

INTRODUCTION

The Government is committed to world-class public services that deliver the outcomes people want and expect. The investment in this Spending Review, as in previous reviews, is linked to reforms to enhance service delivery and ensure that public resources are focused where it counts – on the patient, the pupil, the citizen. The Public Service Agreement (PSA) framework continues to articulate and drive forward the Government's highest priorities and ambitions for delivery.

As part of the 2004 Spending Review, the framework has been strengthened and refined. The 2004 PSA targets seek ambitious further improvements in key priority areas and are based on experience, evidence and analysis. They have been developed in consultation with those responsible for delivering them and with those that stand to benefit from them. The Government is committed to working with stakeholders to maximise their impact.

The PSAs have also been strengthened to reflect the conclusions of the report *Devolving decision making: I – Delivering better public services: refining targets and performance management*, published by the Government alongside Budget 2004. This has resulted in an improved focus on outcomes, and a move towards establishing national standards in areas where performance is high and further stretching targets are no longer required.

This White Paper sets out the PSAs for the main departments covering the period 2005 to 2008 and beyond. It includes:

- departments' key aims and objectives;
- stretching outcome-focused performance targets to deliver further improvements in key areas of public service delivery across Government;
- 'floor' targets focusing in particular on areas of deprivation, ensuring that everyone benefits from improved public services; and
- 'standards' which ensure that where previous PSA targets have been met or are about to be met, performance will continue to be monitored and reported to ensure that the high levels of performance achieved are maintained.

DELIVERING BETTER PUBLIC SERVICES

The PSA framework

I.1 Since they were first introduced in 1998, PSAs have been an integral part of the Government's public expenditure framework, helping to ensure value for money from public services, and that outcomes are delivered in return for resources. Over successive Spending Reviews, the PSA framework has evolved so that:

- the number of PSA targets has fallen from over 250 to 110 to increase focus on the Government's highest priorities;
- the targets have become increasingly outcome-focused, giving departments and local organisations the freedom to decide how best to deliver priority outcomes;
- the targets are now supported by rigorous performance information, with data systems underpinning targets validated by the National Audit Office; and

¹ *Devolving decision making: I – Delivering better public services: refining targets and performance management* (HM Treasury, Cabinet Office) March 2004.

- accountability and transparency has increased to an unprecedented level, with biannual departmental reports and electronic publication of performance information on the Treasury's website².

1.2 The PSA framework is central to the Government's strategy for delivering high quality public services. PSAs set out the key priorities for Government, focusing on the outcomes that really matter to the public. They send a clear message to the public about what they can expect the Government to deliver, whilst focusing departments on delivering results.

1.3 The PSA framework also provides an unprecedented level of transparency and accountability to the delivery of public services. Departments are required to report publicly their performance against targets twice a year, in Departmental Reports in spring, and in Autumn Performance Reports. These, alongside the PSA performance website launched last year, provide the latest published data on how each government department is performing against its key targets, offering the public the information to judge how the Government is doing.

1.4 Much has been achieved across government since PSAs were first introduced, including significant, measurable improvements in education, health, crime, child poverty and employment. For example:

- maximum waiting times for operations have been halved from 18 months in 1997 to 9 months in April 2004;
- over the past seven years, the proportion of 11 year olds achieving expected levels in literacy and numeracy has risen by 12 per cent and 11 per cent respectively, and almost 53 per cent of 16 year olds achieved five or more A* to C grade GCSEs in 2003, compared to 45 per cent in 1997;
- overall crime has fallen by 27 per cent since 1997, with falls in domestic burglary of 40 per cent and in vehicle crime of 34 per cent;
- by 2002-03 there were half a million fewer children in relative low-income households compared to 1998-99; and
- employment has risen in all UK regions, and overall by over 1.8 million, since 1997 and the UK unemployment rate is the lowest amongst G7 countries.

1.5 2004 Spending Review PSAs focus on driving through further improvements in many areas, and maintaining the high standards already achieved in others.

REFINING THE FRAMEWORK

An evolving approach

1.6 PSAs continue to be a key feature of the Government's approach to reform of public services. As set out in Budget 2003, the key principles underpinning this approach are:

- clear long-term outcome-focused goals set by the Government;
- devolution of responsibility to public service providers with maximum local flexibility and discretion to innovate and incentives to ensure that the needs of local communities are met;
- independent and effective arrangements for audit and inspection to improve accountability; and

²<http://www.hm-treasury.gov.uk/performance/>

- transparency about what is being achieved, with better information about performance both locally and nationally.

I.7 Since their inception, PSAs have been developed and refined in order to support these principles. As a result, the UK's PSA framework leads the way internationally, connecting investment of public funds to stated ambitions to improve service delivery in key areas. The framework has evolved to incorporate lessons learnt from delivery and changing contexts. Therefore, the PSAs in this document combine continuity of structure from previous Spending Reviews with improvements to the targets themselves. The PSAs embody the principles that good targets need to:

- **be ambitious and stretching** to meet both the Government's commitment to improvement and the public's expectation – when departments make serious efforts to deliver their targets, continually learning and applying good practice, the public notice the difference. Setting a target to deliver a 10 per cent improvement and in the end delivering only 9 per cent is a far better outcome than meeting an unambitious target;
- **involve those responsible for delivering the outcomes sought** to ensure a common shared agenda for improvement and reduce the risk of perverse incentives or distortions to delivery; and
- **integrate evidence, analysis and best practice** in their selection, phrasing and measurement to maximise their impact on delivery.

Efficiency and value for money

I.8 Informed by Sir Peter Gershon's review of public sector efficiency, departments have agreed efficiency programmes as part of the 2004 Spending Review. These include targets to deliver a minimum level of annual efficiencies by 2007-08. Therefore, 2004 Spending Review PSAs do not include targets that focus specifically on value for money issues. Departments will be taking forward their plans to deliver efficiency savings as part of this new efficiency delivery framework, as detailed in Chapter 2 of the Spending Review White Paper.

THE DEVOLVING DECISION MAKING REVIEW

I.9 PSAs set clear national priorities, providing strategic leadership across public services. But they also provide a framework which encourages greater devolution and local flexibility, for example:

- as PSAs increasingly focus only on the key national priorities, there is increased scope to deliver local priorities alongside; and
- PSAs set out the outcomes to be achieved, giving freedom to local organisations over how best to achieve those outcomes in their area.

I.10 This principle has been taken further in the 2004 Spending Review as PSAs have been strengthened and refined in line with the conclusions of the Devolving Decision Making Review. The review focused on how targets and performance management can best help to deliver improvements to public services. It concluded about PSAs that:

- they have played a key role in focusing effort on outcomes and raising standards overall;
- resulting improvements mean there is now scope to evolve to a more devolved approach, within a continuing framework of clear national standards embedded in PSAs; and

- within the PSA framework, there should be greater scope for local organisations to determine how best to deliver the outcomes sought in PSAs backed up by stronger local accountabilities, performance data and management capacity.

1.11 In particular, the review was clear that:

"...the effectiveness of PSAs must be maintained. PSAs should continue to provide clear objectives for achieving the real world outcomes that people across the country want. As targets on these national priorities are delivered and national standards are established, there should be scope for greater local flexibility, continuing the trend established in successive spending reviews..."

1.12 Within the overall approach of consolidating and simplifying the framework of national targets, the review proposed that:

- PSAs should continue to focus on the Government's highest priority outcomes;
- there should be more active consultation with regional organisations, the front line and the public, in the setting and measurement of PSA targets;
- there should be a reduction in the top down, subsidiary input and process controls associated with the delivery of PSAs to allow more differentiated approaches to local delivery;
- the number of targets or controls imposed on local organisations not related to the priorities set in PSAs should be reduced; and
- in the longer term – as performance improves, ambitions are met and inequalities in outcomes decline – PSAs should move towards setting clear national standards rather than ever more stretching targets, so that over time the overall number of explicit PSA targets gradually reduces as ambitions are achieved.

1.13 The PSAs in this White Paper reflect both the immediate ambitions for the national framework of targets set out in the review's recommendations as well as its longer-term aspirations for the establishment of national standards.

An improved outcome focus

1.14 The 2000 and 2002 Spending Reviews saw a move towards a greater proportion of output and outcome focused targets and the PSAs set in Spending Review 2004 have taken this further, with no targets that simply focus on inputs and processes. By focusing on outcomes, PSA targets encourage departments and delivery agents to think creatively about the best means of delivery, taking into account local needs. For example, success against the 2002 PSA target to reduce fuel poverty was determined by 600,000 homes being improved. This target has been met and has now evolved into a target to eliminate fuel poverty by 2010.

Increased stakeholder consultation

1.15 There has been a step change in the role played by consultation in the development of 2004 PSAs. Departments were asked to develop early proposals in autumn 2003 and consult stakeholders in spring 2004 before finalising their proposals for their 2004 PSAs. Departments have sought to use consultation to develop a stronger shared agenda to achieve the outcomes expressed in PSAs as well as reduce the risk of selecting the wrong priorities or creating unintended distortions to service delivery. For example, the new Department of Health target which seeks a maximum pathway wait from GP referral to hospital treatment, not only responds to the views of patients but also addresses health professionals' concerns about the risk that perverse incentives could be created through setting limits on individual stages of treatment. In addition, the Home Office's new target on crime reduction reflects

feedback from police forces and other stakeholders on the strengths and weaknesses of the previous target, and in particular the need to ensure flexibility to respond to local circumstances.

Fewer input and process controls **I.16** In his February 2003 speech to the Social Market Foundation, *A Modern Agenda for Prosperity And Social Reform*, the Chancellor set out his intent to reduce the number of lower order input and process controls associated with the delivery of national priorities:

"We know that national targets work best when they are matched by a framework of devolution, accountability and participation – empowering public servants with the freedom and flexibility to make a difference: first, to tailor services to reflect local needs and preferences; second, to develop innovative approaches to service delivery and raise standards; and third to enable – as we should – a bonfire of the old input, interventionist, departmentalist controls over front line public service managers – which is too often what they still find frustrating."

I.17 To this end, the 2003 Pre-Budget Report announced the abolition of Service Delivery Agreements (SDAs). In Spending Review 2002, these SDAs comprised over 500 subsidiary targets focused on the process of delivery rather than real world outcomes. Removing the requirement for departments to set and agree SDAs provides more scope for departments to devolve decision-making and maximise local flexibility to deliver.

Greater local flexibility in delivery **I.18** Departments will also closely examine how the outcomes expressed in PSAs are disseminated throughout the delivery chain. The Government is keen to ensure that the flexibility provided by outcome-focused targets benefits local delivery agents, wherever possible. This requires departments to take a proportionate approach to target setting, ensuring that the means of delivering the outcomes expressed in PSAs are not constrained unnecessarily by the introduction of further subsidiary targets and prescriptive processes which may hinder local innovation.

Establishing national standards **I.19** The 2004 Spending Review also sees the introduction of PSA 'standards' in particular areas of public service delivery. PSA standards highlight areas where the Government's ambitions for improvement sought in previous PSA targets have been achieved or will soon be achieved and where performance data will continue to be monitored and reported to ensure that the high levels of performance now achieved are maintained.

I.20 For example, the Department of Health 2002 PSA target to ensure a maximum wait in A&E of four hours is on track to be achieved. Rather than set an ever higher and more demanding target, this 2002 PSA target has evolved into a national standard in the 2004 PSA, maintaining a minimum national expectation against which performance will be monitored and reported. This will give local hospitals the freedom to choose whether to set a more ambitious local target or focus instead on driving up performance in other priority areas.

ENHANCING THE WIDER PERFORMANCE FRAMEWORK

I.21 The Devolving Decision Making Review analysed the wider performance management framework used to drive improvements in public services. The report was clear that PSAs have been instrumental, alongside investment and increased local capacity, to delivering better public services. To ensure that public services in all areas of the country continue to improve, the report made recommendations in four areas:

- refining and strengthening PSA targets;
- reducing the process targets and input controls imposed on front line organisations and increasing the scope for them to set local priorities alongside national targets;

- improving local incentives for improvement through strengthened local accountability, better use of robust, real-time data and sharpening rewards and sanctions for good and bad performers; and
- improving local performance measurement and management capacity and more proportionate and effective inspection.

I.22 Taken together, these recommendations aim to create an overall performance management framework, applying throughout delivery chains, that better supports continuous improvement in all public services, as set out in Box 1.

Box 1: An integrated national framework for managing performance

	How will these develop?
<p>National targets</p> <p>Clear PSA targets for driving up performance in national priority areas. Focused on outcomes, not inputs or processes.</p> <p>National standards ensure minimum expectations for levels of service.</p> <p>Other departmental targets and controls.</p>	<p>The Government will continue to ensure PSAs focus on key national priorities. As the priority outcomes sought in PSA targets are achieved, where appropriate they become national standards.</p> <p>The number of standards will increase as PSA targets are met and improved performance is maintained.</p> <p>The number of national targets and data flows not directly related to PSAs or national standards will radically reduce.</p>
<p>Local performance management</p> <p>Strong local performance management and measurement.</p> <p>Better rewards for high-performers and stronger sanctions for underperformance.</p>	<p>Key indicators will continue to be published, providing accountability both nationally and locally. The timeliness and accuracy of the data will continue to improve.</p> <p>Approaches to earned autonomy will be intensified to give high performing organisations more autonomy. Capacity building and intervention strategies will effectively tackle underperformance.</p>
<p>Empowered front line services</p> <p>Accountability for national standards and contribution to PSA targets.</p> <p>Locally set priorities alongside national targets and standards.</p>	<p>Increasing freedom from national burdens, inspection and control for consistently high performers.</p> <p>Inspection will focus on poor performers, with burdens being reduced for consistently high performers.</p> <p>Increased scope for organisations to set local priorities alongside national targets, for example through strengthening Local PSAs.</p>

Continuity in delivery and focus

- I.23** In addition to the refinement to national targets, the Government will:
- reduce bureaucracy and the overall burdens on the front line significantly by removing input targets, performance indicators and process controls below PSAs;
 - improve and introduce robust real-time data to provide better indicators of local performance to the public and up delivery chains;
 - devolve performance management in delivery chains, increasing autonomy for high performers and strengthening capacity building and intervention strategies for under-performers;
 - ensure that approaches to inspection are made more proportionate and deliver greater value for money; and
 - work with modernisation agencies and the front line to spread best practice in local performance management.

2004 PUBLIC SERVICE AGREEMENTS

I.24 In order for all those responsible for delivering better public services to be clear about the Government's priorities, and to be able to plan accordingly, it is important that the key outcomes sought do not radically change between successive Spending Reviews. With this in mind, there is a large degree of continuity between 2002 and 2004 Spending Review PSAs, and the vast majority of 2004 performance targets retain the focus on achieving improvements in the same high priority areas identified in 2002 PSAs.

I.25 In certain areas, targets have simply been rolled forward from 2002 PSAs. Other targets continue to focus on the achievement of the same or similar outcomes, but have been refined in order to reflect delivery experience or improvements in data and measurement. In some cases, where separate targets cover closely related areas, they have been combined under a new headline target to facilitate a joined up approach to delivery.

I.26 To reflect ongoing policy developments in key areas, a few new targets have been introduced covering outcomes such as halting the rise in child obesity or reducing the number of young people not in education, employment or training. In a small number of cases, PSA targets have not been rolled forward, for example where they have been met or are on course to be met, or where they have been superseded by events. For example, the Government no longer has a PSA covering London Transport following the transfer of responsibility to the Mayor of London. The full details of how PSA targets have evolved between the 2002 and 2004 Spending Reviews will be available on the HM Treasury website from 31 July 2004.

I.27 Overall, 110 PSA targets have been agreed across government – an average of 6 per department. This compares with 125 targets set at SR2002. The small reduction represents an increasing focus on key priorities.

I.28 Targets will continue to be driven forward by departments through their delivery plans with milestones and trajectories to help them plan strategically. Departments will use the delivery planning process to assess and develop their own capacity and that of front-line delivery agents to deliver the PSA. Where targets have been rolled forward, refined or combined departments will refresh and update their delivery plans.

Transparency and accountability

I.29 As in previous spending reviews, published technical notes will set out how each target is measured and the criteria against which it can be judged to be met. The technical notes underpinning the 2004 PSAs will be published on 31 July 2004³.

³On department websites and on

http://www.hm-treasury.gov.uk/documents/public_spending_and_services/publicservice_performance/pss_perf_table.cfm.

I.30 Departments will continue to account for progress against their targets twice yearly, in Departmental Reports published in spring and in Autumn Performance Reports. In addition, the PSA performance website will be updated as new information is published, providing an accessible picture of performance against key targets across government.

CROSS CUTTING THEMES IN 2004 PSAs

Tackling social exclusion and deprivation

I.31 In addition to focusing on overall improvements across government, PSA targets continue to address deprivation, particularly in key areas such as education and health, through the use of ‘floor’ targets. Floor targets may specify a minimum standard to be achieved, or focus specifically on improving outcomes for deprived groups or areas or closing the gap in outcomes between communities. These ensure everyone benefits from the increased investment in public services. For example the Department for Education and Skills (DfES) has targets to ensure minimum levels of performance in all schools and the Department of Health is committed to reducing health inequality.

I.32 The full set of 2004 PSA floor targets are set out in box 2 below.

Box 2: Public Service Agreement floor targets

Floor targets for key government departments are aimed at levering up the performance of public services towards the national average in areas where delivery is unacceptably weak, particularly in deprived areas. This Spending Review refines and improves the suite of floor targets to ensure more effective targeting of mainstream resources to deprived areas and the continued improvement of key public services in those areas. The 2004 Spending Review delivers the following improvements to ensure interventions are prioritised for deprived areas and groups:

- in health, retaining the overall target on narrowing the gap in life expectancy, and introducing new floor targets to reduce the inequalities gap between the fifth of areas with the worst health and deprivation indicators and the population as a whole by at least 40 per cent for cardiovascular disease and by at least 6 per cent for cancer, and to reduce adult smoking prevalence;
- in education, more challenging floor targets to drive further improvements in schools in deprived areas, so that by 2008 the proportion of schools in which fewer than 65 per cent of 11 year olds achieve level 4 or above in English and maths is reduced by 40 per cent, whilst in all schools ensuring at least 50 per cent of 14 year olds achieve level 5 or above in English, maths and science, and at least 30 per cent of 16 year olds achieve the equivalent of 5 GCSEs at grades A* to C;
- a new national target to reduce the proportion of young people not in employment, training or education by two percentage points by 2010;
- an improved target on self-employment in deprived areas;
- a new target to help tackle persistent pockets of worklessness, by increasing the employment rate across the Local Authority wards with the poorest labour market performance by one percentage point, and reducing the gap between the employment rate across these wards and the national average by one percentage point;
- a challenging target on tackling crime, especially in high crime areas;
- a new target on making public spaces cleaner, safer and greener in deprived areas and across the country; and
- an improved national target on neighbourhood renewal, on narrowing the gap between deprived areas and the rest in key outcomes on crime, health, education, worklessness, quality of public space and housing.

- Joint targets** **I.33** The public want to see improved public services, irrespective of the architecture of government and real world problems often do not easily fit within the boundaries of individual departments. Therefore, in many cases, the delivery of the outcomes specified in PSA targets requires the co-ordination of efforts across departments. In cases where more than one department plays a significant role in achieving an outcome, joint targets exist. Examples of joint targets include the target to halt the rise in child obesity shared between the Department of Health, DfES, and the Department for Culture, Media and Sport (DCMS), and the target on increasing the employment rate, shared between the Department for Work and Pensions and HM Treasury.
- Criminal justice and action against illegal drugs** **I.34** 2004 Spending Review PSAs also feature cross-cutting PSAs covering the Criminal Justice System and Action Against Illegal Drugs (see Chapters 20 and 21). This reflects the fact that the agenda in these areas is underpinned by a number of targets, with each target being led by an individual department. In order to deliver the overall aim, action needs to be taken across government. For example, the Action Against Illegal Drugs PSA is made up of targets which are led separately by the Home Office, Department of Health and DfES. However, the delivery of the overall strategy requires wider co-ordinated action across government including support from the Foreign and Commonwealth Office, through their work in reducing opium production in Afghanistan, and HM Revenue and Customs, through their work on drug seizures.
- Sustainable development** **I.35** Sustainable development is a framework for integrating economic, social and environmental policy across government, and as such requires a range of government departments and agencies to work together. Shared PSA targets on sustainability issues, such as on climate change, can help government to work across traditional departmental boundaries. As a result of the 2004 Spending Review, the Department for Transport has joined in taking shared ownership for the climate change PSA target that was previously only shared between the Department for Environment, Food and Rural Affairs and the Department for Trade and Industry. Government measures its progress on sustainable development against a basket of indicators. Spending Review 2004 has ensured that PSA targets now support all 15 of the headline indicators of sustainable development. These targets span 10 different government departments.
- Children** **I.36** The five outcomes of the Children's Green Paper *Every Child Matters* are closely reflected in the 2004 PSAs. This Spending Review has focused on developing a more holistic strategy across government to ensure that every child and young person has a chance to fulfil their potential. Early intervention and prevention is key to achieving this outcome, and this priority is reflected in the DfES 2004 PSA. Key developments include the strengthening of the original Sure Start target on young children's personal, social and emotional development. The target now applies to all children aged 0-5, with a commitment to narrow the gap between the 20% most disadvantaged wards and the rest of England. Closer links have also been made with other government departments that share the new DfES objective to safeguard children and young people and improve their well-being and life outcomes. For example, a new target to halt the growing rate of childhood obesity has been introduced, with responsibility shared between the DfES, Department of Health and DCMS.
- Regions** **I.37** Spending Review 2004 has been informed by a strong regional input, in the form of Regional Emphasis Documents from each of the English regions. Regions were also asked to identify the PSA targets with a strong regional dimension and to suggest how the regions help contribute to delivery. This input has informed discussions on PSA targets and will continue to assist departments as they plan how they will implement their targets.

I.38 The Government is committed to delivering world-class public services, and this is reflected in the ambition of the PSAs in this White Paper. Following the 2004 Spending Review, departments will develop delivery plans to meet their PSA targets, ensuring the framework continues to deliver equity and excellence.