. We focus only on spending by the 17 main departments and bodies they sponsor or for which the relevant ministers are responsible, so we exclude funding for devolved administrations from our framework.

Markets and contracting

This includes resources with which Whitehall contracts and commissions services or manages markets, with the counterparty acting on the Government's behalf.

In some cases, Whitehall manages the market as a complex system (e.g. the Work Programme or rail franchising). It may act as commissioner (e.g. prisons). It may also procure goods (e.g. defence equipment) or pay companies to provide a service to individuals (e.g. fuel poverty measures managed by DECC).

We excluded goods and services purchased to run the department (e.g. Whitehall IT, office supplies). We therefore do not include, for example, departments' spending on IT in general but do include specific large-scale IT programmes that are intended to deliver service capability outside of Whitehall, such as the National Programme for IT within the Department of Health.

For tractability, we disregarded Whitehall's role in managing the Government's debt, although it does, technically speaking, involve contracts and market operations.

209 See, www.instituteforgovernment.org.uk/our-work/new-models-governance-and-public-services/arms-length-bodies

210 The exclusion of Network Rail from the Whole of Government Accounts was one of the reasons why the NAO qualified the accounts for 2011/12. See, NAO, *Report of the Comptroller and Auditor General: Whole of Government Accounts 2011-12*, July 2013, p.40, www.nao.org.uk/report/whole-of-government-accounts-2011-12/

System funding

Here, Whitehall in effect makes grants to bodies it neither controls nor sponsors, though it may set the general rules for their operation. This is typically done on the basis of a formula. This includes grants to local authorities and health funding. Whitehall's role is to set the rules of operation for that particular system. It sets the levels of funding and constraints on how it may be spent (e.g. parts of local government funding are ringfenced) and how it is to be accounted for. In some cases, Whitehall acts as the last resort funder if entities within the system fail (e.g. NHS trusts or local authorities).

When this funding is provided by an ALB, this is classified as sponsorship, because the role of Whitehall is to perform the sponsorship function.

Organisational membership

Whitehall may provide funding to international organisations to further the Government's priorities either through an unhypothecated 'subscription' or through contributing to specific programmes undertaken by the international organisation. Examples include development projects managed by the World Bank and our membership of many of the family of UN bodies and other international treaty organisations.

This does not include the EU budget contribution, which is paid directly from the Consolidated Fund on the basis of a formula and does not pass through any department's budget.

Bid-based grants

In some cases, a Whitehall department may distribute resources through bid grants, where public or private sector bodies apply for funding for a specific purpose. In addition to the bidders having to fulfil set criteria, the Whitehall department exercises discretion to select the most suitable recipient. This differs from the market contracting model in that the result is a grant to the winning bidder rather than a contract to provide a specific service. Examples include DCMS's broadband programme, where local authorities bid for funding, or DECC's carbon capture and storage policy, where private sector providers bid for money to develop new technology. In many cases these processes are run at arm's length from government (e.g. arts grants, which are managed by the Arts Council). In these cases we have classified the departmental role as 'sponsorship'.

Annex H: Major Projects Authority data on selected reforms

The Major Projects Authority data often provides a more granular breakdown of the reforms in departments than is visible in the Structural Reform Plans. The following gives details on selected major projects relating to the analysis set out in chapter 5 (particularly focusing on the reforms discussed in Figure 5.5). All information shown is exactly as it appears in the source material (sources are provided in the footnote for each of the relevant departments).

Department for Work and Pensions[211]

Universal Credit programme

Project name	Universal Credit programme
Department	DWP
MPA RAG rating	Amber/red
Description / aims	Universal Credit provides a new single system of means-tested support for working-age people who are in or out of work. It aims to reduce the number of workless households by reducing the financial and administrative barriers to work that exist in the current system of benefits and tax credits, and replacing the complexity of the income-related benefits system (Housing Benefit, Income Support, income-related Employment and Support Allowance, income-related Jobseeker's Allowance, Working Tax Credit and Child Tax Credit) with a single payment which supports people to find work, find more work, and find better paid work.
Departmental narrative, actions on Delivery Confidence Assessment	This rating dates back to September 2012, more than seven months ago. Since then, significant progress has been made in the delivery of Universal Credit. The Pathfinder was successfully launched and we are on course both to expand the Pathfinder in July 2013 and start the progressive national roll-out of Universal Credit in October.
Project – start date	17/11/2011
Project – end date	31/12/2017
Departmental narrative on schedule, including any deviation from planned schedule	The Universal Credit Pathfinder was successfully launched on 29th April in areas of Greater Manchester and Cheshire. Ashton-under-Lyne is accepting claims for Universal Credit. Wigan, Warrington and Oldham are trialling the Claimant Commitment and applying a more intensive approach to work search and ensuring new JSA claimants are signed onto Universal Jobmatch. We are on course to expand the Pathfinder in July when Wigan Warrington and Oldham will also take claims for Universal Credit. This careful and controlled approach will ensure that all aspects of Universal Credit are tested – starting small and refining before we start the progressive national roll out from October. Our plan is to make sure the full transition to Universal Credit is delivered in a safe and managed way. In terms of how we manage delivery implementation from the start of progressive roll-out in October to full transition in 2017, there are three key factors we will consider. First, we will learn valuable lessons from the Pathfinder – that is the whole point of a Pathfinder. We will examine the results forensically, and apply them in rolling out Universal Credit nationally.

211 From, Cabinet Office, *Major Projects Authority Annual Report*, 2013, www.gov.uk/government/publications/government-major-projects-portfolio-data-for-dwp-2013, 'Department for Work and Pensions Data'.

Departmental narrative on schedule, including any deviation from planned schedule (cont)	Second, David Pitchford has been acting as interim Chief Executive for Universal Credit following the sad death of Philip Langsdale. As Head of the Cabinet Office's Major Projects Authority, he has provided valuable insights into the most effective way to deliver a complex IT project of this scale, in line with the Government's Digital Strategy – including latest thinking on the best enabling technologies and platforms, how best to manage suppliers and deliver value to money. Third, Howard Shiplee, the man that built the Olympic Park, has now taken over from David Pitchford in overseeing the delivery of Universal Credit. He will be using these ideas in finalising the detail of the long-term delivery plan for UC, together with his own wealth of experience in successful project delivery.
2012/13 Budget (£million)	386.5
2012/13 Forecast (£million)	378.99
Total budgeted whole life costs (£million) (including non-government costs)	12845.38
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	At the time of the review, there was a slight variance against budget.
Departmental narrative on budgeted whole life costs	The budgeted whole life costs will be contained within any Treasury limits and approvals.

Department for Culture, Media and Sport[212]

Broadband Delivery Programme:

Project name	Broadband Delivery Programme
Department	DCMS
MPA RAG rating	Amber/Red
Description / aims	To ensure the rapid roll-out of broadband across the country in support of economic growth, including in rural areas
Departmental narrative, actions on Delivery Confidence Assessment	As of 25/03/13 State Aid approval gained 20/11/12. Currently the supplier dates for implementation of some final connections stretch beyond March 2015 and BDUK are working with suppliers to draw these back where possible.
Project – start date	01/05/2011
Project – end date	31/03/2015
Departmental narrative on schedule, including any deviation from planned schedule	As of 25/03/13 Procurement Pipeline running on schedule - Of the 43 projects 26 are in procurement and 17 are now in implementation. Two projects have live cabinets.

212 From, Cabinet Office, *Major Projects Authority Annual Report, 2013*, www.gov.uk/government/publications/government-major-projects-portfolio-data-for-dcms-2013, 'Government Major Projects Portfolio data for DCMS 2013'.

2012/13 Budget (£million)	91
2012/13 Forecast (£million)	91
Total budgeted whole life costs (£million) (including non-government costs)	529
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	As of 25/03/13 The 12/13 budget is now £12m and the forecast is £10m. Projected spend in 12/13 is less then originally forecast owing to the delays in gaining State aid. DCMS has agreed a budget re-profile with HMT which has brought the budget profile into line with forecast expenditure.
Departmental narrative on budgeted whole life costs	As of 25/03/2013 the whole life cost is approximately £1.8 bn. Cost figure is an estimate based on expected public and private sector contributions.

Urban Broadband Fund – Super-connected City Initiative:

Project name	Urban Broadband Fund – Super-connected City Initiative
Department	DCMS
MPA RAG rating	Amber/Red
Description / aims	To support around 20 cities to create areas of high speed fixed broadband and mobile connectivity.
Departmental narrative, actions on Delivery Confidence Assessment	As of 25/03/13 The funding allocations for the Wave 1 cities have been published. Successful Wave 2 cities were announced in December 2012. The Government is working with the EU Commission and suppliers to agree the State aid strategy for infrastructure build and a connection voucher scheme
Project – start date	26/06/2012
Project – end date	31/03/2015
Departmental narrative on schedule, including any deviation from planned schedule	As of 25/03/13 The programme is scheduled to be completed by March 2015. Delivery by this date is dependent on resolution of State aid issues and supplier implementation timeframe.
2012/13 Budget (£million)	10
2012/13 Forecast (£million)	0
Total budgeted whole life costs (£million) (including non-government costs)	150
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	As of 25/03/13 Spend in 12/13 is less than originally forecast owing to the need to refocus the cities' plans in light of the difficulties in gaining EU State Aid approval. DCMS has agreed a budget re-profile with HMT which has brought the budget profile into line with forecast expenditure.
Departmental narrative on budgeted whole life costs	Total costs for building and operating the infrastructure will depend on the model followed by each local project.

Department for Transport[213]

Rail Refranchising Management Programme – East Coast:

Project name	Rail Refranchising Management Programme – East Coast
Department	DfT
MPA RAG rating	Amber
Description / aims	The Secretary of State is required to designate certain services for the carriage of passengers as suitable for franchising under section 23 of the Railways Act 1993 (as amended). The East Coast services have been so designated and a procurement competition therefore needs to be run to re-let the East Coast Main Line. The aims are • to deliver the re-franchising of East Coast services by December 2013, • to ensure that the new franchise is let on terms that meet the franchise objectives; and • to ensure that the new franchise meets the Department's value for money and affordability requirements. Following the West Coast contract cancellation the overall rail refranchising programme was paused, as a result the original delivery plan was no longer achievable. The Department announced the long term plans for rail franchising https://www.gov.uk/government/news/fresh-start-for-franchising in March 2013.
Departmental narrative, actions on Delivery Confidence Assessment	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
Project – start date	20/07/2009
Project – end date	31/05/2013
Departmental narrative on schedule, including any deviation from planned schedule	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
2012/13 Budget (£million)	*Not provided*
2012/13 Forecast (£million)	*Not provided*
Total budgeted whole life costs (£million) (including non-government costs)	*Not provided*
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	*Not provided*
Departmental narrative on budgeted whole life costs	*Not provided*

213 From, Cabinet Office, *Major Projects Authority Annual Report, 2013*, www.gov.uk/government/publications/government-major-projects-portfolio-data-for-dft-2013, 'DfT quarter 2 2012 to 2103 GMPP data'.

Rail Refranchising Management Programme – GA Long:

Project name	Rail Refranchising Management Programme – GA Long
Department	DfT
MPA RAG rating	Amber/Green
Description / aims	The Secretary of State is required to designate certain services for the carriage of passengers as suitable for franchising under section 23 of the Railways Act 1993 (as amended). The Greater Anglia services have been so designated and a procurement competition therefore needs to be run to re-let the Greater Anglia. The aims are • to deliver the re-franchising of Greater Anglia services by July 2014, • to ensure that the new franchise is let on terms that meet the franchise objectives; and • to ensure that the new franchise meets the Department's value for money and affordability requirements. Following the West Coast contract cancellation the overall rail refranchising programme was paused, as a result the original delivery plan was no longer achievable. The Department announced the long term plans for rail franchising https://www.gov.uk/government/news/fresh-start-for-franchising in March 2013.
Departmental narrative, actions on Delivery Confidence Assessment	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
Project – start date	19/07/2012
Project – end date	31/01/2015
Departmental narrative on schedule, including any deviation from planned schedule	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
2012/13 Budget (£million)	*Not provided*
2012/13 Forecast (£million)	*Not provided*
Total budgeted whole life costs (£million) (including non-government costs)	*Not provided*
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	*Not provided*
Departmental narrative on budgeted whole life costs	*Not provided*

Rail Refranchising Management Programme – Greater Anglia Short:

Project name	Rail Refranchising Management Programme – Greater Anglia Short
Department	DfT
MPA RAG rating	Green
Description / aims	The Secretary of State is required to designate certain services for the carriage of passengers as suitable for franchising under section 23 of the Railways Act 1993 (as amended). The Greater Anglia services have been so designated and a procurement competition therefore needs to be run to re-let the Greater Anglia Short term franchise. The aims are • to deliver the re-franchising of Greater Anglia services by February 2012, • to ensure that the new franchise is let on terms that meet the franchise objectives; and • to ensure that the new franchise meets the Department's value for money and affordability requirements.
Departmental narrative, actions on Delivery Confidence Assessment	The franchise is live - February 2013.
Project – start date	01/06/2010
Project – end date	28/02/2013
Departmental narrative on schedule, including any deviation from planned schedule	Completed on schedule.
2012/13 Budget (£million)	-144.7
2012/13 Forecast (£million)	-154.9
Total budgeted whole life costs (£million) (including non-government costs)	-396.7769231
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	Subsequently, National Express was deprived of the franchise and it was competed being won by Abelio with a much higher premium than forecast in the Comprehensive Spending review (CSR) Budget. DfT takes revenue risk which means that DfT provides revenue support. Farebox revenues are over 3% lower than forecast in the CSR Budget which has lead to significant revenue support however the much higher premium bid by Abelio more than compensates for this so that overall at Q2 of 2012, the income from Greater Angila is better than budget. To summarise, the circumstances of the budget and forecast are completely different and the performance at Q2 reflects a better net premium achieved through re-franchising.
Departmental narrative on budgeted whole life costs	The bases of the Budget and the Forecast are entirely different. The CSR Budget was based upon the expected franchise terms at that time with an expectation that National Express would continue with the franchise until its re-let in February 2012 with a premium that reflected the standard assumption on re-letting at that time of a Train Operating Company Margin of 7%.

Rail Refranchising Management Programme – West Coast:

Project name	Rail Refranchising Management Programme - West Coast
Department	DfT
MPA RAG rating	Red
Description / aims	The Secretary of State is required to designate certain services for the carriage of passengers as suitable for franchising under section 23 of the Railways Act 1993 (as amended). The West Coast services have been so designated and a procurement competition therefore needs to be run to re-let the West Coast Main Line. The franchise is one of the largest in terms of farebox revenue and connects London with key conurbations such as Manchester, Birmingham, Glasgow and Liverpool. The aims are • to deliver the re-franchising of West Coast services by December 2012, • to ensure that the new franchise is let on terms that meet the franchise objectives; and • to ensure that the new franchise meets the Department's value for money and affordability requirements. The project was cancelled in October 2012. As a result the original delivery plan was no longer achievable. The Department announced the long term plans for rail franchising https://www.gov.uk/government/news/fresh-start-for-franchising in March 2013.
Departmental narrative, actions on Delivery Confidence Assessment	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
Project – start date	22/09/2010
Project – end date	08/04/2014
Departmental narrative on schedule, including any deviation from planned schedule	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
2012/13 Budget (£million)	*Not provided*
2012/13 Forecast (£million)	*Not provided*
Total budgeted whole life costs (£million) (including non-government costs)	*Not provided*
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	*Not provided*
Departmental narrative on budgeted whole life costs	*Not provided*

Rail Refranchising Management Programme – Thameslink, Southern and Great Northern refranchising project:

Project name	Rail Refranchising Management Programme – Thameslink, Southern and Great Northern refranchising project
Department	DfT
MPA RAG rating	Amber/Red
Description / aims	The Secretary of State is required to designate certain services for the carriage of passengers as suitable for franchising under section 23 of the Railways Act 1993 (as amended). The Thameslink, Southern and Great Northern (TSGN) services have been so designated and a procurement competition therefore needs to be run to re-let the franchise. This project will merge the existing Thameslink and South Central franchises. The aims are • to deliver the re-franchising of TSGN services by September 2013, • to ensure that the new franchise is let on terms that meet the franchise objectives; and • to ensure that the new franchise meets the Department's value for money and affordability requirements. Following the West Coast contract cancellation the overall rail refranchising programme was paused, as a result the original delivery plan was no longer achievable. The Department announced the long term plans for rail franchising https://www.gov.uk/government/news/fresh-start-for-franchising in March 2013.
Departmental narrative, actions on Delivery Confidence Assessment	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
Project – start date	30/10/2011
Project – end date	27/02/2015
Departmental narrative on schedule, including any deviation from planned schedule	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
2012/13 Budget (£million)	*Not provided*
2012/13 Forecast (£million)	*Not provided*
Total budgeted whole life costs (£million) (including non-government costs)	*Not provided*
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	*Not provided*
Departmental narrative on budgeted whole life costs	*Not provided*

Rail Refranchising Management Programme – Great Western:

Project name	Rail Refranchising Management Programme – Great Western
Department	DfT
MPA RAG rating	Amber
Description / aims	The Secretary of State is required to designate certain services for the carriage of passengers as suitable for franchising under section 23 of the Railways Act 1993 (as amended). The Great Western services have been so designated and a procurement competition therefore needs to be run to re-let the Great Western. The aims are • to deliver the re-franchising of Great Western services by July 2013 • to ensure that the new franchise is let on terms that meet the franchise objectives; and • to ensure that the new franchise meets the Department's value for money and affordability requirements. Following the West Coast contract cancellation the overall rail refranchising programme was paused, as a result the original delivery plan was no longer achievable. The Department announced the long term plans for rail franchising https://www.gov.uk/government/news/fresh-start-for-franchising in March 2013.
Departmental narrative, actions on Delivery Confidence Assessment	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
Project – start date	21/07/2011
Project – end date	16/01/2015
Departmental narrative on schedule, including any deviation from planned schedule	The franchise programme was paused in October 2012. A further announcement on the schedule was made March 2013.
2012/13 Budget (£million)	*Not provided*
2012/13 Forecast (£million)	*Not provided*
Total budgeted whole life costs (£million) (including non-government costs)	*Not provided*
Departmental narrative on budget/forecast variance for 2012/13 (if variance is more than 5%)	*Not provided*
Departmental narrative on budgeted whole life costs	*Not provided*

Annex I: Acronyms and notes

Table I.1: Acronyms for department names

Acronym	Department Name
BIS	Business, Innovation and Skills
CO	Cabinet Office
DCLG	Department for Communities and Local Government
DCMS	Department for Culture, Media and Sport
DECC	Department of Energy and Climate Change
Defra	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DfID	Department for International Development
DfT	Department for Transport
DH	Department of Health
DWP	Department for Work and Pensions
FCO	Foreign and Commonwealth Office
HMRC	Her Majesty's Revenue and Customs
HMT	Her Majesty's Treasury
HO	Home Office
MoD	Ministry of Defence
MoJ	Ministry of Justice

Table I.2: Other acronyms

Acronym	Explanation
AME	Annually Managed Expenditure
AO/AA	Administrative Officer / Administrative Assistant (Civil Service grade)
API	Application Programming Interface
CAME	Capital Annually Managed Expenditure
CDEL	Capital Departmental Expenditure Limit
CIPFA	Chartered Institute of Public Finance and Accountancy
COINS	Combined Online Information System
DE&S	Defence Equipment and Support
DEL	Departmental Expenditure Limit
EO	Executive Officer (Civil Service grade)
ERG	Efficiency and Reform Group
FTE	Full-time equivalent
Gr. 6 & 7	Grade 6 and Grade 7 (Civil Service grade)
HEFCE	Higher Education Funding Council for England
HMCTS	Her Majesty's Courts and Tribunals Service
IFRS	International Financial Reporting Standards
IFS	Institute for Fiscal Studies

IT	Information Technology
LG	Local Government
MoG	Machinery of government
MPA	Major Projects Authority
NAO	National Audit Office
NGO	Non-governmental organisation
NHS	National Health Service
NOMS	National Offender Management Service
OBR	Office for Budget Responsibility
ONS	Office for National Statistics
OSCAR	Online System for Central Accounting Reporting
PAC	Public Accounts Committee
PASC	Public Administration Select Committee
PESA	Public Expenditure Statistical Analysis
PSA	Public Service Agreement
Q (Q1 etc.)	Quarter
QDS	Quarterly Data Summary
RAG	Red – Amber – Green (rating scheme)
RAME	Resource Annually Managed Expenditure
RDEL	Resource Departmental Expenditure Limit
SEO/HEO	Senior Executive Officer / Higher Executive Officer (Civil Service grade)
SR	Spending Review (Spending Round)
SRP	Structural Reform Plan
TME	Total Managed Expenditure
UKTI	UK Trade & Investment
WMI	Workforce Management Information

Unless otherwise stated, all sources were last accessed on 24/07/2013

Please also see for reference the Scrutiny Unit, House of Commons finance glossary: www.parliament.uk/documents/commons/Scrutiny/120515_finance%20glossary.pdf

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