Public sector

Briefing

audit commission

Targets in the public sector

The Audit Commission is an independent body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high-quality local and national services for the public. Our work covers local government, housing, health and criminal justice services.

As an independent watchdog, we provide important information on the quality of public services. As a driving force for improvement in those services, we provide practical recommendations and spread best practice. As an independent auditor, we monitor spending to ensure public services are good value for money.

Summary

The last few months has seen criticism of the government's regime of targets for public services. It is widely recognised that government has a legitimate right to set national aspirations for improvement. There is also a shared appreciation that performance indicators (PIs) are crucial in reporting progress, telling a rounded story about performance and enabling comparisons and learning between services and organisations. It is the effectiveness of nationally set targets that is central to the criticisms. These criticisms have challenged the number of targets, who sets them, and the interaction between the setter and user.

This does not mean that targets should be dismissed. Targets are invaluable when used well and as one part of a robust performance management framework. They can align user expectations and service priorities and, in doing so, motivate frontline staff.

This alignment should not always be viewed as a simple cascade from national government to local deliverers. The focus on 'localism' and tailoring services to the needs of individuals and diverse groups has created a different context within which public services are being delivered and targets are being used. In addition, there is an increasing emphasis on complex quality of life improvements in localities[1] which can only be delivered through partnerships.

These forces demand change – a rebalancing from nationally set targets to targets set by local organisations. A change that should make targets more intelligent, grounded in what works, and that recognises the influence of contextual factors.

Nationally set targets are still required. They are powerful in providing a focus on the experience of service users. For them to work there are a number of factors that need to be present: user expectations should be similar across the country; there should be wide knowledge of what works; and accountability for improvement should primarily be national. When these factors are absent, the target setting is best left to localities. However, diversity of performance and a lack of trust suggest the pace and extent of this shift will be different for different organisations. Ultimately, intelligent target setting needs a dialogue between government and individual localities.

In summary, targets are invaluable and here to stay. But the current nationally set targets regime needs to change if the criticisms are to be addressed and sustainable improvement is to occur across all localities. Progress has already been made but there is now a need for a further shift. A shift to national aspirations that are not always accompanied by targets; a shift towards the more intelligent use of clusters of PIs; a shift towards an approach that is more sensitive to issues of complexity, diversity and equity; a shift towards an approach that encourages and supports local experimentation, learning and partnerships; and a shift to fewer nationally set targets and more targets set by localities. These shifts will take time but can be made more quickly for those organisations who have shown they can deliver.

1 We have defined a locality as a geographic area that communities identify with.

Introduction

Opportunity for change

1 The debate on the role of targets in driving public sector improvement has been in the spotlight over this past year. Much of this debate recognises a legitimate role for targets while simultaneously acknowledging that improvements are needed in the way that targets are set. However, reporting of the debate has polarised into two camps – 'targets are a good thing' or 'targets are a bad thing'.

2 While we recognise that targets are sometimes poorly set and poorly used in public services, we also believe that targets lie at the heart of public service improvement. Used well, targets align service priorities with user expectations and, in doing this, motivate frontline staff.

3 This alignment cannot always be viewed as a simple cascade from national government to local deliverers. The focus on 'localism' (meeting the diversity of need and expectations of local people with highly tailored services and giving users a greater role in decision making) has created a different context within which public services are being delivered and targets are being used. In addition, the emphasis is no longer solely on the performance of single institutions in delivering services, but increasingly on localities and the partnerships which aim to provide improved quality of life for communities and individuals.

4 This changing landscape has already driven developments in target setting – for example, local public service agreements (Local PSAs), which set out national and local targets agreed by individual local authorities and government, were first negotiated in 2000. The intensified debate provides us with an opportunity to focus not on the abuse or misuse of targets in the past but on how we can build on these recent developments for the future.

Our role in this debate

5 We have long been active on the development of performance management. We have made an important contribution here but accept that we are sometimes seen as part of an overbureaucratic central machine. Our work on Strategic Regulation[I] aims to address this. This paper provides an opportunity to think further about what appropriate role targets should play in developing Strategic Regulation and public services improvement.

What does this paper do?

6 This paper draws on our and others' previous work **(Ref. 1)**, and on discussions we have held with a wide spectrum of both national and local stakeholders[II], to consider how targets could be used within the changing context of all public services. In brief the paper:

- clarifies what we mean by targets and what lies at the heart of the debate; and
- sets out proposals for a way forward that builds on recent developments.

I Strategic Regulation is centred on users, and governance, and provides basic assurance to the taxpayer. It facilitates a lighter regulatory regime for high performers and allows the Audit Commission and other regulators to focus their efforts on helping poorer performers improve.

II We spoke to a range of central stakeholders for this work including Her Majesty's Treasury, Prime Minister's Delivery Unit, Office of the Deputy Prime Minister, Department of Health, Department for Education and Skills, Improvement and Development Agency, Local Government Association, Commission for Racial Equality, Crime Concern, and the Patients Association, and a range of local stakeholders from across health, local government and criminal justice.

7 While we draw on examples of targets throughout to illustrate key points, this paper does not provide a detailed critique of the validity of existing individual targets.

Next steps

8 We hope that this paper will prove helpful in stimulating debate and discussion between government and localities on the role of targets – a discussion which is beginning as part of the 2004 Spending Review. We intend to use our findings to inform debate and will ensure that they feed into our related current and future work.

What lies at the heart of the debate?

9 Lying beneath all the reported criticisms of targets, there is an appreciation that targets, used appropriately and taken as one part of a robust performance management framework [l], have a valid dual role in increasing accountability and in promoting change and improvement. So where do the tensions lie?

10 To move forward we need first to clarify our language, since the word 'targets' is often used as an all-encompassing term **(Box A)**.

11 The government has a legitimate right to set national priorities and aspirations to provide a clear statement of what they are trying to achieve and to provide local direction and ambition. This is widely recognised. But perhaps one of the most commonly-voiced criticisms is that there are too many targets. For some people we spoke to this was about sheer numbers. However, for others it was more about a lack of coherence.

12 For most people we spoke to, the number of nationally set PIs was not a problem. PIs have value in reporting progress to leaders, managers, service professionals, local people and users, and enabling comparisons with, and learning from, services and organisations. The Public Administration Select Committee (PASC) report **(Ref. 2)** recommended 'a shift in emphasis in government policy from absolute targets to measures of progress in performance'. Many local bodies are already making increasing use of PIs and would not welcome a significant reduction in the number collected nationally for comparative purposes. As far as we are concerned the number of nationally set indicators is not the key issue.

13 It is often useful to use clusters of indicators to measure performance in the round. For instance, when a local health economy is trying to improve hospital discharge arrangements it is important to also measure the pattern of re-admissions. Similarly, to understand your performance for children locally you need to measure, for example, numbers of children placed for fostering or adoption, numbers of children in residential care and numbers of children on the child protection register. Such clustering of indicators can help to identify and iron out the perverse consequences of targeting and more work is needed to develop this aspect of performance measurement.

l Robust performance management frameworks extend beyond the mechanics of targets, indicators and plans to address the more critical issues of leadership, focus and culture.

Box A

Clarifying our language in this report

Below we draw on existing definitions (Ref. 3) and develop them for the purposes of our discussion.

Performance indicators (PIs) are quantifiable measures used to monitor performance and report progress. They also facilitate learning.

Examples

- Percentage of 15-year-old pupils in schools maintained by the local education authority achieving 5 or more GCSEs at grades A*-C or equivalent.
- Domestic burglaries per 1,000 households and percentage detected.

Minimum standards indicate to the public the minimum standard of service they can expect from a public body. Where service providers fall short of minimum standards these are sometimes referred to as floor targets.

Examples

- Achieve a maximum wait of 4 months for an outpatient appointment.
- Achieve a maximum wait of 9 months for all inpatient waiters.

Targets specify timebound desired levels of improvement.

Examples

- By 2004, reduce school truancies by 10 per cent compared to 2002, sustain the new lower level, and improve overall attendance levels thereafter.
- For 2003/04, every police force must contribute effectively to their Local Criminal Justice Board target of increasing the number of offences brought to justice by 5 per cent.
- Reduce the rate of smoking, contributing to the national target of reducing the rate in manual groups from 32 per cent in 1998 to 26 per cent by 2010.

Aspirations specify long-term priorities and goals (possibly with an implicit target built in, or not number or timebound at all).

Examples

- Promoting the economic vitality of localities.
- Tackling anti-social behaviour and disorder.
- Improving access to health and social care services through better emergency care; reduced waiting; and improved booking for appointments and admission providing more choice for patients.

Source: *Audit Commission*

14 Clusters of PIs can also have an important role in preventing 'gaming' which is seen when managers and professionals change the way they deliver services in a way that improves the performance of the indicator while not achieving improvement in services delivered to users.

15 And in our view, it is not even the number of targets but the effectiveness of nationally set targets that is the crucial issue at the heart of the debate. Many people we spoke to acknowledged that they were running complex multi-functional businesses where the drive for improvement required the wide use of targets. However, the ineffectiveness of nationally set targets, in some circumstances, means we need fewer of them. This issue lies at the core of the public and government's concern about the pace of improvement, and localities' concerns about having the right national framework within which to improve.

16 Some have argued that the time boundaries set for achievement of targets are also important – one-year targets being more likely to lead to gaming, while longer-term targets provide focus for improvement through experimentation and learning. Ultimately it is important to recognise that a service which is improving at a good rate is more important than the achievement of the precise target which helped to drive that improvement. It is also easier to identify and manage perverse incentives in face-to-face exchanges of local managers and professionals than in the more distant relationship with an 'external' target setter. We would argue that targets should not be seen as 'trumping' professional judgement. If a service professional believes that the application of a particular target is leading to perverse consequences for users then it is their duty to challenge its use.

17 The bulk of the rest of this report is focused on the appropriate role for nationally set targets.

External forces driving change

18 The pressures on the current target system are partly driven by external forces created by government and wider social and economic change. We have already made reference to the changing context within which targets are being played out – a changing context that is characterised primarily by a greater push for 'localism', and one in which we are seeing an increasingly diverse and consumerist population expecting that services will be tailored to their individual needs. If an organisation wants to improve its services to particular individuals or groups in the population then the targets for this change can best be set locally where needs are understood.

19 So these drivers of change strongly support a shift in the balance from nationally set targets to targets set by local organisations. The government has indicated its support for localism and user choice. It should now consider how best to adapt the targets regime to reflect this changing landscape. Our next section suggests how this might be done.

Changes driven by learning from what works

20 At its simplest the debate between nationally and locally set targets can be reduced to a trade off between central prescription and local discretion, with those in the former camp arguing that targets are needed if national priorities are to be delivered, and those in the latter camp arguing that nationally set targets stifle local innovation and prevent local ownership. People in the latter camp argue that, so long as national priorities are clear, local bodies are best left to deliver them alone. What does not appear to be disputed between the two is the need for a mature dialogue between target setter and target user to ensure targets are meaningful and owned by managers and professionals. It is also clear that the pace and process of improvement are causes for concern among policy makers, providers and the public.

21 However, the situation is not as straightforward as the above suggests, not least because of the unavoidable complexities in any targets regime – complexities about how many targets you have, who sets them, with what intelligence and experience of the activity concerned, the interaction between the setter and user, and how you refine those targets in light of experience.

22 The answers to these issues will vary depending upon the circumstances in which they are being raised. Circumstances will be affected by a range of factors which provide guidance on whether dialogue should be more appropriately locally or nationally led **(Exhibit 1, overleaf)**.

23 We believe that the core of the national role for setting aspirations, minimum standards and targets is around user needs and expectations – for example, hospital waiting times and targets around educational performance where visible improvement for users has resulted from the challenge set by government. This role could be further developed to motivate change for user groups who are not getting full benefit from services currently. While a wide variety of performance information should be in the public domain, public reporting should focus on these areas of high public interest.

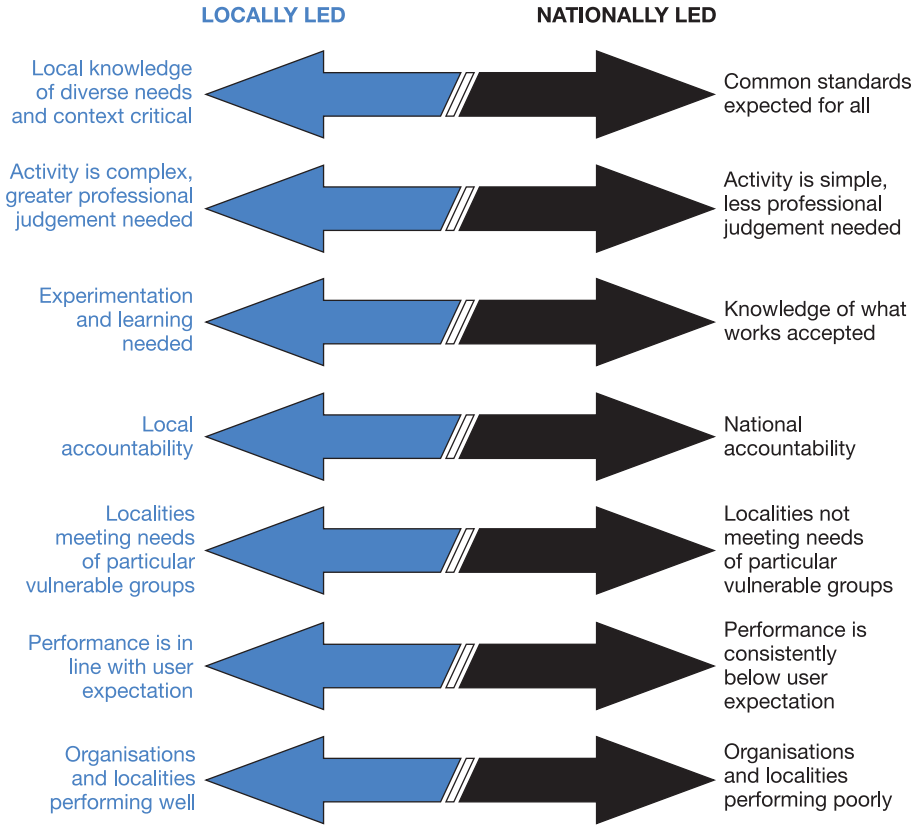
24 Conversely, partnership working is needed to address complex issues such as social inclusion and regeneration. In these areas knowledge of local context is critical. Because these issues cut across professional disciplines knowledge of what works best is still developing. We believe that target setting for these areas is best left to localities but PIs should be nationally set and cross agency where appropriate.

25 There are some areas where government will want to set an aggregate national target, for example waste recycling. In these areas dialogue between government and localities feels particularly critical and the national target will often be best set after this dialogue. Localities' discretion will be more limited to determining the extent and pace of local contribution.

Exhibit 1

The local/national continuum

Certain factors provide guidance on whether dialogue should be locally or nationally led.



Source: *Audit Commission*

26 Some circumstances might challenge whether targets – set nationally or locally – are appropriate at all. For example, where there is knowledge of what works and where people expect common standards of delivery, a nationally set minimum standard is likely to be more relevant. An example of this might be the literacy hour. However, where the activity is complex and there is little knowledge of what works, an aspiration to encourage experimentation, learning and comparisons might be more realistic. An example of such an aspiration would be to halve child poverty by 2010, and eradicate it by 2020.

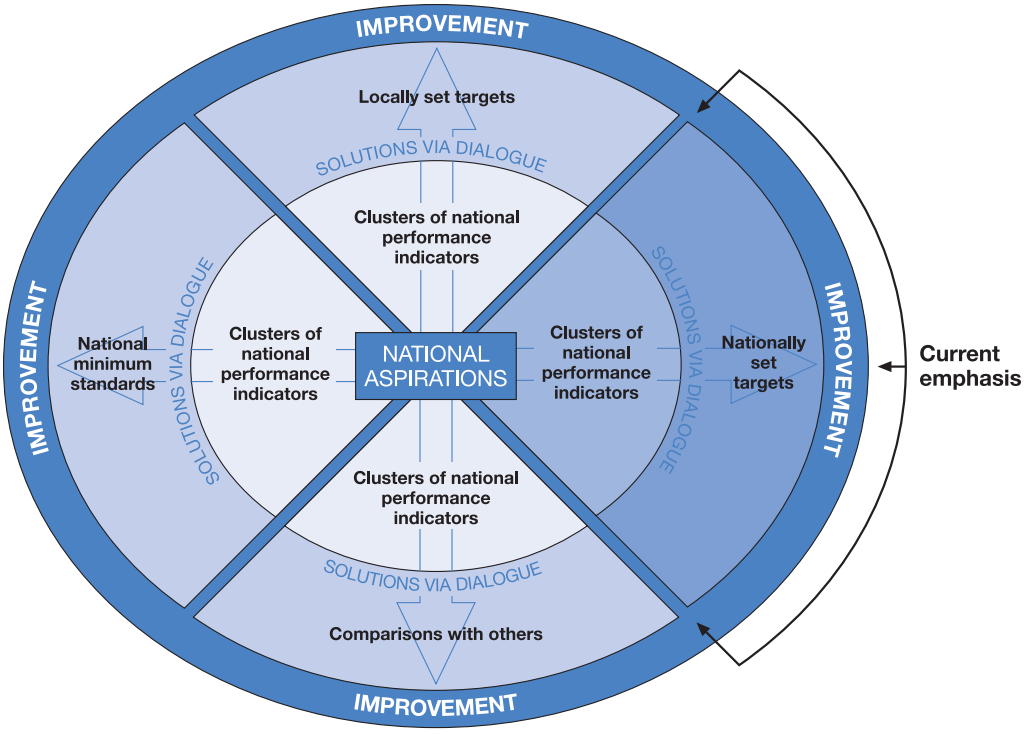
A differentiated approach

27 So far, we have painted a picture where the logic of improvement and the public service context mean that aspirations are legitimately set nationally and clusters of PIs are valuably set nationally and used locally. Targets are more complex. There needs to be a re-balancing with more target setting happening locally. However, we have also painted a picture where it is clear that one simple solution of locally set targets will not work. Instead, the solutions chosen need to be ones that best fit different circumstances. There needs to be a mix of national minimum standards and both nationally and locally set targets, alongside an approach that is more sensitive to the needs that different circumstances present, and one that encourages and supports local experimentation and learning. Ultimately this means an approach that is grounded in a dialogue between government and localities **(Exhibit 2)**.

Exhibit 2

A differentiated approach

There are different ways of converting national aspirations into improvement for local people. One is currently over used.



Source: *Audit Commission*

How could this work in practice?

28 This section illustrates how this approach might work in practice. So far we have focused on the role of government and localities, but regulators are also crucial to making this work. Not only should regulation be proportionate to risk and performance, regulatory bodies need also to work together to align their work to what most needs improving.

29 But diversity of performance and a lack of trust suggest this approach will take time to implement. Many organisations are strong performers. But there are others who need more support. And no one local area is the same as another. Mistrust can exist between the public and public bodies and between local public bodies and government. In a recent survey **(Ref. 4)** fewer than one in five people believed that their local hospital, council or police service always admitted when they were wrong (openness and honesty about performance being features that principally affect trust).

30 Given this backdrop, a more realistic expectation would be for a shift over time in the balance from nationally to locally set targets, as performance improves and as greater trust is engendered. And a fair expectation – one that builds on existing developments – would be for the balance to shift more quickly for strongly performing organisations, particularly for strongly performing organisations that are also tackling the challenges of their locality. We illustrate these factors in four different circumstances **(Box B)**.

31 This approach is easier to envisage where performance of different organisations in one locality is good or poor across the board. However, it is less clear how it might work in practice where there is a disparity in organisations' performance. For example, it is feasible that one locality could have a strong local authority, a strong strategic health authority, a less strong police force and acute trust, and a mix of strong and less strong primary care trusts and schools. It might be that we would expect the strong performers to take the lead in articulating a single view of their local priorities but this is an area that needs further consideration.

32 We recognise that there will be other practical difficulties in applying this approach but are encouraged by signs that show this approach already reflects the current direction of travel.

Box B

Different approaches to fit different circumstances

High performing organisation, improving locality

- National aspirations.
- National minimum standards for user experience.
- Locality driving dialogue with government and proposing targets for agreement.
- Focusing local targets in more complex areas of quality of life and user niches, for example, transport congestion, and targets for disabled children's services.
- More reliance on self assessment, and basic external regulation.
- Drawing on international learning and comparisons.

High performing organisations; declining locality

- National aspirations.
- National minimum standards for user experience.
- Driving dialogue with government and proposing targets for agreement.
- Focusing local targets on improving locality, for example, levels of crime, unemployment.
- Minimal external regulation that is primarily focused on partnerships and locality.
- Drawing on learning from, and making comparisons with similar localities that are improving.

Poor performing organisation, improving locality

- National aspirations.
- National minimum standards for user experience.
- Government driving dialogue and proposing targets for local agreement.
- Focusing local targets on organisational improvement, for example, corporate governance standards.
- Tighter external regulation focused primarily on organisational improvement.
- Drawing on learning from organisation and service.

Poor performing organisation, declining locality

- National aspirations.
- National minimum standards for user experience.
- Government driving dialogue and proposing targets for local agreement.
- Focusing local targets on organisational improvement and on improving locality.
- Tight external regulation focused on organisational improvement and locality.
- Drawing on learning from organisation, service and locality.

Source: *Audit Commission*

Conclusions

33 Targets are invaluable and here to stay. Used well they drive improvement and increase accountability. However, it is widely recognised that the current nationally set targets regime needs to change if some of the criticisms are to be addressed and sustainable improvement is to occur across all localities.

34 Progress has already been made but there is now a need for a further shift. A shift to national aspirations that are not always accompanied by targets; a shift towards the more intelligent use of clusters of performance indicators; a shift towards an approach that is more sensitive to issues of complexity, diversity and equity and one that encourages and supports local experimentation and learning; and a shift to fewer nationally set targets and more targets set by localities. These shifts will take time but need to be made more apparent and more quickly for those organisations who have earned it.

References

1 Our work has included: Audit Commission, *Performance Breakthroughs: Improving Performance in Public Sector Organisations* (2002); Audit Commission and the Improvement and Development Agency (IDeA): *Acting on Facts* (2002); Audit Commission and IDeA: *The Principles of Performance Measurement* (2000); Audit Commission and IDeA: *The Practice of Performance Indicators* (2000).

2 House of Commons Public Administration Select Committee, *On Target? Government by Measurement*, Fifth Report of session 2002-03, 22 July 2003 (para 124).

3 Existing definitions include those as set out in: House of Commons Public Administration Select Committee, *On Target? Government by Measurement*, Fifth Report of session 2002-03, 22 July 2003, Box A page 5, IDeA, *A Glossary of Performance Terms*.

4 Audit Commission, *Corporate Governance*, October 2003.

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