



Office of the  
Deputy Prime Minister  

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Creating sustainable communities

# *National Evaluation of Local Public Service Agreements: Interim Report*

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Executive Summary

August 2005

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# Executive Summary

## Aims and objectives

The Local Public Service Agreements (LPSA) initiative has been welcomed by local authorities which largely remain enthusiastic. The key features of the scheme – the focus on a limited number of negotiated stretch targets, government support for implementation (PPG, UCAs, F&Fs), and the prospect of a reward – have motivated authorities to participate and strive to succeed.

Aims vary widely between and within authorities, are generally mixed, not always made explicit and often not shared between the leadership and those responsible for delivery. At corporate level delivering improvements in relation to strategic goals is the main driver, with reward grant as a powerful incentive; at service delivery level the emphasis is more on sustained improvement in outcomes. Lack of a coherent shared ‘story’ about the rationale for the LPSA and specific targets leaves progress very vulnerable to changes in personnel.

Amongst central government policy departments LPSA is seen as a way of achieving departmental priorities; its significance varies between departments depending on the alternative levers at their disposal. A more joined up approach to policy making, while identified by stakeholders close to the initiative as a policy aim, was not a motivator for other departments. The shift in emphasis to local priorities in LPSA2 is likely to have a differential impact in central departments depending on the motivations associated with engaging with LPSA1 and its significance as a lever for securing central objectives. It is important that central departments remain motivated to participate in LPSA2 notwithstanding the fact that they may have to work harder to get their concerns on to local agendas.

## Preparation and negotiation

Although the initiative has demonstrated that local and central government share many priorities, the imposition by central government of specific national targets, and central government influence on local targets, are much resented locally and have resulted in a few cases in authorities signing up to targets they consider pointless if not unachievable. The processes of target selection and development locally were often not sufficiently inclusive, partly because of time pressures; where partners and staff were not adequately involved this is having an adverse impact on implementation. Target setting was frequently hampered by inadequate data, and there was often insufficient consideration at the preparation stage of how targets were to be achieved – both of which have sometimes resulted in unachievable levels of stretch and drift in implementation.

Negotiating a dozen or so targets covering policies owned by eight central government departments with each of 130 local authorities over a three year period was a hugely ambitious undertaking, and it is not surprising that the process did not always go smoothly and was sometimes characterised by confusion and delays. It is a significant achievement, and to the credit of all concerned, that agreements were eventually reached with all but a handful of authorities. It is also important to note that lessons have been learned from the process, and that the process proposed for the second generation of LPSAs is quite different and should be a significant improvement.

The process of preparation and negotiation helped local authorities to develop a better understanding of local priorities and what is achievable locally, although this was limited by the nature of the dialogue with government which was conducted in a spirit of joint problem solving in only a minority of instances. Authorities were encouraged to be more ambitious by the process of negotiation.

## The agreements

Almost all targets are considered by local authorities to be worthwhile and important improvements. However, the process of and criteria for target selection followed by local authorities, combined with the influence of central government, meant that targets often do not reflect the highest local priorities and as such may produce undesirable distortions in organisational behaviour. Similarly, while the national targets are derived from departmental Public Service Agreements (PSAs) and seem to be regarded by departments as important, they do not necessarily reflect the highest current priorities.

The focus on local priorities proposed for LPSA2 should produce more coherent agreements which better reflect needs. However, there needs to be further debate about the most appropriate focus of the second generation of LPSAs. Are they best regarded as a mechanism for delivering improvement in local authority services? Or should they be aimed at delivering cross-cutting outcomes through partnership working? (In which case, how should they relate to Local Area Agreements? The assumption seems to be that LPSA2 targets will be a subset of LAA targets, and in our view this needs to be considered very carefully.) The answer to this may vary and is best determined locally, in the light of an informed and open discussion between partners. A local authority service focus might be indicated where key services are poor, and/or the authority wishes to maximise the chances of hitting the targets and gaining the reward grant. A partnership focus might be indicated where local partners agree that the main local priorities require a cross-agency approach, and are keen to use the added impetus the LPSA can provide despite the uncertainties surrounding the achievement of outcome targets.

Although ODPM went to great pains to try and make the specification of indicators unambiguous, in most of our case studies there are instances of poorly defined indicators, and this is a concern for LPSA2; problems most commonly occur in the early negotiating batches, with local targets, and throughput or output indicators which although clear may not measure what is most important. While targets should be justified in terms of desired outcomes, there is a dilemma in that these are often so difficult to influence that authorities feel that success or failure is a 'lottery'; for the purposes of LPSA it may be necessary to use proxy measures.

The degree of stretch was sometimes a 'shot in the dark' on both sides, in the face of lack of understanding of cause and effect mechanisms and inadequate trend data. Targets were generally felt by target owners at the time to be 'stretching but achievable' although many have subsequently turned out to be harder or easier than could have been foreseen. Since those delivering services are generally motivated not by the reward grant but by the desire to improve outcomes, the level of ambition does not seem to have affected the effort put into achieving a target, except where targets are either not a priority locally or a poor measure of desired outcomes where an inappropriate level of stretch (too great or too little) may lead to a lessening of effort. However, where stretch was applied on top of existing aspirational national targets which the authority would have struggled to achieve without the LPSA, the perception of having been 'set up to fail' is having a damaging effect on staff morale; we remain unconvinced that LPSA is the best way of achieving departmental targets where other levers are available.

Value for money is important. However, it is our view that the way in which value for money is employed as a consideration in setting stretch needs to be reviewed. ODPM took the view that they needed to be able to justify the amount of reward grant by reference to the value to people of the stretch. Our view is that in principle the reward should be compared with the benefits it will bring once granted and spent. Comparing reward grant as a 'cost' with the degree of stretch as a 'benefit', while understandable in a negotiating context, sets an unreasonably high hurdle particularly for targets involving small numbers of beneficiaries.

'Freedoms and flexibilities' have been a big disappointment. The basic premise, that 'freedoms' should be up to individual localities to identify then negotiate, seems to be flawed. Local authorities working alone are often unable to come up with good propositions – particularly in the tight LPSA negotiating timetable – and natural conservatism and the fear of setting precedents gives civil servants ample excuse for saying 'no' to individual requests. The lack of transparency over what has been refused and granted, and the fact that the process does not seem to be conducive to identifying and agreeing freedoms, leads authorities to question government's motivation. The failure to deliver despite Ministerial backing points to the need for more radical policy revision, but this takes large amounts of senior capacity that is apparently lacking. While this individual approach should not be precluded, a more coordinated approach on the part of local government and a more supportive process might have achieved greater success. Government's failure to deliver on commitments has been more damaging to improvements than outright refusals; LGPSA's tracking seems to be a stimulus to progress.

There seems to be a variety of views as to whether LPSA is about 'getting things up to standard' or a pilot for change (and it may well be different things in different localities). If it is the latter, then the government's approach to freedoms and flexibilities will need to be reconsidered, and the nature of the exchange between localities and government needs to be more about dialogue and joint problem solving and less about stretch.

## Implementation

The implicit assumption within central government underlying the LPSA policy was that the real barrier to improvement in local government is the will to improve, and that an incentive may succeed where exhortation has failed. An assumption shared between local and central government was that central government 'red tape' hampers authorities in their efforts to improve.

Our research indicates that the real barriers to improvement are much more varied and complex. These include the lack of opportunity to think about new approaches and a lack of resources to fund their development, because of the pressures of day to day work often compounded by a dissipation of efforts pursuing too many different objectives; inadequate resources to maintain an improved level of services; the absence of a performance culture within particular services or entire authorities; entrenched traditional ways of working, processes and attitudes; weaknesses in partnership working; and a lack of understanding of the root causes of problems, the barriers to improvement and what to do about them.

The range of incentives and enablers offered by LPSA has been very helpful in stimulating improvement. While reward grant was generally the condition for participation, it is pump priming grant – combined with focus on a limited number of objectives – that has been most significant in enabling improvement. For targets which are shared priorities but involve a high level of risk, government should consider shifting the balance between reward grant and pump priming grant to bring about a more equitable distribution of risk between centre and

localities. Early signs are that success in improving performance against targets is associated with a champion to coordinate and lead each target, both individual and corporate commitment to improvement, effective and supportive central and departmental performance management, and strong political leadership. Significant problems have arisen as a result of staff turnover coupled with absence of handover procedures, inadequate early planning for implementation, and weak central oversight of targets.

We are unable to assess the extent to which resources have been diverted from other areas to meet targets. It seems that resources have been diverted both from centrally held discretionary funds and from other parts of the budget of the directorates concerned. However, the scale of this diversion does not generally seem to have been significant and where it has been significant, in the majority of cases this seems to reflect a genuine shifting of local priorities rather than 'investment' in order to attain the reward grant.

## **Local process outcomes**

LPSAs are contributing to the development of increased capacity within local authorities, although this contribution varies widely between our case studies and must be seen in the context of other factors pushing in the same direction.

LPSAs have led to a better understanding of the barriers to improvement and the range of possible options for dealing with problems, and been a stimulus for practice exchange and learning. They have triggered new initiatives and changes in working processes and attitudes, although there has been little real innovation – reflecting both risk aversion and the fact that in most instances there was ample scope for improvement by the application of best practice.

LPSAs have been one factor amongst several contributing to a tightening up of performance management and instilling a 'performance culture'. The impact has been greatest within target areas, where LPSAs have led to a sharper focus on outcomes, better use of management information, and closer cross-departmental working. LPSAs have contributed to better corporate performance management and clearer strategic thinking (although CPA has been a more significant driver). However the cost effectiveness target – the one target designed to have an authority-wide impact – has not been an effective stimulus to improvement, and the decision to abandon it is supported by our research.

LPSAs have also contributed to improvements in partnership working, including the forging of new links and strengthening of existing relationships. However it is, in general, partnership targets with which authorities are having the most difficulty and this may have negative repercussions for future partnership working. While many authorities tried to avoid partnership targets in their first LPSA – rightly perceiving these as more risky – and made mistakes in the way they involved partners, all our case studies recognise the importance of closer partnership working in their second generation LPSA.

## Process outcomes in central government and in local-central relationships

Those departments that were able to resource dedicated LPSA teams were much better placed to respond to the demands of the process. The role of 'departmental champion' was important in raising the profile of the LPSA across the department and with Ministers. Resourcing could however be undermined by a lack of ownership amongst policy staff of the aims and objectives of the LPSA, whilst limited resourcing could be overcome by positive commitment to the policy. The ODPM's central LPSA team played a key role in the promotion of ownership across other central government departments and challenging entrenched views. Central government respondents consider that LPSA2 will be far more resource intensive than LPSA1; while some departments have increased their resourcing in response, others have not and this is a cause for concern.

LPSA has necessitated closer working between central government departments in the negotiation of cross departmental targets. However, in general departments did not welcome this challenge. The value of making connections across departments was acknowledged, in terms of improving local outcomes, identifying and ironing out policy inconsistencies and opening up opportunities for dialogue. However, often respondents felt that there was too little time to build these relationships as the LPSA was only a small part of their workload and other areas of work took priority. The relative lack of ambition by central government respondents in relation to cross-departmental working is likely to be challenged in LPSA2 where the focus on outcomes and working through LSPs is likely to generate more demands for 'joined-up action' at the centre.

LPSAs are understood within central government departments primarily as a means of improving local authority performance to help achieve policy goals with the focus very much on what local authorities, as opposed to central government departments, can do differently to achieve this.

The 'Theory of Change' elaborated for the LPSA evaluation identifies more mature working relationships between central and local government as one of the long term goals of the policy, albeit a subsidiary one not integral to the success of LPSA. Some important changes have occurred, but these are ad hoc and not embedded.

LPSA has, to a limited extent, facilitated increased understanding on both sides about the process of policy development and implementation. Within central government there is a developing awareness of the importance of local context and the complexity of the environment that local authorities work in – particularly in those departments without pre-existing local links.

LPSA has also resulted in improvements in central-local communication, and improved communication between central departments benefiting local relationships. It has facilitated learning from local experience, provided new routes for policy consultation and led to changes to policy planning. There is, however, little evidence that LPSAs have led to a more mature relationship between central and local government.

Devolving decision making from central government and increasing local discretion over priorities and activities will add to the anxiety felt by many of our central government respondents (and reportedly, their Ministers) that local government is not up to the task and/or that local discretion is not appropriate in some policy areas. This anxiety is likely to inform the up-coming negotiations in LPSA2 and could manifest itself as a strong resistance to

local proposals or a simple disengagement from the agenda. This is entirely possible in an environment of resource reduction in central government departments and where other policy levers can achieve central objectives.

## Performance improvement

Our case study authorities' own assessment of their likely success in hitting targets suggests that roughly 40% of targets are already met or almost certain to be met, about one quarter are likely to be missed, and the outcome for the remainder is uncertain. Authorities whose LPSA ends next spring are slightly less optimistic. These figures indicate that the level of stretch was set about right – sufficiently challenging that not all targets will be met, but at a realistic level giving authorities a fair chance of a substantial reward. Given that even in areas where the target will be missed there has in general been some improvement, and with the caveat that not all improvement may be attributable to the LPSA, these results suggest that the policy has brought significant benefits.

The predicted success rate is higher for local than national targets. At this stage we can only hypothesise about the causes of this. It may reflect differential effort. It may be that government had difficulty in setting challenging local targets in the absence of local knowledge and adequate data whereas some national targets – based on stretch against existing aspirational targets – were clearly unrealistically high. Or it is possible that some of the national targets can only be achieved over longer timescales or with more resources than were available in the LPSA (it is noteworthy that many local targets were highly focussed).

The proportion of targets likely to be missed is particularly high in transport and educational attainment, while the predicted success rate is highest for environment and housing, cost effectiveness and miscellaneous local targets.

The extent to which any improvements can be attributed to LPSA will be a main focus for our second tranche of fieldwork. Based on our findings so far, we expect a mixed picture. At one extreme there are targets where other national policies have been pushing in the same direction and with considerably more powerful levers, or targets where the link between actions and outcomes is imperfectly understood and outcomes are strongly influenced by external factors or chance. Here it will be difficult to demonstrate additionality. At the other extreme are targets where little was happening before the PSA, and we can see a clear linkage between PSA activities and improvements. Most targets lie between these extremes – we should be able to say with confidence that the LPSA has contributed to improvements, but not how much of any improvement is due to the LPSA. In respect of the national targets for which there is comparable data from non-target authorities, our quantitative analysis should help to answer this question.

Our research suggests that many of the observed improvements in outcomes are the result of changes in systems, culture and ways of working, and are likely to be sustained. However others will only be sustained with continuing additional effort and funding. This is partly because authorities sometimes adopted 'quick fixes' in pursuit of the target, but also suggests that the basic premise – that lack of funding is not a barrier to performance – may not always be correct. Particularly where the target did not reflect or no longer reflects local priorities, or the level of stretch was set too high and could not be achieved cost-effectively, then sustained additional funding is not assured and performance may fall back.