



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

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Measuring Up

How good are the Government's data systems for monitoring performance against Public Service Agreements?

Summary

1 The Government introduced Public Service Agreements (PSAs) in 1998 to promote performance improvement and to increase accountability for Government resources, by defining the key outcomes expected. Good data help Departments to: improve programme management and performance; assess whether they need to revise policies and programmes; allocate resources and make other policy decisions; and report reliably to the public and Parliament on their achievements.

2 In 2007 the Government reduced the number of Public Service Agreements (PSAs), focusing on its highest priority, cross-cutting outcomes from some £589 billion of annual expenditure. The 30 PSAs are underpinned by 152 indicators used to measure and report progress. The National Audit Office (NAO) examines the quality of the data systems underlying PSAs. During 2008/09 we covered the PSAs led by:

- Communities and Local Government (CLG)
- Department for Environment, Food and Rural Affairs (DEFRA) (including PSA 27 transferred to the Department for Energy and Climate Change (DECC))
- Department for International Development (DfID)
- Department for Transport (DfT)
- Department of Health (DH)
- Government Equalities Office (GEO)
- Foreign and Commonwealth Office (FCO)
- Home Office (HO)

Detailed findings for each data system are published on our website: http://www.nao.org.uk/publications/0809/measuring_up_psa_validation.aspx¹.

3 For each PSA indicator we assess whether the lead Department has ensured adequate systems of control to mitigate the risk of significant error in the accuracy of reported data, the specification and operation of the data system and whether Departments have reported results transparently. That enables us to say whether each system is:

- Fit for purpose;
- Broadly appropriate but in need of strengthening; or
- Not fit for purpose.

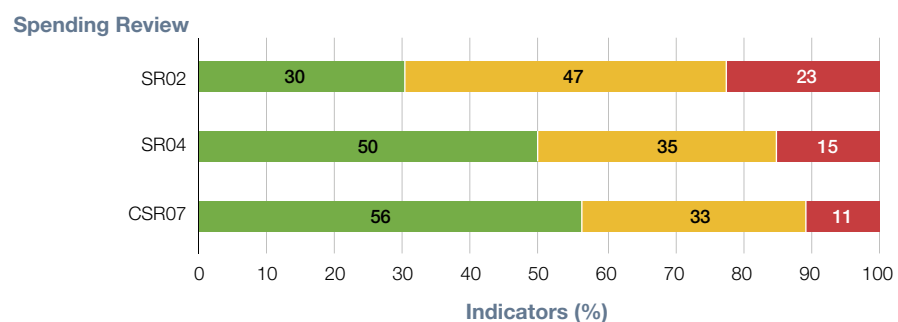
¹ Data systems related to tackling terrorism are classified and are being validated separately, so not included here.

4 **Figure 1** shows that 89 per cent of data systems are at least broadly appropriate for measuring progress against their PSA indicator – an improvement when compared with previous sets of PSAs. The improvement in ratings is modest, but it has been achieved over a period when many of the PSA indicators have changed. There has also been a qualitative improvement in the clarity and presentation of PSA monitoring information. Delivery Agreements and associated Measurement Annexes make it easier to understand the contributions expected from each partner under a PSA and the significance of any issues arising in measuring progress. HM Treasury (HMT) also require clearer reference to actual data in performance reporting. Taken together these changes represent a useful increase in the rigour and transparency of progress reporting.

5 There is, nevertheless, scope for further improvement. In reducing the number of PSAs and national targets the Treasury placed “a premium on the use of high quality, timely data” (2007, Cm 7227) requiring Departments to have robust measurement systems by the start of the Spending Review in April 2008. It is therefore unsatisfactory that 33 per cent of systems have weaknesses, and 11 per cent of systems remain unfit for purpose. Some of the common weaknesses in data systems included:

- inadequate matching to the complexity of the specified performance indicator;
- inadequate risk identification, and weak controls over known risks; and
- lack of transparency in disclosing unavoidable limitations in data quality.

Figure 1
Overall results by Spending Review period

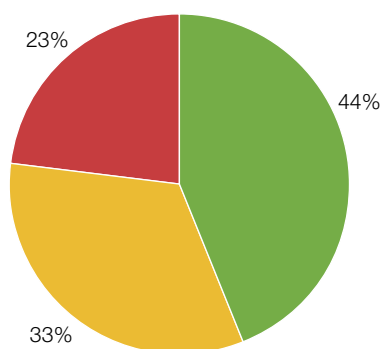


Source: National Audit Office analysis

Many of these weaknesses stemmed from a lack of formal consideration by Departments of the quality of data needed for effective PSA monitoring, and an associated lack of formal risk assessment. While the Treasury issued good, comprehensive guidance on the development of indicators, Departments did not consistently apply it, and the Treasury did not enforce its application.

6 The Treasury also introduced Departmental Strategic Objectives (DSOs) to cover the wider span of Departmental business and form the 'top-line' of each Department's business plan. Some DSOs are new objectives, whilst others are derived from previous PSAs or existing business plans. The intention was for a clear line-of-sight to exist from the Government's top priorities (PSAs), through Departmental objectives to the activities and outputs secured from Departmental expenditure. Publishing DSOs has increased the transparency of the overall framework for performance management in central Government. However, in practice, the line of sight has been obscured by weak association of DSO indicators to relevant PSAs, and so weak ability to track the costs of PSAs. Validation of the data systems underpinning DSOs (**Figure 2**) for the reviewed Departments, which manage expenditure of £134 billion (CSR07 07-08 baseline), showed them to be weaker than those for PSAs. More than half need strengthening, which, assuming an average spend per data system within each Department, undermines performance reporting for around £59 billion.

Figure 2
Summary of validation conclusions
for DSOs Indicators for the eight
assessed Departments



Source: National Audit Office analysis (n=252)

Overall conclusions and recommendations

7 PSAs were introduced ten years ago. Our results show a continued, if small, improvement in the quality of the underpinning data systems, which has been achieved alongside a restructuring of both the overall framework and the underpinning indicators and metrics. However, clear weaknesses remain and the rate of improvement has slowed considerably. At the current rate of progress, it will take a long time to achieve a fit for purpose position. Making the necessary improvements to data systems will require a more determined effort by the Treasury and by Departments. The following recommendations include key points we have made in previous years, and re-emphasise the need to build data quality into management systems from the outset.

The following recommendations are designed to improve current performance reporting and accountability.

8 Specification of indicators and data systems

Many of the more serious problems in data systems were sourced in weak indicator or system design, and a failure to apply known “good practices”.

HM Treasury should:

- Hold Departments to account for implementing improvements in current weak data systems as detailed in published NAO findings².

Departments should:

- Review the measurement requirements of new PSAs to ensure that all key elements of performance are well-defined and measurable;
- Continue to evaluate existing data sources to assess their suitability for PSA monitoring purposes without compromising performance management and accountability by using data sources that do not offer the required validity or precision; and
- Ensure that the basis for claiming success is clear and reasonable, taking into account the ability of the data system to measure progress beyond chance or error.

² Our detailed methodology and audit findings for each lead Department can be found on our website: http://www.nao.org.uk/publications/0809/measuring_up_psa_validation.aspx.

9 Operation of data systems

More than a third of systems lacked proper controls over data collection, processing or analysis. Data quality considerations must be embedded in routine risk identification and management.

HM Treasury should:

- Require adequate risk assessment and risk management plans for current PSA monitoring, and as a precondition to agreeing future measurement systems.

Departments should:

- Specify the quality of data needed to monitor progress, assess the risks to data quality, and the adequacy of procedures and controls to mitigate or manage those risks.
- Devise systems to detect errors in outturn data, including potential over or under-counting.
- Ensure that they assess risks to data from external sources, and take steps to gain assurance that the data provided are of adequate quality.
- Specify clear management and oversight responsibilities for data quality.

10 Reporting of data

Transparent public reporting is essential to public accountability. Almost a fifth of Departmental performance reporting of PSA indicators lacked clarity.

Departments should:

- Keep published technical information on indicators up-to-date, including a record of changes made to associated data systems.
- Disclose limitations to data quality in reports to management boards and to the public, and present all the information necessary to place performance information in context.
- Specify criteria for success against each indicator.

11 Future Frameworks

We also have a number of recommendations for any future developments of the overall performance framework. A performance management framework for Government must enable the transparent management of Government priorities and spending. There is no single discipline that leads on performance accounting or reporting, and no associated standards.

HMT should:

- Develop performance accounting and reporting standards to promote a consistently high standard of performance measurement and reporting.
- Review the arrangements for agreeing measurement systems and increase the degree of challenge before final agreement.
- Recognise that new indicators and systems pose increased risk and reflect that in its scrutiny of departmental proposals.
- Develop clearer guidance on dealing with the potential conflicts of measuring progress against national priorities, and restricting monitoring burdens placed on local bodies.

Departments should:

- Set out the measurement requirements of new performance measures to ensure that all key elements of performance are well-defined and measurable, and assess the risks to data quality and the adequacy of procedures and controls to mitigate or manage those risks.
- Select, as accountability measures, only indicators of performance where they have adequate and attributable influence over progress.