

Expenditure Reviews: Reconciling the general expenditure review objectives with the specific scopes of individual reviews

EXG is being asked to commission a programme of specific, and in some cases quite narrow, reviews. The POL paper (paragraph 7) says the general objective of the exercise is to look at opportunities to improve performance and value for money.

In this note we restate the general objectives and seek agreement on what these mean in practical terms.

A decision at this time will assist work on the recommended scope and style of the terms of reference, and ensure officials have an unambiguous view of what the terms of reference will require of departments.

Extract of text from Paragraph 7 of the POL paper on the Expenditure Reviews ...

The specific objectives of each review will vary from case to case, but in general they will be to identify opportunities to improve performance and value for money in key selected areas, including by:

- a) providing clarity on what is being delivered through existing spending and the results that this is achieving;
- b) enabling Ministers to clarify the results they want from the area under review;
- c) advising on the best intervention mix to achieve the desired results;
- d) providing Ministers with a range of realistic options regarding future funding levels;
- e) establishing a framework for assessing future performance;
- f) identifying future information requirements;
- g) considering whether any changes in institutional arrangements are appropriate; and
- h) considering whether there are efficiency problems that might be further investigated.

We consider the terms of reference will need to express in more precise terms the sort of information that will have to be generated through the reviews to help achieve these objectives. A clearer exposition of the information requirements should help to:

- Speed up scoping and resourcing effort (i.e. reduce wheel spinning and debate over methods through specification of preferred methods);
- Reduce the risk of wasted effort in the analytical process (through reinventing methodological wheels);
- Assist decision makers to engage with results (through having a tighter set of, and confidence in, “approved” methods).
- Limit the scope for “gaming” by agencies at the drafting stage and as reviews proceed.

6 core questions for reviews with organisational efficiency or programme effectiveness focus

The terms of reference for each review obviously need to define the issues, and specify the information content of key deliverables.

We know from the high level scoping statements provided to POL that many of the proposed reviews are intended to address some combination of organisational efficiency or programme effectiveness issues.

We think there is a core set of questions that should be explicitly incorporated in the terms of reference documents and addressed in the individual organisational efficiency or programme effectiveness reviews.

We think these questions provide a practical interpretation of the bulleted list at paragraph 7 of the POL paper [cross references to the paragraph 7 objectives are indicated below].

Core efficiency and effectiveness questions to incorporate in terms of reference

1. (efficiency) What is the historical trend in each area of major expenditure, corrected for inflation? (Why has this trend occurred, and what was the expected impact of spending decisions on outputs or impacts?); [a,h]
2. (efficiency) Has the volume of output changed in proportion to real changes in expenditure? (Has efficiency increased, remained static, or is it declining; what factors have impacted on efficiency, and what is the strength of evidence between each factor and its impact?); [a,b,d,f,g,h]
3. (effectiveness) If real prices per unit output increased, did the quality of outputs and benefits improve as expected? (Were output quality changes, if any, effective, and what is the strength of evidence for this assessment?); [a,b,c,d,h]
4. (effectiveness) Did outputs reach the groups that can benefit most? (Can coverage or reach be improved? When funds are short, who should get preference?); [b,c,d,f]
5. (effectiveness) What demonstrable benefits should stem from major expenditures (intermediate and end outcomes)? Can the benefits claimed be demonstrated? [b,c,d,e,f]
6. (reporting framework) What set of measures and performance targets should be reported against into the future to assure Ministers that major outputs are effective and efficient? Proposed measures should cover major aspects of performance that could not be presented or analysed during the review itself. [e,f,g]

The terms of reference should require that any contrary indications (or an inability to answer the questions) will be highlighted to Ministers to consider where the review should focus its efforts.

Required action:

Treasury seeks agreement that the 6 core questions above should be incorporated in the terms of reference documents (according to whether the underlying issues relate to efficiency, effectiveness or a combination of both) as a key means of ensuring that the information necessary to meet Ministers objectives is produced by the reviews.