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The Political Economy of Public Spending Reviews: The UK Experience Since 1997

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ABSTRACT

A finance ministry-led public spending review sounds a quintessentially technocratic exercise: an opportunity to make sure that existing public service budgets are being spent as efficiently as possible; the chance to test whether public spending objectives are properly articulated and capture what the Government is trying to achieve; and a time to ensure that the allocation of public resources reflects those objectives.

This paper, drawing upon the UK experience of regular public spending reviews under the Prime Ministerships of Tony Blair and Gordon Brown between 1997 and 2010, argues that the opposite is the case. While these important activities should and do grab the attention and enthusiasm of career civil servants, the success of a spending review is vitally dependent on whether the politicians are properly engaged from the outset and throughout the spending review. In New Labour's thirteen years in Government from 1997, it was certainly the case that spending reviews were politically led from the outset. This paper outlines the lessons learned in the UK over that period, which will be useful to governments in other countries as they plan public spending reviews for the future.

THE POLITICAL ECONOMY OF PUBLIC SPENDING REVIEWS:

The UK Experience Since 1997[1]

Ed Balls[2]

A finance ministry-led public spending review sounds like a quintessentially technocratic exercise: an opportunity to make sure that existing public service budgets are being spent as efficiently as possible; the chance to test whether public spending objectives are properly articulated and capture what the Government is trying to achieve; and a time to ensure that the allocation of public resources reflects those objectives. These might sound like the kind of activities that would excite Treasury civil servants but leave the politicians' eyes glazing over. In this paper, drawing upon the UK experience of regular public spending reviews under the Prime Ministerships of Tony Blair and Gordon Brown between 1997 and 2010, I argue that the opposite is the case.

While these important activities should and do grab the attention and enthusiasm of career civil servants, the success of a spending review is vitally dependent on whether the politicians are properly engaged from the outset and throughout the spending review. In New Labour's thirteen years in Government from 1997, it was certainly the case that spending reviews were politically led from the outset. I know this given my extensive involvement from various perspectives. In my role as economic adviser to Shadow Chancellor Gordon Brown, I drew up our public spending strategy before the 1997 election. As the Chancellor's economic adviser from 1997 to 1999 and then Chief Economic Adviser to the Treasury from 1999 to 2004, I implemented this strategy and worked with civil servants to deliver four public spending reviews. As the Cabinet Minister in charge of

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[1] This Working Paper is based on a presentation to the European Semester Workshop in Belgium, *Designing, conducting and implementing spending reviews: lessons-learned in the EU,* which took place at the European Commission in Brussels, January 2019. It draws on previous presentations given by the author on IMF missions and has benefitted greatly from technical input from Richard Hughes with whom the author has worked at both HM Treasury and the IMF, advising on fiscal frameworks and performance budgeting. It also draws on Richard Hughes' paper "Performance Budgeting in the UK: 10 Lessons from a Decade of Experience" published in Arizti et al. eds, *Results, Performance Budgeting and Trust in Government,* World Bank: Washington DC, 2010. It has been informed by study group discussions at the Harvard Kennedy School over the last four years and the comments of co-lecturers and students on the King's College London course, 'HM Treasury and an Introduction to Economic History since 1945' which the author has co-taught since 2015. The author is grateful to Eleanor Hallam for excellent research assistance.

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schools and all children's services between 2007 and 2010, I then experienced a public spending review negotiation from the other side, not from a Treasury perspective but as a departmental minister.

Drawing on these experiences, this paper outlines the lessons we learned in the UK over that period, which I hope will be useful to governments in other countries as they plan public spending reviews for the future.

The 1997 New Labour Fiscal Reforms

When Labour came into office 1997, the new Government immediately enacted our manifesto commitments on spending. One of our manifesto commitments had been to operate a medium-term fiscal strategy with two fiscal rules set and measured over the economic cycle; a Golden Rule requiring the government to balance current spending against receipts and a Sustainable Investment Rule limiting net public debt to 40% of GDP.[3] In order to make that new macro fiscal regime credible effective, we also decided to move to multi-annual spending planning, which we announced at the outset. This enabled a new centre-left government to demonstrate to the outside world that its tax and spending policies were consistent with meeting its fiscal rules. We also committed in our manifesto to introduce outcome-based performance management for central government departments.[4] This was critical to demonstrating that a government which was determined to increase spending on key public services was equally committed to ensuring the efficient use of those resources.

The first New Labour budget in July 1997 also confirmed the new Government's manifesto commitment to hold a Comprehensive Spending Review over the first year of the new Government to report in the summer of 1998. That review would then set out fixed three-year budgets for each of the 25 departments. These multi-year budgets were initially to be reviewed bi-annually rather than annually, with the third year becoming the first year of the new three-year period. Alongside Sweden and the Netherlands, this made the UK one of

[3] HM Treasury, 'Financial Statement and Budget Report', 6 July 1997
[4] For more detail, see: Balls, E, & O'Donnell, G, (eds), *Reforming British Economic and Financial Policy,* Palgrave Macmillan, 2001; and for an independent assessment of the history and experience of UK Spending Reviews, see: Wheatley, M, Maddox, B, & Kidney Bishop, T, 'The 2019 Spending Review: How to run it well', Institute for Government, September 2018

the first countries to introduce binding multi-year limits on expenditure.[5] The time horizon for subsequent spending reviews and multi-year budgets was subsequently extended to three and even four years. A small unallocated reserve was set aside on a rising profile over the spending review period to deal with the unforeseeable but inevitable contingencies that could not be funded from with departmental expenditure plans. Full 'end-year flexibility' would to allow departments to carry over any unspent resources from year to year, though caps on total end-year flexibility carryovers were introduced in subsequent reviews. And, although it was little noticed at the outset, the Treasury committed to publish performance targets for each department, known as Public Service Agreements, which would set out what each department was expected to deliver with their allocated budget. In time, budgets were to be set on an accrual or 'resource account' basis, taking account of accrued non-cash expenses accrued such as asset depreciation, pension liabilities, and provisions.

This was a decisive break from the public spending regime we inherited.[6] Until 1997, with a few exceptions for investment-heavy departments like transport, the previous government had operated what amounted to an annual budget process for most departments, with the next year's allocations confirmed every autumn in a public spending statement. Before 1997, the Treasury also held back a large public spending reserve which meant that departments didn't need to plan to work within their allocated budget but instead haggled to get their share of this reserve during budget execution. There was no end-year flexibility allowing departments to carry over unspent resources from year to year, prompting regular and inefficient year-end spending splurges to exhaust any unused allocations. There was no distinction between current and capital budgets, with the latter being routinely raided to meet the government's headline fiscal targets. Budgets were cash-based, and the idea of accrual-based or resource account budgeting or managing the Government's balance sheet was a distant dream. And there was no formal system of output or outcome targets by which performance on public spending was judged.

Although these New Labour public spending reforms may sound technocratic, they had great political significance. The new Government had been elected on the basis of five very clear economic and spending pledges, set out on what was called the 'pledge card'. Each of those manifesto pledges was designed to be measurable so they could be clearly

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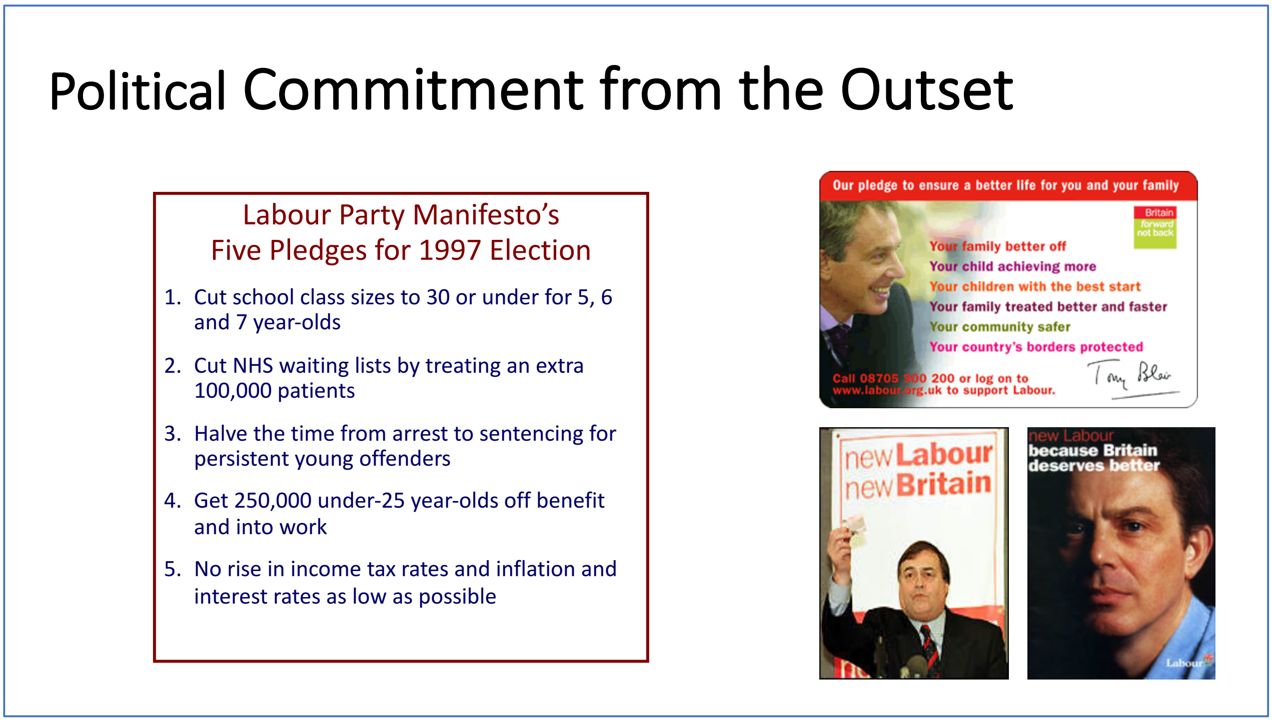
[5] For discussion of international experience of spending reviews and performance budgeting, see, for example: Dirk-Jan Kraan 'Performance Budgetting in OECD Countries,' OECD Journal on Budgetting Vol 7-No 4, 2007; and Marc Robinson and Duncan Last, 'A Basic Model of Performance-based Budgetting, IMF September, 2009

[6] See HM Treasury, 'Fiscal Policy: Lessons from the Last Economic Cycle', 1997

monitored. The result was that, from the outset, there was a political commitment to accountability based upon delivering results. The government had also committed to deliver these pledges while maintaining fiscal sustainability and economic stability, objectives which has eluded previous Labour (and indeed Conservative) governments.

Figure 1: Political Commitment to Delivering Results



Source: R Hughes, 'Performance Budgeting in the UK: 10 Lessons from a Decade of Experience'

Clear commitment to and direct accountability for fiscal responsibility, public expenditure control and public service efficiency were considered essential by Prime Minister Tony Blair and Chancellor Gordon Brown if Labour's economic credibility was to be established after 18 years in opposition and a previously mixed economic record. It was this political determination to drive for economic and fiscal credibility that underpinned our commitment to Treasury-led spending reviews, multi-year budgets, and outcome-based performance; the process was never simply technocratic.

However, there was also a further and more hard-headed political reason for announcing this Comprehensive Spending Review. The Labour Party had not been in government for eighteen years and the existing allocation of public resources reflected the political preferences of a series of Conservative ministers who had held office over that period. What is more, none of the new senior cabinet ministers had ever run a department before. They were all about to learn, while on the job, about how to manage delivery and accountability in departments with multi-billion pound budgets. If we were to avoid the new cabinet ministers simply slipping into a lazy incrementalism where their political strength – or otherwise – depended on how much extra resources they could negotiate from the Treasury, we needed a process to make them examine and justify their existing budgets from the bottom up. This was the purpose behind the Review, first announced by Shadow Chancellor Gordon Brown in January 1997, three months before polling day.

Following New Labour's first July 1997 Budget, the Treasury established a public spending sub-committee of the Cabinet, chaired by the Chancellor and populated by senior cabinet ministers who didn't have large public spending budgets. Over the first nine months of the Comprehensive Spending Review, each spending minister had to appear before this committee to set out how they could achieve efficiency savings and how their budgets were delivering the declared manifesto objectives of the Government. Then the other cabinet ministers on that committee, chaired by the finance minister, would rigorously question the spending minister, drawing from a detailed steering brief from the Treasury with lots of difficult questions. It was crucial that this examination was not from Treasury civil servants to departmental civil servants but happened in a Cabinet-level committee in which ministers were asking other ministers: "Well you say you want more money but look at your record over the last year. What's going on? How do you explain it?" While the bulk of the work and analysis was undertaken at an administrative level, the review was politically led and ministers actively participated in this scrutiny process all the way through. In the final meetings, where departmental ministers were told how much money they were getting, they were told that in a meeting with both the Prime Minister and the finance minister.

Before the conclusion of the Spending Review in the summer, the aggregate expenditure envelope for the review was announced in the Spring Budget of 1998.[7] We ensured that the sum of departmental spending allocations, alongside forecast tax revenues, were consistent with meeting the Government's two fiscal rules over the economic cycle. Finally, following a detailed negotiation between the Treasury and spending departments in the spring and early summer, three-year public spending budgets were publicly announced for each department alongside agreed reforms.[8]

We had originally intended that this first review would announce performance targets for each department alongside the public spending allocations. Perhaps inevitably, however,

[7] HM Treasury, 'The Financial Statement and Budget Report', 17 March 1998
[8] HM Treasury, 'Comprehensive Spending Review 1998', 14 July 1998

introducing such ambitious and unprecedented reform proved very difficult. So, while some key targets and objectives were announced as part of the Comprehensive Spending Review, the Treasury then published a supplementary document a few weeks later, the Public Service Agreements White Paper, which set out all the objectives it believed each department should deliver.[9]

This was clearly an unsatisfactorily way to proceed. In the next spending review, two years later in the summer of 2000, the performance targets were discussed as part of the spending review process and announced simultaneously with the spending allocations. This was a step forward. But the leadership in setting those targets came from the Treasury and the Prime Minister's office; departmental ministers did not fully own those targets. This improved again in 2002 and 2004, by which point the Treasury and Prime Minister's office were asking departments to propose their own output objectives as part of the negotiation. Departments also increasingly consulted outside stakeholders regarding the specification and ambition of their performance targets.

This is one example of how, spending review by spending review, our processes improved as our understanding of how to deliver change got better. As departmental ownership of budgets and objectives increased, the sophistication and effectiveness of our spending reviews also increased. While this did take time, I believe that it was only by being ambitious from the outset and being prepared to make mistakes that we were able to learn how to do things better and build wider support for the reforms.

In the remainder of this paper, I want to set out some of the lessons which can be learned from the UK experience of spending reviews.

Lesson One – Medium-Term and Comprehensive

The medium-term orientation of the first Comprehensive Spending Review was a significant break from the annual incrementalism of the past. In truth, it took some time for departmental ministers and their civil servants to be persuaded that the Treasury was serious when we said we were genuinely setting three-year budgets on which they could depend and plan, without a smash and grab Treasury raid a few months later, or that we would allow end-year flexibility to carry forward unspent resources. But without this

[9] HM Treasury, 'Public Service Agreements White Paper', September 1998

medium-term orientation, a meaningful discussion of long-term objectives wouldn't have been possible. And once the medium-term orientation of spending planning was established, it did allow much more focus on delivery and spend-to-save reforms through which a department would invest in changes in year one to produce savings further down the line.

This medium-term orientation was also important to underpin the credibility of medium-term fiscal planning. Setting of the total public spending envelope for the review in the preceding Spring Budget also helped to make the exercise credible in the eyes of both markets and departmental ministers. It made it credible to markets because the total level of expenditure was driven by 'top-down' macroeconomic considerations around what was affordable within our fiscal rules. It made it credible to departments, because it removed the possibility of increasing the aggregate expenditure envelope to accommodate any last minute requests or special pleading.

Over the course of the twelve months of the spending review, Treasury analysis and scrutiny of departmental plans and objectives was critical. However, we learned that this analysis could only take us so far; in the final weeks of the spending review process, we needed to leave time for the political negotiation and hard choices to be made - both between departments and for departments themselves to choose their own priorities.

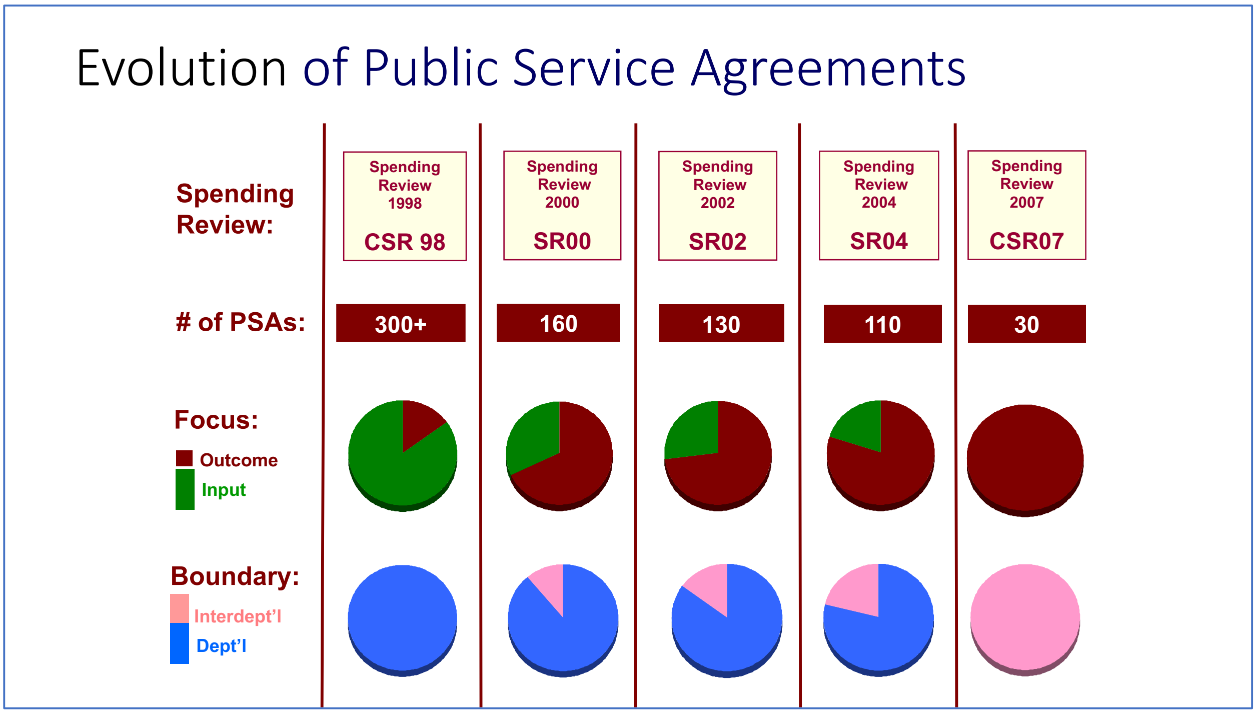
These choices and the trade-offs which underpinned them - between different objectives and sometimes between different departments - are only meaningful, however, if the spending review is comprehensive and covers the whole of government spending. An efficiency review of one aspect of public spending can provide useful information and analysis, but we learned that it is only when the Government looks comprehensively across all its activities that tough choices can be made. Rolling, targeted reviews that look at only a portion of public spending in any one exercise can improve *operational* efficiency (i.e. the efficiency with which resources are used in the delivery of a particular public policy objective) but they cannot deliver significant improvements in *allocative* efficiency (i.e. a more efficient allocation of resources between competing public policy objectives).

As for the politicians, my experience has been that the Prime Minister, finance minister and individual government ministers are intensively interested in spending reviews if they know tough choices are being made about the entirety of government spending priorities for years ahead. They tend to be less engaged and collectively committed to the outcome of technical exercises focused more narrowly on improving the utilisation of resources in a given domain.

Lesson Two – Choosing the Right Targets

When, in the late summer of 1998, the Government announced performance targets covering all public spending departments, it was doing something which not been done before in the UK. Nor was there significant international experience from which we could learn. As a result, we certainly didn't get it right in the beginning and, as we continued to learn, the number and specification of those performance targets changed from review to review.

Figure 2: The Evolution of Public Service Agreements



Source: R Hughes, 'Performance Budgeting in the UK: 10 Lessons from a Decade of Experience'

As the chart shows, the quantity of our performance targets changed markedly over the first five reviews of the Government. In the 1998 review we announced over 300 different output targets or Public Service Agreements which proved to be far too many. Having too many, and sometimes conflicting, targets undermined departmental ownership and accountability and overwhelmed an administrative machine that was still getting used to the idea of accountability not only for sticking to multi-year budgets but also using those resources to deliver measurable improvements in people's lives. Accordingly, the number of targets were progressives reduced in subsequent review until it reached 110 (roughly 4 per department) six years later.

Moreover, the nature of the targets evolved too. In the first 1998 review, most targets were input based – how many nurses, how many doctors, how many university places – rather than about the outcomes being generated – number of clinical interventions or qualified graduates - let alone the outcomes that the public would experience – survival rates for heart disease or cancer post diagnosis. As we gained experience with spending reviews and developed a more sophisticated understanding of the 'production function' between spending, inputs, outputs, and outcome for different public services, this gave us increasing confidence to set increasingly outcome-based performance targets.

Figure 3: Setting Outcome-Based Performance Targets

SMARTening up PSA targets

Features	Bad Practice	Good Practice
Stretching	"Deliver quality healthcare"	"Raise survival rates for cancer patients"
Measurable	"Increase student's understanding of math and science"	"At least 50% of secondary pupils score at least a B on the national math and science examination"
Affordable	"Eliminate child poverty"	"Reduce child poverty by two-thirds"
Results-based	"5,000 more police on the beat"	"A 10% reduction in violent crime"
Time-bound	"…over the medium-term"	"…by 2020"

Source: R Hughes, 'Performance Budgeting in the UK: 10 Lessons from a Decade of Experience'

Many of the targets that we set in 1998, or departments proposed in 2000, were either vague, unrealistic or unambitious. Again, that balance shifted review by review. We focused hard on ensuring targets were stretching, measurable, affordable, results-based and time-bound so that success or failure could be properly assessed. Data was also key. We found that credibility of output targets stands or falls on whether they can be properly measured. In later reviews, we asked the National Audit Office to evaluate the quality our Public

Service Agreement targets and the data systems used to measure performance against them.

The ownership of shared objectives was another area where our thinking evolved review by review. In the first 1998 review, every output target was allocated to one individual department. But many government tasks are inevitably cross-cutting with success depending on the combined action of different departments or agencies. Reducing youth crime, for example, depends on the actions of the justice department, the home affairs department, the police, schools, the department responsible for youth services, as well as citizens themselves. So, review by review we increased the number of shared objectives.

As the Government became more sophisticated at setting output targets and ministers became more engaged in how objectives were delivered, the importance of cross-cutting objectives grew in importance. Several innovations were tried to improve cross-departmental collaboration, including shared targets, jointly-managed budgets or dual-key arrangements, whereby spending programmes managed by one department could only be signed off with the agreement of another minister from a different department. It should be noted, however, that the Government's attempt in 2007 to make all targets high-level and cross-cutting was a mistake, which I believe blunted accountability which, under the Westminster political and administrative tradition, remains firmly department-based.

One clear learning point in this process is that culture change is hard and takes time. We learned in the 1998 review that departmental ministers must be involved in designing the targets from the start otherwise they will not take them seriously. Even then, encouraging departments to really take these departmental outcome targets seriously takes time - spending departments were used to doing things the old way and wary of cascading down their new freedoms and flexibilities, such as end-year flexibility, to their own spending agencies. It takes patience to teach an old dog new tricks.

A decade after the first spending review was announced, my experience as a departmental minister, in charge of schools and children's services between 2007 and 2010, was that the process of engaging the department and the wider community in devising and monitoring effective output targets was innovative as well as rewarding. Here are three areas where it made a difference:

In schools, it was only through detailed analysis of school by school of performance and the links between performance and deprivation that we discovered how many schools were ‘coasting’ with above average overall performance in per-pupil testing but poor performance amongst disadvantaged students – a poor performance which was masked by looking only at average attainment when disadvantaged children only constituted a minority of total students in the school.

In teenage pregnancy, where there was a wide variance area by area across the country, we discovered there was actually little correlation between deprivation or other factors and the number of teenage pregnancies. Instead, the driver was leadership at the local level between the local council, local health leadership, general practitioners and schools to ensure information and contraception was available in a timely way.

In child protection, our work to find a way to measure child safeguarding area by area prompted us to start collecting information about non-accidental child injuries presented at hospital accident and emergency departments. This threw up surprising variations across the country and led us to then ask tough questions about local child protection performance and collaboration with police and wider services.

In all three of these areas, high-level spending review and output target analysis led to very detailed, local and effective improvements in service delivery.

Lesson Three – Political Buy-In is Essential

Setting multi-year budgets and outcome targets for public spending through a spending review is an effective tool to improve efficiency and drive performance - but only if they are politically led. So, buy-in from the political leadership is vital. In my experience that must start early in the process and it must start with the Prime Minister and the finance minister. If they see the spending review as a key tool to ensure that the Government delivers on its promises and is held to account by Parliament and the public, then departmental ministers and civil servants will also engage in the process to improve efficiency and performance.

If departmental ministers do not think the Prime Minister and the finance minister care, they are unlikely to think that meeting their output targets or taking the review seriously will have a material impact on either the resources available for their department or the scrutiny they face from Parliament, let alone their promotion prospects. Furthermore, if ministers think the Prime Minister or finance minister will not respect the integrity of three-year budgets or end-year flexibility or allow a culture of short-term incrementalism to govern their actions then it is much harder to require departmental ministers to engage properly with the spending review. Therefore, the signals sent by the Prime Minister and the finance minister about their commitment to the spending review and to outcome targets are vital to getting the maximum value out of the spending review process.

This being true, the political reality is that there must be some flexibility for the centre of government to solve problems as they come along. For example, although frowned upon by purists, the fact that the finance ministry and the Prime Minister's office together managed some small but significant central budgets – a capital modernisation fund and a spend to save budget – between 1997 and 2010, allowed innovation and budget announcements that served as an important lever in making the system work.

In the UK, the Prime Minister and Chancellor were heavily engaged from the outset. However, as our experience with spending reviews evolved, we decided to put in place an important reform which increased ministerial engagement; in 2001, the Government established a Prime Minister's Delivery Unit that was based in the Prime Minister's office and had the head of the new Unit, Sir Michael Barber, reporting directly to the Prime Minister.[11] It was the job of the Delivery Unit to monitor and assess each department's performance against their published output objectives. A team of civil servants and experts compiled regular delivery reports for each department which covered not only their likelihood of delivery with a green, amber and red traffic light system but also an assessment of their capacity to deliver progress and the quality of their planning and performance management.

Departmental ministers were then summoned to regular meetings, attended personally by the Prime Minister and the finance minister, where the departmental minister and the senior civil servants had to explain the findings of the Delivery Unit's report. They had to justify when targets were going off track and set out what they would do to improve capacity and performance. Rather than cover all of the 100+ Public Service Agreement targets, these top-level meetings focused on the 25 targets most important to the Prime Minister, either because of their importance for citizens or political significance for the Government as a whole (e.g. if they were in the most recent election manifesto).

[11] For a longer discussion, see Sir Michael Barber, 'Instruction to Deliver: Fighting to Transform Britain's Public Services', Methuen, 2008

A good performance at that meeting was vital. A poor one would have certainly undermined the minister's standing within his own department, as well as in the eyes of the Prime Minister. Importantly, the outcome of these meetings also had a material impact on the strength of any bid for extra funding in the spending review. Furthermore, both the Prime Minister and the Chancellor were personally committed to attending those meetings, not least because their own credibility depended upon the delivery of the output targets the Government had announced.

There is no doubt in my mind that the Prime Minister's Delivery Unit improved our analytic capabilities, improved our ability to set outcome objectives and increased the challenge and effectiveness of the spending reviews. It also entrenched another important lesson – that because the setting of public objectives and their delivery is so important politically, a regular and early political sanity check by ministers, political advisers and the Prime Minister's office is necessary to make sure things do not go awry.

Lesson Four – Managing Devolution

Every country is, of course, different and a set of reforms to public spending planning in a majoritarian parliamentary system without a long experience of federal government will not simply translate over to federal systems used to coalition government. But over the thirteen years of the Labour Government after 1997, important steps towards devolution did occur with the greater administrative freedoms for local government, the election of regional English mayors and new parliaments and devolved administrations in Scotland and Wales. In this section I will reflect on how devolution changed how spending reviews were managed.

The first 1998 Comprehensive Spending Review did not properly engage local government in England, who continued to set only one-year budgets. It took time, seven years in fact, before the Government in Westminster was finally willing to hand over three-year budgets to local government, reflecting a growing sentiment for more devolution and local decision-making. Of course, for local government, the quantity of spending was important. But as important were the non-spending rules set from the centre: whether money was to be ring-fenced to be spent in a particular way and the wider administrative rules that central government placed on expenditure. Progressively, and I believe in an empowering way, local government increasingly saw spending reviews as an opportunity to make the case that they should have more freedom, more local decision-making, less rules and strictures from the centre. Moreover, the more we saw that outcomes depended upon a partnership between central government and local government, the more spending reviews came to focus on how best to encourage the greater collaboration and local flexibility to meet those objectives. As a spending minister, with national responsibility for outputs delivered locally, I increasingly found that independent inspection of local government capacity and performance, with the results of that inspection made public, was a vital counterpart to local flexibility and freedom to innovate.

For the devolved administrations, the challenge was very different. For them, the spending review allocated them a quantum of money for devolved spending, based on a formula related to how much Westminster allocated to England, with no strings attached as to how it should be spent. But the timing of the review was important. We learned that if we took a long time on our Westminster review, then that left them almost no time at all to then deal with the consequences for their own administrations. We learned that to make devolution work, the first stage must be finished with enough time to allow the next stage - devolved administrations or local government – to go through the same process themselves.

Conclusion

Of course, no public spending planning system can be robust to all eventualities. The onset of the Global Financial Crisis in 2007 and large rise in fiscal deficits that followed proved very challenging for public spending planning. Suddenly with fiscal rules under pressure it was hard to maintain a commitment to multi-annual spending planning. The fact that several departments had built up substantial multi-billion-pound reserves of unspent carry-over spending proved too great a temptation for the financial ministry to raid in order to enforce fiscal discipline and prevent borrowing from overshooting the Treasury's forecast.

While the change of government in 2010 was followed immediately by a new spending review, the new Coalition Government led by Prime Minister David Cameron decided, in my view mistakenly and short-sightedly, to dispense with outcome targets at a time when their public spending reductions would inevitably require a scaling back of ambition or targets to be missed. This was justified at the time as liberating line ministries from the deadening hand of Treasury control, but a more cynical explanation would be that the Government did not want to voluntarily broadcast the consequences of sustained expenditure reductions for the quality of public services. Embedding outcome targets in legislation and working hard to engage Parliament and the media in their importance can certainly help. But at times of fiscal crisis and retention, as we saw in the UK, outcome targets can be easy to ditch.[12]

This was a retrograde step. And one which should be reversed. So I was encouraged to see that the Chancellor's 2019 Spring Statement announced a renewed focus on outcomes in the next spending review due to conclude this autumn – although he cautioned that he would only be willing to proceed with setting multi-annual spending budgets for departments in that review if a Brexit deal had already been agreed.[13]

Failing to follow through on this commitment to multi-annual expenditure planning and reintroducing output targets would be a great disappointment; multi-annual spending reviews, ideally with output targets and effective performance budgeting, can make a real difference both to efficiency and delivery and public engagement with the work and challenges of government. Learning takes time but that should not mean governments should be cautious in their ambition. Maximising the engagement of Parliament and the

[12] There is a discussion of how output targets for public spending were dropped in 2010 in Wheatley, Maddox & Kidney Bishop (2018)

[13] 'Spring Statement 2019: Chancellor Philip Hammond's speech', HM Treasury, 13 March 2019

public is vital. But most important for spending reviews to work, political leadership from the outset and from the very top is essential if demonstrable improvements in the quality of public service efficiency and delivery are to be achieved.

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