

DISCUSSION PAPER

Performance Targets

The background image is a close-up, black and white photograph of a mechanical device, possibly a scale or a control panel. A large, semi-transparent red rectangle is overlaid on the left and center of the image. In the foreground, a metal plate has the text '100 POINTS' printed on it. Above this, a red rectangular area contains the text 'SPECIAL WHEN LIT'. The device features various mechanical components like screws, a ball joint, and a circular opening.

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An understanding of the relationship between resources committed and the benefits achieved, compared with public sector targets for addressing inequalities is critical for setting effective performance measures. There is evidence to suggest that the lack of cost–benefit analysis has derailed some initiatives and led to unintended consequences for addressing inequalities, such as have occurred in the Sure Start programme.

It is not enough to measure performance in terms of an organisation’s ability to meet targets, it is of equal importance to know at what cost the target has been met and what additional cost would be required to improve performance even further, particularly for hard-to-reach or disadvantaged groups. It is only when these costs have been identified that effective decision making can occur. There is a saying in the public sector ‘what gets measured gets done’, which illustrates the importance of measuring the right things and properly identifying the costs and benefits.

This paper examines the utility of technocratic techniques for addressing social objectives, with specific reference to examples of public service agreement targets (PSAs) set by the UK government for addressing inequalities. It also sets out to provide a better understanding of the relationship between resources committed and benefits achieved. It outlines how target setting, the quality of information, and cost–benefit analysis can be strengthened to support performance measures for addressing inequalities in the UK.

Performance Targets

Improving our understanding of the relationship between resources and performance targets for tackling inequalities in public services in the UK.

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1 THE DEVELOPMENT OF TARGETS TO ADDRESS INEQUALITIES IN THE UK

Over recent decades public services in the UK have seen the increasing use of performance measurements in an attempt to create a more efficient, effective and accountable public sector. This has been accompanied by reforms of management, accounting and technical practices. Broadbent and Guthrie (1992) suggest that reforms carried out may not always be based on an economic rationale and may sometimes fail to deliver the desired benefits.¹ Hood and Peters (2004) also state that reforms in the public sector may yield results that seem paradoxical and are sometimes negative.² This is borne out in the recent example of the government's Sure Start Programme, an initiative to deliver the best start in life for every child, bringing together education, childcare, health and family support. The National Audit Office (NAO) reported in 2007 that although it was providing parenting advice in the poorest areas, richer families were benefiting as well as poorer ones.³

Similarly, when relying on targets to promote greater equity, some public services may do disproportionately well while others fail, thus widening inequalities. For example, a Public Management and Policy Association publication, *Tackling Inequalities in Health* (2003), emphasised that although life expectancy was improving in England and Wales and the gap between the lowest and highest paid groups had narrowed, it was still a mixed picture when broken down by social class. There were marked inequalities between ethnic groups, between men

in different groups, and between men and women.⁴ What appears clear is that targets on their own are not sufficient to address these types of inequality.

Since 1997, total public spending has increased by 42% in real terms in the UK and the government continues to promote the importance of targets as part of its wider strategy for narrowing the gap between disadvantaged groups and localities. The 2009 budget report⁵ highlighted that PSA targets for addressing inequalities are having a positive impact in closing the gap between the worst and best performers.

The report sets out a number of achievements, including the following.

- Over 65% of 15-year-olds are achieving five or more good GCSEs or equivalent, up from 45% in 1997.
- The proportion of the UK working-age population with no qualifications has fallen from 17.1% in 1997 to 10.9% in 2008.
- The National Health Service (NHS) will meet its ambition of a 20% reduction in mortality rates for cancer patients aged under 75 by 2010, and has already achieved its 2010 target of a 40% reduction in mortality rates for heart disease patients under 75.
- Crime has reduced by 35% since 1995, bringing the chance of being a victim of crime to its lowest recorded level.

1. Jane Broadbent and James Guthrie, 'Changes in the Public Sector: A review of recent "alternative accounting research"', *Accounting, Auditing and Accountability*, 1992.

2. Christopher Hood and Guy Peters, 'The Middle Aging of New Public Management: Into and Age of Paradox?' *Journal of Public Research and Theory*, 2004.

3. National Audit Office, *Targeting Inequalities*, 2007.

4. Rabbi Julia Neuberger, *Tackling Inequalities in Health – The Local Dimension*, Public Management and Policy Association, 2003

5. HM Treasury, *Budget 2009: Building Britain's Future*, 2009.

Before 2000, many PSA targets were concerned with improving average social outcomes, which had the result of making the good better and so widening inequalities. The government recognised this and as a result introduced PSA targets that would address inequality directly. These targets make explicit reference to the outcomes to be achieved for less-well-performing groups as well as for the rest of the population. There are currently a number of PSA targets, covering socio-economic and environmental issues.⁶

In 2007 the NAO reported that performance against equality targets was below performance on other targets.⁷ It was twice as likely that there would be slippage against equality targets. The reasons for this are unclear, but the findings of the Public Management and Policy Association (2003) suggest that health inequalities are not only difficult to grapple with, but have also not been as high a priority as other issues, such as waiting times, staffing and reorganisations, and do not lend themselves to a 'quick-fix' medical solution.⁸ The complexity of dealing with the issue can also make the causes, costs and appropriate timing of interventions difficult to identify. This is further exacerbated where multiple stakeholders and resources are involved.

The NAO also pointed out that a better understanding is needed of the relationship between the resources committed and results, and that care should be taken when choosing the unit of measurement for a target because of the level of distortion it could bring. For example, if the unit of measurement is based on geographical area it can pose the problem that there will be pockets of poor performance hidden beneath the strong performance of the area overall. In response to the consultation on the Fire and Rescue Performance Framework 2006/7, a fire authority reported that:

a more equitable comparison of performance would be to measure the performance of the fire authority using an index based on a ratio of the total population of an FRA area against the population of its most deprived ward.

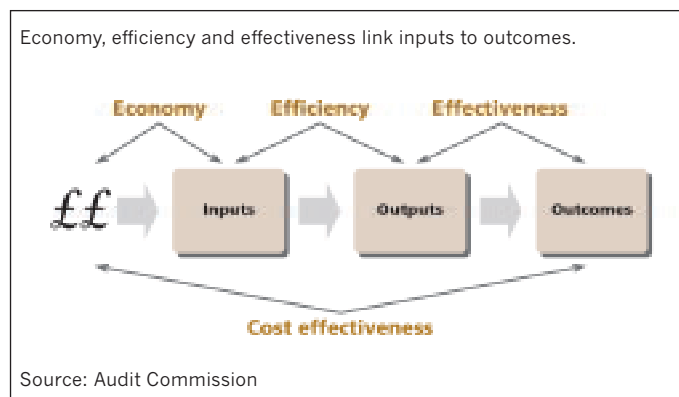
Similarly, local authorities report on overall performance against education targets, which can mask the problems of under-performance at individual schools and thus widen inequalities.

2. THE RELATIONSHIP BETWEEN RESOURCES AND BENEFITS

2.1 Measurement models

Public sector organisations at the national and local levels, tasked with developing and delivering performance measures more generally and with addressing inequalities, should understand two things: what the indicator should focus on, and what aspects are to be measured. To put it quite simply there are different aspects of performance that should be focused on to measure cost effectiveness and outcomes achieved. These have been helpfully set out by the Audit Commission in Fig. 3.1.

Figure 3.1: Different aspects of performance



A common way of developing and defining performance indicators is to measure economy, efficiency and effectiveness - the 'Three Es' as described by the Audit Commission.⁹ This simple model allows the identification of inputs - the money that must be spent to acquire the resources to provide the service at the most efficient cost; outputs - the optimum service to be provided; and outcomes - the actual impact for addressing inequalities and meeting citizens' needs.

This model can be successfully applied to the design and measurement of most performance criteria, including targets that address inequalities. For example, the 2004 Comprehensive Spending Review PSA target was for 60% of 16-year-old pupils in all schools to achieve the equivalent of five GCSEs at grades A to C by 2008. Local authorities and schools should be able to identify the costs and resources committed to achieving this target (the dedicated schools grant, staff, process change and monitoring costs) and match these to the overall educational achievement outcomes for pupils. Similarly, the model is useful for identifying the costs and resources committed to other targets that address inequalities, such as those seeking to reduce the level of crime or bringing social housing into a decent condition.

6. HM Treasury, *Public Service Agreements 2008–2011*, www.hm-treasury.gov.uk, 2009.

7. NAO, *Targeting Inequalities*, 2007.

8. Rabbi Julia Neuberger, *Tackling Inequalities in Health – The Local Dimension*, Public Management and Policy Association, 2003.

9. Audit Commission, *On Target: The Practice of Performance Indicators*, 2000.

A similar approach to ensuring that the costs and benefits are identified is to differentiate between quality, cost and time. CIPFA promoted this model as a simple way of ensuring that costs and benefits are captured.¹⁰ Applying this to the target for reducing crime levels makes it possible to account for the pooled financial resources of the police and crime reduction partnership and the total hours that police and community partners put into the prevention and detection of crime. The benefits would include improved responsiveness of the police, better detection rates and an overall reduction in crime.

Despite the usefulness of both the Audit Commission's and CIPFA's approaches to the design and measurement of targets, it still becomes messy for organisations to identify all the costs and benefits of tackling the inequalities of disadvantaged and hard-to-reach groups, such as meeting the needs of the remaining proportion of pupils who will not achieve grades A to C in GCSEs. In part, this is because of the target design, but it is also because complex solutions are required to deal with intractable social problems. The costs and resources go beyond those required to meet the target. The range and timing of interventions, and the multiple service providers involved, also make the full cost difficult to identify. It should also be borne in mind that a single indicator on its own, such as the educational attainment indicator, rarely provides a comprehensive picture of the performance of a service as there are other factors at play, such as the influence of the home environment on educational achievement.

The measurement and collection of cost-benefit data are also sensitive issues, particularly because of the multiplicity of overlapping performance management arrangements operating across central government and local government, which do not provide the basis for a clear and effective system for capturing target data. Also, the demands of measuring performance may be so time consuming that the cost, time and effort put into it may detract from the pursuit of reducing inequalities.

The Department for Communities and Local Government has reported that the volume of performance data is also an issue. It has identified that councils spend over 80% of their performance reporting effort on reporting upwards and a typical local authority would spend in excess of £1.8 million on reporting on the performance indicators for three of the biggest government departments.¹¹ The collection of cost-benefit data should not be 'at any cost' and as a result the capture of such data, beyond those required to meet the target, is less likely to take place because of the costs involved.

In addition, the NAO report recognises that local authorities generally perceive that to go beyond the target will be resource intensive, particularly where funds are ring-fenced and have insufficient flexibility to be shifted to improve performance even further, such as the dedicated schools grant.¹² Some local authorities have claimed that they have reached their limits with a particular target and have chosen not to pursue it any further. Once a considerable improvement had been achieved, building upon the success and going beyond the target is perceived as increasingly costly. As a result, in some cases authorities redirect their focus elsewhere and the needs of disadvantaged groups become less of a priority.

2.2 Challenges

3.2.1 The identification of costs and benefits can be messy

A whole suite of initiatives is needed to address inequalities, and performance measures are only one aspect of them. It is perhaps because of this, and the complexity of the issues involved, that it is difficult to know what additional costs would be required to improve performance even further. As Rabbi Julia Nueberger states: 'community based initiatives do not lend themselves to scientific measurement. They are messy and indeterminate; their impact on issues such as illness or mortality rates is often indirect'.¹³ In addition, the measurement of resources and benefits becomes increasingly difficult where multiple stakeholders are involved.

It is generally recognised that authorities serving areas with higher deprivation require greater concentration of input in those areas. Local authority resources are disproportionately allocated to wards with high levels of deprivation, which often requires them to take on a role beyond their service area. The use of multi-professional teams, partnership working and a multi-agency response makes the identification of costs and resources for meeting a specific target more difficult to disentangle from those for other initiatives. For example, many local authorities have set local targets for improving health and well-being in their areas, but it can be difficult to identify the resources necessary for meeting a target among a whole range of activities being undertaken to improve health and well-being for that area.

10. CIPFA, *Measuring Up*, 1998.

11. Department for Communities and Local Government, *Mapping the Local Performance Reporting Landscape*, 2006.

12. NAO, *Targeting Inequalities*, 2007.

13. Rabbi Julia Nueberger, *Tackling Inequalities in Health – The Local Dimension*, Public Management and Policy Association, 2003.

2.2.2 Lack of incentives and perverse incentives

As reported by the Public Administration Select Committee in 2003, there is the additional danger with the measurement culture for performance targets – excessive attention is given to what can be easily measured at the expense of the impossible to measure quantitatively, even though the latter may be fundamental to a service.¹⁴ The failure to take account of the much wider social, environmental and economic changes that are needed to address inequalities was also highlighted by the NAO in 2007.¹⁵

Currently, performance targets provide little or no incentive to ‘go the last mile’ to reach the hardest-to-reach groups, where problems are so intractable that they can be dealt with only through tailored and targeted interventions that are perceived as highly resource intensive. For example, a local authority’s children’s services directorate found the PSA target for getting 60% of children in all schools to achieve GCSE grades A to C before 2008 was not ambitious enough and as a result it set itself more challenging local performance targets. The NAO found that although this target was helpful in narrowing the gap between the best and worst performers, it provided little incentive for addressing inequalities for a small group of children whose problems were so intractable that costly tailored and targeted interventions were needed to make a difference. It would be difficult to make more progress for these children without taking account of the much wider social change that relates to young people’s expectations and the costs of achieving change, which the PSA targets do not address.¹⁶

Similarly, in another local authority the NAO found that officers referred to the difficulties of tackling the most intractable inequalities in their local population in relation to the GCSE target. In this local authority a very small group of boys from the Pakistani community were consistently having problems in reaching the required level of attainment. Various interventions had been tried but nothing had had an effect. There were many complex and interwoven reasons for this, including low aspirations and a lack of successful role models. The local Pakistani community was affected by multiple disadvantages, including unemployment and poor housing, and a highly tailored and costly response would be required that would go beyond the resources committed to delivering the target.¹⁷

Because local service providers are often judged on the biggest performance difference that they make, they may not be inclined to tackle small pockets of inequality that will be the most resource intensive to tackle. Some local authorities have recognised that they have reached an optimum in some areas and cannot push any further, and have shifted their attention and resources to meeting other priorities. This is seen to have potentially very negative consequences for broader outcomes, such as community cohesion. In addition, local service providers may be further discouraged by a potential situation in which success against a priority area leads it to be de-prioritised as an area for improvement in future local planning, affecting the availability of resources.

Performance measures can also result in divergent activities in the pursuit of higher performance. For example, some local authorities find it easier to target affluent parts of the ward to meet recycling targets. Achieving comprehensive performance assessment targets for recycling is easier in more affluent parts of the ward and therefore resource is targeted to these parts of the borough. Its impact is to reduce recycling rates in the more deprived parts of the borough, for example on council estates. The result is that both the costs and benefits of achieving the target are distorted, e.g. a lower but distorted cost is masked by higher performance.

2.2.3 Lack of clarity about what the targets are trying to achieve

The Public Administration Select Committee has pointed out that the idea of relying on national targets to promote greater equity raises a number of issues. A national target can be met in more than one way, and some ways promote greater equality while others do not. For example, a 10% improvement in services can be achieved if all providers improve equally, but also if some services do disproportionately well while others fail. If top performers improve the most this will widen inequality.¹⁸

2.2.4 The problem with cross-cutting targets

As stated earlier in this paper, performance in meeting targets for reducing inequalities has fallen behind that for other targets. At a local level, local authorities, health and voluntary bodies are obliged to work in partnerships, but more often than not there is an absence of strong leadership, resources or momentum. In this relationship no organisation is rewarded for pursuing the goals of another organisation. An organisation may have few resources to commit in pursuit of the goal. Local Strategic Partnerships develop their local strategic plans, but more often than not the priorities agreed between the partners are a compromise.

14. Public Administration Select Committee, Fifth report of session 2002–03, *On Target? Government by Measurement*, HC62-1, 2003.

15. NAO, *Targeting Inequalities*, 2007.

16. Ibid.

17. Ibid.

18. Public Administration Select Committee, Fifth report of session 2002–03, *On Target? Government by Measurement*, HC62-1, 2003.

The Public Administration Select Committee reported in 2003 that, in some cases where cross-boundary targets had been developed, service delivery was failing because of competing departmental priorities that needed to be balanced or because targets were simply incompatible. For example:

the more the police met their target of closing the justice gap – putting people in prison – the more difficult it became for the prison service to meet its own targets on overcrowding and re-offending.¹⁹

Motivation to achieve targets can be further reduced if different agencies' targets appear to be in conflict, for example if the police want to increase their conviction rates for criminal damage but the youth offending team's priority is to prevent young people from entering the criminal justice system through a restorative justice route. Nevertheless, it was also noted that PSA targets may still be of value (despite not being specific to local inequalities issues) as they may prompt:

- in-depth local-level analysis of inequalities, which could lead to appropriate solutions targeted at the hardest to reach
- the negotiation of more finely tuned sub-targets to address more intractable problems.

2.2.5 Reporting and monitoring

In 2003 the Public Administration Select Committee identified that reporting against performance measures was still developing at a national level.²⁰ In 80% of the PSA target validations made by the NAO, organisations had materially misstated their achievements. There were inaccuracies in performance data and lack of attention to performance measurement techniques. Also, problems had been encountered because of poorly thought-out targets that had been set without considering the practicalities of monitoring. These findings meant that it would be less likely that the costs and benefits would be fully identified.

3. WHAT CAN BE STRENGTHENED?

As part of its 2008 comprehensive spending review, the Treasury reviewed its PSA targets for addressing inequalities and accepted a number of the NAO's recommendations, such as reducing the number of targets and adopting a more balanced approach to setting and agreeing local targets. A key message is that targets that seek to address inequalities are not a panacea in themselves. They represent only part of a picture. A whole-systems approach is required to address inequalities, which is often complex and messy and the costs and benefits are difficult to determine. Hence, there are some lessons to be learnt across a number of areas, including:

- target design
- quality of information
- identification of cost and benefits.

3.1 Target design

When developing effective performance measures to address inequalities, there needs to be clarity about the issues to be addressed. This paper has explained how performance measures have failed to meet the needs of disadvantaged groups. It has also illustrated how performance measures and initiatives have resulted in unintended consequences. The challenge is for public services to undertake a robust equality impact assessment at the policy design stage and reflect on the choice and design of the performance indicators and range of initiatives needed to address the issue. The costs and benefits should be identified and reflected at the design stage.

The NAO found in its 2007 report *Targeting Inequalities* that the best examples of PSA targets for addressing inequalities were those where PSA targets were closely aligned with local priorities, such as reducing crime or road traffic accidents. As reported by the Audit Commission, if progress is to be made in this area there needs to be a shift to more sophisticated measures and/or clusters of measures that are sensitive to issues of complexity and diversity.²¹ For example, to understand the performance of children locally one needs to measure the numbers of children placed for fostering or adoption, and numbers in residential care and on the child protection register. Such clustering of indicators can help measure performance in the round and help iron out perverse consequences.

19. Public Administration Select Committee, Fifth report of session 2002-03, *On target? Government by Measurement*, HC62-1, 2003.

20. Public Administration Select Committee, Fifth report of session 2002-03, *On target? Government by Measurement*, HC62-1: 19, 2003.

21. Audit Commission, *Targets in the Public Sector*, 2004.

3.2 Quality of information

When considering the costs of meeting a target, the costs of collecting and monitoring the information are often not considered. Costs of collecting and analysing data are not often captured and/or reported by organisations. In some cases this could be because organisations are collecting the data anyway as part of their performance management systems.

Good-quality information is critical for effective decision making. Data collection at both the national and local level needs to be supported with robust and more sophisticated analysis to determine the nature of good performance in reducing inequalities. The NAO has identified that some inequalities are best addressed when relevant PSA targets are closely aligned with organisational-level performance management systems. For example, Job Centre Plus representatives have explained how the PSA targets overlie their own targets, so that placing an individual facing multiple challenges in a job attracts a higher number of points (for example, an unemployed single parent from a black or minority ethnic group). The points system drives the behaviour of staff and the type of customer they prioritise.²²

3.3 Cost and benefits

The costs and benefits of addressing issues that involve inequalities should be identified as part of an equalities impact assessment. There should be clarity about the issue one is seeking to address and the aspects one is seeking to measure. The inputs, outputs and expected outcomes should be clearly identified, while accepting that there will be some elements that will be out of scope and may not be identified because of the complexity of the issues. Both the CIPFA and Audit Commission models are helpful for identifying the costs, resources and benefits (outcomes). The challenge is for organisations, and increasingly partnerships, to improve how they account for and identify costs, resources and benefits for meeting a specific objective, while recognising the complexity of the issues surrounding inequalities.

4. CONCLUSION

There has been much criticism of the target regime more generally, as well as of targets that seek to address inequalities by improving public services. Equally, there is an appreciation that performance measures are crucial for reporting progress and for allowing comparisons to be made and the costs and benefits to be recognised. If there are lessons to be learnt for implementing performance measures to address inequalities they are that there needs to be greater clarity about how they contribute to reaching the disadvantaged and/or hard-to-reach groups so that inequalities do not become greater. The resources and benefits need to be weighed up for 'going that extra mile'.

In the future, more sophisticated measures and initiatives, combining complexity, diversity and equity, will be required to deal with inequalities. The costs and benefits may be messy, but the problems are not insurmountable.

22. NAO, *Targeting Inequalities*, 2007.

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