



National Audit Office

MEASURING UP

HOW GOOD ARE THE GOVERNMENT'S
DATA SYSTEMS FOR MONITORING PERFORMANCE
AGAINST PUBLIC SERVICE AGREEMENTS?

JUNE 2010

Comprehensive Spending Review 2007 covering the period 2008-2011

Review of the data systems for Public Service Agreement 21 led by the Department for Communities and Local Government:

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Summary

Introduction

1. This report summarises the results of our follow-up examination of the data systems used by the Department for Communities and Local Government (“the Department”) to monitor and report on progress against its 2008-2011 Public Service Agreements.

Public Service Agreements

2. Public Service Agreements (PSAs) are at the centre of Government’s performance measurement system. They are usually three year agreements, set during the spending review process and negotiated between Departments and the Treasury. They set the objectives for the priority areas of Government’s work.
3. PSA 21 is led by the Department, with data used to calculate the indicators provided by a wide range of sources including the Office of National Statistics (ONS) and the Citizenship Survey. The PSA has a Senior Responsible Officer who is responsible for maintaining a sound system of control across Departmental boundaries that supports the achievement of the PSA. The underlying data systems are an important element in this framework of control.
4. The most recent public statement provided by the Department of progress against PSA 21 was in the 2009 Autumn Performance Report.

The purpose and scope of 2008 validation review

5. The Government invited the Comptroller and Auditor General to validate the data systems used by the Department to monitor and report its performance. During 2008-09, the National Audit Office (NAO) carried out an examination of the data systems for the Department’s PSAs . This involved, for each individual data system, a detailed review of the processes and controls governing:
 - The match between the indicators selected to measure performance and the PSAs. The indicators should address all key elements of performance referred to in the PSAs;
 - The match between indicators and their data systems. The data system should produce data that allows the Department to accurately measure the relevant element of performance;
 - The selection, collection, processing and analysis of data. Control procedures should mitigate all known significant risks to data reliability. In addition, system processes and controls should be adequately documented to support consistent application over time; and
 - The reporting of results. Outturn data should be presented fairly for all key aspects of performance referred to in the target. Any significant limitations should be disclosed and the implications for interpreting progress explained.

6. Following the findings from the 2008-09 validation process each of the data systems underpinning a PSA indicator were graded, as follows: (see figure 1).

Figure 1: Key to traffic light ratings

Rating	Meaning ...
GREEN (Fit for purpose)	The data system is fit for the purpose of measuring and reporting performance against the indicator.
GREEN (Disclosure)	The data system is appropriate for the indicator and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled.
AMBER (Systems)	Broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled.
AMBER (Disclosure)	Broadly appropriate, but includes limitations that cannot be cost-effectively controlled; the Department should explain the implications of these.
RED (Systems)	The data system does not permit reliable measurement and reporting of performance against the indicator.
RED (Not established)	The Department has not yet put in place a system to measure performance against the indicator.

7. The ratings were based on the extent to which the Department had:
 - (i) put in place and operated internal controls over the data systems that are effective and proportionate to the risks involved; and
 - (ii) explained clearly any limitations in the quality of its data systems to Parliament and the public.
8. The findings from the 2008-09 validation exercise were reported to the Department in February 2009 and cleared with the Department in June 2009.

The purpose and scope of 2009 validation review

9. Our follow-up review, which was undertaken in October and November 2009, focused on:
 - Reviewing and assessing the implications of any significant changes to the data system underpinning a PSA indicator; and
 - Following up the findings from our 2008-09 validation exercise to assess what actions the Department had taken to address our recommendations.
10. We used the findings from the follow-up review to re-evaluate the traffic light ratings given in 2009.

11. Section 1 of our report looks at the overall control environment which the Department has put in place to support the measurement and reporting of performance against its PSA indicators. Section 2 summarises the results of our follow-up review on an indicator by indicator basis. Section 3 includes a brief description of the findings and conclusions for those data systems which were either not reviewed in 2008-09, or have undergone significant change.
12. Our assessment does not provide a conclusion on the accuracy of the outturn figures included in the Department's public performance statements. This is because the existence of sound data systems reduces, but does not eliminate, the possibility of error in reported data.

Summary of results

13. Figure 2 summarises our assessment of the Department's PSA data systems.

Figure 2: Summary of assessments for PSA data systems

	PSA 21	
	2009 Rating	2010 Rating
GREEN (Fit for purpose)	6	4
GREEN (Disclosure)	-	-
AMBER (Systems)	-	1
AMBER (Disclosure)	-	1
RED (Systems)	-	-
RED (Not established)	-	-
Indicators to be reviewed in future periods	-	-
Total indicators	6	6

Section 1 – Wider control environment

14. Our review in 2008-09 concluded that the Department's governance arrangements in respect of its PSAs were generally satisfactory. However, in several cases we noted that the Department could further improve the arrangements in place by setting specific targets, other than a general requirement for improvement against a baseline figure, within its relevant Delivery Agreements and accompanying Measurement Annexes. This finding related to all of the indicators within PSA 21.
15. Additionally, we noted that the Department did not in all cases have detailed written procedure notes in place, explaining how each indicator was to be calculated and how any outliers or missing data were to be addressed.
16. Although our current work found that the Department has not introduced targets for all indicators within PSA 21, we note that HM Treasury guidance is that targets should be set for indicators only where there is confidence that such an approach is the most effective way to drive delivery, albeit with an expectation that departments will set out criteria for what success looks like in respect of those indicators for which targets are not set.
17. Consequently, the Department believes that a target driven approach is not the best way to drive further improvements in these PSAs. While we note the response, we believe that without clear success criteria in respect of individual indicators it will be difficult for the Department to prioritise its activities and allocate its resources effectively.
18. From our current work we also note that the Department has not yet produced detailed written procedure notes for all indicators supporting its PSAs.

Section 2 – Results of the follow-up review

PSA 21

No	Indicator	Rating at full review	Rating at follow-up review	Reasons for change and additional comments
1	Percentage of people who believe people from different backgrounds get on well together in their local area.	GREEN Fit for purpose	GREEN Fit for purpose	<p>The data system supporting the calculation of this indicator has not changed.</p> <p>No recommendations were made in 2009 in respect of this indicator.</p> <p>We have therefore concluded that the rating given to this indicator in 2009 is still appropriate.</p>
2	Percentage of people who have meaningful interactions on a regular basis with people from different ethnic or religious backgrounds.	GREEN Fit for purpose	GREEN Fit for purpose	<p>The data system supporting the calculation of this indicator has not changed.</p> <p>No recommendations were made in 2009 in respect of this indicator.</p> <p>We have therefore concluded that the rating given to this indicator in 2009 is still appropriate.</p>
3	Percentage of people who feel that they belong to their neighbourhood.	GREEN Fit for purpose	GREEN Fit for purpose	<p>The data system supporting the calculation of this indicator has not changed.</p> <p>One recommendation was made in 2009, which remains outstanding. This relates to the Department:</p> <ul style="list-style-type: none"> resolving inconsistencies in the confidence intervals

No	Indicator	Rating at full review	Rating at follow-up review	Reasons for change and additional comments
				<p>stated in the PSA and DSO measurement annexes. This issue did not impact on the robustness of the data system and was due to rounding, but these two confidence intervals should be the same.</p> <p>The Department has informed us that work is in hand to update the measurement annexes.</p> <p>We believe that this recommendation remains valid and, if implemented, would help to strengthen the controls over the data system. However, we have concluded that the rating given to this indicator in 2009 is still appropriate, as other robust controls are in place.</p>
4	Percentage of people who feel they can influence decisions in their locality.	<p>GREEN</p> <p>Fit for purpose</p>	<p>GREEN</p> <p>Fit for purpose</p>	<p>The data system supporting the calculation of this indicator has not changed.</p> <p>We made two recommendations in 2009, both of which remain outstanding. These relate to the Department:</p> <ul style="list-style-type: none"> revising the description of the indicator to reflect the underlying question in the Citizenship Survey. We noted that the indicator focused on the percentage of people who felt that they could influence decisions in their locality, whereas the question in the Citizenship Survey (and the description of the indicator in the measurement annex) asks respondents whether they felt that they could influence decisions affecting their local area; and

No	Indicator	Rating at full review	Rating at follow-up review	Reasons for change and additional comments
				<ul style="list-style-type: none"> resolving inconsistencies in the confidence intervals stated in the PSA and DSO measurement annexes. This issue did not impact on the robustness of the data system and was due to rounding, but these two confidence intervals should be the same. <p>The Department informed us that, as it considered that the first of these was a minor issue and did not impact on the robustness of the data system, it had not been progressed. We continue to believe that the first recommendation remains valid and, if implemented, would help to strengthen the controls over the data system.</p> <p>The Department also informed us that work is in hand to update the measurement annexes to address the second recommendation.</p> <p>We have concluded that the rating given to this indicator in 2009 is still appropriate, as other robust controls are in place.</p>
5	Thriving third sector. An index of (a) the percentage of people who engage in formal volunteering on a regular basis and (b) the number of full-time equivalent staff employed within the sector.	GREEN Fit for purpose	AMBER Systems	<p>No recommendations were made in 2009 in respect of this indicator.</p> <p>We have reviewed this data system in more detail at the Cabinet Office in 2009-10. Our detailed findings are set out in Section Three of this report.</p>
6	Percentage of people who participate in culture or sport.	GREEN	AMBER	The data to support the calculation of this indicator is provided by the Department for Culture, Media and Sport (DCMS).

No	Indicator	Rating at full review	Rating at follow-up review	Reasons for change and additional comments
		Fit for purpose	Disclosure	<p>The sample size for the interim year (2009-10) has been found by the Department, subsequent to the full review, to be too low to report a statistically significant change in outturn data for that year, except where a very large difference is noted. The Department nevertheless is satisfied that this has no significant impact on the overall measurement as 'true' progress will be measured in the final year (2010-11) of the "Taking Part" Survey. However, the Department for Culture, Media and Sport, which has lead responsibility for this indicator, is required to report progress against this PSA indicator annually, and the limited sample size in the 2009-10 year will not allow a robust outturn to be reported for that year.</p> <p>We have concluded that the data system underlying these indicators are broadly appropriate, However, the limitations in sample size, caused by the baseline being set some time after the start of the CSR period, has affected outturn reporting in the interim year.</p> <p>We have therefore concluded that an amber rating is appropriate at this time.</p>

Section 3 – Findings and conclusions for individual data systems

This section summarises the results of the NAO's examination of those data systems, used to measure performance against the Department's, which were either not reviewed in 2008-09, or have undergone significant change since our last review.

PSA 21.5 A thriving third sector - An index of (a) the percentage of people who engage in formal volunteering on a regular basis and (b) the number of full-time equivalent staff employed within the sector

Rating 2009 – GREEN (Fit for Purpose)

Rating 2010 – AMBER (Systems)

Conclusion

1. We have concluded that the data system underlying indicator (a) is fit for the purpose of measuring and reporting performance against the indicator. We have concluded that the data system underlying indicator (b) is broadly appropriate, but needs strengthening to ensure that the remaining risks are adequately controlled.
2. Overall, we have concluded that the data system underlying this indicator is broadly appropriate but needs strengthening, particularly in the areas of data completeness, to ensure that the remaining risks are adequately controlled.
3. Success on this PSA is defined as a statistically significant increase in a composite index over the CSR period, measured as the average rate of growth in a) the proportion of adults who formally volunteer on a regular basis and b) the number of full-time equivalent employees in the third sector. The Department determines whether a statistically significant increase has been achieved in the two components using a pro-forma spreadsheet, which has been verified by a statistical expert at the University of London.

Findings: indicator (a) the percentage of people who engage in formal volunteering on a regular basis

4. The Citizenship Survey is a large scale social research survey of a random sample of individuals from across England. The survey is undertaken by BRMB and Ipsos MORI on behalf of CLG, which provides the data to the Office of the Third Sector within the Cabinet Office.
5. The Citizenship Survey was designated as a National Statistic in 2008. We have reviewed the way that the Department operates the Survey and recognise that it complies with a Code of Practice designed to ensure high standards of data quality. The Survey is well designed to capture the relevant information at a national level.

Findings: indicator (b) the number of full-time equivalent staff employed within the sector

6. The data for this indicator comes from the Annual Population Survey, which is an accredited National Statistic. The Office of National Statistics (ONS) administers the Survey, and calculates the number of full-time equivalents working in the third sector by dividing the total number of hours worked per week by all such employees by 38. Growth in the number of full time equivalent employees in the third sector over the CSR period is one component of the PSA composite measure.
7. The relevant question in the Annual Population Survey asks whether the respondent is employed by a charity, voluntary organisation or trust. This should also capture data on people employed by social enterprises, but as there is no specific question about social enterprises in the Survey, estimates may exclude people working in social enterprises, particularly in those social enterprises which more closely resemble businesses than charities. The 2007-08 baseline for full-time equivalent employees is 464,000. Latest estimates on the OTS website suggest there are 62,000 social enterprises in the UK, and there is a risk, therefore, that the exclusion of some of the full-time equivalents employed on the business side of social enterprises may understate the overall third sector employment figures.
8. The Cabinet Office, which has lead responsibility for this indicator, is working with ONS to capture this data in future by including an additional question within the Labour Force Survey.