

INSIGHT

Lessons learned: a planning and spending framework that enables long-term value for money

HM Treasury and Cabinet Office

Summary

Introduction

1 To deliver value for money over the medium- to longer-term, a government needs to turn its objectives into outcomes in a way that delivers the best value for every pound of taxpayers' money while managing its fiscal position. It needs to: plan and prioritise its spending (and other activities) to address those objectives; monitor and manage both costs and value delivered; evaluate the results; adjust as necessary; and report to Parliament on how it has used taxpayers' money. The planning and spending framework within which governments do this follows a basic cycle (**Figure 1** on pages 5 and 6).

2 The government has limited resources and a list of areas requiring investment and improvement – it has never been more important for the government to get the most out of every pound of public money. A sustainable approach to planning and spending is a key enabler of better public sector productivity. HM Treasury and the Cabinet Office have crucial roles, to ensure that the planning and spending framework creates the right incentives for overall value for money throughout the complex system of departments and other bodies with delegated financial accountability.

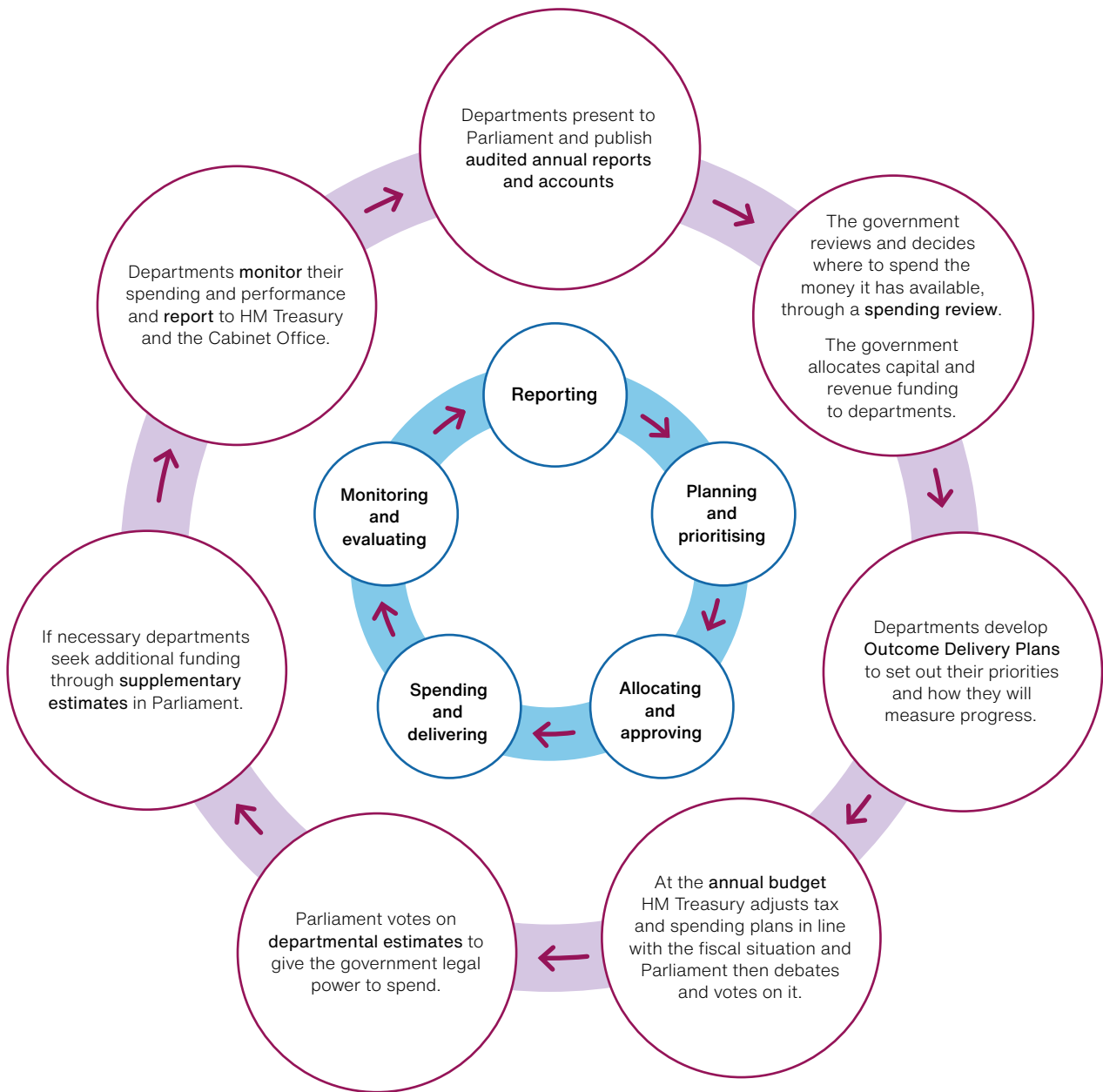
3 We last reported on this topic in 2018.¹ We saw positive developments in HM Treasury's approach to value for money, including the Barber Public Value Review, and noted that the Cabinet Office had been working to improve the maturity of business planning across departments. But we did not see an enduring system of integrated, realistic short-, medium- and long-term planning that any incoming government could rely on to deliver value for money. We considered that achieving this might require different skills and a significant change in mind-set both at the centre of government and in departments.

¹ Comptroller and Auditor General, *Improving government's planning and spending framework*, Session 2017–2019, HC 1679, National Audit Office, November 2018.

Figure 1

The basic government planning and spending cycle

The way the government plans, allocates and manages its spending follows a cycle with accountability mechanisms built in



- Accountability cycle
- Accountability mechanisms
- Steps in the spending and planning cycle
- Spending period cycle
- ➔ Direction of time

Figure 1 *continued*

The basic government planning and spending cycle

Notes

- 1 A spending review is the process by which the government allocates and approves funding for departments. The government decides how often this occurs.
- 2 The supplementary estimates can serve as a way for Parliament and its committees to monitor departmental performance against spending as departments are required to explain why variances against previously approved budgets have occurred and to be accountable for them.

Source: National Audit Office analysis of HM Treasury and Parliamentary documents, and interviews with stakeholders

4 In 1998 the then government had introduced periodic multi-year spending reviews to address weaknesses in long-term planning to deliver measurable outcomes, working effectively across government. But in 2018 we found the same underlying weaknesses were still pervasive. Against a background of responding to national and global crises since then, recent spending reviews have been increasingly short-term and reactive, focused on managing immediate spending pressures. The last multi-year spending review was in 2021, covering years to 2024-25. The Office for Budget Responsibility (OBR) has highlighted potential overspending against approved departmental budgets as one of the most significant risks to the fiscal outlook.² In July 2024 HM Treasury reported that it had identified £21.9 billion in pressures on the departmental budgets for the current financial year 2024-25.

5 In July 2024 the incoming Chancellor of the Exchequer announced a multi-year spending review to conclude in spring 2025 (SR2025). She also announced changes to the Charter for Budget Responsibility to require spending reviews to be held every two calendar years, covering a spending period of at least three years, saying that this would ensure there will always be up to date medium-term departmental spending plans. The Chancellor indicated that the decision-making in SR2025 would reflect the government's 'mission-led' approach. She further announced that the government would establish a new Office for Value for Money (OVfM) to help it "put value for money at the heart of decision-making" and to recommend system reforms.

Purpose and content of this report

6 We have drawn on our published work and a programme of consultation and collaboration with officials and stakeholders in the United Kingdom and overseas. Our intention is to provide useful insights as officials and ministers are making changes to the planning and spending framework, including the approach to SR2025. This report will also be useful to Parliamentarians and stakeholders seeking to scrutinise government spending and delivery. Appendices One and Two give full details on the scope of the work and our methods.

² Including in: OBR, *Working paper No.19, The OBR's forecast performance*, August 2023.

7 We identify eight lessons the government can learn from our work and point to the associated incentives and behaviours that need addressing, if the government is to use the planning and spending framework to improve efficiency and productivity. The main part of this report examines the lessons, illustrated with examples from our published work. The lessons are summarised in **Figure 2** overleaf.

8 This report also provides updates on developments in the planning and spending framework since we and the Committee of Public Accounts (PAC) last reported in 2018 and 2019 (Appendix Three) but it is not evaluative and does not have a value for money conclusion. We offer concluding remarks and a small number of recommendations. This report covers:

- roles, responsibilities and processes in the planning and spending framework (Part One); and
- eight lessons from our work (Part Two).

Explanation of our scope









9 This report is not about when, whether or how to carry out a spending review. We consulted with independent bodies including the Institute for Fiscal Studies, Institute for Government and Reform who have all published helpful analysis and recommendations on those questions. We are interested here in the approach to spending reviews because of the way it affects incentives and behaviours in day-to-day business planning and financial management across government, and ultimately, value for money. As one former senior civil servant we spoke to said, “these reviews set up a lot of things for success or failure”. Our past work and discussions with stakeholders have pointed to the rushed, intense, and adversarial nature of spending review discussions, based around closed, bilateral negotiations, without a consistent set of information about opportunities and risks on which to make strategic spending choices. As a result, underlying weaknesses in financial management can be hidden and decisions may be made that have adverse implications for long-term value and resilience. Recent short-term spending reviews appear to have magnified these problems. HM Treasury told us that spending reviews ought to be a predictable part of a well-ordered system for turning spending into public value, in line with clear priorities.

10 We do not cover the mechanisms for allocating funding to devolved administrations or local government funding, though we do highlight the effects on local government of the behaviours we have seen. We do not comment on government fiscal policy or fiscal rules, or choices about spending classification. And this is not a guide to detailed strategic or day-to-day financial management – for our expectations of departments and public bodies in that respect see our series of good practice guides.

Figure 2

Lessons for government on planning and spending

We have identified eight lessons to maximise value for money

Theme	Issue identified from our work	Lessons to maximise value for money
Joined-up planning and governance 	Departments, ALBs, and local government are spending money on related but uncoordinated activities and initiatives, which reduces overall value for money and leaves gaps in delivery and risk management.	It is important to plan and manage spending, risks, and delivery against common objectives across organisational boundaries.
Prioritisation 	Departments and government as a whole are not clearly prioritising spending and stopping poorer value activities, with sometimes an unwillingness to acknowledge affordability constraints.	It is important to have clear priorities at whole-of-government and departmental level, and to use them as a basis for making affordable spending choices.
Data and evidence 	Decisions about where to spend money are often taken on the basis of too little good data and evidence. Spending review bids and business cases worked up at speed often lacking crucial details, risk assessments, and robust estimates of costs and benefits.	It is important to base decisions about whether and how to spend taxpayers' money on good quality evidence about efficacy, costs and risks, including the additional risks of proceeding at speed.
Monitoring and evaluating 	Government is not consistently monitoring progress against objectives, risks and value for money of its projects, programmes and overall spending, which makes it harder to adjust course or redirect spending. Despite clear guidance, rigorous evaluation is the exception rather than the norm.	It is essential to monitor costs, performance, and risk levels, adjusting as necessary to optimise value for money, and to build in rigorous in-flight and post-hoc evaluation, so government can learn from both success and failure.
Taking a long-term view 	Government's tendency is to give attention to short-term delivery and spending control at the expense of long-term objectives, major programmes and asset maintenance, which increases the risk of asset and service failure and feeds a cycle of firefighting.	When making spending choices it is important to take a long-term view of value for taxpayers' money, show imagination about future scenarios and balance shorter-term objectives with sustainability and resilience to risk.
Funding commitment 	Uncertainty and inconsistency over funding and policy commitment make it difficult to build effective partnerships, with local government and industry, or develop pipelines of investment and skills in areas with long-term challenges, such as social care and green energy.	Especially when working with local and private sector partners, it is important for the government to set out short-, medium-, and long-term objectives linked to clear commitments and realistic funding models, while being clear on its appetite for risk.
Realism 	The government is prone to under-estimate on costs and over-promise on outcomes, with too little emphasis on testing the deliverability and riskiness of plans, and few repercussions for failing to control costs.	When committing funding it is important to have a realistic assessment of what can be delivered, by when, at what overall cost, and what is the level of risk or uncertainty.
Transparency 	There is a lack of transparency and effective scrutiny around government's decision-making, both internally and externally with Parliament and the public.	It is important for government to be transparent about its objectives, plans, spending choices and risk appetite and assessments, as well as the performance and outcomes delivered.

Source: National Audit Office analysis of our recent reports

Concluding remarks

11 The period since we last reported on the government's planning and spending framework has been characterised by rapid change in both the government itself and the fiscal and risk environment, and a highly short-term reactive approach. So, although we have seen evidence of hard work in HM Treasury and the Cabinet Office to build lasting improvements into the planning and spending framework as we recommended, there has not been the cultural shift towards a focus on long-term value for money that is needed. Changing the incentives and behaviours embedded across central government will take leadership, functional expertise and collegiate behaviour at all levels, official and political, over a whole Parliament and beyond. Parliamentary support and challenge around planning and spending is also an essential part of the necessary change.

Recommendations

- a** Parliament expects to be able to hold the government to account for its delivery of value for taxpayers' money. To do so, Parliament needs timely, complete and transparent information on the government's objectives, business planning, funding allocations, performance against objectives, spending, and outcome evaluations. The government should inform Parliament what changes it will make to achieve this from 2025-26 onwards, which should include as a minimum:
- publishing departmental Outcome Delivery Plans and cross-cutting mission boards' plans at least annually;
 - publishing, after each spending review, a summary of the spending choices the government has made and providing data that are granular enough to show the effect on allocations by department, priority outcome and strategic programme; and
 - ensuring that all completed government evaluations are publicly accessible and searchable by April 2025.
- b** HM Treasury and the Cabinet Office should create an action plan to address our eight lessons and rebalance behaviour and decision-making in government towards long-term value for money. The action plan should:
- be supported by an evidence-based understanding of what will affect lasting change;
 - have suitable senior ministerial and administrative leadership; and
 - have evaluation of progress built in.

12 We have worked closely with HM Treasury and the Cabinet Office, sharing our insights during summer and autumn 2024 as they started to develop plans for SR2025. We will return to this topic at a suitable time and will be looking for evidence of progress in our value-for-money work across government.