

Dame Meg Hillier MP
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Dear Dame Meg,

Treasury Minute response to the Committee's report on use of evaluation and modelling in government

Thank you for the December 2022 letter on the Treasury Minute response to the Committee's report on use of evaluation and modelling in government. You sought further reassurances regarding the recommendations set out in the Treasury Minute response.

At recommendation 2 you requested an update to the Committee in a year's time on circumstances in which we have used these levers to encourage action from departments in the use of evaluations. For this recommendation, HMT will provide this update as requested.

At recommendation 3 you requested an update on the funding arrangement of the Analysis Function, once finalised. You also requested that we set out the controls we will put in place to be confident that departments have quality assured modelled outputs in line with standards.

With regard to the funding position of the Analysis Function, the Office for National Statistics (ONS) continues to work with HM Treasury to consider the future scope of the Analysis Function and how it supports government analytical capability, bearing in mind the wider economic context. We expect the funding position to be finalised in spring 2023 and the ONS will update the Committee following this.

In terms of the recommendation that HMT sets out how it will gain confidence that outputs it uses from departments' business critical models have been quality assured appropriately, there are three key ways that the department is addressing this:

- The first is that HMT plays an active role in improving the standards of modelling across government. Representatives from HMT are part of the AF Standards Steering Group, which reports into the Analysis Function Board chaired by Sir Ian Diamond. The Steering Group is overseeing the work on developing a QA Maturity Framework and updating the Aqua Book guidance on producing quality analysis for government. The QA Maturity Framework will support the Analysis Function Standard Assessment Framework and will help departments assess the structure, processes, culture and tools supporting QA of analysis to enable improvements across government. Through membership of the AFSSG, HMT will also consider information from departments on where they stand relative to agreed Standards, as assessed by the Analysis Function assessment framework, this will cover Quality Assurance, which is one element of the Standards as a whole. The Steering Group will also consider the actions Departments are planning to make following the assessment, to help monitor the impact that the Framework is having and to understand where further action may be required.
- Second, HMT plays an active role in reinforcing the structures already in place to ensure outputs from departments' business critical models have been properly quality assured. The principles set out in the Macpherson review and subsequently published in the Aqua Book remain the standards against which Department's should be judging the quality of the analysis they produce. The NAO in their report re-emphasized that accounting officers are responsible for the business critical models their departments use, and accounting officers are required to confirm in the annual report that an appropriate QA framework is in place and is used for all business critical models. Furthermore, where business critical models are used to produce costings for different policy choices, there are various checks and balances built into the fiscal framework to push departments to make their outputs as accurate as possible. In the case of models of tax receipts or Annually Managed Expenditure this takes the form of costings being independently assessed by the Office for Budget responsibility, allowing for further QA via this peer review and spurring improvements in models over time. In the case of DEL spending the requirement that departments manage within their annual control totals (as agreed at Spending Reviews) creates a strong incentive for them to continuously work to ensure outputs are as accurate as possible as part of broader financial management. As part of the Spending Review process, HM Treasury undertakes detailed scrutiny of modelling and evaluation plans underpinning departmental spending plans, with support from the Infrastructure and Projects Authority and Cabinet Office Evaluation Task Force.
- Third, HMT is also engaged in several initiatives to improve its own processes. HMT's internal network called Strength in Numbers exists to implement recommendations set out in the Macpherson review. Specifically, it organises and delivers training sessions several times a year on spreadsheet standards and quality

assurance in modelling (including how to quality assure outputs received from other departments), liaises with owners of internal business-critical models to ensure robust quality assurance, and facilitates the Government Internal Audit Agency (GIAA)'s annual audit of the Treasury on overarching quality assurance processes, as well as the extent to which individual models are adhering to the standards set out in The Aqua Book. The GIAA in their most recent audit of the Department's processes concluded that the "framework of governance, risk management and control" of the business-critical models and quality assurance processes "is adequate and effective", awarding the department the highest classification ("Substantial").

- We are further improving the HMT's internal processes by adopting the ONS's standard on Reproducible Analytical Pipelines (known commonly as RAPs, more information is provided on the Analysis Function website: <https://analysisfunction.civilservice.gov.uk/policy-store/reproducible-analytical-pipelines-strategy/>) which will improve and standardise the way analytical processes are documented and in doing so facilitate steps to automate them. The benefits of RAPs include less burdensome and more consistent analyses, providing greater assurance that analysis is robust, and ensure repeated analysis is automated where possible.

At recommendation 5 you requested further clarification on how we will use the online registry of evaluations to make sure that Departments publish all their evaluations. The Evaluation Task Force is developing, and will manage, an Evaluation Registry, which is scheduled to launch in the first quarter of 2023/24. The Evaluation Registry will be a central store for information on all evaluations conducted or commissioned by Government. It will store plans and protocols for evaluations in progress as well as findings for completed evaluations, with the default being that this information is shared publicly. Departments will be expected to publish information about all evaluations in the Evaluation Registry (as referenced in our previous update). The Evaluation Task Force will communicate to departments, through ministerial and permanent secretary correspondence, the expectations around use of the registry.

Departments have an existing commitment to publish evaluations as signatories to the principles of the Concordat to Support Research Integrity. The Concordat is a national framework for good research conduct and its governance. Departmental Chief Scientific Advisers (CSAs), Departmental Directors of Analysis (DDANs) and Analysis Function (AF) Heads of Profession have signed up to the principles of the Concordat for research undertaken within and for their departments, on the recommendation of the Government Chief Scientific Adviser (GCSA) and the National Statistician. The Concordat commits departments to publishing plans in advance of any research being started and findings at the earliest appropriate point. The Evaluation Registry will provide a dedicated route for departments to fulfil this existing commitment. From 2022/23 onwards, each department will be publishing an annual statement on their compliance with the Concordat within 6

weeks of the financial year ending; these statements will provide further visibility of whether protocols and plans have been published in advance of evaluations starting, departments' publishing practices, and reasons for any instances of non-publication.

During 2023/24, the Evaluation Task Force will monitor uptake of the Evaluation Registry, to check whether it is being well-used across all departments. The Evaluation Registry will increase visibility of departments' evaluations, and it will be easy to see how many evaluations each department registers. Whilst the government expects that the Evaluation Registry will be well-used voluntarily, its use will be mandatory from 2024/25.

At recommendation 6 you requested further detail on how HMT plans to incorporate changes to the Finance Standard into what we require from departments when they present modelled outputs to HMT.

As previously noted, the Finance Function is currently updating the Finance Standard and plans to publish it ahead of the 2023-24 financial year. The Analysis Function has been consulted as part of this comprehensive process and have jointly agreed a number of details in key areas. These include the correct treatment of communication of uncertainty in modelling and financial analysis, and adherence to existing standards and best practice in modelling and analysis.

Through the Finance Standard, departments will also be directed to consult specialist guidance in the Aqua Book, Analysis Standard, the Green Book, as well as commission independent analysts, where relevant. This specialist guidance addresses key analysis and modelling themes such as quality assurance, risk and uncertainty, and appraisal and evaluation.

The Finance Standard is supplemented by a self-assessment tool with which departments can gauge compliance with best practice and assure themselves of the quality of outputs which they provide for a range of stakeholders including HMT.

A handwritten signature in black ink, appearing to read 'J. Bowler', is centered on the page.

James Bowler
Permanent Secretary