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PERSONAL AND CONFIDENTIAL

PRIME MINISTER

## VALUE FOR MONEY TARGETS

I attach my second report to you on the targets Ministers have set to improve value for money in all areas of expenditure. As you know I should like to generate greater motivation and commitment but nonetheless I am encouraged by progress in the past twelve months. Targets are now quite widespread. But there is still some way to go before you can be confident that:

- (1) Departments know what their standard of performance should be in each main activity - by which I mean not what has been achieved, but what should be attainable if they try hard enough; and
- (2) Staff throughout government feel that they are working to targets which will improve things that matter.

There is an understandable reluctance by Ministers to admit to targets (even in private) unless their achievement is high on certain. One result of this caution is that Ministers may not always have done themselves justice in the discussions I have had with them.

A more serious flaw is that Ministers are prey to conventional wisdom about what scale of improvement is possible. If you had accepted the conventional wisdom in 1979 you would not have achieved a dramatic reduction in the size of the civil service.

Caution of this type emasculates the ability to shape events. In the private sector even the best businesses have obtained fundamental and continuing improvement only by breaking parts of the mould of conventional wisdom. Leaders have set targets which they know, from their experience and business knowledge, are ambitious yet attainable.

Government can do the same.

What needs to be done

It is important to strike a note of encouragement so that Ministers persevere in setting targets for improvement. With that in mind I have written the attached report, which is intended for circulation to your colleagues, in encouraging terms. But the fact is that there is still a need for performance targets which are more extending and which tax the Permanent Secretaries and their senior managers to find new ways of doing things. The "bottom line" in government is complex and is not susceptible to expression as a simple measure. But performance indicators can tell Ministers whether the results they seek are actually being delivered - and they can then judge spending accordingly. Overall there is still too little concern with the output from spending the taxpayers' money.



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I have put into Annex 1 of the report a selection of targets which are especially praiseworthy - clear, stretching targets which indicate unambiguously how success is to be judged. I also attach a fuller (bound) note summarising the targets approved by each relevant Minister. If you glance at this you will see how the quality varies.

The contrast is marked between, say, the very specific, hard-nosed, target for the Immigration Service - to reduce average waiting times for nationality cases by one half with a 19% reduction on staffing: the much less satisfactory target for the Patent Office - to reduce the backlog of unexamined Trade Mark applications from 16,500 to 11,000 by October 1986 (with no indication of what that means for the customer or for productivity): and the vagueness of the PSA's targets on maintenance - to complete reviews and to issue guidance on the range of contracts available.

Ministers need to be provided with more imaginative insight into what can be achieved. Those in the system who are trying to push for rapidly improving performance need to be encouraged further.

Action now

I suggest taking things forward in the following way:

- (1) You continue the value for money seminars. There have been real improvements in the Home Office, DTI, Scottish Office and Department of Employment since your seminars with them. Their targets show this.
- (2) I continue my discussions with Ministers and Permanent Secretaries to encourage them to use MINIS-type systems to set value for money targets and to choose areas for scrutiny.
- (3) You invite me to carry out a scrutiny of the effectiveness of individual value for money targets within departments.
- (4) In the light of this scrutiny, and the implementation of this year's targets, I should report to you on how to build into the normal governmental processes the use of stretching targets as a permanent feature.

I should like to talk to you about all this if that is possible, but as a first step I think it would help if my report was circulated to Ministers in charge of departments. If you agree, your private secretary could send it round under the draft letter at Annex 3.

I am sending a copy of this minute and of my report to Robert Armstrong only at this stage.

ROBIN IBBS  
3 September 1985