What is a good target?

*Speech to the Social Market Foundation*

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Chancellor of the Duchy of Lancaster and Minister for the Cabinet Office

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Thank you for inviting me here today. I want to congratulate the Social Market Foundation and Price Waterhouse Coopers (PwC) for their contribution to this important public policy debate about how we can best drive up standards and encourage excellence across our public services.

This is obviously a very thorough report and you will forgive me if I have not had chance to digest it fully in the half hour since it was formally released… What I would say straight away, however, is how pleased I am that the SMF have recognised that targets do indeed have an essential role to play in delivering better public services.

My view is that targets, properly constructed and applied across public services have been fundamental to past successes and will be an essential part of sustaining progress into the future.

To some extent, as the report makes clear, we are not talking about a new mechanism. All governments over the past 25 years have introduced elements of national target setting.

Government currently spends £560bn of taxpayers’ money every year. We are entitled to expect value for money. People are entitled to have a means to judge whether services are improving or not and whether providers of these services are responding properly to the needs of their customers and consumers. Targets help do all of these things. It would be entirely the wrong thing now - as some people have argued - to abandon every single target that
has been set for the public services. The real issue facing us is not whether to have targets. The real issue is what are the right ones.

For some parts of the public sector the introduction of targets has been a challenge. In particular, targets have been the catalyst for the introduction of more rigorous performance management regimes that have served to highlight both success as well as areas that need more attention. It has challenged the long held assumptions that only the professions or providers themselves should be responsible for setting their own targets.

In every other part of the economy we see performance targets accepted as a mainstream device for managing organisations and complex systems. We do need to recognise their limitations and not be blind to the perverse incentives and gaming that they can promote within an organisation. But it is precisely because of their power and leverage to effect change that we need to be sensitive and increasingly skilled in their deployment.

Setting key national standards to aim for, like reducing waiting times in A&E and improving literacy and numeracy in schools, have allowed the public for the first time to measure how successfully the public sector has been in meeting their needs for improved services. This unprecedented transparency has given services and government increased incentives to focus on delivering key priorities.

The approach has brought undeniable improvements to people’s lives.

- Waiting times have fallen sharply and deaths from heart disease and cancer are down thanks the focus on key priorities brought by health targets
Setting targets has driven a focus on improving the prospects of adults who lack basic skills, resulting in more than 800,000 adult learners achieving a literacy, numeracy or language qualification between 2001 and 2004.

And crime is down – between 1997 and 2003/4, overall crime rates have fallen by 30 per cent, vehicle crime by 40 per cent and domestic burglary by 40 per cent.

Alongside commitments to deliver overall improvements in public services, Public Service Agreements (PSA) have also reduced disparities in public service outcomes. By setting minimum standards across a range of public services, ‘floor’ targets ensure that everyone benefits from improvements. In this way we are continuing to ensure both equity as well as improvements in the provision of public services.

There are those who want to scrap all of the targets that have been set by Government for the public services. This betrays a total lack of confidence in public services and their ability to offer more responsive, personalised services. Usually, the same people advocate the use of vouchers to encourage people to opt of public services altogether. They are completely out of step with the public's ambitions for the services they have chosen to invest in. To take this advice would mean turning the clock back. It would put the public in the back seat rather than in the driving seat of reform and improvement in our key public services. It would be the wrong response to make to the challenge we face today.

This government has pledged to transform public services, moving from the monolithic institutions of the past to flexible, user-focussed services in the future. Yet if we are to succeed in making that fundamental change, we recognise we must also change the way we stimulate excellence in services.
First, let me make clear that changing the way that government sets targets has already started – indeed it has been an ongoing process. The PSA target framework has evolved considerably since it was first introduced in 1998, reflecting our continuous commitment to consult on the effectiveness of the targets we have in delivering on the public's priorities and avoiding unintended distortions to service delivery.

In particular, there are already much fewer targets – a fraction of the original number - and these are now closely focused on our key priorities. Rightly so, because this is where targets can make the maximum impact.

It is also right that we continue to consult with front line workers and the public to ensure that targets are reasonable and achievable, that measurement regimes are proportionate and that the targets take full account of the other reforms that are under way.

We are, therefore, very open to engaging in the sort of debate that the SMF work will stimulate.

In our third term, we must seek to strike a new balance between centrally imposed targets and empowering public service customers to drive performance themselves. Key national levers will remain through selected national targets but they must increasingly be supplemented by local levers of devolved accountability and the individual levers of choice.

To take local levers first. Our performance management regime as it stands is mainly focused on providing accountability from local delivery bodies to the centre. Some of that is understandable – people expect the ministers they have elected to be able to effect change in their local services and hold them responsible if they do not. But we need to do more than this. We need to find ways of making local services more strongly accountable to local people and promote greater local engagement, reducing the need for centrally-determined targets.
But it is handing power to individual service users – increasing the levers they can pull to get the public services they want – which will be the most powerful dynamic for change in the future. Extending the ability to choose between public service providers – an option up until now only available to those who could buy alternative provision – and if we can create the right incentives for providers to attract consumers then we will create new drivers of change that can be both more effective than central targets and more responsive to what users want.

So we look forward to creating new dynamics in public services that will reduce the need for central targets, beyond setting out key priorities for services to deliver.

Yet even in an environment where choice is the norm and not a luxury, there will be areas of public services in which neither choice nor exit is feasible. It is in these areas, as today’s report rightly points out, where setting good targets can act as a benchmark for the public and an impetus for service improvement.

However, it is essential that the national targets which do remain in the future are increasingly driven by consumer demand.

So I agree with the SMF that a key goal for future public service targets must be delivering increased public satisfaction with the services they use. It is for that reason that I announced last week the government will seek to develop a way to measure customer satisfaction across our public services. If we can develop a workable customer satisfaction index, it could be hugely useful in ensuring the targets of the future are closely aligned to the priorities of service users.
Conclusion

The way we use targets to deliver what people want from public services will continue to change and develop as we seek to bring public services closer to the people who use them.

But I am looking forward to the debate on how we can continue to set better and more effective targets in the future and, once again, I thank the SMF and PwC for kick-starting that discussion today.