

# Fourth Report of Session 2022-23

## HM Treasury and Cabinet Office

### Use of evaluation and modelling in government

#### Introduction from the Committee

Evidence-based decision-making is vital for government to secure value for money. Analysis and evaluation are key sources of evidence and should be at the heart of how government runs its business. Government relies on financial models for its day-to-day activities to help test policy options, estimate costs and improve the value for money of government spending. Outputs from models underpin decisions that often have very real impacts on people's lives. Good quality evaluations can help government understand what works, how and why, and support accountability. Departments are expected to undertake comprehensive, robust and proportionate evaluations.

Across government, HM Treasury, the Analysis Function, the Finance Function, the Evaluation Task Force, Cabinet Office and departmental accounting officers all have a role to play in improving evaluation and modelling. Guidance, expectations and standards are set out in documents such as Managing Public Money, the Magenta Book and Aqua Book, and the Analysis Functional Standard.

Based on two reports by the National Audit Office, the Committee took evidence on 9 March 2022 from the Cabinet Office and HM Treasury. The Committee published its report on 27 May 2022. This is the government's response to the Committee's report.

#### Relevant reports

- NAO report: [Evaluating government spending](#) – Session 2021-22 (HC 860)
- NAO report: [Financial modelling in government](#) – Session 2021-22 (HC 1015)
- PAC report: [Use of evaluation and modelling in government](#) – Session 2022-23 (HC 254)

#### Government response to the Committee

**1: PAC conclusion: Much of government activity is not evaluated robustly or at all, and government does not know what works to improve outcomes in those areas.**

**1: PAC recommendation: HM Treasury and Cabinet Office should set out their objectives for improving the evaluation system and how they will measure these. The Cabinet Office should publish progress annually against these objectives, including quantifying improvements in the scale and quality of evaluations across government.**

1.1 The government agrees with the Committee's recommendation.

#### Target implementation date: August 2022

1.2 The Evaluation Task Force (ETF) was established in 2021 as a joint HM Treasury and Cabinet Office unit following a commitment made in the June 2021 [Declaration on Government Reform](#). The ETF's aim is to ensure that robust evidence on the effectiveness of policies and programmes sits at the heart of government spending decisions through targeted action on policy areas of highest priority and scaling up evaluation skills and understanding throughout HMG. The ETF's objectives and activities which seek to improve the evaluation system in government are summarised in its [Theory of Change](#), which has been published on its website and will be updated regularly as its work evolves. The ETF will also publish its

strategy which will explain how it is working to improve the evaluation system in greater detail. It will also set out the indicators it will be using to measure progress on this. This will help the ETF to track its progress on improving the scale and quality of evaluations across government. These indicators will be published in August 2022 and updated annually.

**2: PAC conclusion: HM Treasury is not making full use of the spending levers it has at its disposal to deliver a step change in the use of evaluation across government.**

**2: PAC recommendation: By November 2022, HM Treasury should set up a formal process for routinely tracking and following up on spending review settlement conditions relating to evaluation. HM Treasury should set out the range of interventions it will use if departments fail to meet the conditions.**

2.1 The government agrees with the Committee's recommendation.

**Target implementation date: November 2022**

2.2 The Evaluation Task Force is working with HM Treasury to ensure that departments respond to and deliver on their settlement conditions relating to evaluation. The ETF has developed a central tracking system that captures updates on departments' delivery of evaluation settlement conditions and is using this to monitor progress against conditions. Updates on these conditions will be summarised and included in the ETF's monthly updates to the Chief Secretary of the Treasury and Minister for Brexit Opportunities and Government Efficiency. Were departments to not meet their conditions of settlement, the Treasury can use a variety of levers; approval for future funding can be withheld, delegated limits can be reduced, funding for specific programmes (particularly where related to specific conditions) can be withheld and the National Audit Office may qualify departmental accounts where conditions of settlement have not been met.

**3: PAC conclusion: No single body is responsible for upholding modelling and evaluation standards and monitoring their implementation.**

**3: PAC recommendation: The Analysis Function, under the responsibility of the UK Statistics Authority, should:**

- **put in place an appropriate assessment framework to monitor departments' implementation of the Analysis Functional Standard;**
- **act on areas for improvement identified through its assessment framework; and**
- **agree with HM Treasury the funding it will provide for these roles.**

**HM Treasury should set out how it plans to gain confidence that the outputs it uses from departments' business critical models have been quality assured appropriately.**

3.1 The government agrees with the Committee's recommendation.

**Target implementation date: March 2023**

3.2 The [Government Analysis Function](#) is currently in the process of piloting the assessment framework which will allow departments to monitor their implementation of the Analysis Functional Standard. Piloting will ensure the framework will help departments to understand what is working well and where changes are needed. The aim is to finalise the framework over the Summer 2022, so that departments will have sufficient time to conduct the assessment during the remainder of the financial year.

3.3 Departments will be asked to identify what changes they are planning to make based on the feedback from the assessment framework by the end of 2022-23, so that the Government Analysis Function can monitor the impact that the Framework is having and understand where further action may be required.

3.4 Working with HM Treasury, and reflecting on the recommendations from the Committee, the ONS is considering the future scope of the Analysis Function and the work it undertakes to support wider government analytical capability.

3.5 HM Treasury will also build on its current training offer and ensure that staff who use outputs from other departments are able to confidently assure that these outputs have been quality assured with modelling standards consistent with the [Aqua Book](#) and Analysis Functional Standard.

**4: PAC conclusion: Good quality modelling and evaluation is hampered by challenges in sharing data and a lack of common data standards.**

**4: PAC recommendation: The Cabinet Office should set out its progress in using its national data strategy to address the barriers to better sharing and use of data, including its development of cross-government standards for collecting, storing, recording and managing data.**

4.1 The government agrees with the Committee's recommendation.

**Target implementation date: April 2025**

4.2 The strategy will be completely delivered by April 2025; however, an interim progress report will be produced by December 2023.

4.3 The Central Digital and Data Office (CDDO) in Cabinet Office is responsible for delivery of Mission 3 of the [National Data Strategy](#), and has led the creation of the [Government's 2022 to 2025 roadmap for digital and data](#). In this roadmap the government has outlined how all departments will work towards better use of data through a set of agreed commitments.

4.4 To provide strategic direction and oversee delivery on better use of data, CDDO convenes the Chief Data Officers' Council, attended by data leaders from around 40 government departments, arm's length bodies and the devolved administrations.

4.5 Governance and processes to enable the data standardisation agenda have been established. The Data Standards Authority, convened by CDDO, continues to endorse new data standards to drive convergence across government and work towards interoperability. Recent standards include the [Beneficial Ownership standard \(March 2022\)](#), and the [Open Referral UK standard \(March 2022\)](#).

4.6 To support data sharing across government, CDDO has published the [Data Sharing Governance Framework](#), a set of principles and actions to reduce or remove common non-technical frictions and barriers to data sharing across government. CDDO is also establishing the Data Sharing Playbook, a virtual team to provide impartial support where data sharing and access discussions between departments are blocked with support from other government departments and the Office for National Statistics (ONS). During its discovery phase, the Playbook team has supported 21 cases and identified common blockers to data sharing across government departments.

**5: PAC conclusion: Departments are not meeting government requirements on publishing evaluation plans and findings, and on transparency of models and their outputs.**

**5a: PAC recommendation: HM Treasury should work with the Cabinet Office to publish a tracker with details of evaluations including their planned publication date, and explanations from departments where publication is delayed or withheld.**

5.1 The government agrees with the Committee's recommendation.

**Target implementation date: Summer 2023**

5.2 The government agrees with the Committee's recommendation to publish and maintain an evaluation registry. As there is currently no centralised place where government departments can publish evaluation evidence, the Evaluation Task Force is developing an online registry of UK government evaluations that will be publicly accessible. It will allow departments to publish evaluation plans/protocols and reports, in line with expectations outlined in the [Government Social Research Publication Protocol](#) and [Concordat to Support Research Integrity](#). It will also allow departments to indicate estimated publication dates of evaluation reports.

5.3 The evaluation registry's functionality will enable users in departments to add or update evaluation information, and the government expects that departments will use this functionality to provide explanations where publications are delayed significantly or withheld.

**5b: The Analysis Function should update its Functional Standard to include clear principles for departments to follow on the publication of models, their outputs, and registers of business-critical models.**

5.4 The government agrees with the Committee's recommendation.

**Target implementation date: Summer 2022**

5.5 The Analysis Function is currently reviewing its Functional Standard which incorporates a variety of different quality dimensions with respect to analysis. Included within this standard are the various codes of practice and guidance books which support analytical best practice, of which the Aqua Book, which covers guidance on producing quality analysis for government, is one. As part of this standards piece – and in light of the Committee's recommendation – there is a work programme over summer 2022 to review procedures around the quality assurance of models and to incorporate improved practices across departments by the end of the year.

**6: PAC conclusion: Model producers and users do not adequately assess the range of plausible outcomes and are overly reliant on central estimates that do not reflect inherent uncertainty.**

**6: PAC recommendation: As a key user of outputs from models, HM Treasury should routinely require departments to present the range of plausible outcomes. In its self-assessment tool, the Finance Function, under the responsibility of HM Treasury, should include consideration of how analysis and modelling are applied, including expectations on how accountants should analyse, manage and communicate uncertainty.**

6.1 The government agrees with the Committee's recommendation.

**Target implementation date: March 2023**

6.2 The Finance Function will work with the Analysis Function to identify appropriate analysis and modelling considerations relating to uncertainty and incorporate these into the Finance Standard, which (where appropriate) will be incorporated into the Finance Function's self-assessment tool. Organisations use the tool to assess compliance with the mandatory statements in the Finance Standard.