
Review

Measuring (Accountable) Success—Analysis of *The Government's Measures of Success*

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In 1999–2000, UK government departments will produce their first sets of audited Resource Accounts and their first set of Output and Performance Analyses (OPAs). This heralds a fundamental change in the way the Government reports to Parliament and the public. As the Prime Minister said in his preface to the White Paper *Public Services for the Future: Modernization, Reform and Accountability* (Cm 4181), (HM Government, 1998), the publication of Public Service Agreements (PSAs) 'is an important step to improving democracy and accountability' and 'by publishing clear, measurable targets, the Government is making it possible for everyone to judge whether it meets them'. OPAs now fit into this wider framework by providing the indicators used for measuring success. *The Government's Measures of Success* is an interim 'working document' issued by the Treasury to stimulate public comment (HM Treasury, 1999).

The importance of these new measures cannot be disputed. But their essential constitutional implications are much clearer when we trace their aetiology back to the previous Government's decision to introduce resource accounting throughout the UK public sector. The consultation paper *Better Accounting for the Taxpayer's Money: Resource Accounting and Budgeting in Government* (Cm 2636), (HM Government, 1994) showed how the departure from cash budgets would mean relying on a new system of output and performance measures as the chief way for the Government to report to Parliament on its programme and achievements. The timetable was established and now the Government's determination to define priorities and to measure outcomes is bringing a higher profile to the task. There is little doubt that the Government wants to be judged by this initiative when they next go to the country. So the reputation of the present Government and a major

constitutional innovation both hang on getting it right.

Why, then, has it not attracted commensurate public interest? Certainly there has been widespread concern about the centralization of power and associated fragmentation of public agencies; a concern amounting at times to a 'crisis of legitimacy'. Some may now see the Treasury's new interest in outputs simply as an extension of central diktat—with devolution as a somewhat unresolved anomaly. Then, too, we find that PSAs and their OPAs have for the most part been presented to us as technical instruments to improve 'the economy, effectiveness and efficiency of services'. While these remain important objectives the essential purpose of OPAs for delivering democratic accountability has been either underestimated or played down.

Far from engaging this wider public interest the work has been viewed primarily as an internal departmental process. Thus 'formal external validation is not required' but departments 'should be able to justify the figures to Parliament or the NAO as part of any value for money study' (HM Treasury, 1997), [emphases added]. This article attempts to redress this imbalance. First, it explains the profound technical dilemmas that have bedevilled OPA developments so far and which could continue to threaten progress. I then suggest that the only way around these endemic technical problems is to assert the primacy of the validation process in the rules for the operation and control of OPAs. My proposals therefore unite the technical and political definitions of OPAs by:

- 'Customizing' OPAs in a manner analogous to the private sector retail market; i.e. by ensuring the disaggregation of expenditures to the point of delivery and the continuous feedback of local and/or sectoral impacts.
- Promoting user-friendly programmes whereby the National Audit Office (NAO), parliamentary committees, elected members, public authorities and all citizens can access OPA information across departmental boundaries at any appropriate level of aggregation.

Technical Progress

The 1994 consultation paper on resource accounting (HM Government, *op. cit.*) advanced very simplistic proposals for output and performance measures. Many commentators pointed to the conceptual and practical difficulties; for example that it is traditionally a problematic area of work and not wholly amenable to static analysis. The NAO echoed this concern, warning that some departments would have great difficulty in achieving meaningful measures in the way then set out by the Treasury (NAO, 1995). All these

*The main arguments in this review were first rehearsed by the author in his evidence to the House of Commons Treasury Committee and recorded in its Seventh Report 1999.

warnings should be set against the wider anxieties expressed by the Treasury and Civil Service Committee about the loss of detail in the reformatted Supply Estimates. This was part of their ongoing and very serious worry that Parliament and the public would have insufficient information following the shift from the traditional cash-based system of government accounting to resource accounting.

Then, in 1995, the White Paper *Better Accounting for the Taxpayer's Money: The Government's Proposals* (HM Government, 1995) allocated just one paragraph to output and performance measures. It seemed as if Treasury staff were becoming overwhelmed by their topic; a fair reaction given the intractable nature of a purely technical approach. In any event, while the earlier 1994 consultation paper had shown objectives against costs there was now some distancing of output and performance measures from formal accounts. OPAs were and are threatened by any isolation of performance data from financial data. At this point, Professor Heald issued a reminder and warning to the Treasury Committee, 'The provision of improved performance data is the *quid pro quo* for Parliament's acceptance of a reduction in the amount of detail traditionally presented within the Estimates cycle. Concrete improvements in the quality and consistency of output data are necessary if fashionable rhetoric about buying outputs rather than inputs is to be anything more than a good line in presentation' (Treasury and Civil Service Committee, 1996).

Much still remains unresolved. *The Government's Measures of Success* has confirmed the constitutional centrality of OPAs—they 'provide the basis for the Government to report its performance to Parliament and the public annually'. But this publication still resembles a large shopping-bag of diverse outputs (specific and abstract) or codes. It begs questions about the need for robust principles for operation and control, about the precise 'read-across' to the financial data and about the validation process. We should beware, too, of the temptation to concentrate on programmes that seem more obviously measurable. As in the closely associated electronic government initiative, 'progress' is mainly made in agency business applications (whether the management criteria *seem* relatively clear) or in the field of personal transfers (where delivery principles *appear* to raise no conceptual problems). The danger here is of creating a serious imbalance in the overall corporate response. It can lead to a progressive loss of the core competencies for dealing with the great mass of governmental business where decision-making is more subjective and inherently complex.

Any important new system of public accountability should respect these complexities. The limits of a purely technical approach will also become clearer when judging the impact of government policies on local or semi-autonomous levels of government and those that are directly elected—as well as on private and commercial interests. In general, therefore, one must conclude that a very robust validation process is required as

an integral part of the OPA methodology.

Customization of OPAs

Customization means disaggregating expenditures to the point of delivery so that the continuous feedback of local or sectoral impacts becomes an integral part of the measurement exercise. This 'continuous assessment process' is efficient and flexible—and both are essential requirements of modern macro management. But the greatest merit of this approach is its compatibility with positive scrutiny styles of government and the necessarily subjective nature of this political process. It is already normal practice in the retail market. Of course the private sector analogy breaks down if you push it too far; the word 'customer' cannot possibly encompass the great variety of relationships between government and the public. What cannot be denied, however, is the relevance of the model for combining sensitive communication and effective action—and that seems to be the whole ethos of the new PSAs.

Of course it is 'transparency' which distances the public sector model from the private sector model. Fortunately the technology which now enables the disaggregation and feedback of data can also facilitate the widespread dissemination of this information. This then opens up OPAs to a framework of debate in a very objective and informed way. It is worth repeating these objectives as a key principle for the operation of OPAs: *The framework of debate is just as important as the measurements used and successful validation depends on this interaction.* This is where information technology now offers us a truly 'customized' solution.

Does the innovation imply significant additional costs? In the first place modern information technology has made this process a fairly simple operation, as we found in the Connect Area Information Project (AIS), a voluntary pilot project funded by the former Manpower Services Commission and the Rowntree Charitable Trust over a decade ago. Second, it is difficult to see how individual departments will be able to devise a better way of testing results rather than validating existing bureaucracies. Third, any marginal extra costs in dissemination and in feedback will be progressively reduced with the inevitable adoption of electronic data interchange (EDI) at all levels of the public sector. Incidentally, the 'Modernization' White Paper (Cm 4181) usefully extends the previous arbitrary 25% target for the introduction of electronic government. In 1986, AIS disaggregated relevant Supply Estimates to local authority districts but, for example, by 1992 the Education Department was using EDI for the transmission of teachers' records to the ministry using Dialnet. Coverage of financial data can now similarly be extended to individual schools, housing associations, etc.

User-Friendly Programmes

Other important benefits follow. Automated systems which can disaggregate expenditures to the point

of delivery can just as easily aggregate or disaggregate them by function. This is a Godsend for 'joined up government'. Governments do need a capacity to co-ordinate action when and where co-ordination is absolutely necessary and the machinery to decide when that is the case. The Cabinet Office has taken the lead in this but the provisional answer still seems to be new special purpose units or quangos, such as the new Regional Development Agencies (RDAs). The danger is that to co-ordinate for one thing is to unco-ordinate for another. But the above principles ensure effective staff work across jurisdictional or territorial boundaries whenever and wherever that is required.

The feasibility of this approach was tested in the AIS pilot project by disaggregating the then generous information provided by the Supply Estimates (England). That provided a unique picture of overall public services for any one area. User-friendly interactive programs were also devised whereby any lay-person could access information in their local area or in comparison with other areas across the country. Anyone could cross geographical and departmental boundaries at will and this was such an exceptional facility that it was also accessed by numerous public and private sector agencies. However, new rules imposing a departmental duty to seek the maximum financial return on official data put an end to voluntary efforts to cover such a wide range of national programmes. But the experience generated useful insights on the potential for official initiatives.

Since then there have been many examples of local community networks, resource centres and local community-based information technology projects. But they all lack a national framework. They are also handicapped because local government and community-based projects rarely have access to the data of central departments (or their appointed agencies). Yet it is the central government which controls most public action and all 'life-chance' services. The importance of a national information framework was highlighted by the author in evidence to the House of Commons Public Administration Committee and recorded in its Third Report (HC 398, 1998). OPAs should provide this national framework. If and when they do then both Parliament and the public will be able to enjoy user-friendly access throughout the system.

Validation

The Chief Secretary to the Treasury has referred to the great importance of 'public participation' in the venture and specifically mentioned 'citizen's juries' (Milburn, 1999). No doubt the citizen's juries, focus groups and the People's Panel will all have their uses. But the first obligation of 'external validation' is for Parliamentary scrutiny and for innovations commensurate with a major constitutional reform. The NAO is very well placed to do much of the work in validating OPAs. A difficulty with this option is that PSA targets and OPAs will also cover areas audited by the Audit Commission and so the

Audit Commission and the NAO would either have to merge or work very closely together. In any event, this is becoming an obvious necessity since the financing of central and local government, and of diverse appointed agencies, is now so permanently and inextricably intertwined.

We should expect the Treasury to encourage other bodies, in Parliament and elsewhere, to take an active interest. For example it is good to know that the Chief Secretary is keeping an open mind about whether a systematic external process for validating performance against targets is needed—though disconcerting to find that this is precisely the issue about which he has had 'real and tangible reservations' (HM Treasury—correspondence with the author (10 June 1999)). The political direction of the Labour Government has put the Treasury near to the centre of social policy and this is a welcome development so long as the Prime Minister's remarks about strengthening accountability and the Chancellor's constant emphasis on 'transparency' are translated into practice. Certainly no 'new science' will emerge to tame this vital initiative. Internal validation would leave too much to Whitehall and could end up validating existing bureaucracies. A systematic external process of validation is a technical and a constitutional necessity. ■

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