



Future of government

Contact us

Daniel Burke

Partner

M: +44 (0)7764 661609

E: daniel.burke@pwc.com

Institute for Government and PwC roundtable series:

During the first half of 2019, PwC and the Institute for Government together hosted two roundtables with Treasury and other civil servants and with a mix of other experts, on how to improve the spending review process.

The events reflect our shared interest in spending reviews as the mechanism by which government develops, or at least tries to develop, strong medium term plans for spending across all its activities. The Institute for Government published a report, **The 2019 Spending Review: how to run it well**, in September 2018. PwC's **Future of Government** research programme sees the spending review as having a vital role to drive change, improve outcomes for citizens and deliver value for money.

The first event, in London, was about what the Treasury, Infrastructure and Projects Authority and departments need to do to ensure that transformation proposals are developed ahead of spending reviews and considered during them in ways which promote better decision-making and implementation. The second was about how spending reviews could be better informed about the cumulative impact of public spending on places, and take proper account of their needs in its decision making. This event was held in Birmingham and included short presentations by leaders in the West Midlands Combined Authority and City Council.

Five strong messages emerged from the discussions at the two events about how to improve spending reviews.



Make collaboration work

Creating impactful results from public spending is impossible if organisations do not work together.

The Treasury should design spending review and other processes to incentivise and reward co-operation between departments on transformation projects and improving the combined impact of different departments' investment programmes and public service spending in particular places. One participant said 'why not actually prioritise cross-cutting proposals?' A vital starting point for this is that The Treasury actually understands where money goes geographically, as well as by department: but there was interesting discussion on whether decision-making could start to be based on place or outcome, rather than department.

Departments should not just wait for the Treasury to mandate co-operation, but think actively whether transformation would work better if others were involved. They should consider the impact on places and local organisations of duplicative funding and performance regimes.

Local, as well as national, participants, recognised that the collaboration challenge is not just for national government – for example countering the tendency for collaboration to seem risky when all budgets are under pressure.



Use data and evidence

There is a need for better use of evidence, expertise and lessons from past innovations. Participants saw the problem less as a lack of data and evidence, more that the spending review process needs to make better use of it – not least to avoid the tendency to think questions through from scratch when there is lots of past experience. For example, the Infrastructure and Projects Authority (IPA) has good evidence from the work it and its predecessors have done since 2010 on what has or has not worked on transformation projects.

Public services collect lots of information on customer interactions, but is it applied to thinking about how to make transformation investment successful or ensure public services work well in places with different socio-economic profiles? Another source of evidence is professional insight: the government should make more use of its professional functions, and the experience of front line public service leaders.



Be strategic

Participants at both events called for the government to be clear and selective about the results it is seeking, on a long term view. 'The government can't just keep adding things to the shopping list.' In the transformation roundtable, participants were concerned that the 2015 spending review was too much 'just about delivering the numbers' and there was 'too little about what they wanted to achieve.' 'Long term wins were not given any priority', and the four-year planning horizon was too short for many more ambitious projects.

In the place event, West Midlands participants were concerned about the apparent lack of a central government plan. Instead, they observed short termism, and a lack of uniformity and consistency. An approach where funding is provided through a multitude of channels, many of which involve bidding to different sets of criteria and with their own separate performance management and regulation arrangements, is the opposite of strategic. Local, as well as national, participants emphasised the importance of being strategic at the local level 'The local region needs to be clear about its priorities and keep its shopping list short.' Nor should it always feel it has to wait for a central lead: 'we could spend a lot of time waiting for central government to fix things.'



Make the before and after work, as well as the spending review

Finally, spending reviews are very important decision-making processes, but 'they feel like an event, not a process'. Participants argued that there needs to be much more attention to what happens before and after. Spending reviews will take better decisions on transformation if departments invest in the careful development of proposals well in advance. Similarly, the discussion between national government and places with devolution deals cannot finish with the announcement of a deal package. Both local public service leaders and civil servants agreed, in the place event, that there needs to be a continuous conversation between local government and public service leaders.



Encourage productive investment

Participants at the Birmingham event, urged the Treasury to ensure the spending review isn't just about allocating budgets to achieve a fixed total. It needs to consider investment, whether in physical and human capital which will grow the local economy, increase revenue and reduce future spending, or in preventive interventions which will reduce demand pressures on services. An important observation made in the place event was that the rigour with which the government carries out project appraisal for capital spending, based on the Treasury's Green Book, does not seem to be applied to service reform and transformation.

In the first phase of spending reduction, after 2010, much useful change was stimulated by reducing budgets. As departments and local areas run out of easier options, it is more likely that there will need to be investment to unlock further, more transformative, change. A different approach to risk and innovation may be required, including assessing cost-benefit and risk across a portfolio, rather than project by project, and allowing local government to innovate. Some spending which is revenue, in accounting terms, is often necessary to ensure investment is delivered successfully.

Conclusion

The events showed how productive it is to bring together people involved in public services and investment, in central and local government, with those who shape decisions strategically in the Treasury and Cabinet Office. There was a lot of consensus, across a wide range of perspectives, about how to ensure the spending review process achieves value for money and impact on transformation projects and meeting the varying needs of places round the country.

The findings from these events echo previous analyses of how the spending review process could be improved, for example the Institute for Government's 2018 report. Up to now, despite such external advocacy and the efforts of the Treasury and others, what actually happens is rather different. Two principal reasons are, as that 'politics trumps strategy' and that the process is too much about how much money goes in, and not enough about what is achieved with it.

Whether the spending review in 2020 is managed in a more effective way incorporating the insight from this event is uncertain. One the one hand, the Treasury has been saying consistently over recent months that it intends to pay more attention to impact and results. On the other hand, the turbulent state of politics is an even more inauspicious backdrop than usual. We hope, however, that the ideas in this paper will be helpful in designing a process which secures strong results from taxpayers' money.