PERFORMANCE BUDGETING
Seminar

UK Case Study:
The Public Service Agreements System
Presenter:
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This lecture will cover:
- The Public Expenditure Management Framework
- Spending Reviews
- PSAs and Targets
- Delivery Planning
- Accountability and Transparency
- Going Forward

Public Expenditure Management Framework

To improve the quality and cost-effectiveness of public services whilst maintaining sound public finances.
Public Expenditure Planning and Control

**Achieving priorities** – is public service demand being met by supply?

**Value for money** – a framework to ensure that resources are used efficiently and effectively

**Improving productive efficiency**

**Public finances and the wider economy** – public spending is around 40% of GDP

**Real terms increases** in spending on public services of 5.3% (03/04), 3.3% (04/05), 5.0% (05/06)

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Public sector reform (1998)

- Introduction of three year spending plans
- Move to resource based accounting and budgeting
- Greater protection for capital spending
- Proper asset management
- Underpinned by outcome focused performance targets

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The Framework (broad definitions)
The Spending Reviews

1998 Comprehensive Spending Review (CSR)
2002 Spending Review (SR2002)
2007 Comprehensive Spending Review

The Spending Review Cycle

SR2002 plans set

Year 1    Year 2    Year 3


SR2004 plans set

Year 1    Year 2    Year 3

SR2004

PSAs and Targets
**Why set targets?**
- A statement of what government is trying to achieve - a clear sense of direction
- A focus on delivering results
- Indicates how well an organisation is performing against objectives
- A basis for monitoring what is and isn’t working – and why
- Better public accountability

**Choose the right targets**
- Not too many...
- Real measures of success...
- Which are owned by deliverers
- SMART and outcome-focused

**SMART targets are...**
- **Specific** – avoiding vague targets which might lead to uncertainty;
- **Measurable** – underpinned by a sensible and reliable quantitative data source;
- **Achievable** – whilst at the same time setting a stretch, or step-change in performance;
- **Relevant** – to what the organisation is trying to achieve;
- **Timed** – with a clear end date, and supported by timely data.
What is a PSA?

**Public Service Agreements:**
- "explain what departments plan to deliver in return for...significant extra investment"
- "[set out] demanding national targets"
- "[reflect] the Government’s key priorities and [focus] on the outcomes that matter most to the public"
- "represent an agreement between the Government and the public"

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**Public Service Agreement**

- **Aim**
- **Objective**
  - **Target**
  - **vfm target**
- **Technical note**

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**Service Delivery Agreement**

- **High level summary of delivery plans**
- **Departmental Report (Spring)**
- **Autumn Performance Report**
- **Performance Website**
- **Data Systems Validation**

**Published**
- No requirement to publish

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**Public Service Agreement**

- **Aim**
- **Objective**
  - **Target**
  - **vfm target**
- **Efficiency Review**
  - **Efficiency target**
- **Technical note**

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2000

2004
HOME OFFICE PSA

AIM
Build a safe, just and tolerant society.

OBJECTIVES AND PERFORMANCE TARGETS

Objective I: People are and feel more secure in their homes and daily lives.
1. Reduce crime by 15%, and further in high crime areas, by 2007-08.
2. Reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the Criminal Justice System without compromising fairness.

Objective II: More offenders are caught, punished and stop offending, and victims are better supported.
3. Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to £2.5 million by 2007-08.

Objective III:...

HOME OFFICE TN (PSA 1)

Scope and Responsibility - This target applies to England and Wales. The Home Office is responsible for delivering PSA 1 although PSA 3 and PSA 4 also contribute to PSA 1.

Definitions and Measurement - Systems Crime levels are measured using the British Crime Survey (BCS). The high crime areas are the 40 Crime & Disorder Reduction Partnership (CDRP) areas that have the highest rates of recorded crime per head of population plus highest crime levels (each being given equal weight), as measured using the BCS comparator in 2003/04...

Baseline - The baseline period is the year 2002/03, although 2003/04 will be used for the high crime areas...

Success Criteria - This target will have been achieved if, between the baseline year and 2007/08, both of the following are met: (a) nationally, the reduction in overall BCS crime is more than or equal to 15%; and (b) the average reduction in the 40 high crime areas is more than the average reduction in the remaining CDRP areas, as measured by the recorded crime BCS comparator...

Other existing PSA targets

Examples
Health: reduction in death rate from heart disease among under 75s by 40% by 2010
Criminal Justice: cut domestic burglary by 25% on 1998-99 levels by 2005
International Development: Progress towards the MDGs in 16 key countries [in Africa] demonstrated by [eg] an increase in primary enrollment from 58% to 72%
Evolution of PSAs

- **CSR 1998**
  - 600 targets
  - Reforms to spending framework
  - First targets

- **Spending Review 2000 (SR00)**
  - 160 targets
  - Architecture developed
  - Focus improved

- **Spending Review 2002 (SR02)**
  - 130 targets
  - Greater continuity
  - Architecture refined

- **Spending Review 2004 (SR04)**
  - 110 targets
  - Increased consultation
  - Introduction of standards

- **C SR 2007**
  - 90% of existing targets up for renewal

Delivery Planning

Spending team roles
- Ministry of Finance
  - Ensure control;
  - Increasing focus on financial management capacity
- Ministry of Economy
  - Policy and planning
  - Know your area (external reviews, spending reviews, productivity and reform team, external groups/committees)
- Tax-payer representative
  - Value for money
  - Scrutiny and challenge
Some tools/mechanisms

- Management accounting: good costing
- Benchmarking
- Delivery Planning and Delivery Chains
- Process Reviews
  - e.g. Turner in health
- Best practice agencies
  - e.g. Improvement and Development Agency for local government (IDeA)
- The Prime Minister’s Delivery Unit
  - different role to spending team
- “Consulting” approaches
  - Business Excellence Model
  - Balanced Score-card

Delivery Plans

- Live Documents... (tend not to be published)
- Jointly, and regularly, reviewed
- Assign responsibilities
- Define delivery chain
  - (inputs – activities - outputs – outcomes)
- Address role of external factors
- Focus on actions, risks, strategy, and trajectories
Accountability and transparency

Accountability of individuals

- Named Secretaries of State
  - including some joint targets
- Permanent secretaries
- Named target owners within departments

ie: Accountability rests with both politicians and officials, BUT...

No mechanistic link between performance and resource allocation in Spending Review

Target Monitoring

Official level
- Departmental monitoring
  - Monitoring by the centre
    - Treasury: "spending" teams
    - Cabinet: Prime Minister’s Delivery Unit
- Main tools
  - Delivery plans
  - Performance reports

Political level
- Cabinet Sub-Committee (PSX)
- PM stock-takes for key areas
- Main tools
  - PSAs
  - Performance reports
  - Spending Reviews
Resources and Outcomes go together….  

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<th>Spending Review</th>
<th>Resources</th>
<th>Outcomes</th>
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<td>Review</td>
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<td>Resource accounts</td>
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CSR07 Context  
- **Opportunity for systematic review:** 90% of PSA targets coming to an end in the next spending review period
- Framework has been **successful in driving delivery** and focusing effort – needs to evolve and maintain strengths of the system
- But, there are weaknesses that need to be addressed
- PSA framework established when past investment in public services had been low & capacity was weak...
- Now central government to focus on a progressively devolved delivery landscape where a variety of levers come into play to influence the way services are delivered at the frontline.
The current framework - issues

- Central target-driven approach can skew services to focus on central demands - undermines frontline motivation and responsiveness;
- If targets haven’t been well designed – can distort operational priorities and create perverse effects;
- Framework doesn’t recognise the wide range of levers and drivers that affect delivery of complex outcomes;
- Central targets have led to a proliferation of underpinning measures, data requirements and sub-targets;
- Slow progress on many joint targets.

Aims for revised framework in CSR

- Maintain the strengths while tackling the problems:
- PSA outcomes placed in context of department’s own strategic objectives for the spending period
- PSAs underpinned by small basket of national-level indicators
- Engagement and collaboration with the public and service professionals early in the process
- Delivery Agreements clearly set out level of ambition, strategy for delivery, and role of each organisation involved
- Removing inefficient and duplicative data collection processes, and sustaining that reduction.
- Systematic use of mechanisms that enable citizens to hold public services more directly to account

Annex - education

**CSR (1998)**

- An increase in the proportion of those aged 11 meeting the standard of literacy for that age (level 4 in key stage 2) from 63% to 80% by 2002
- An increase in the proportion of those aged 11 meeting the standard of numeracy for that age (level 4 in key stage 2) from 62% to 75% by 2002