



Office of the
Deputy Prime Minister

Creating sustainable communities

National Evaluation of Local Public Service Agreements

First Interim Report

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.

1: Introduction

1.1 Research objectives and work undertaken

The Office of the Deputy Prime Minister has commissioned a major long term process and impact evaluation of Local Public Service Agreements (LPSAs). The objectives of the research are:

- To provide a robust and representative evaluation of the impact and outcome of LPSAs, and the extent to which they have delivered substantial improvements in key services over and above what otherwise would have been achieved; and,
- To evaluate the processes of negotiation and more particularly implementation of LPSAs, to enable central government and local authorities to better understand and, if necessary, modify their approaches to the ways in which they negotiate and implement LPSAs.

Work started in March 2003 and will continue until September 2007. This is a report on work in progress, drawing on the following main strands of research:

- The first round of qualitative research in 14 case studies (Devon, Dorset, East Riding, Kirklees, Havering, Leeds, Manchester, North Lincolnshire, Nottingham, Oxfordshire, Slough, Southampton, Staffordshire and Westminster) and interviews in a number of other authorities with a CPA rating of 'poor' where case study work was not feasible. 287 interviews have been carried out to date, between 20 and 30 in each case study, including senior managers, members, target lead officers, partners and staff.
- Interviews in the main central government departments involved (The Treasury, ODPM, Department for Transport, Home Office, Department for Education and Skills, Department of Health, Department for Work and Pensions, and Department for Environment, Food and Rural Affairs). The 35 interviewees included the lead officer on LPSAs for that department and the policy officers most closely involved.
- A survey of all LPSA coordinators and target owners which focused on the preparation stage of the LPSA process and, in the 20 LPSA pilots, also asked about implementation¹. (There is a separate published report on this survey.) 840 responses were received, a response rate of 53%, including 89 co-ordinators and 643 target owners.
- An analysis of the robustness of all LPSA targets, also the subject of a separate report². Robustness was assessed in terms of the dimension of performance to which the targets related (input, output, outcome etc.) and the extent to which they met specified criteria for a robust indicator (verifiable, unambiguous etc).

Details of the methodology are in Appendix 2.

¹ Only 52 responses were received from the pilots, so these results must be treated with caution.

² Designing Performance Measurements to be Drawn on in the Second Generation of Local PSAs. G. Boyne and J. Law. 2004. unpublished

1.2 The policy context

Key features of the LPSA policy

A Local Public Service Agreement (LPSA) is an agreement between an individual local authority and the government. It sets out the authority's commitment to deliver specific improvements in performance, and the government's commitment to reward these improvements. Each authority negotiates with government a dozen or so specific 'stretch' targets, to be attained over a three year period, which represent performance over and above what the authority would be expected to achieve without the LPSA. The targets are a mixture of national targets and locally defined targets. Attainment of these targets is rewarded with a performance reward grant (PRG). To facilitate improvement the government gives at the outset a pump priming grant (PPG) and scope for some extra borrowing (Unsupported Credit Approvals or UCAs), and may grant relaxations in statutory or administrative requirements ('freedoms and flexibilities' or F&Fs).

The scheme was piloted with 20 authorities in 2000-2001, and negotiations over the past four years have resulted in agreements with almost all top tier authorities. Depending on the date at which the agreement was concluded, the agreements will finish between March 2004 (the pilots) and March 2006 (authorities in the later negotiating batches).

LPSA2 and the wider context

At the time of writing, the first of the second generation of LPSAs (LPSA2) are being negotiated. These have a new emphasis on local targets and priorities, and the engagement of partners as well as the local authority. They are being negotiated against a policy background very different from that of four years ago.

There is a new vision for the direction of local government, introduced in the document "The Future of Local Government – Developing a 10 year vision", and the Devolving Decision Making Review has called for greater emphasis on locally owned targets. Local Area Agreements (LAAs) – being piloted in 21 authorities – are intended to represent a radical new approach to improving co-ordination between central government, local authorities and their partners; how LAAs and LPSAs interrelate in practice will be crucial. Local Strategic Partnerships (LSPs) have developed a much stronger role in developing community strategies and partnership working at local level and can be expected to play a much greater role in the second generation of LPSAs, although we know that their capacity varies significantly across the country. The Innovation Forum is exploring the potential for Public Service Boards and the 'joining up' of delivery across agencies at a local level. All these will influence the second generation of LPSAs.

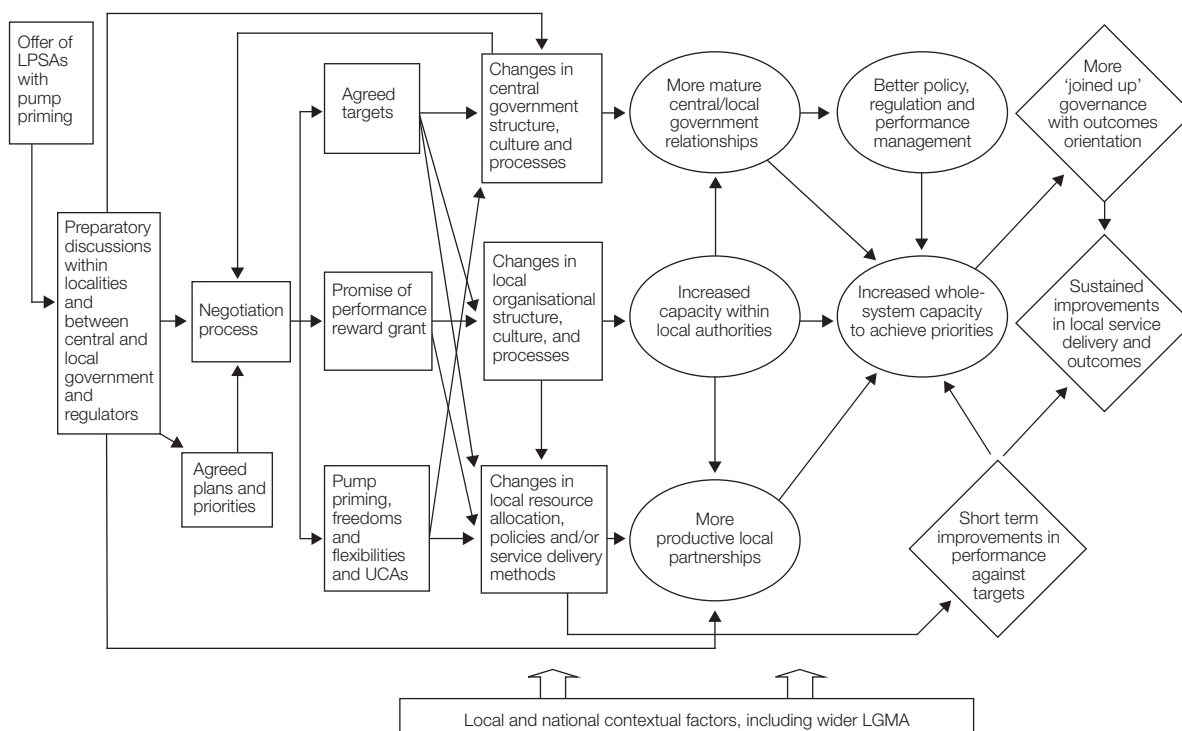
1.3 A Theory of Change for LPSAs

The conceptual framework for our research is a 'Theory of Change' (TOC), developed with stakeholders in the first stage of the work³. A 'theories of change' approach is a systematic and cumulative study of the links between activities, outcomes and contexts of the initiative. The approach aims to clarify the overall theory of the initiative by specifying the desired long-term outcomes and the associated strategies for change.

³ Developing a Theory of Change to Evaluate Local Public Service Agreements. May 2004. Available on ODPM's website http://www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=5163&l=4

The diagram on the next page summarises the TOC for LPSAs. We postulated three ‘levels’ of the model, involving progressively more widespread and sustained change. In the minimum model, the focus is on short term change within specific local service areas to achieve specified targets. There is little expectation that change will be long lasting or widespread. The medium model envisages LPSAs as stimulating much broader and deeper structural and cultural change in localities involving local authorities and their partners and leading to longer term sustainable service improvements. The maximum model delineates change at both local and national levels leading to better policy and regulation and contributing to the achievement of ‘joined-up’ government. The diagram shows this ‘maximum’ model of which the other two models are subsets. Our research aims to test this theory.

A maximum model of LPSAs



1.4 This report

This report aims to inform policy and practice, and particularly to inform government and local authorities as they enter the second generation of LPSAs. It is also an opportunity for us to take stock and identify the main information gaps to be filled and any changes of approach which may be desirable for the remainder of our research.

Most authorities are currently in the second or final year of their LPSAs although some of the fieldwork was carried out more than a year ago. Accordingly the main focus of the report is on the processes of negotiation and implementation and evidence of process outcomes. In addition, although it is too soon to determine the extent to which targets will be reached, monitoring data from the case studies was used to give an early indication of progress.

The report is organised around the Theory of Change, with each chapter focusing on a stage in the chain which links the process with outcomes. At the end of each section the implications for policy and practice are set out, which are also brought together in the final chapter.

2: Aims and objectives

In this chapter the following questions are addressed:

- What were the explicit and implicit aims and objectives set by different stakeholder groups?
- How did these change over time?
- To what extent did they complement or conflict with each other?

Local authorities and their partners are examined first, then central government.

2.1 Local aims and objectives

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.

The corporate centre

In the corporate centre of authorities, most authorities stress delivering improvement in relation to strategic goals as the main driver. However the prominence given by authorities to LPSA as a tool for improvement varies widely; at one end of the spectrum a few authorities give their LPSA a central role, but for the majority it is one tool amongst many and less important a driver than (although complementary to) Comprehensive Performance Assessment (CPA). For authorities where delivering improvement was the main aim when they entered negotiations, the need for a large number of national targets – which often did not reflect local priorities – was sometimes a disappointment.

Many interviewees in the corporate centre of authorities claim to see the LPSA as a vehicle to drive the performance management agenda, to effect cultural change and to improve cross-departmental and local partnership working. This was generally a driver that emerged during implementation rather than a motivator for participating in the scheme, although a few of our case studies identified this objective from the outset. While in some cases we suspect that this may be more ‘spin’ than a genuine aim, in others these process outcomes are now seen to be as important an aim as service improvement and outcomes. Some authorities link the LPSA with their ambition to raise the CPA score of the authority; this motivation was evident across the spectrum, including both already ‘excellent’ authorities and those which recognised that performance management was a weakness. Several authorities mentioned the value of LPSA in focusing on a limited number of priorities; many authorities feel that they are struggling with too many ‘priorities’ which stultifies action – if everything is a priority then nothing is. The LPSA was also seen as a way of breaking down strong departmental silos and encouraging greater co-operation between departments.

For some of our case studies the LPSA was used explicitly as a way of strengthening local partnership working, by giving the Local Strategic Partnership access to funds (pump priming grant) and something tangible to work on, and so giving a ‘hard edge’ to the community strategy.

A number of authorities felt that they had to do LPSA – their image was under scrutiny, they could not be seen not to participate in an important government initiative. One mentioned

the need to be ‘seen to do the right thing, to be seen as a modern local authority’. This motivation was also evident across the spectrum, from authorities frequently in the vanguard of new initiatives who participated with enthusiasm and determination to bend the process to their ends, to others who participated reluctantly. Reluctant participation tends to be associated with weak central management of implementation and confusion amongst target leads about the rationale for the LPSA, although there are exceptions. Politics entered into this – sometimes reluctant participation was associated with a non-Labour administration – but some of our non-Labour case studies have participated enthusiastically.

A small number of authorities are motivated primarily by Performance Reward Grant; however this is a secondary motivation for most authorities – a necessary condition for participation if not their main objective. This motivation is especially strong at member level – ‘PRG was an essential carrot, especially for members’ . One authority – which sees itself as particularly under-resourced – said ‘We would jump through any hoops for an extra £xmillion’.

Only two of our case studies saw LPSA as a way of changing the way central government works by encouraging a more ‘joined up’ and contextually sensitive perspective amongst officials, or changing the terms of local-central relations: ‘working in partnership with government rather than in tension’. Freedoms and flexibilities were an important motivator for only a few of our case studies, mainly because even the early negotiating batches had low aspirations in this regard based on the lack of success of the pilots in negotiating meaningful freedoms. This is in marked contrast to our findings in relation to the LPSA1 pilot authorities, where freedoms and new working relationships with government were important drivers for many authorities. This does not mean, however, that authorities were not very disappointed with the gap between rhetoric and reality with regard to this aspect of LPSAs.

Service departments

In service departments, the emphasis is much more on improving services and achieving results for local people, with in most instances a strong commitment to the reality of sustained improvement rather than simply hitting the targets. For some the strengthening of partnership is an explicit way of achieving this, with the target and reward grant as a lever to get partners to work on priority cross-cutting issues such as crime. There is also a desire to raise the profile and awareness of neglected areas (e.g. energy efficiency, looked after children, domestic violence) and to get resources into under-resourced areas either through Pump Priming Grant or by using the LPSA as a lever for the redirection of the council’s own resources. A few mentioned the opportunity to innovate (see section 6.1 for examples) , but this was not a dominant theme. For some target owners they are doing what they would have to do anyway because of obvious need or national priority; the LPSA is a way of getting extra resources and reward. This does not mean that the LPSA did not result in additional activity – the Pump Priming Grant and the additional focus the LPSA brought were sometimes explicitly used by target owners to make progress in areas where they had previously been ‘stuck’ – because of lack of resources or competing priorities.

Partners

Our interviews with partners reflect the back-seat role that most partners took in LPSA1. Most are unaware of the aims for the LPSA overall, and see only the narrow service perspective – none saw any larger value in the LPSA. Aims generally reflect those articulated by local authority service departments, although there is in some cases a clear lack of ownership,

based on a sense that this was an imposed initiative and an imposed target with little relevance to their own agenda, which tended to be reflected in lack of commitment to delivery of the target.

Consistency and clarity

A diversity of aims within authorities is to be expected and is not necessarily a problem if the aims of different stakeholders are complementary. Divergent aims are most problematic at the stage when targets are being selected and negotiated, and may result in proposals which do not reflect aims (see chapter 3), particularly where an authority wishes to achieve systemic change. Later in the LPSA there is also potential for conflict where short term improvements to attain the target and longer term, sustainable improvement in outcomes are incompatible, as seems to be the case in some of our case study targets (for instance, Key Stage 2 educational attainment in one authority).

Of greater concern is a confusion about aims. In many instances there is a lack of clarity about aims both in the corporate centre of authorities but more particularly in service areas. In many authorities coordinators and target leads were not in post when the LPSA was developed; in these cases current post holders are frequently unclear about the rationale for the LPSA as a whole or for the choice of targets, and often exhibit little ownership of the targets. This is exacerbated where the LPSA has a low profile across the authority, is not driven by senior management and political leaders and not subject to active central performance management, and where attainment of a target is not integrated into service plans or represents a small part of the target lead's job. Lack of clarity about the rationale for a target also applies where a target was imposed by central government, without adequate discussion or explanation (see chapter 3).

It seems that authorities typically lack a 'corporate memory', a shared, coherent story for why they are doing the LPSA, and adequate systems for performance management which would ensure that objectives and required actions are clear. In these circumstances progress on targets is very vulnerable to changes in personnel.

Implications for policy and practice

1. *The 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, and should be retained in LPSA2.*
2. *Local authorities and their partners need to engage in a robust and honest debate about their reasons for undertaking the LPSA, and then ensure that this motivation is reflected in their selection of targets and approach to the negotiation and implementation. LSPs are beginning to demonstrate their potential as an arena for this debate and local authorities should engage with them early on.*
3. *Local authorities need to document and share with partners and staff the aims for the LPSA and the rationale for particular targets, so that all concerned are clear about the importance of what they are doing and the relative priority that should be attached to it.*

4. *Because local politicians give higher prominence to CPA than to LPSA as a tool to improve performance, the opportunity should be taken, as CPA is being redesigned, to take account of delivery against LPSA targets to give LPSA a higher profile. Thought needs to be given by central government and individual local authorities to the interaction between LPSA and CPA (for instance in terms of the negotiating timetable and looking at CPA as a way of identifying areas for improvement).*

2.2 Central government aims and objectives

The policy aims of central government were discussed in our paper on the Theory of Change⁴. In summary, these are:

- Sustainable improvement in local services
- Achievement of Departments' own priorities, especially as set out in their PSA targets
- A more joined-up approach to policy making in central government.

We found much greater clarity amongst central government respondents about their aims for the LPSA although there was variation between policy areas. This variation appeared to be contingent on the significance of LPSAs within departments as a lever for influencing local interventions. In departments where there were well established structures and processes linking the centre to local authority services (and arguably where the centre exercised considerable influence over the undertaking of those services), the main focus for action through LPSAs was service improvement. However, in such circumstances the LPSA was usually one among many levers available to central departments to achieve their goals. Consequently its value to the department was dependent upon whether any added value could be identified in relation to its application. These circumstances were most likely to be found in the DfES and the DoH (social care arm).

In departments where the relationship with local authorities was rather more diffuse, i.e. where local authorities had greater discretion over local action, such as DEFRA, or where the central department's primary relationship was with another agency, e.g. DWP and HO, the motivation for engaging with LPSA was more likely to be the achievement of departmental priorities. Central respondents were very clear in their analysis of how local authority action could help achieve departmental PSA goals and LPSAs provided them with an opportunity to sell that agenda to localities. The nature of the relationship between these departments and local authorities meant that LPSAs were very often the only significant lever that they had to influence local authority action. Therefore it could assume some importance in the department.

There was relatively little evidence (outside of the ODPM's LPSA unit) of a more joined up approach to policy making providing a key motivation for central departments to engage with LPSA. There were some exceptions, particularly in relation to cross-cutting issues, such as public health and health promotion where the LPSA fitted into a wider agenda of cross-departmental activity. (A good example of this is the involvement of DoH and DfES on a local government delivery board on physical activity, hosted by DCMS. The board existed before LPSA but LPSA has provided a mechanism for focussing activity in relation to tackling obesity.) However, for the most part, issues of 'joining up' seemed to arise as a consequence

⁴ Developing a Theory of Change to Evaluate Local Public Service Agreements. May 2004. Available on ODPM's website.

of engaging in the LPSA. For example, a number of departments would be required to co-operate in progressing targets relating to the 'streetscene'. While these experiences of implementation could generate reflections about 'joining-up' policy making, they were not a motivating factor. This made the role of ODPM in coordinating input on cross cutting issues more difficult.

Implications for policy and practice

1. *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. Opportunities need to be found for central departments to engage with local authorities and their partners to promote their policy priorities and link them to local concerns. Local Area Agreements potentially provide such an opportunity.*

3: Preparation and negotiation

In this chapter we examine:

- The way in which targets were selected
- The development of proposals by localities
- The negotiation process
- Capacity within local and central government
- Implications for our Theory of Change.

In the following chapter we consider how the process shaped the final agreements.

3.1 The selection of targets

Within the authority – the roles of the corporate centre and service departments

Our survey suggests that target owners and the senior management team for the service had the greatest influence on the selection of targets, and the corporate centre including politicians much less influence. However the majority of respondents were target owners; LPSA co-ordinators gave greater prominence to the role of the corporate centre. Most authorities used a combination of top down and bottom up processes to select targets.

The top down process involved looking at local plans and priorities, discussions on priorities amongst senior managers, members and (sometimes) with partners, and scrutiny of the national targets to see which had the best fit with local priorities. This process was made more difficult for some authorities by the high level of existing authority-wide plans (such as the authority's corporate plan or the community strategy), which did not provide a sufficiently explicit framework for identifying specific topics on which to focus. Some local authorities did not have identified local priorities. Where there had been local public consultation on strategic priorities and service plans, this was reflected in proposals as one factor amongst others, although the negotiation timetable left no time for new consultation.

For most of the authorities we have spoken to the LPSA predated the CPA, and where targets reflect CPA improvement priorities this is fortuitous. Where LPSA post-dates CPA there has been alignment which is seen by authorities as very helpful. However a number of targets did build on Best Value reviews.

The bottom up process involved a request for 'volunteers' – a process which in some authorities spread far down the organisation while in others it was restricted to the top tiers of management. Some authorities laid the ground for this by a programme to develop an understanding of the LPSA and initiate a widespread debate about priorities; in other authorities the process was much more haphazard. The staff who would have to deliver the improvements were, however, rarely involved and this may have contributed to some inappropriate indicators and unrealistic degrees of stretch. Proposals were often rooted in existing service plans; the LPSA was typically seen in service areas as an opportunity to make more rapid progress towards existing objectives. It was also seen as an opportunity to gain

profile and access to funds, and enable projects to proceed which had been stuck for lack of money or focussed attention. Some targets were rooted in the energy and commitment of one individual.

The extent to which selection of targets was based on an analysis of need varied significantly. In service areas with a good information base (notably education) identification of priorities was largely evidence based. However even where there was a sound evidence base pointing to the validity of a target, this had often not been picked up in previously published plans. In the case of some local targets such an evidence base seems to have been entirely lacking and the rationale for the selection of this particular target is unclear.

There typically followed a process of sifting and challenge. The criteria generally included strategic importance, the need for improvement, suitability for inclusion in the LPSA in terms of scale and timescale, data availability, achievability and the degree of risk. Risk was seen to be associated with targets requiring partnership action, focussing on outcomes rather than outputs, or involving small numbers and hence particularly vulnerable to random fluctuations; with a few exceptions authorities were reluctant to tackle anything outside their own control. Other – less commonly applied – criteria included the existence of a ‘champion’ for the target, additionality (areas that did not fit the criteria for other schemes, work that would complement existing initiatives, ‘things we might not otherwise have done’) and sustainability. One financially motivated authority appears to have deliberately chosen targets which would bring them the reward grant with minimum cost and effort, although these targets nevertheless are important locally. Some authorities focused on weak services, others on services where they were already performing strongly but saw scope for further improvement. Some authorities prioritised targets focusing on outcomes or with a cross cutting theme, a few deliberately tried to find targets requiring partnership working. Many authorities tried to balance targets which they knew would be challenging with others they were more confident about. To the extent that authorities had any choice over which national targets they adopted, expediency (the chances of success) seems generally to have been the primary consideration. Many authorities had some difficulty in finding enough suitable and acceptable national targets.

This sifting process continued during negotiations as targets proved to be impracticable or it became clear that agreement with government on measurement or stretch was not possible.

The role of the corporate centre – and specifically the LPSA lead officer – in this sifting process was crucial. A strong corporate centre was able to ensure that the set of targets, overall, reflected strategic priorities and met the authority’s criteria. Where the centre was weaker, historically strong departments such as education often dominate the list of targets, the chosen targets tend to be departmental rather than corporate priorities and targets which did not meet the criteria slipped through the net and were included in the agreement. This happened particularly as negotiations proceeded, targets were dropped because agreement could not be reached and some authorities became increasingly desperate to find and agree the final one or two targets. In one case study this meant that the local authority and its partner devised a target in an afternoon and had it agreed by the relevant central government department shortly afterwards, in order not to hold up signature of the agreement. Consequences of this haste included the postponement of any discussion of important freedoms and flexibilities and the emergence of problems with data availability and access, both of which presented significant problems in implementation. The extent to which politicians were involved varies widely; generally the process of selecting targets was officer-led, although occasionally political leaders had a strong influence.

This process – together with the requirement for national targets – typically resulted in targets that reflected departmental priorities rather than corporate ones. Even where the authority's proposal was presented as having a theme, in reality the synergy between targets in our case studies was weak. And some cases where there is genuine synergy between targets – for instance vehicle crime appearing both as a target in its own right and a sub target in the youth offending target – this synergy has not been exploited by the local authority. Whether or not the lack of synergy has any impact on the attainment of targets remains to be seen.

There are signs that local authorities have learned from this experience, and are taking a more strategic approach to the selection of targets for LPSA2 – deliberations on which have started in many of our case studies.

The involvement of partners

The involvement of partners in this process was patchy. Many of the early authorities were preparing their proposals at a time when there was no LSP and hence no established framework for or culture of joint working. Authorities where there was a history of multilateral partnership working (often on regeneration issues) and later negotiators were at an advantage in this respect. There was sometimes a tension between selecting targets which best reflected the need for improvement (often in mainstream local authority services) and choosing partnership targets; the set of national targets also tended to encourage local authorities towards single-service targets rather than cross cutting ones. The speed with which initial proposals had to be prepared made involvement of partners more difficult. The lack of involvement of partners at this stage often had negative repercussions for implementation.

For most authorities, involvement of partners was confined to bilateral discussions with the health authority and police. Some authorities reported difficulties in such discussions because there was no pressure on or incentive for partners to become involved, particularly since the targets under discussion do not generally reflect their own targets and priorities, which are driven by parent departments. (For instance the national target of reducing teenage conceptions is not a priority for PCTs in our case studies, while the police do not regard vehicle crime as a priority.) This tension is perhaps most acute in the case of public transport operators, who are interested not in maximising usage but maximising profitability. In two-tier areas, it was unusual to involve districts in target selection; some counties presented their districts with a *fait accompli*, while others found that districts were not interested in becoming involved or deliberately avoided targets in service areas which were a district responsibility. Schools were rarely involved in the selection of education targets or consideration of stretch. The lack of influence of partners, service users, the wider community and other external stakeholders on the selection of targets is confirmed by the survey. Only 30% of respondents considered partners influential, 20% considered service users influential, and 21% considered the wider community or other external stakeholders influential.

Our case study authorities recognise the weaknesses of partnership working on LPSA1, and all are involving partners more closely in their early planning for LPSA2.

The role of central government

Central government had an important influence on the selection of national targets. Where specific national targets were imposed (which happened even in the early negotiating batches and was the norm later), there was often little or no discussion with the authority about this and no rationale given by the government department concerned. Some authorities felt there

was no possibility of saying ‘no’, others argued but did not prevail. In consequence some authorities (and their partners) do not understand why the target in question is seen by government as a priority in their locality – it does not seem to reflect evidence of comparative performance. The result is that some local authorities have signed up to targets they believe to be pointless if not unachievable. For instance, one authority was made to adopt a target for school attendance. This authority already has an attendance rate well above the national average, and the target lead believes there is very little scope for further increasing it. Although there is an attendance problem in particular schools within the authority, these represent so small a proportion of total pupils that improvement there would make little difference to overall performance. This has resulted in disengagement, threatening both the attainment and the sustainability of improvements in these target areas. However, we did come across instances where the local authority and their partners prevailed and successfully resisted the imposition of a target they considered inappropriate, or reached a satisfactory compromise. (This success seems variously to reflect individual negotiating skills and the confidence that comes from being a ‘good’ or ‘excellent’ authority with a track record in standing up to government.)

There seem to be particular difficulties with the Home Office – which is accustomed to a directive relationship with the police – where authorities spoke of the ‘complete absence of any scope for negotiation over the choice of target or degree of stretch’, and the Department for Transport where many authorities had real difficulty in agreeing a target. Negotiations with DfES and DoH, conducted through local advisors and SSI, seemed to involve greater dialogue over the selection of targets (although not necessarily over the degree of stretch). However local authorities had widely differing experiences even in negotiating the same target, with some reporting productive discussions while others had difficulties. This may reflect differences in the match between local and national priorities, the quality of the authority’s proposals, or simply the negotiating styles of the individuals involved on each side.

Central government also exerted an influence on local targets. Often this was perceived by local authorities in a negative light. In most authorities several targets were dropped because it was not possible to reach agreement on them – including some targets that were or shortly afterwards become national priorities (for instance a target on anti social behaviour in one authority). In some cases the sticking point was one of stretch, more often the government department concerned either did not accept the rationale for the target or did not approve of the way in which it was defined. Local authorities perceived this as ‘central government failing to understand’, but it is clear that some proposed local targets were not well thought out. In a few instances the way in which the target was defined was changed as a result of central government pressure in such a way that those responsible for delivering the target believe that it no longer reflects desired outcomes (for instance a target on placement of Looked After Children close to the authority is seen to conflict with the local and national policy aim of stability of placements, since it produces an incentive to move children).

Central government departments reported themselves as being generally cautious (though not unenthusiastic) about proposals for local targets. In addition to questions about whether local targets had a clear rationale and evidence base, central respondents were concerned that, unlike with national targets, they would not know how to judge performance (what to compare local performance with) and were uneasy about agreeing to proposals on this basis. The real issue seemed to be that central government respondents did not want to be held responsible for the paying out of reward grant where they were unconfident about real levels of improvement. Community development targets seem to have posed a particular problem.

However, in other instances the negotiations proceeded in a spirit of joint problem solving, with the responsible officials in central government pleased that an authority was pursuing a target in this policy area and frequently offering helpful advice. Health targets were mentioned several times in this regard, perhaps because they are generally acknowledged to be difficult and influenced by local context. (For instance the teenage pregnancy lead in one authority acknowledged that ‘everyone was working pretty much in the dark’ (in setting stretch), ‘we, SSI and the Teenage Pregnancy Unit all worked together and did our best’).

Implications for policy and practice

1. *Local authorities and their partners should ensure, in LPSA2, that targets are more coherent, have a clear rationale and are rooted in local plans and priorities and evidence of need.*
2. *Even though in LPSA2 targets are expected to reflect local rather than national priorities, our research suggests that central government departments may wish to exert an influence on the choice of priority. The ground rules for this will need to be made explicit and shared with local government, and the rationale in each specific case explained and debated.*
3. *Local authorities should ensure that partners and staff who will be responsible for achieving the targets are involved in target selection, specification of indicators and agreeing the level of stretch.*
4. *There should be less danger of centrally imposed targets in LPSA2, although the implications of the interface with Local Area Agreements will only become clear with time. Local authorities should be clear in their own minds about the extent to which they are prepared to compromise, and be prepared to say ‘no’ (and justify this) where they are convinced a target is not appropriate locally.*

3.2 The development of proposals

The thoroughness with which proposals were prepared varied greatly both between and within authorities. The process often highlighted inadequacies in data which meant that baselines were frequently ill-founded, and there was no real basis for forecasting performance or even, in some cases, understanding of the factors affecting performance. This was particularly so for some local targets in new service areas, and for partnership targets where some authorities are still struggling to extract basic data from their partners a year or more into their LPSA (sticking points include locality-specific data on teenage pregnancies, data on usage of public transport, and local employment data). One beneficial by-product of the LPSA process has been that authorities are now much more aware of the need for accurate information with which to plan services.

The extent of planning for achievement of targets also varied; often authorities negotiated and signed with no clear idea how targets were to be achieved. Sometimes the corporate centre of authorities included feasibility studies or implementation proposals within their challenge and sifting process, but this was the exception, and where plans did exist they were often not well thought through.

These problems were exacerbated by the need – in some cases – to produce proposals quickly. The early batch authorities in particular found the timescale far too short, especially

where they had to prepare and negotiate the agreement over the summer. But later batches also had problems, for instance when new targets had to be prepared at short notice to substitute for others that had dropped out of the negotiation. More time would have enabled them to consult more widely, check their baseline data more carefully, develop better local indicators and plan more thoroughly for implementation.

As a consequence of this lack of implementation planning, particularly when slippage in the negotiating timetable meant that the agreement was signed well after the start of the LPSA, the early months of implementation were taken up with planning – or worse, drift – and action was seriously delayed. The fact that negotiations on stretch were not based on consideration of how stretch might be achieved led to some unrealistic targets, and failure to involve staff who would have to deliver the targets led in some instances to a lack of acceptance of the validity of the target.

The policy theme workshops co-ordinated by the LGA with government departments such as DWP and DEFRA were considered to be extremely effective in enabling local authorities to generate good initial proposals. But many authorities would have benefited from more widespread peer support and opportunities to share experiences.

Implications for policy and practice

1. *Local authorities should be required to demonstrate that they have a strategy for achieving each target, as part of the negotiation process. This would increase the chances that authorities had adequately tested the feasibility of their proposals, reduce delays in starting work, and help authorities to identify and make the case for freedoms and flexibilities. The corporate centre of authorities needs to be convinced of the robustness of such plans. However, Government should not seek to negotiate or improve the content of the plan, since the aim would not be to second-guess the adequacy of plans but to encourage authorities to prepare.*
2. *Local authorities will need both generic and target-specific support for the LPSA2 process to ensure that plans and proposals are based on best practice.*

3.3 The negotiation process

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. 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 already been learned from the process, and that the process proposed for the second generation of LPSAs is quite different. In this section we comment on aspects of the process which may have affected the final agreements, and on lessons for LPSA2.

The experience of negotiations

For many participants negotiations went smoothly; local and central government shared the same objectives, the process of discussing the target helped to clarify thinking on both sides about the underlying nature of the problems and possible solutions, and the negotiations were felt to be fair and helpful. However, many others experienced the negotiation process as frustrating. At times it was seen as overly bureaucratic, unduly prolonged, ‘chaotic’, ‘tortuous’,

unproductive and inefficient. Local authority negotiators complained about not being taken seriously by (junior) civil servants, or about the lack of any real discussion (imposition of targets, refusal of requested F&Fs, 'told us what to do and how'). Central government respondents complained about local negotiators' lack of preparation.

Local targets seemed to take longer to negotiate than national targets. Several of our case studies commented that the central government official negotiating with them seemed not to understand anything about LPSAs (this even in late batches). But others commented that civil servants were very supportive and delighted that someone had chosen a (local) target in their policy area; in these instances the negotiations were conducted in the spirit of joint problem solving. National targets were quicker to negotiate because the central government officials knew what they wanted and there were fewer of the problems over the definition of indicators which beset local targets; but the process was often felt to be not a real negotiation by either side.

Some authorities liked the e-mail-led process. However a more common comment was that 'if only we could have all sat down round a table we could have cracked it in a fraction of the time'. This typically related to targets where there were difficult conceptual issues, technical measurement problems or several policy owners in central government, where the discussion sometimes seemed to go round in circles several times amid general confusion with different central government people sometimes holding conflicting positions. This process could last as long as a year.

Joined up government?

Lines of communication with government confused local authorities (especially target negotiators in service departments), who frequently did not know who they should be negotiating with. Local authorities often experienced difficulty in finding the right person to talk to in central government, especially but not only in the early negotiating batches. Cross cutting targets were particularly difficult, and revealed a lack of joined up working between departments in central government. These problems did not seem to improve significantly as the process evolved. This gives ground for concern over LPSA2 where more cross-cutting targets may be expected.

The person carrying out the negotiations on the central government side often did not seem to have either an understanding of the realities of service delivery or detailed policy understanding. They commonly lacked the authority to take decisions, which had to be referred to policy colleagues. Although devolution of negotiations to field forces seems to have been generally helpful, there were often differences between the centres of departments and their field forces; devolution may also have led to inconsistencies, and limited any beneficial process outcomes within the centres of departments. Where central government personnel changed during the negotiation, the incomer sometimes unpicked the agreement reached by his predecessor. (One authority had to start their negotiations from scratch five times with five successive post holders in DEFRA over a 12 month period.)

Process management

LGPSA business managers were generally found to be very helpful in helping local authorities through the government maze, sometimes 'fighting their corner', and 'holding the ring' in relation to cross-departmental targets. They were also important in keeping an overview of the agreement as a whole. But occasionally their interventions were seen as unhelpful,

delaying progress and increasing confusion. Some central government respondents were concerned about ODPM imposing its own agenda on their policy area, and local authorities expressed concern about ODPM interfering in negotiations where they had no understanding of the service.

ODPM were in a difficult position, having the ultimate responsibility for delivering deals that fall within the criteria Ministers had specified – criteria which seem to have not been understood or not accepted by some of those negotiating on behalf of other government departments. ODPM have no authority over other government departments, so the process has to operate by consent. The biggest problem in making progress on the government side was the difficulty in securing engagement from a hugely devolved set of negotiators with other priorities, and no expertise in issues such as focusing on outcomes, rigorous specification of indicators, watching out for perverse incentives, and justifying the amount of reward grant per unit of ‘stretch’.

Value for money (vfm) in the degree of stretch has proved a difficult issue, particularly for targets involving small numbers (such as the national targets for looked after children, care leavers or teenage conceptions). Both local authorities and central government departments complained about instances where ODPM had unpicked an agreement that had been reached bilaterally, on vfm grounds. It is important that value for money can be demonstrated and we are not in a position to judge the substance of specific cases, but in process terms it seems unhelpful that such late intervention should be necessary and that vfm considerations cannot be made more transparent. Moreover, we think the way in which vfm is conceived in relation to stretch may need to be reconsidered (see section 4.3).

In several instances target owners told us that the final signed agreement did not reflect what they were sure had been agreed; it seems that the final version was not adequately checked locally before being signed, and that there may be a problem of version control within central government.

Involvement of Government Offices was patchy; there are some examples of very positive interventions, and several local authorities commented that they thought more involvement might have been helpful. However, if negotiation of LPSA2, like LAAs, were to be devolved to regional level, the opportunity for productive dialogue and mutual challenge between the centre of government and localities will be greatly reduced, and it is not clear that Government Offices would be able to conduct the ‘ring holding’ role as successfully as a relatively senior central team has done in LPSA1.

Timetabling

There were sometimes long delays between communications, with one side making a proposal or a request then waiting months for a response. It seems as if sometimes local government was to blame for these delays, and sometimes central government. Delays seemed to worsen as the negotiation programme progressed, so this was not simply adjustment to a new process. In both instances this may well reflect the fact that negotiations were done on top of people’s normal work and often did not take priority. The process, from a local authority’s perspective, involved intense periods of work to extremely tight deadlines (we heard of targets having to be prepared over a weekend), interspersed with long periods of silence while waiting for government comments. This does not seem conducive to well thought out agreements. Often there was not sufficient time to adequately involve partners or the middle managers and schools who would be responsible for implementation; this led to unrealistic targets, inadequate action plans, and lack of ownership.

Slippage in the negotiating timetable overall seems to have got worse as the negotiating timetable progressed and slippage in earlier batches became cumulative. The extent to which such slippage reflects inadequate resources devoted to the negotiations in central government, the need for stronger process management by LGPSA, or an over-ambitious timetable is not clear. We understand that much of it reflects a learning process within government and the progressive tightening up by LGPSA of 'quality standards' relating to rigour in the definition of targets and stretch, in a situation where many of the negotiators both in local authorities and other government departments were unfamiliar with the concepts.

Where the process has slipped badly this is likely to impact on results. Momentum is lost. Target owners and partners are confused about whether or not 'the clock is ticking' if negotiations spread beyond the start date of the LPSA. Actions to bring about change often have a significant lead time, and when negotiations reduce the time available to less than three years, achievement may be severely compromised. This is particularly problematic for education targets which typically have only two years.

Implications for policy and practice

1. *Greater provision should be made for face to face meetings where necessary where a target is proving particularly difficult to negotiate. We understand that such meetings are held, but that they are costly in time because all relevant players need to be present; however it seems to be precisely the targets where there are many stakeholders where such a process might be more efficient than email.*
2. *We understand that Government Offices will have a role within LPSA2; they will need to be thoroughly briefed on the policy and their role.*
3. *While the very short timescale associated with LPSA1 was often criticised, local authorities and central government respondents acknowledged that it did provide important discipline in the process. The more generous time allowed for preparation and negotiation in LPSA2 will be welcomed, and should result in more robust and better prepared proposals and a more inclusive process locally. But stakeholders would still benefit from operating within a clear timetable for each stage of the process to avoid loss of momentum and drift, and it is the responsibility of LGPSA and the local co-ordinator to ensure that progress is maintained. Agreements need to be concluded in time to allow local authorities to gear up for implementation. A mechanism may be needed to deal with situations where failure to reach a satisfactory conclusion on one measure threatens to hold up the entire LPSA. Either a guillotine should be imposed so that after a specified period the LPSA is signed with fewer targets, or targets should be added to the agreement at a later date (and with a later start and end date). The desirability of allowing 'start dates' before the signing of the agreement needs to be considered further; at the least there is a need for greater clarity of communication with (within?) local authorities about this issue. Time needs to be better used (more time for local authorities to respond, less time while they wait for Government). ODPM business managers have a legitimate part in the process but their late intervention, after a deal has been struck, is seen as unhelpful; the negotiation process should allow for ODPM involvement at an earlier stage and clear guidelines on what is acceptable, to make late intervention less necessary.*
4. *Accountability for LPSAs should be devolved to accounting officers in departments to make them as rigorous in agreeing stretch as if they were dealing with their own money. This should preclude the need for LGPSA to intervene at a late stage on vfm grounds.*

5. *While vfm is important and ODPM has to be able to justify the reward grant, for example to the Public Accounts Committee, it is more important in terms of outcomes to get the right target and the right indicators than the right level of stretch (which is inevitably often guesswork), and this is where effort should be focussed. The process proposed for LPSA2 should be an improvement in this respect.*

3.4 Capacity

What skills and competences were required or lacking?

Some central and local players saw LPSA as an opportunity to 'do things differently'. The process seems to have been at its most productive where policy officers on both sides got together to explore solutions to difficult problems, typically in policy areas where up to now there has been little interaction between central and local government, or where the evidence base is unclear or policy evolving rapidly. But for other respondents (again central and local) negotiations were about 'going head to head' to get the best deal. This latter position was borne out of mutual suspicion that each would try 'to get one over' the other as this was the game that central and local government played. Where both sides were of the same view then negotiations proceeded on that basis. But, where the sides were of different views, difficulties could result.

In practice there was variation between and occasionally within central departments in their capacity to negotiate, though there were several common concerns reported by local LPSA co-ordinators. These included the failure of central government representatives to 'get that it was a negotiation, they thought it was an opportunity for instruction', of their inconsistency in negotiations with relatively junior staff making agreements that would then be overturned by someone more senior in the department, of officials' apparent lack of awareness of the LPSA and of the difficulty departments experienced in negotiating across departmental boundaries.

Some central government respondents concurred that they were rather more directive than local respondents might have expected in negotiations, citing the poor quality of local performance as their justification. In certain service areas the approach to negotiations was conditioned by the pre-existing relationship between the department and the local authority (education and social services are important examples of this). Elsewhere, however central respondents emphasised that they had approached negotiations more openly, particularly in service areas that were new or developing, e.g. street scene. Central respondents commented that local authority proposals were often ill prepared containing insufficient information to enable government to make a judgement about the extent to which the target reflected local needs, and the adequacy of stretch. The guidance was not explicit about the level of detail required (indeed it is difficult to see how it could have been, given that the nature of the argument to be made varies with the circumstances), and local authorities seem sometimes not to have understood what was required.

It seems that negotiating skills could be improved both in local and central government. For instance this might involve, on the local government side, a better understanding of how to make a reasoned case and confidence-building based on shared success stories, and on both sides the development of a shared understanding of the nature of the interaction.

The process – particularly as it related to local targets – highlighted the difficulties of defining good performance indicators and the lack of experience in this in both local and central government. It showed up weaknesses in the availability and use of data for planning and

forecasting within local authorities. The negotiations also highlighted the lack of understanding on the part of some central government negotiators of the realities of service delivery and in some cases a failure to understand cross-cutting issues (sport and health was frequently mentioned in this respect).

What were the resource implications of the process and how were they accommodated?

All respondents highlighted the resource intensive nature of the LPSA negotiating process and the likely increase in this in LPSA2. This was a particular concern in central government, where some saw their departments as being better resourced to deal with LPSA2, but others were likely to have the same or fewer resources.

None of our case studies are able accurately to estimate the resource costs of the preparation and negotiation process. Typically the role of co-ordinating the bid took up a substantial proportion of the lead officer's time for at least six months and often much longer; the process also involved considerable amounts of time from the officers preparing and negotiating individual targets but it is not possible to quantify this as it was intermittent. Since the officers involved were mostly quite senior – director or head of service level – the opportunity costs to the authority would have been significant. However some of our case studies devoted far less resources to the process than this; where the process was not adequately resourced (either in terms of seniority or time), progress with the negotiations seems to have been slower and the resulting agreement is less coherent.

Implications for policy and practice

1. *In order for the negotiation process to generate new more mature central-local relations, it would be most effective if both sides approached the negotiations in the spirit of dialogue rather than confrontation. However, all concerned have to be convinced that 'the rules of the game' have changed otherwise old behaviours will continue to linger.*
2. *LPSA2 is proving much more difficult and time consuming to negotiate than LPSA1. Although the store of knowledge and expertise built up in LPSA1 and in the early authorities to undergo the LPSA2 process should partially balance the extra effort required, LPSA2 may need more resources in both central and local government.*
3. *The timetable needs to be realistic in the context of the resources within central government available to deliver it, but must be adhered to. If Ministers are committed to making this policy succeed, then officials in departments should give negotiation the required priority to ensure progress is maintained.*
4. *Central government departments will need to reconsider how best to organise for LPSA2 to provide a more collective response, bring to bear the appropriate policy expertise at a sufficiently early stage in the process, and ensure that negotiations are conducted by people in each department with the authority to take decisions on the targets in question.*
5. *Local authorities need to ensure that the task of co-ordinating, preparing and negotiating the bid is adequately resourced. Negotiations are best conducted by senior staff with knowledge of the service area concerned, and managers who will be responsible for delivering the target need to be involved. The co-ordinator needs to have sufficient authority, and senior backing.*

3.5 Negotiations and the Theory of Change

Although the process leading up to the agreements is not a primary focus of this evaluation, it is fundamentally important in shaping the agreements, a subject we examine in the following chapter. The way in which local authorities handled the preparation process – especially in terms of involvement of partners – had important implications for the subsequent commitment of those partners to the achievement of targets. And the process is central to an evaluation of the process outcomes that our Theory of Change suggests should occur within central government and in local-central relations, as discussed in chapter 7.

The research confirms many of the change mechanisms at local level postulated in our theory of change (see diagram in chapter 1). Our theory of change distinguished two broad stages leading up to the signing of agreements; preparatory discussions, and negotiations.

The TOC postulates that initial deliberation within the authority and with partners facilitated agreement of key local priorities. We found that the preparatory stage seems to have often been less rigorous and more exclusive than we had assumed. In some instances the process was curtailed either because of the negotiating timetable or lack of resources. More generally the process was severely constrained by the requirement for a spread of national targets and in particular by the imposition of national targets without discussion or explanation. Consultation with partners was also limited by a perception that the LPSA was essentially a local government/ODPM initiative, and by the embryonic nature of local partnership structures. The conservatism and risk aversion engendered in many authorities by their focus on the reward grant meant that consistency with local priorities was not the overwhelming selection criterion for targets. While the presence of agreed local plans and priorities should have equipped local government for productive negotiations, too often these plans were absent, discounted by central government, or acted as a straitjacket in agreeing stretch targets.

We found that local authorities and their partners, through the process of developing their proposals, did develop a better understanding of local priorities and what is achievable locally although again this was limited by the nature of the dialogue with central government. We found that local authorities were encouraged to be more ambitious by the process of negotiation, although in some cases they were willing to set themselves ambitious targets and in others – by accident or intent – seem to have got away with relatively undemanding targets. The prospect of the reward grant was a major factor in this ambition, while the promise of pump priming grant and UCAs went some way towards overcoming local authority concerns about the costs of change and their ability to overcome it.

The extent to which the negotiation process exhibited any of the change mechanisms associated with a different relationship between local and central government is discussed in chapter 7.

4: The agreements

In this section we examine the agreements that resulted from the process examined in the previous section, including:

- The extent to which the agreements reflected local and national priorities
- The choice of indicators and issues of measurement
- Whether the agreements were sufficiently stretching
- The freedoms and flexibilities requested and granted.

4.1 Reflection of local and national priorities

Local priorities

On the whole our case study authorities considered their targets to be important and worthwhile areas for improvement. 93% of target owners responding to our survey agreed that targets were consistent with local priorities. However, our qualitative research clearly revealed that for a variety of reasons the targets do not, in general, reflect the highest local priorities – and are sometimes not even in the ‘top 50’. As a consequence there has sometimes been disproportionate effort in areas that are not of great strategic importance locally.

This arises partly because there are differing understandings of the term ‘priority’ (The most important things? The worst performing services? The areas where marginal effort could secure the most beneficial improvement?) Moreover, some authorities have such a large number of ‘priorities’ that the term has little meaning (as one authority said ‘For us, everything is a priority’).

Most local authorities found the requirement to include a minimum number of national targets an unwelcome constraint, although some recognise that this was a legitimate part of the bargain. In some authorities – particularly later batches where central government selected the specific targets – the requirement for a minimum number of national targets was a significant problem, and there is considerable resentment that the result represents a ‘high-jacking of local priorities’. The requirement for a transport target – and the prescriptive approach from the Department for Transport as to which target should be adopted – was most frequently mentioned in this regard. However, many national targets in many localities clearly are shared priorities, and the local concern with including them in the LPSA is more about achievability or measurement.

Typically the local targets in our case studies also include some which were not, before the bid, local priorities. Sometimes this was a conscious decision on the part of the local authority to use the LPSA to deal with a specific problem or a service in need of improvement, sometimes it is a by-product of the ‘volunteering’, sifting and negotiation process as the deadline approached. Not all priorities are suitable for a LPSA target (for instance because outcomes are too difficult to influence or to measure), and as described above other criteria were equally important in the selection process. Some authorities lacked a clear and explicit framework of local priorities as a basis for selecting targets. Once a target is chosen it generally becomes a priority for the authority – not only to get the PRG, but also because

target owners use it as a way of bringing their issue up the agenda and often getting more resources for it. Moreover, priorities change; something that was a priority at the time of negotiation may not be a priority three years later, and LPSAs can serve to freeze patterns of investment.

There is of course not necessarily a coherent set of shared local priorities. The tension between local authority priorities and those of their partners has been mentioned above. But even where the targets reflect the priorities of local authorities or their partners, they do not necessarily reflect public priorities. Local service providers see themselves as having a community leadership role, which may lead them to choose targets which reflect their informed judgement of need rather than the expressed views of the public. Examples of such 'less popular' targets include waste recycling, increasing the use of public transport, looked after children and dealing with domestic violence. While the majority of such targets are national, some local targets also fall into this category.

There is in general a link between the motivation of an authority and their choice of targets and degree of ambition. Some authorities – whose main aim was either improvement in outcomes, or being seen as progressive authorities – deliberately chose ambitious targets. However it is clear that for many authorities the desire to gain the reward grant acted as a disincentive to selecting what they saw as difficult targets, and encouraged risk aversion. Those authorities which entered the process without enthusiasm, because they felt they had to be seen to participate, were similarly un-ambitious. The set of targets chosen was sometimes not consistent with avowed aims (notably aims related to improving authority-wide working), suggesting that aims were unclear or insufficiently shared at the outset.

The 'top down and bottom up' process of choosing targets followed by most local authorities, combined with the negotiation process and imposition of government targets, has often resulted in a set of targets with little coherence; this may limit the extent of systemic change. Targets are often of very different orders – some are cross cutting and long term, others much more focussed; whether this matters depends on the authority's aims. Even where authorities, in their submissions, tried to impose a rationale on the set of targets (for instance a youth theme), this was frequently more presentation than reality and is rarely reflected in the imposed national targets. There is little real synergy between targets in general, despite what some authorities argued in their bids.

The advent of Local Area Agreements raises important issues for the second generation of LPSAs. The assumption seems to be that LPSA targets will be a sub set of LAA targets, but in our view this needs more thought. If LAAs reflect national priorities, then this would seem to conflict with the focus on local priorities promised by LPSA2.

National priorities

We found it very difficult to answer the question 'How far did local and national targets reflect the priorities of central government departments?' Only one of our central government interviewees was able confidently to tell us what their department's priorities are, and to evidence this – at middle manager level it seems that a sense of priorities is fragmented with little sense of their relative importance. The departmental PSA does not necessarily reflect the current highest priorities since these change, and local government related targets are not necessarily the highest departmental priorities anyway.

It is clear that the national targets were and are all important to government, though not necessarily the highest priorities of each of the departments involved. Many local targets also reflected the national themes; targets were often 'local' rather than national mainly because agreement could not be reached on the precise focus of the target – for instance the local authority wished to focus on specific neighbourhoods or population groups rather than raising average performance across the authority as a whole, and some local targets have since become national priorities (domestic violence, physical activity and health). Both local and central government were often surprised to find how far their priorities matched, and this is a positive outcome of LPSAs.

While LPSA2 is supposed to reflect local rather than national priorities, government departments plan to exert influence, particularly those departments with few other levers over local government, and this could prove a challenge where localities have different ideas.

Implications for policy and practice

1. *12 targets seems an appropriate number – enough to get a spread across a range of service areas and to allow room for a focus on areas outside the mainstream, but not so many that focus is diluted. However, authorities finding the whole process difficult should be allowed to settle for a smaller number (with a correspondingly smaller reward grant).*
2. *The decision to abandon national targets in LPSA2 will be welcomed by local authorities, although some will struggle with the responsibility of having to determine targets for themselves. The new process proposed for LPSA2 seems more likely to result in a set of targets which genuinely reflect local priorities, are evidence based, and coherent. However, it is not going to be easy for government to judge this and authorities would benefit from explicit guidance on the requirements for proposals.*
3. *It will be important in LPSA2 to ensure that there is a genuine and evidence based debate about priorities, preferably involving dialogue between LA service departments and their counterparts in central government. Given local government expectations that LPSA2 will reflect local priorities, if government is seen to be imposing national priorities (even if these are shared between central government and the LGA) this will lead to great resentment. Does the capacity to engage in such a debate need to be strengthened?*
4. *Not everyone concerned in Government departments has understood or accepted the role of LPSA2 in relation to the broader policy framework of devolving decision making to localities. LGPSA should explain to departments that they should not be concerned if their targets are not included in the LPSA, since LPSA may not be the best way of achieving such targets.*
5. *However, there is a danger that if LPSAs are no longer a vehicle for achievement of departmental targets, departments will disengage and the extent to which they are prepared to offer F&Fs will decrease.*
6. *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 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.

4.2 Performance indicators and measurement issues

Target definition

LPSAs are supposed to focus on the outcomes of service delivery, rather than processes, inputs or outputs⁵. Outcome targets are less likely to have a distorting effect on organisational behaviour and service delivery and are less prone to manipulation. They are also more likely to stimulate new approaches to service delivery, since they are not tied to existing service delivery processes.

Analysis of the indicators used in the first generation of LPSAs⁶ found that almost half measured outcomes; the remainder were mainly throughputs and outputs. Given the difficulty of defining outcome measures and the fact that many established national indicators are not outcome measures, this is a positive result and much higher than has been achieved elsewhere, although there is clearly room for improvement in LPSA2. Outcome measures were more common for education, employment and crime targets, while some services (for instance libraries) had few or no outcome indicators. Although analysis of the indicators for all agreements showed that the majority of the outcome measures were robust, our qualitative research found that authorities are experiencing many problems, particularly in relation to input, throughput and output indicators.

Much of the time in negotiation was spent on target definition and measurement issues rather than stretch; ODPM went to great pains to try and make the specification of indicators unambiguous, and local authorities generally found this helpful. Defining robust performance indicators that accurately reflect desired outcomes is not easy, and individuals in both local and central government faced a steep learning curve. Problems most commonly occurred in the early negotiating batch authorities. They arose particularly in relation to some local targets which were exploratory, and in some instances this has contributed to a helpful development of measurement practice in this policy area (for instance BVPI 199 relating to the street scene). But problems also arose with some national targets, although the majority of these are clear and well understood.

Problems include:

- Indicators that work against each other. For instance one authority has two indicators relating to domestic violence – one to increase reporting of offences (since only if offences are reported can action be taken) and one to reduce the number of repeat offences. Although the logic of using these indicators is clear, they obviously work against each other in the short term. Similar problems arise in other policy areas where there is consistent under-reporting such as accidents in the home and workplace; here education activity can lead to an increase in reporting, and there may be a considerable lag before the figures reflect the impact of measures to reduce accidents.

⁵ Local Public Service Agreements: New Challenges. DTLR July 2001.

⁶ Boyne, G and Law, J (2004) Designing Performance Measurement to be drawn on in the second generation of Local PSAs unpublished.

- Indicators which have perverse incentives for behaviour. For instance:
 - A target to increase the number of adoptions in the target year (a national target for early batches) could result in adoptions which might have occurred in the second year of the LPSA being deliberately delayed.
 - The national waste recycling target encourages authorities to focus on heavy items such as paper and glass rather than bulky but lighter ones such as aluminium for which there is a market.
 - The national target relating to educational outcomes for care leavers, if expressed in absolute numbers rather than percentages, operates against the policy objective of reducing the numbers of looked after children and is highly problematic with a target group where cohort size is volatile.
 - A target relating to independent living for older people, expressed in terms of the number of care packages, creates a perverse incentive to give people more care than they actually need or to provide care on the basis of whether or not it is part of the indicator rather than whether or not it is the most effective approach in the circumstances.
- Indicators which are a poor reflection of policy objectives. For instance one of our case studies has a target to reduce the number of looked after children placed more than a certain distance outside the authority's area. This particular target was imposed by the SSI and DoH. This conflicts with the national (and local) policy objective of stability of placements for LAC since it implies moving children currently placed at a distance, those whose long term carers move out of the locality or those who are placed with geographically distant kin, to a new placement. Similarly a DoH indicator relating to the care of the elderly excludes befriending, regarded by some practitioners as the most effective way of helping people.
- Indicators which are open to manipulation. The most common example is the national target on trancies (unauthorised absences); since authorisation of absence is at head teachers' discretion an unauthorised absences target may simply result in absences being authorised and so 'hidden'. A consolidated attendance target would achieve the policy aim.
- Indicators which are highly volatile because they apply to small numbers; this applies to targets for road accidents, looked after children, care leavers and in some areas crime. In these instances authorities feel that it is something of a lottery whether or not they hit the target – it would only take one coach crash, one large family of children coming into care, or one burglar on a crime spree to take the authority well over the target in the final year.
- Indicators which do not match the BVPIs or other national targets which were introduced after the agreement was signed, resulting in duplication of effort.
- Ambiguous, inappropriate or changing definitions of national PIs. For instance one authority whose target was measured by a BVPI found that the definition changed soon after their agreement, so that their baseline fell from 70% to 48% compliance and the degree of stretch in the target more than doubled. It took the authority two years to agree a compromise definition with DEFRA. A number of the Department of Health PAF indicators are open to measurement in different ways, as are police figures for domestic

burglary. At the time of our field work the equivalent qualifications mentioned in the national key stage 4 target had still not been agreed. Some national indicators include inappropriate data and give an unrealistic picture of performance; for instance data on care leavers which includes young people who did not want support or were not eligible for it.

However, there were some examples of cases where an authority managed to persuade a department to modify an indicator and adopt a measure considered locally to be more meaningful. Examples from our case studies include monitoring school attendance rather than truancy (where some authorities succeeded in getting an attendance target while others failed), and injuries in fires rather than deaths alone.

A number of authorities agreed targets involving a cluster of up to five separate indicators. Such a cluster can help to ensure that perverse effects are avoided, although it can increase the chances of one indicator working against others. However, if there is little synergy between the indicators and they are separately managed, such complex targets may simply result in a diffusion of effort and lack of focus.

Some targets are formulated in such a way that it is difficult to have an impact at reasonable cost (for instance a burglary target relating to a large rural area with low crime rates, or county-wide educational attainment targets). We understand that some departments resisted localities' proposals for more focused targets, for instance ones relating to a specified group of pupils or schools (although there is inconsistency in this respect).

While ODPM consistently exerted pressure on both authorities and other government departments to adopt outcome indicators, many of those involved in the negotiations did not fully appreciate the distinction between process, output and outcome indicators and about half of the indicators in LPSAs are process or output indicators. Where the process in question changes, this can render the target inoperable even though the underlying policy aim may still be valid (for instance processing of housing benefit claims). It is noteworthy that most of the problems listed above relate to input, process or output indicators rather than outcome indicators.

However, while outcome indicators are in principle desirable and reflect the spirit of LPSAs (that government should focus on outcomes while leaving authorities free to decide how these should be achieved), they do bring problems. They are by their nature difficult for a local authority to control – some more so than others – and subject not only to actions by partners but also to randomly occurring factors outside the influence of local partners. This makes them high risk, and hence unattractive especially to those authorities strongly motivated by the prospect of reward grant or which feel that their reputation is at stake. It is unreasonable to hold staff accountable for something they can only partly influence, and staff may be demotivated if they see their best efforts negated by external influences. There is also room for debate on what is an outcome (for instance, is obesity an outcome in its own right or a proxy measure for health?).

Measurement issues

Some of the local targets in particular are suffering from severe measurement problems, although most authorities tried to avoid targets where they knew data were absent or inaccurate. Often data problems do not emerge until after the agreement has been signed.

Some indicators are disproportionately costly to collect. For instance one authority had to collect data relating to part of a community development target via two surveys, one at the

beginning and one at the end of their LPSA. The cost of the surveys will far outweigh the share of reward grant attributable to that part of the target.

Inaccurate baselines are a recurrent problem, particularly when relying on data from partners. The national bus use target, which is reliant on data from commercial partners collected for other purposes, has proved particularly troublesome in this respect. However, even the authority's own data has been shown to be inaccurate in many instances, a problem compounded by the speed of negotiation which has meant that data accuracy was not adequately checked.

Accessing data from partners is a common problem. Sometimes agreement is reached with individuals in the partner agency concerned, but following staff turnover access to the data is then denied. Access to health data has been adversely affected in many areas by the reorganisation of the health sector and the replacement of health authorities by PCTs. Problems have also been experienced in obtaining data from national sources; for instance one authority requires jobless statistics on a post code basis; although ONS promised to provide this we understand that 18 months on the authority is still unable to access the data.

Where issues of measurement were left to be resolved after signing this has taken much more time than expected; some authorities are still in difficult discussions about baselines and definitions in the final months of their LPSA. Delays in resolving measurement issues may impact on an authority's ability to hit the target, and greatly adds to the stress on target leads.

Implications for policy and practice

1. *All targets should be clearly justified in terms of desired outcomes. However, outcomes are difficult to measure, and because they are often subject to strong and unpredictable external influences and are generally long term in nature they are difficult to manage against. Accordingly it may be expedient to use an output or even a process measure as a proxy indicator instead of or alongside an outcome indicator, where the proxy measure is plausibly linked to the desired outcome. (This is deliberately a weaker test than the current one applied by ODPM, which requires research evidence quantifying the extent to which outputs or intermediate outcomes are linked to final outcomes.) This would be preferable to abandoning a target in a priority policy area because a suitable outcome indicator cannot be agreed.*
2. *Agreeing suitable indicators in LPSA2 is likely to be a major task. Local authorities (and government) will need help to define suitable indicators. Local authorities and central government officials would benefit from sharing their experience in the definition of targets in specific policy areas in LPSA1, to ensure that learning is consolidated and fed into departmental performance management frameworks and that mistakes are not repeated in LPSA2.*
3. *Departments may need to help with the development of solutions to common data problems particularly those involving sharing of data between public sector partners.*
4. *Efforts should be made in defining targets to minimise the impact of chance fluctuations; taking an average of the values of the target indicator over two or three years should be considered where targets are particularly prone to such fluctuations, for instance because of small numbers. (This also applies to the baseline.)*

4.3 Stretch

Generally, target owners and the corporate centres of authorities at the time of signing considered their targets ‘challenging but achievable’, and the process whereby they were agreed fair. In hindsight, the level of stretch varies considerably between targets.

Research relating to the Best Value regime⁷ suggests that a target regime is more likely to work if the targets are viewed as realistic by those who have to deliver them, while the degree of ambition is not necessarily significant in determining achievement. (Our own research should cast more light on this once data on the achievement of LPSA targets and the results of the second stage of our survey become available.) This makes sense in relation to our findings on the motivation of target owners and others responsible for delivering improvement.

Sometimes target setting was a shot in the dark on both sides. Many targets suffered from inadequate data about past and current performance, a lack of understanding of what is required to improve performance and a lack of comparative data to inform judgement on what can be achieved. The LPSA process has led to a significant increase in understanding about some issues – for instance factors affecting the admission and discharge of elderly people from hospital, treatment for drugs offenders and the best ways of dealing with domestic violence. In other instances there was very little planning or thought about how targets would be reached before they were negotiated, and setting the targets was purely a ‘numbers game’. This has sometimes contributed to a discovery that the level of stretch is too challenging.

Sometimes targets have proved much easier than expected; where this has happened, in at least one instance the local authority has, unprompted, set themselves a new much higher target. More often targets have proved more difficult than expected; where this is because of unexpected external factors (for instance, industrial action leading to a large fall in bus use) local authorities generally recognise that this is a risk they have to bear (as they might have benefited from unexpected helping factors.)

Sometimes target owners deliberately set their sights low, and (particularly for local targets) central government did not always have the information necessary to challenge them and negotiate greater stretch. However, in very few of our case studies was this an authority-wide pattern, and in only one or two instances does it appear that lack of ambition could be characterised as duplicity. The authority’s local knowledge was used in other instances – sometimes within the same authority – to set a deliberately challenging target.

Where government pushed too hard for stretch, rather than agree a target they thought unrealistic the typical reaction of the local authority was to drop that target, except in the case of national targets where they often did not have that option. Since a number of national targets are based on stretch against an existing target that was itself aspirational (educational attainment), or require improvement in the face of a downward trend (bus usage) it appears that in some target areas the target set is systematically too high. Authorities which are already performing well against an indicator sometimes considered that central government failed to take into account that improvement may become progressively more difficult; how far this is true may be revealed by our quantitative analysis. However, in other instances central government actually advised the authority to lower their level of ambition.

⁷ Walker, R. and Boyne, G.A. (2004) *‘Public Management Reform and Organisational Performance: An Empirical Assessment of the UK Labour Government’s Public Service Improvement Strategy’* (www.clgr.cf.ac.uk)

Many authorities consider that central government did not take sufficient account of local circumstances in setting the degree of stretch, but mechanistically applied a national formula. This applies particularly where authorities deliberately put forward a poorly performing service that will struggle to achieve existing national targets. In these instances it is unrealistic to expect the authority to achieve stretch on top of those national targets especially where there are specific local circumstances outside the local authority's control underlying the poor performance. We are aware that some central government departments see the LPSA as a mechanism for increasing the probability that national targets will be achieved, but the feeling of having been 'set up to fail' is causing bitterness locally, and the resulting focus of attention on the failure to hit the stretch target rather than the improvement achieved is likely to damage staff morale.

Where staff turnover has led to a new target owner, the current lead often considers the target unrealistically high ('so far beyond the reach of [this locality] as to be meaningless'). This may reflect lack of care at the negotiation stage (perhaps by someone who knew they would not be responsible for delivery), drift in the early stages of implementation resulting in lost time, or a lack of 'ownership' and commitment by the current lead. All these point to inadequate leadership and oversight, the weakness of systems for ensuring that the basis of and rationale for targets is documented and passed on when staffing changes, and the failure to cascade corporate priorities into the objectives of individual managers.

We have found relatively little evidence so far that a target which turns out to be easy leads to a slackening of effort, since in general managers are motivated by outcomes and anyway usually cannot 'fine tune' performance to achieve a given level of outcomes. An unrealistically high target may also not be a problem where it is 'owned' locally, and where target leads are confident that they will not be blamed for failure to hit the target in the LPSA period; in these circumstances staff will continue to strive for improved outcomes even knowing that these will not be achieved within the LPSA period. But where the reward grant is an important aim, or where the target is felt to be unfair, too high a degree of stretch can be demotivating.

We are aware that Ministers are unwilling to re-open negotiations, partly from a conviction that this might result in local authorities devoting effort to renegotiation rather than trying to achieve the target, and partly because they are of the view that 'a deal is a deal', and binding on both sides even if circumstances change. Ministers are only willing to renegotiate in specific circumstances, mainly where what the agreement says is not what government and the local authority intended to agree at the time of negotiation.

Nevertheless, we found that some circumstances in which targets seem likely to be missed are causing much bitterness locally. Three particular issues concern authorities:

- Baselines which have turned out to be inaccurate so that the degree of stretch embodied in the target is much greater than was envisaged at the time of negotiation. This is a common occurrence especially in relation to local targets which have been fraught with measurement problems (see below). Some local authorities have asked for their target to be adjusted but these requests have been refused. We understand that the principle of 'no renegotiation' holds even where the error is in the local authority's favour, but local authorities do not always seem to be aware of this.
- Changes in national policy or practice, for instance a policy change in central government which means that the target is no longer a priority for or relevant to local partners (Home Office and police targets; Department of Health direct payments); a change in the national method of measurement which shifts the baseline and makes the target much harder to

achieve; or where the 'no LPSA' level was based on a national target which has been recognised as unrealistic and been relaxed (educational attainment at Key Stage 2). Refusal to renegotiate in these circumstances has led to a lot of ill-feeling. Of course, some national policy changes are helpful to the attainment of LPSA targets. But arguments at the end of the LPSA about 'changing goalposts' will be unhelpful to both local and central government.

- National targets for education (especially the attainment targets) seem to be too stretching across the board, and it looks as if many local authorities will not achieve them – probably because the 'no LPSA' came from EDPs which were themselves aspirational and took insufficient account of local circumstances. Similar problems arise over bus use and crime targets.

Our interviews suggest that stretch also seems to have been systematically too high for some targets relating to small cohorts where local authorities have little control over outcomes (for instance outcomes for care leavers) and ODPM pushed for greater stretch on value for money grounds (balancing reward grant against the number care leavers benefited and the value of benefits). This may indicate that such targets are unsuitable for a LPSA or that the approach to vfm needs to be reconsidered.

Value for money as a consideration in setting stretch

In principle it must be right that LPSAs should represent value for money in that the benefits should exceed the costs, and this is a central concern of ODPM and the Treasury. However what should be included on each side of the equation it is a matter of perspective. Government typically considers reward grant as a 'cost' while local government considers it as a 'benefit'. This is understandable in the context of a negotiation perceived as a zero sum game ('you win I lose'), and ODPM's concern about justifying reward grant to the Public Accounts Committee. However in both cases it confuses what should be the real focus of the debate – the resource cost of achieving the improvement (including pump priming grant and the authority's own funds) compared with the benefit in improved outcomes.

This confusion can result in local authorities failing to consider whether the investment being made in the target area is justified by the outcomes, and to throw resources at a target in order to get the reward. And it can lead to difficulties in assessing stretch for targets relating to small numbers of beneficiaries, where if Performance Reward Grant is included in the equation the value for money hurdle is unreasonably high.

From a societal point of view PRG is clearly a cost not a benefit. But in treating it as a cost it is our view that it needs to be set against not just the improved outcomes in the stretch target, but also against the benefits it will presumably bring when it is spent by the local authority. However these are unknowable at the negotiation stage. Consequently we would argue that it is best left out of the equation during negotiations, although it would be an interesting evaluation question.

There is a related problem, that different outcomes of LPSA are not comparable and so it is impossible to judge whether targets are of equal 'weight'. If reward grant is included in the equation when assessing stretch, then the 'tariff' (the degree of stretch considered worthwhile for a particular target) should be set by the department concerned which will be in the best position to judge the value of the outcomes.

Implications for policy and practice

1. *To be effective in a reward-driven system, targets need to be seen to be stretching but achievable by those who have to deliver them. National, standardised, aspirational targets – set without reference to local achievability – and negotiated, contractual targets are incompatible. The degree of stretch should be set in the light of local circumstances and should be realistic.*
2. *The degree of stretch (and/or the threshold for reward grant) needs to reflect the risk attached to particular targets. (Risk is associated with factors such as inadequacies in performance information, small numbers, year to year volatility in the indicator or target group, partnership working, lack of influence over the target indicator and susceptibility to external influences including changes in national policy.)*
3. *There is a fine balance to be achieved between ensuring that targets are sufficiently stretching, and pushing the local authority to the point where they sign up to something they do not believe can be achieved. Sometimes both sides in the negotiation are equally in the dark about what is achievable, but often the local authority will have a better understanding. Local authorities should be more prepared to walk away from a target when they are pushed too hard.*
4. *We understand that renegotiation involves a significant resource cost for central government, and that Ministers wish to avoid encouraging local authorities to expend resources on renegotiation rather than achieving the target. Nevertheless we think there may be scope for more flexibility over renegotiation of targets in cases where the baseline data was so wrong that the target as it stands is clearly not achievable, and more particularly where the problem lies with a change in national policy or practice. Should there be a statement to local authorities on the situations where renegotiation will be considered, and those in which it will not?*
5. *Linked to the above, central government needs to make clear the implications of policy changes that result in the wholesale removal of a target area. Will PRG be calculated on the basis of what has been achieved prior to the policy change or will all potential PRG simply disappear? Currently local authorities appear unaware about the rules pertaining to this; clarity from ODPM would help them avoid investing effort in trying to reopen negotiations with government departments.*
6. *In our view, the whole issue of value for money as applied to LPSA needs reconsideration. Where considerations of value for money are evidence-based (for instance based on research into the social value of outcomes) this needs to be better explained to authorities rather than simply being used as a negotiating weapon. While some authorities might take advantage of greater transparency to seek to reduce the amount of stretch to the minimum acceptable, given the way that vfm is calculated this still represents an exceptionally good ‘deal’ from government’s point of view.*
7. *Both central government and local partners will have learned much about setting stretch targets as a result of the LPSA process; much of this learning will be sector-specific and so not captured by our evaluation. For the national targets and those local targets which have been adopted by a significant number of authorities and/or where there is central government interest, some mechanism should be found to capture this learning.*

4.4 Freedoms and flexibilities

The experience of negotiating and securing freedoms and flexibilities (F&Fs) was a source of great disappointment to central and local respondents, though the data suggest that local respondents had far greater expectations about what was possible than central respondents. The greatest disappointment is expressed in the corporate centre of authorities; views amongst target owners are more mixed and at this level there are seen to be some real successes. This disappointment – acknowledged in central government – is despite the fact that in total in LPSA1 1,614 F&Fs were granted, an average of 11 per authority. The problem lies not with the number but with the quality of what was requested and granted.

Most local authorities – sometimes to their surprise – had great difficulty identifying freedoms and flexibilities that they needed and would be likely to get. Many of the real barriers are statutory and require primary legislation, which was ruled out. The lack of success of the pilots and early authorities in negotiating freedoms led to conservatism – authorities decided that identifying freedoms which would only be refused was a waste of time. Although some authorities identified a significant number of specific barriers, authorities generally found that it was difficult to identify freedoms that could be tied to specific service improvements. Many local authority managers are unused to thinking in this way, and a lack of information about what was possible resulted in the failure to exploit the potential of freedoms and flexibilities. In these circumstances more information about what was available and what had already been refused might have led to a much better agreement. Some local authorities argue that they can already do most things they want to do without asking – which has led government departments to consider their communication with local authorities; others were surprised to find that perceived barriers were not real (and acknowledge that the process was helpful in making them aware of this and think about the real barriers).

Where freedoms were requested, authorities perceive that reasonable requests were often turned down with little thought and inadequate explanation by government. Corporate local authority respondents were particularly frustrated at what they perceived to be central government's 'problem with flexibility', resulting in localities 'wasting time' identifying possible freedoms and flexibilities. Fear of setting precedents, anxiety about local variation and risk aversion seem to have discouraged officials who found it easier to say 'no', and some central government respondents indicated that their default position tended to be 'no' too often. Officials in some central government departments were sceptical about the value of granting freedoms and flexibilities to individual authorities under any circumstances, or view F&Fs as a reward not an enabler. But it is clear that requests were not always well thought out, and would, for instance, sometimes have required a reallocation of funds from one authority to another, an absolute increase in government expenditure, or infringed third party rights. Other requests would have required legislation or conflicted with policy. We have no audit trail of F&Fs requested and refused; it seems that many early requests never made it on to paper, and local authorities have often not kept records of the reasons given for refusal. It is going to be very difficult for us to come to an informed judgement as to how far local authorities' perceptions that reasonable requests were refused are true.

Where freedoms were granted, they have often turned out to be not very useful, or generally useful but not specifically helping to achieve the target. The majority of freedoms and flexibilities granted seem to have little meaning, being simply promises to talk. Conversely where freedoms were refused, in none of our case studies does the authority claim that this has had a significant impact on attainment of the target.

Where further discussions or action by government departments were promised, these have generally been slow to materialise and this has in some instances been a significant barrier to improvement. LGPSA tracks progress with such commitments, and we understand that this tracking process seems to be a stimulus to progress. Only one target in one of our case studies tied the degree of stretch to delivery by government of their side of the bargain.

However there have been some successes in the removal of obstacles, including ones with a material impact on achievement of the target. Instances are given in chapter 5. It sometimes takes very little effort on the part of officials in central government to bring significant benefits to local people, and the fact that it has taken the LPSA process to remove such blockages is an indictment of the previous lack of dialogue between central government and individual local authorities. The general freedoms granted to all (such as virement within the Standards Fund) or which were requested by authorities but already in the legislative pipeline (such as the freedom for Direct Works Organisations to trade, and the relaxation in the verification requirement for housing benefits renewals) have also proved helpful.

One concession which most of our case studies would have welcomed, and asked for if they had thought they would have had any chance of success, would have been for the education targets to have been measured in the summer after the end of the rest of the LPSA rather than the summer before, so giving the authority three full academic years to achieve improvements instead of the two which most had and which most found inadequate.

There is some evidence from our research in central government of the process of discussion about freedoms and flexibilities enabling central government to better understand the real nature of obstacles to improvement. However this is not necessarily always positive. In some instances central government respondents indicated that they had become more aware of how the vagaries of the policy making process could adversely impact on local implementation. However, they were not sure that anything could be done to change the way in which policy was made and the inconsistencies that sometimes resulted that localities had to deal with. There was also evidence that central respondents were surprised by how many requests required primary legislation. This gave some respondents pause for thought about whether the assumptions that the barriers lay in 'red tape' were in reality correct, while for others it simply reflected local authorities failure of imagination.

Elsewhere, central government respondents' experience of negotiating freedoms and flexibilities had hardened their views about local authority capacity. Incidences of local authorities asking for things they could already do, sometimes provoked reflection amongst respondents about the need to improve channels of communication to localities, but just as frequently prompted impatience amongst respondents that local authorities hadn't taken the time to understand the rules.

Finally there is some evidence that particular requests for freedoms and flexibilities, e.g. in relation to shared access to data, were acknowledged to be potentially important but were not progressed as quickly as they might be because the time and resources involved in negotiating such issues was considerable and central departments were not convinced of the value of this activity for a single locality in the face of other departmental priorities that had universal significance (see chapter 7 for further discussion of freedoms and flexibilities).

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. Several policy interviewees said that they were nervous about setting precedents, and some of their colleagues observed this to be the case. DWP, for instance, was unwilling to risk upsetting a national system of provision by agreeing to local changes, however sensible they might seem, and symbolises the challenge raised by local flexibility to a national system of delivery. 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 – if improvement in relation to shared goals is the aim, then why is government not doing everything it reasonably can to facilitate this? 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.

ODPM went to considerable lengths to try to ensure that departments granted reasonable requests for freedoms, and that those promised were delivered. A Cabinet sub-committee was set up to oversee arrangements, and ODPM tracked and reported on progress with keeping promises. The failure to deliver despite Ministerial backing (and the similar failure of the Innovations Forum to deliver on this count, again despite Ministerial backing) points to the need for more radical policy revision, but this takes a large amount of senior capacity that is apparently lacking.

Implications for policy and practice

1. *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.*
2. *The Comprehensive Spending Review 2004 commits the government to further strengthen LPSAs, working with councils to identify and remove obstacles to effective delivery. This renewed commitment will be welcomed by local authorities if it is seen to be backed up by a more flexible negotiating stance on the part of individual government departments. Departments should be required to give written justification for refusals to request for freedoms and flexibilities, which could then be challenged. Departments should compile and make publicly available a list of common requests that are invariably turned down, with the reasons.*
3. *All government departments should conduct an exercise to identify:*
 - a. *Freedoms requested through LPSA (especially where requested by a number of authorities) which may indicate that a change in legislation is required*
 - b. *Requirements that are not statutory and can therefore be regarded as potential freedoms and flexibilities*
4. *Innovation does not happen easily in a vacuum, and it seems to us unhelpful to treat requests for freedoms and flexibilities as an initiative test for local authorities. The freedoms that have been granted are public information, but time-consuming for an individual authority to access and process. Either ODPM or the LGA should collate, regularly update and publish a structured list of substantive and replicable freedoms that have been granted, to help authorities prepare their submissions. It would also be helpful if departments could distil for publication a few generic changes that might be likely to be*

granted where an authority could make the case for a link with a proposed target (since F&Fs as they appear in agreements are generally not easy to interpret).

5. *The longer timescale for preparing submissions under LPSA2 should allow local authorities and their partners more time to consider potential freedoms. This would seem however to be an area where joint working between groups of agencies nationally could make more progress than localities working alone. As part of the support framework for LPSA2, a small number of working groups on common topics should be convened to identify (and provide evidence to justify) potential freedoms. Authorities should then document and share their experiences in negotiating these freedoms with a view to mounting a joint challenge in the face of unreasonable refusal.*
6. *Local authorities should attempt to tie the degree of stretch required before reward grant is awarded to the delivery by government of any agreed freedoms. Where government's delay in delivering on commitments has prevented achievement of a target, authorities should be granted an extension.*
7. *Because so few meaningful freedoms were granted, our research will not provide robust evidence about whether or not they contributed to improvement. Significant freedoms and flexibilities should be treated as pilots and evaluated and the findings fed back to central government. In LPSA2 such evaluation and feedback should be a condition of granting F&Fs.*

5: Implementation

In this section we begin to address the questions:

- What were the real barriers to improvement, and in what ways did the LPSA process address these and bring about change?
- What new structures, systems, and processes were put in place to deliver on targets and to manage performance? How were the targets aligned with and integrated into other local processes, plans and budgets?
- How did local authorities handle risk and failures? Where interim targets were missed, what action was taken and what was most effective?
- To what extent were resources diverted from other areas, and what effect did this have?

Our case studies are all part way through implementation, and our research on these questions will continue.

5.1 Bringing about change

The barriers to improvement

The implicit assumption within central government underlying the LPSA policy (as evidenced in our interviews and Theory of Change workshop) was that the real barrier to improvement in local government is the lack of will and lack of capacity 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 (as opposed to the one-off costs of development), reflecting the very limited funds many authorities – particularly smaller rural authorities and others not eligible for regeneration funding – have available for discretionary services.
- The absence of a performance culture within particular services or entire authorities, often associated with weak leadership and lack of performance management.
- Traditional ways of working, processes and attitudes, which are difficult to change. The ineffectiveness of these ways of working may not have been perceived, the costs of change may have been seen to exceed the benefits or more often management may have lacked the will to confront entrenched practices.
- The absence of structures to enable cross-agency problems to be dealt with, a history of poor partnership working, a lack of mutual understanding and the difficulties of

partnership working especially where agencies face conflicting pressures. Similar problems exist in relation to cross-departmental working within authorities.

- Lack of understanding of the root causes of problems, the barriers to improvement and what to do about them – the absence of any theory of change at target level or more generally within localities.
- Lack of awareness and ownership of a problem, particularly for issues which have a low public and political profile and are under-researched.
- A wide range of environmental factors which are difficult for a local authority to influence, such as public attitudes towards the use of cars and recycling which local politicians may not have the will to challenge, and difficulties in staff recruitment and retention because of local labour market conditions.
- Government regulations or lack of powers were rarely mentioned as a barrier (see the discussion above on freedoms and flexibilities).

The role of LPSA

The range of incentives and enablers offered by LPSA is seen in most of our case studies to have been very helpful. There is greater enthusiasm within service departments (where the mechanisms are seen as contributing to specific improvements) than in the corporate centres (where these improvements are seen in the context of the full range of authority services, in which light they may not be very significant).

As described in chapter 2, the key motivator for most managers charged with bringing about improvements under LPSA is improvement in outcomes for local people. However LPSA has been important in enabling improvement.

The opportunity LPSA offers to focus on a limited number of objectives was the enabler most frequently mentioned in our interviews. LPSA has added momentum to things that were difficult to do or that would otherwise have been crowded out by an already crowded agenda. Many local authority managers feel overwhelmed by the number of objectives they face and unable to prioritise these; this lack of focus is a recurring theme in criticisms of corporate management under Comprehensive Performance Assessment. By raising the profile of previously neglected policy areas, LPSA has made it easier for managers to argue the case for more resources and encouraged all involved to review the impact of their policies. It has provided a catalyst for partnership and cross-departmental working (see below). It has also given managers time and incentive to work out the real barriers to progress and develop ways of addressing them.

Pump priming grant has also been a key enabler, more so in some cases than others. Eight out of ten of the pilot authority target owners whom we surveyed on this topic agreed that PPG was helpful, and half of these strongly agreed (a more positive response than to any of the other LPSA mechanisms). As a minimum it has acted as a 'sweetener' for staff and partners and a signal that change really is expected; in many cases however it has been crucial for success, providing the space to allow managers to focus and allowing things to happen that would not otherwise have been possible. PPG has often been matched by the local authority or has helped to lever in additional funds from outside – because in many target areas it is not enough on its own to bring about significant change – and this increase in resourcing has been fundamental in bringing about improvement. PPG has provided the

necessary resources for coordination, intelligence gathering, establishing new systems, experimentation and piloting, the short term costs of process re-engineering and, on occasion, for direct service provision in both new and existing services. It has been helpful in persuading partners to participate. It is most helpful in 'small' tightly focused targets where it is a significant addition to existing budgets, less so in mainstream services such as education where huge changes may be required across many staff members, and where PPG is relatively insignificant in relation to existing budgets. However, additional 'protected' money is welcome even in big budget areas, and quite small amounts per school can have an impact. The fact that PPG is available over 3 years makes it one of the more stable sources of funding for many services, allowing longer term planning. However, in some target areas the need to identify suitable uses for PPG has been a distraction and appears to have slowed progress with pre-existing plans, and the fact that it has mainly been spent on staff raises questions about sustainability (see section 8.3).

Performance reward grant is not generally a motivator for managers except at the most senior level, since few expect it to be reinvested in their service and it seems a distant prospect. (In the one case study authority that has committed to reinvest PRG in the target areas, it is a motivator for staff although still not a major one. In another case study where the same commitment has been made, the PRG has already been incorporated into the service's budget, potentially leaving a huge hole if the target is missed.) Most target leads however have a sense of not wishing to let their colleagues down by failing to achieve their target and the consequent reward, particularly in those authorities which see themselves as significantly under-resourced and for whom the PRG is an important objective of participation in the scheme. The prospect of reward grant is a strong motivator at senior level and has helped to tighten performance management in some authorities, particularly by members, and so contributes to success indirectly. It has also provided additional motivation in those services that are already heavily target driven such as education. Few of our case studies have formal agreements to share PRG with partners, although several have made verbal commitments or are in discussions about this.

Unsupported Credit Approval (UCA) has been vital for some targets in some localities, and in some of these instances has been the most significant part of the LPSA. Major uses of UCA in our case studies have been new recycling plant, information and communications technology infrastructure, improvement of public and private sector housing, key worker housing, and road accident reduction schemes. However the use of UCA has been relatively limited because in the majority of services the need is for revenue not capital; the utility of UCA has also been limited by the inability of many of our case studies to service the resulting debt. Some authorities have made much more use of this instrument than others, a difference that seems to be mainly driven by their attitude to and capacity to service debt.

The granting of freedoms and flexibilities has in general not made a material contribution to the achievement of improvements – few were asked for, still fewer granted. Where freedoms were granted they are generally acknowledged to have been useful but not vital, and often came too late to be of much use; however in a few instances local authorities claim that the failure of government to deliver on the freedoms they promised has severely compromised delivery. Where freedoms were refused, in most cases this does not seem to have materially affected progress towards the target. There are exceptions to this and examples are given in the box below, but they are rare. The freedoms that would have been really useful all required changes in legislation which was ruled out from the outset.

Freedoms and flexibilities – success stories

- *Support for children with special needs and their families.* A major barrier to parents acting as key workers was the need for parents to access information about their children from their home PCs. Local partners have developed a technical solution enabling secure access via the internet to a joint agency system. The need to obtain approval from the NHS Information Agency had been blocking progress; as a result of the LPSA, the Department of Health helped to smooth the way and approval has now been obtained and the model is being tested.
- *Helping the elderly to remain independent.* Broken hips are a common cause of admission to hospital for elderly people, and the local authority was concerned that the hip protectors currently available were inadequate. The government agreed to approach the Medical Devices Agency to elicit their support in persuading manufacturers to change the design. Some manufacturers have now introduced new designs, although how far this reflects support from the MDA is unclear.
- *Youth offending.* Strict criteria are laid down nationally for face to face contact levels with young offenders, regardless of the assessed risk of re-offending. The authority sought and gained temporary relaxation in these standards, arguing that – in this very rural county – attaining the standards consumed high levels of staff resource which would be better targeted on those most at risk.
- *Housing.* One authority made a case for changing legislation in relation to the improvement of empty private properties, proposing that any improvement undertaken under section 29 of the Local Government Act be recoverable on local land charges. Central government initially did not grant this as a freedom and flexibility but the local authority identified other local authorities that have supported this proposed change and the proposal was considered for inclusion in forthcoming housing legislation.
- *Road safety.* One authority was allowed to introduce a 20 mph zone without having to install the infrastructure usually associated with such zoning e.g. speed humps. This F&F was granted on the condition that if the intervention was not successful the authority would either remove the scheme or install appropriate physical calming measures. This freedom is considered by the authority to have been extremely helpful in enabling them to reduce the number of deaths and serious injuries.
- *Benefit renewal.* Renewing benefit claims was a prescriptive and highly regulated process comprising regular completion of long complex paper forms thus making it difficult for vulnerable people. A F&F waived this legality allowing benefits to be renewed over the telephone. This encouraged people to continually renew their benefits and created a much more efficient system for the benefits department. The legal requirement to complete paper reviews has now been completely abolished for all local authorities.
- *Employment.* Freedoms and flexibilities have enabled a new way of approaching unemployment. Not only have the F&Fs allowed individuals to become eligible for support on day one instead of waiting for 6 months to access support but data sharing with JC+ means likely populations eligible for support can be identified.
- *Education.* One authority commented that the removal of the statutory requirement for an EDP was the biggest benefit for the LEA. It has led to improved planning and performance management and to real improvements in service quality and to outcomes.

Implications for policy and practice

1. *Nothing in our research so far suggests that the mechanisms used in LPSA1 should be changed in LPSA2, with the exception of freedoms and flexibilities which requires a new approach in order to be made effective.*
2. *The findings set out here and later in the report suggest that government should consider in certain instances shifting the balance somewhat in favour of pump priming grant and away from reward grant, without compromising the fundamental reward-based nature of the scheme. This is particularly true for targets which are shared priorities and 'high risk' either because they are strongly influenced by factors outside the control of the authority, or because the authority already applies leading edge practice and is a high performer and further improvement can only be achieved by experimentation. This would lead to a more equitable sharing of risk between centre and localities.*
3. *Local authorities need to give more careful consideration to the way in which PPG is allocated so that it is used to best effect, and to the incentive that promising to share reward grant with partners (including schools) would provide.*

5.2 Managing performance

Management of individual targets

Authorities typically appoint a lead officer for each target, often the person who prepared and negotiated that target. This continuity is helpful in ensuring that targets are realistic, because the person negotiating knows they will have to deliver the improvement. It can lead to conservatism (people giving themselves easy targets) but this is not invariably so since target lead officers are often strongly committed to the outcomes and sometimes welcome hard targets. Often the person responsible has been from the outset a champion for the target (indeed, some authorities make the presence of such a champion one of their target selection criteria), using the LPSA as an opportunity to make progress in an area where there have previously been blockages, or to raise the profile of a neglected area.

Many authorities appointed someone specifically to lead individual targets, particularly where the target was not part of existing mainstream plans and was managed as a separate project. Where this involved recruitment the process of making an appointment often led to long delays in starting work on the target, which was particularly serious when slippage in negotiations meant that there was no lead-in time, and when there was no action plan for achieving the target. However, once the project officer was in post, having someone dedicated to achieving the target, without the distraction of other responsibilities and often bringing a fresh approach and enthusiasm to the task, generally proved very effective. Use of pump priming grant for staffing does however raise concerns over sustainability unless the project officer puts in place new systems and processes that will be self-sustaining.

In contrast, in some authorities the same individual has responsibility for several targets as part of a wider remit, and may be unable to achieve the necessary focus. Sometimes we had great difficulty identifying who was responsible for a particular target. Sometimes this was because a target consisted of a number of sub targets, often with no overall coordination and little or no interaction between them (although ostensibly with a common aim). In some cases the lead rested at director or assistant director level and had not been delegated, which

was a recipe for inaction. In others there was complex hierarchy of involvement and no one was clear who was really accountable.

Staff turnover has been a serious problem for many authorities and their partners. It seems that there is often no proper handover procedure, so that the new target lead is unclear about the rationale for the target and what they should be doing. This is exacerbated where the target is not written into departmental and personal plans, and where there is no shared understanding of the underlying aims of the LPSA in general and this target in particular. New leads often challenge both the choice of target (not a priority) and the level (unrealistic). The period before a target lead's departure is often one of drift, so that the incomer faces a situation that may be difficult to recover from. In some cases there is reason to suspect that targets were negotiated at a time when the person responsible had already decided to leave, and with consequent lack of care.

Strategies and action plans

Some authorities developed a clear action plan for delivering the target at the negotiation stage (see chapter 3). But for most, this task was not started until after the agreement had been signed and some targets in some of our case studies had no action plan two years into the LPSA. This is a serious weakness.

Where plans do exist, they are not always well founded. 87% of respondents to our survey said that the authority had an explicit strategy for achieving the target. However, only 63% agreed that this strategy had been developed after thorough evaluation of the alternatives. This is consistent with our findings in the qualitative research. Some authorities are simply implementing plans that had been shelved for lack of resources and which may or may not have been well founded. However, many actively sought out best practice (see chapter 6).

Alignment with other processes and plans

Most authorities made an effort to align targets with existing service plans; where targets were new, they were generally integrated into departmental plans after the agreement was signed. The LPSA targets are used to give existing strategies a focus and an edge, and to enable progress where there have been blockages. This was more difficult for some partners, notably the police and PCTs whose plans are heavily circumscribed by central government.

Performance management and the role of the corporate centre

All our case study authorities have a monitoring system for their LPSA, although the effectiveness of this varies widely. Typically a report goes first to a LPSA steering group comprising representatives from each department (often the target leads), then goes to a more senior management group and perhaps on to scrutiny committee. Reporting is usually quarterly but sometimes more frequent.

Where authorities already had established corporate systems for performance management and service improvement, the LPSA has typically been integrated into these. LPSA targets are monitored and managed alongside other targets, although they may be given special prominence. At best, the corporate centre is not only aware of progress towards targets, but also takes action in the event of failure to progress. For instance in one authority performance is managed by the executive management group of nine senior managers; this group breaks

up into 'troikas'⁸ to review relevant performance information and provide peer challenge and support. (The rigour and effectiveness of such action is an issue to be explored in our follow-up interviews.)

However some authorities seem to be struggling to find the most effective arrangements for monitoring and performance management of the LPSA. Underlying this is a wide variety of views about the role of the corporate centre in managing the LPSA; at one extreme this is seen as an active programme management role, at the other as passive monitoring of target indicators. Even where the corporate centre has aspirations to manage performance, when the corporate centre has traditionally been weak and service directorates strong, the legitimacy of this may not be accepted by target leads or their directors.

Several of our case studies do no more than monitor target indicators. Problems with monitoring (see below) may mean there is no corporate oversight of many targets. This has contributed to serious drift on some targets, with the corporate centre failing to pick up that no action was being taken. Even where authorities do use the LPSA steering group to discuss actions, this can be little more than a round table up-date of what is being done with no real support or challenge.

Monitoring has not proved straightforward. Where monitoring focuses on the target indicators, it is difficult to monitor targets where data only becomes available at long intervals such as educational attainment, or is based on surveys. Monitoring has often been hampered by difficulties in obtaining data from internal systems or from partners, by changing definitions and changes in recording practice. This, together with difficulties in establishing the baseline and attempts to renegotiate the target when the baseline in the agreement turns out to be wrong, has pre-occupied some authorities well into their LPSA to the detriment of progress on substantive improvements.

The effectiveness of performance management at directorate or departmental level varies considerably, even between directorates in the same authority. In some cases the targets are written into departmental and individual plans and closely managed, in others there appears to be no performance management at all and target leads are left unsupervised and unsupported. Since it is usually at this level that problems with progress can be most quickly identified and readily resolved, lack of close management can have serious consequences. This is highlighted where staff turnover has led to a change in target lead.

Performance management of targets led by or shared with partners is proving a real challenge for many authorities, particularly where the partners concerned have little ownership of the targets, do not feel responsible and may resent being 'called to account' by the local authority. (This lack of ownership may reflect the fact that the partner organisation was insufficiently involved at the negotiation stage, or a change in personnel.) Some authorities report on progress to the LSP. How effective this is in managing performance depends on the extent to which there is ownership of the LPSA by the LSP, and whether or not key agencies expect to have to give an account of themselves to the partnership.

A number of our case study authorities have established new management structures for individual targets or use an existing partnership forum, where there are a number of partners (or local authority departments) involved in delivering a target. This can be effective in co-ordinating actions and generating shared ownership; it is however essential that members of

⁸ Troika – an administrative council of three people.

the group have the support of and authority to commit their parent organisations, and lack of this is hampering progress on some targets.

The extent to which target leads and others feel personally accountable for progress varies widely. Authorities recognise that there are limits on the extent to which front line staff or delivery agencies such as schools can be held accountable for performance against targets, especially where they were not involved in setting them, where the target may be very vulnerable to external influences or where the LPSA represents a tiny percentage of their budgets. Getting schools to feel any responsibility for hitting attainment targets, which may not be their top priorities, is a particular problem.

The LPSA has been a boost to the improvement of performance management in many authorities, as discussed in the next section.

Political leadership and scrutiny

Political involvement in the LPSA ranged from strong leadership to quiescence. At one extreme we find an LPSA driven by a political vision of better outcomes for local people, a step-change in the quality of services and a new relationship between central and local government, a vision clearly communicated to and shared with all those involved in implementing the LPSA. In many authorities councillors only take an interest if a target seems likely to be missed, and reward grant threatened. At the other extreme where performance management has a high profile, the LPSA is the subject of debate and discussion at Cabinet, in scrutiny committees and in full council. Some authorities – especially if not Labour controlled – go into the LPSA for the reward but resent the imposition of targets and do not see it, or use it, as a strategic opportunity. Weak and poor authorities in particular may lack strategic capacity at political level and there is therefore no political leadership of the LPSA.

Councillors are typically involved in monitoring the LPSA, although the level of involvement varies considerably. Some authorities have appointed a champion for individual targets who is actively involved in reviewing progress; others have given overall responsibility for the LPSA to one member. Monitoring reports generally go to scrutiny committees, but we have no evidence of how effective this is in ensuring progress.

Implications for policy and practice

1. *Each target should have a single individual who is clearly responsible for delivery and for coordinating actions within the target, although sub targets may have their own leads. Wherever possible the person responsible should be working on the target for a substantial proportion of their time, although this may not always be appropriate where the target is an integral part of mainstream services. However, to ensure that individual target leads are given the support they need as well as adequate oversight, accountability should rest at directorate level. Targets should be written into departmental plans and the personal plans of those responsible.*
2. *Each target should have a written plan setting out: the aims of and rationale for the target; a plan of action with milestones and responsibilities for each action; intermediate targets for either the target indicators or proxies against which progress is assessed, and a risk assessment and risk management plan.*

3. *The most effective performance management occurs where:*

- *The LPSA steering group involves either target leads or their immediate superiors (rather than, as sometimes happens, an information officer whose knowledge is confined to the data).*
- *Corporate performance management is complemented by active performance management at directorate level (or in an appropriate joint forum for partnership targets).*
- *Accountabilities and responsibilities are clear. Directors should be held accountable for the delivery of targets and this should be cascaded down as far as appropriate (which will vary with the target).*
- *Reporting covers progress against the action plan as well as monitoring of targets, perhaps using a traffic light system to highlight problems and focus attention; it includes consideration of changes to strategy as a result of learning.*
- *Discussion of performance involves active challenge and problem solving. There is however a supportive attitude towards lack of progress, especially where this is outside the control of those responsible.*
- *Risks are identified and actively managed.*
- *Performance management of the LPSA is integrated into wider departmental and corporate systems, but with its own sub-system at corporate level if necessary to ensure sufficient focus.*
- *There is clear political leadership.*

5.3 Handling risk and failure

The approach to risk and failure in our case studies covers the spectrum from formal risk management to the corporate centre not being aware of what is happening in any of their target areas.

Several authorities incorporate within their performance reporting system a regular analysis of barriers to achievement and proposals for overcoming these. Action in the event of failure to make the necessary progress includes:

- Seeking new ways to address the problem, perhaps with the help of other departments or partners
- Staff changes, either putting someone more experienced or senior in charge or delegating, where the lead had previously been at too high a level and the target as a result not achieving enough attention
- Investing additional resources (rarely)
- Changing the goal to a more realistic one, even though this will not meet the LPSA target.

In a few instances, authorities have decided to abandon targets – typically where the target is not only considered to be unrealistic or only achievable at unreasonable cost, but is also a low priority (for instance because it was imposed by central government) or it is recognised that a local target was badly defined and the agreed indicator does not reflect the underlying objectives.

Often failure to meet interim targets is attributed to events outside the authority's control – which in the more 'can-do' authorities leads to renewed efforts, but elsewhere can result in defeatism.

Where targets are seen from the outset to be impossible (notably many educational attainment targets), the usual reaction is to continue to strive to meet them, since any improvement is seen as a good thing, to try to understand why the hoped for progress is not being made and perhaps to focus on things that will bear fruit in the longer term. However, in a few instances where the service area concerned was in crisis, the imposition of additional targets seems to have been unhelpful. A number of respondents raised concerns about the detrimental impact on morale of being seen to 'fail' in relation to the targets, while some were concerned that the short-term actions being taken to meet the targets were diverting attention from the quite different measures necessary to bring about sustained improvement.

Most senior officers seem to adopt a supportive attitude to colleagues in the event of failure to meet interim targets, recognising that some targets may have been set too high or may be outside the authority's control and that the authority is unlikely to meet all its targets. However several target leads expressed concern about the possible reaction of members and the local press if final targets are missed.

One local authority, which has viewed the PSA in investment terms, called a mid-term review with a view to re-allocating resources from targets where there was no hope of success to ones where additional investment might make the difference between success and failure. They found that the real barriers to success at this mid-term stage are not resources, and the discussion turned to practical steps that could be taken to support target owners.

Implications for policy and practice

1. *Cross cutting and partnership targets, which are likely to emerge from LPSA2, would seem to have greater potential to bring about systemic change. However such targets will be more difficult to achieve, and more risky. Local authorities and their partners need to be clear that they are unlikely to fully meet all their targets, and will need to put in place appropriate processes for managing performance and handling failure. Local authorities should incorporate risk management into their performance management of LPSAs. Local authorities need to ensure that they strike the most effective balance between motivating staff to strive, and engendering a fear of failure that could be counter-productive.*

5.4 Resource allocation and opportunity costs

It is clear that significant resources have been devoted to preparing, negotiating and monitoring the LPSA in most of our case study authorities, but none have attempted to quantify this. Although assessing the opportunity costs is impossible, it seems likely that management of the LPSA has largely substituted for other planning and performance management activities.

Since most authorities do not keep a separate budget for their LPSA activities (beyond tracking the expenditure of pump priming grant), and since local authority budgets typically change each year anyway in response to changing resources and priorities, it is very difficult to identify how far resources have been diverted from other areas to meet targets.

Eight out of ten of the pilot authority target owners responding to our survey indicated that the allocation of extra resources, in addition to any pump priming grant, had been helpful in making progress towards the target. One of our case studies took an explicit investment approach to the LPSA, investing its own resources in order to achieve reward grant. However in our interviews most target owners claim that there has been no such diversion of resources, with the costs of additional activity being met by PPG.

It is clear that there has been some redirection of staff resources within service areas, with the balance of work being skewed to meeting the target so that staff have to work extra hard to ensure that the rest of their work receives sufficient attention and make some conscious trade-offs. Some target owners, particularly in target areas that had previously been neglected, used the LPSA to lever in additional resources and this leverage was in some cases significant. However where authorities have deliberately invested their own resources in target areas to supplement PPG, it is impossible to disentangle where these have come from and hence what the opportunity cost might be.

The way in which the reward grant is structured, kicking in if 60% of the target is achieved, creates an incentive for authorities to divert resources if it looks as if they will be just below the 60% level. However, where authorities have considered investing additional resources to hit targets which are likely to be missed, the conclusion seems generally to have been that resources are not the barrier.

Implications for policy and practice

1. *Local authorities should keep under review the costs (including staff time) of achieving each target in relation to the benefits (not just in terms of PRG, but also in terms of benefits to local people). Where the costs are likely to exceed the benefits, serious consideration should be given to abandoning that target.*

6: Local process outcomes

In this section we examine the evidence so far on the extent to which the LPSA contributed to change within the local authority and its partners, in particular:

- Did the LPSA stimulate new ways of working, innovation and risk taking, and did this have spin-off effects?
- Did the structures, systems, processes and culture put in place to implement the LPSA become embedded and have an influence beyond the target areas?
- Did the LPSA stimulate partnership working, and have there been consequential effects on partnership working more generally?

Considerations of the extent to which any improvements will be sustained and mainstreamed are discussed in chapter 8.

6.1 Ways of working

Approaches to service improvement in our case studies range from genuine innovation to 'more of the same'. Most targets fall in the middle of this spectrum; there have commonly been new initiatives, changes in working processes and attitudes and the application of best practice, although these do not often represent real innovation in the sense of authorities trying things that had never been tried before anywhere. Given that many local authorities chose poorly performing services for their LPSA targets, this is to be expected and not a cause for concern.

Our survey asked respondents how innovative the target is, in activities and ways of working. 14% considered that they were 'trying something which we think has not been tried before anywhere' and 29% thought they were 'amongst the leaders nationally in our approach'. This indicates a high level of innovation, although it seems that authorities count as 'innovative' approaches which an informed observer might not. 53% considered that they were 'applying recognised good practice' while 4% were 'not really doing anything different'. Again these results must be treated with caution, since we are not confident that many authorities have actually researched good practice sufficiently to be sure that they are applying it, and a few are honest enough to admit this. The survey found that innovative targets were more likely to be consistent with local plans and priorities, and to be based on an explicit strategy which had been developed after thorough evaluation of alternatives. The selection and development of innovative targets were also more likely to have been strongly influenced by the target owner and other local stakeholders.

Where there has been genuine innovation, LPSA has provided the opportunity to experiment and evaluate alternative approaches before facing the problem of long term sustainable funding. At best (although this is not the norm), it has helped to bring about a 'can-do' mindset, empowered staff to innovate and helped to develop a culture which is less risk averse and more tolerant of failure. Some examples are given in the box below.

Innovation

Empowering young people with special needs and their families to direct their own care by enabling parents to act as key workers for their children. This has involved developing a technical solution to allow parents to access information about their children held in a joint agency system from their home PCs via the internet.

Reducing the numbers of looked after children by actively encouraging unsupported kinship placements, which would previously have been considered too risky. This has required leadership from the top of the authority to support practitioners.

A new process for maintenance of the footpath network, moving from a reactive to a proactive process. A programme of inspections uses a new computerised system which logs the state of the path; a framework contract has been put in place for remedial works so that as soon as a problem is noted work is done to put it right.

'Clinic in a Box' – an out-reach service to places where young people congregate (schools, churches, youth cafes etc), offering services aimed at preventing teenage pregnancy.

New approaches to raise the educational attainment of children from ethnic minorities, including supplementary schools, work with faith communities, study support, work with gifted and talented children, and targeted community engagement.

Various approaches to domestic violence, including the first domestic violence court in the country to hear trials, and support for victims by independent lay advocates from the point of police call out.

More widely the process of defining indicators, developing action plans and managing improvement has led to a better understanding of the barriers to improvement and of the range of possible options for dealing with problems. LPSA has acted as a stimulus to practice exchange and learning, with authorities seeking out best practice. However quite often the new practice was something officers had been thinking about for some time but not had the time or resources to implement. Sometimes the LPSA has simply resulted in new approaches that are not necessarily better, with different authorities moving in opposite directions (for example decentralising Education Welfare Officers to schools and recentralising them from schools to district offices). This suggests that mechanisms for evaluation and dissemination of good practice are not very effective or not fully exploited.

Most of our case study authorities acknowledged that they had not been as adventurous as they might have been in trying new approaches. For many, the relatively short timescale, lack of lead in time and emphasis on the reward grant has inhibited risk taking, and encouraged authorities to adopt known good practice rather than to genuinely experiment. Pump priming grant was vital in giving the space for experimentation as well as enabling long-desired changes to be pulled off the shelf.

The evidence so far suggests – and this is to be tested in the remainder of our research – that innovation in the choice of target and in the means of addressing it were most commonly found where the local authority was not motivated primarily by PRG and was therefore prepared to take risks, and where targets were stretching beyond the limit of what could be achieved by applying good practice (which by implication includes authorities already at the best practice frontier). This should not be taken to imply that by setting poorly performing services overly stretching targets they will be stimulated to innovate, since reaching best practice may be sufficiently challenging.

There is no systematic evaluation of innovatory practice (although some parent departments are organising this) and hence all the learning from LPSA is not being captured.

Implications for policy and practice

1. *To foster innovation, government should consider either giving PRG at a lower level of achievement or increasing the level of pump priming grant (and correspondingly reducing the amount of PRG) in cases where experimentation is needed. We recognise however that it is very difficult to define innovation and this may prove a stumbling block.*
2. *There should be a feedback loop from local to central government as well as within local government, to share the service-specific learning that will come out of LPSA and to disseminate it. (While LPSANet seeks to do this, not all authorities belong to this network.) For instance this could be added to our second survey (to identify innovative practice) and followed up via practice exchange events.*

6.2 Systems, processes and culture

Sharpening-up of performance management and instilling or strengthening a 'performance culture' are common aspirations for LPSA in the corporate centre of authorities. These aspirations have been fulfilled to a significant extent, although LPSA has been one factor amongst several pushing in the same direction.

Changes within target areas

Within many target areas LPSA has led to a new focus on outcomes and heightened motivation, even in authorities where there was already a strong performance management culture. Such changes come about even in targets that are unlikely to be met.

The outcome orientation that LPSA has engendered in some target areas is much more fundamental than a greater focus on targets. It reflects a more holistic approach, with a breaking down of professional barriers, a commitment to evidence-based practice and a greater focus on the end user. This is evident particularly in social services (care of the elderly targets) but also in education (education welfare in particular) and environmental services (with reference to 'streetscene' activities).

Very often changes in practice are underpinned by changes in attitudes amongst front line staff, and these attitudinal changes will be key in determining sustainability. Such changes are most frequently mentioned in relation to education and social services. Some examples are given in the box below.

Changes in attitudes and behaviour

Attendance targets have, in some authorities, made Education Welfare Officers realise that they have a role in school improvement as well as providing a welfare service to individual children and their families.

In one authority the key element in work towards helping more elderly people to remain in their own homes has been a change in the attitudes of a wide staff group in health and social services, designed to empower older people and produce a more joined up approach between health and social services, based on an understanding of the whole-system impact of policy and practice.

The target for the education of looked after children has made social workers focus more on education and its part in children's lives, while schools have come to focus on the particular needs of LAC not just their problem behaviour.

Reducing the number of looked after children requires all involved – police, schools and health as well as social services – to realise that bringing a child into care may be the easiest option but is not necessarily in the child's best interests.

Certain targets have fostered cross-departmental working, a more corporate approach and a sense of shared responsibility for outcomes. Examples include collaboration between education and transport over targets such as cycling to school, and between education and social services over looked after children. The target for looked after children has also made members more aware of their corporate parenting responsibilities.

The LPSA has been a stimulus to improving management information and making better use of it. The inaccuracy of much local authority data has been highlighted, spurring authorities to tackle this issue – for instance by setting up new monitoring systems. Data sharing amongst partners has also been improved. As a result, a bank of evidence is being assembled that is informing current action and will support future action.

The biggest impact on ways of working is where the LPSA is used locally to reinforce changes being driven by other local or national policies; particularly in large services, LPSA alone may be insufficient to bring about change.

Authority-wide changes

In most of our case studies LPSA seems to have contributed to stronger performance management, with the changes being clearer in those authorities now in the final year of their LPSA. Where performance management was already strong it has been reinforced, with LPSA helping, for instance, to embed new systems that were being introduced anyway. Where performance management was weak, LPSA along with CPA has been a powerful driver for setting up new performance management systems which are being used beyond the LPSA targets at both corporate and departmental levels and with partners. LPSA has also been instrumental in sharpening up performance review by members.

Evidence on the extent to which LPSA has instilled a 'performance culture' beyond target areas is less clear. This is important because many case studies identified lack of a performance culture as a barrier to improvement. LPSA and the associated changes in performance management do seem to have contributed to a better understanding of performance management and improvement amongst members and senior managers, as well

as those directly involved in target areas, including front line staff as described above. There is no evidence however that this awareness has extended to staff in other service areas, except via the mechanism of tighter corporate performance management – it does not spread sideways by osmosis, and the narrow focus of many targets has limited ‘multiplier’ effects on attitudes. The e-government target is the possible exception to this, with the potential to transform culture and working practices across the authority.

LPSA has also engendered improvements in strategic thinking and greater clarity over priorities, again reinforcing messages from CPA. Authorities have seen the value of focusing, and are now putting hard targets to what had previously been vague aspirations in strategic plans. They are also sharpening up business planning at directorate level.

The focus on ‘Cinderella’ departments and issues has helped to build understanding and awareness of these issues, which has contributed to raising morale of staff in these services.

Finally, LPSA has led to specific changes which have spread beyond the target area. Examples include work-life policies introduced in one target area to allow home working which have been spread across the council, and a new approach to carer assessment which has spread from social services into health.

The cost-effectiveness target

The cost effectiveness target warrants special mention because it was the one aspect of LPSA designed to have authority-wide impact. Defining a satisfactory measure of cost effectiveness has proved extremely difficult, and this target has been dropped from the second generation of LPSAs.

Local authorities were unclear as to whether government’s principle aim was to create a generic national indicator that could allow comparison across authorities, largely for central government purposes, or a more flexible measure that would help to focus authorities on the issue of cost effectiveness in their localities.

Our case studies are taking the target with varying degrees of seriousness. A few authorities have seen this target as a way of sharpening up their performance management; the target is seen as particularly helpful in getting managers to focus on performance and costs at the same time, and providing an overall index of performance. At the other end of the spectrum, a few authorities felt that they already had robust performance management in place and for them the target is less useful. Most however have struggled to make this target meaningful. Local authorities where auditors have raised questions about the quality of data have fewer PIs to choose from, making the target even less meaningful.

Most authorities – although they might support the concept of a cost effectiveness indicator in principle – consider that the measure adopted is crude and flawed. Most of our case studies admit that they have picked indicators in areas where they are confident that they can improve. There appears to have been far more ‘game playing’ in respect of this target than others, perhaps reflecting the fact that it tends to be owned corporately rather than by individual services. Other criticisms of the index are that the improvement indicators (specific) bear no direct relationship to the cost index (authority-wide); some authorities’ improvement indexes can be easily skewed by performance on just a few indicators in the basket (there are particular concerns about the application of this measure to districts, where it is based on only 6-8 measures); and the cost part of the index could rise through no fault of the authority

(for instance if they take on new services, or if the population rises) completely swamping any improvements in effectiveness.

Few of our case studies have action plans for achieving this target – it seems to be regarded as something to be monitored but not managed. This is probably right given the sometimes arbitrary choice of indicators, focussing on which would distort priorities. There is little sense of accountability for the performance indicators in the target; in some cases those who are responsible for the indicators have not been made aware that their indicators are part of the target. Neither does the index seem to be considered when setting budgets or managing costs. With few exceptions therefore it seems unlikely that the target will have any real impact.

One of the authorities we interviewed, a poorly performing authority, has a ‘corporate health’ target to try to reflect their goal of overall improvement. Like the cost-effectiveness target this has a bundle of PIs and has proved hard to manage and focus on.

LPSA and the Local Government Modernisation Agenda

Many of the changes outlined above are also supported by other elements in the Local Government Modernisation Agenda (LGMA). Comprehensive Performance Assessment (CPA) is most frequently mentioned at the corporate level as having spurred authorities to improve their strategic planning and performance management, and is seen as a much more powerful influence than LPSA; in some cases CPA and the consequential improvement in performance management has been instrumental in helping to achieve improvement against LPSA targets. Some authorities have explicitly used LPSA as a way of strengthening the LSP and giving meaning to the community strategy. LPSA is also seen as helpful in embedding new political structures, by giving scrutiny committees something tangible to focus on. At target level Best Value is seen as an important precursor to better understanding how to identify and assess service improvement, and improvements sometimes put into practice ideas generated as part of Best Value reviews. For many respondents at corporate level, LPSA is seen as a helpful tool within the overall modernisation agenda. However, many people especially within service departments did not see LPSA as connected into this wider programme, or had no real knowledge of it.

Implications for policy and practice

1. *If fostering authority-wide changes in performance is the aim, then local authorities need to select their targets for LPSA2 with this in mind which will imply focussing on targets which involve as many staff as possible. However, LPSA is probably not the best instrument for this, although it can be very effective in bringing about change within particular services.*
2. *With the Efficiency Review, LAs may wish to use LPSA2 to encourage a corporate focus on cost effectiveness and efficiency. However, LPSA1 has shown how difficult it is to measure cost effectiveness meaningfully. All parties will need to work together to ensure new indicators are more meaningful and less subject to perverse implications.*

6.3 Partnership working

Joint working towards the target

The case study authorities fall along a spectrum between those that have tried to use the LPSA to strengthen local partnership working and to facilitate better understanding of how to manage performance in a partnership setting, and those that tried to avoid partnership targets because these were seen as more risky and difficult to deliver. There is also a wide variation between target areas in the same authority in the quality and extent of partnership working.

There is much evidence of the LPSA forging closer ties with existing partners and stimulating new links, acting as the springboard for the development of much closer working practices (see box below). The LPSA has helped to build mutual understanding and trust and a shared analysis; as a result partners have come to realise the cross-cutting nature of some problems and the need for joint action. Pump priming grant was often a lever to draw resources out of partners, and shared reward grant a potential motivator (although the majority of authorities have not formally committed to this). LPSA has proved a way of renewing partnerships when key individuals, who had good relationships, leave.

One local authority worked with Job Centre Plus (JC+) to reduce unemployment in the most deprived communities. One element of this was trying to improve the access of people on Job Seekers Allowance to JC+ specialist services but in a less formal environment. Pump priming grant funded provision of JC+ trained staff in local authority learning centres.

The LPSA stimulated an existing joint local authority-NHS health team to sharpen their focus on reducing health inequalities by enabling closer examination of data and the development of specific outcomes that provided a framework for all the public health work (funded from mainstream and other sources such as HAZ and NRF) undertaken through the health partnership.

A target to improve the outcomes for care leavers led to different parties working together in a more structured manner. There is now a better relationship between social services and education, who have made looked after children's education more of a priority. Connexions are also now more in tune with the needs of looked after children. *'These relations were improving anyway, but the LPSA brought out the issues into the open and made people deal with them'*

However, in a significant minority of cases experience of working together on the LPSA has been less positive. This is particularly where relationships were weak to start with and the local authority and key partners are not wholly committed to partnership working. Many authorities failed to consult adequately at the stage when targets were being chosen and negotiated, and this has contributed towards unrealistic levels of stretch and a lack of ownership of the targets amongst partners. The health service and police – whose agenda is set by central government and as such liable to frequent changes – sometimes do not consider the chosen targets a priority. If targets are not tied in to partner agencies' own plans, relationships may break down when key individuals involved at the early stage of the LPSA move on, and the necessary resources for implementation may not be forthcoming. There are often problems with establishing accountability (see chapter 5). Moreover, being tied in to a target which turns out to be too stretching – perhaps because of contextual factors or because other central government priorities push it down the agenda – strains local relationships. At worst, the LPSA has resulted in a clear deterioration of relationships where a key partner refuses to accept any responsibility for a target (for instance the police, in the case of one burglary target, and the local bus company in several instances).

The fact that the local authority is clearly in the lead in the first generation of LPSAs is viewed by many partners as a barrier to effective partnership working, particularly where the authority is seen to be controlling or risk averse. LPSA does not have the same prominence for partners as for the local authority, and is generally not sufficiently potent to influence their thinking. Partners are more likely than the local authority to see LPSA as marginal in the changes they are making, and to stress other drivers such as sectoral policies. LPSA is seen by many partners as a scheme imposed by the local government sector (ODPM and the local authority), rather than a joined up government initiative to which partners' parent departments are fully committed.

The best experiences seem to be where the target requires both partners to work together to achieve it, with mutually dependent PIs, where the target is in line with the priorities of both partners and where it is reinforced by other sectoral policy drivers. Some of the health targets fall into this category and many of the most positive experiences relate to improvements in working between health and social services. Cross-departmental working within the local authority, notably between social services and education, has also been significantly improved in many authorities, with the emergence of a new sense of corporate responsibility; this is a significant benefit of the LPSA. But there have also been good experiences where the partner is clearly simply a delivery arm. The worst experiences are where delivery is reliant on a partner who does not share the underlying aims, and the actions needed to deliver the target cut across other local policies (bus usage being the most obvious case).

In the majority of cases partnership working has been largely bilateral or within the confines of existing sector-specific partnerships such as crime reduction partnerships. The LSP is only playing an active role in two of our case studies, although this may be partly a matter of timing. A survey of LSPs carried out for the National Evaluation of LSPs⁹ found that over half were involved in the first round of LPSAs in some capacity. Much of the involvement was simply at the level of being consulted and informed, although 15% had played a lead role in action planning or implementation of some targets with another 20-25% having played a supporting role. However more than one quarter of LSPs had not been involved at all. Engagement was much higher in LSPs in areas eligible for Neighbourhood Renewal Funding. More than half of LSPs expect to be involved in agreeing and delivering on LPSA2 targets (seven out of ten LSPs in areas eligible for NRF), and for over one third of these this is one of their top five priorities.

Consequential effects on partnership working

Reflecting this spectrum of experiences, there have been both positive and negative consequences for partnership working more generally.

The closer relationship resulting from working together on the LPSA has in some instances led to joint work on other issues within the same service area, and joint strategic planning. For instance, one of our case studies failed to agree a burglary target with government (too much stretch was being demanded) but subsequently put up their own money to tackle the issue. In most instances the improvements have been in bilateral working or sector partnerships rather than wider partnership working.

⁹ National Evaluation of Local Strategic Partnerships. Report on the 2004 Survey of all English LSPs. ODPM. Available on ODPM website http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_039427.pdf

A target to improve education, training and employment outcomes for care leavers has brought Connexions and Social Services staff closer together and led to more effective integrated service planning and delivery. This has also led to other providers changing their own services to add to what Connexions was able to offer. The LPSA team was catalytic in this process.

Joint working on a target to increase employment for over 50's has fostered closer working links with other training providers and employment projects for different groups in the area, which now share premises, publicity and expertise.

A target aimed at improving the vitality of town centres, in which local area committees and the Chambers of Trade have been actively engaged, has played an important role in getting diverse groups to work together to common objectives and raising community confidence in the Council.

However, because it is seen as an imposed agenda, LPSA is seen by some partners as a threat to partnership working which could marginalise existing positive working practices. There are also instances of relationships that were once distant now being distinctly frosty, at both officer and member level, which seems likely to have negative repercussions.

Most authorities say they realise the need for more cross cutting targets and closer involvement of partners in the next round of LPSA, and the necessity of using PRG to try to incentivise partners.

Implications for policy and practice

1. *Where delivery will be significantly dependent on partners, they need to be involved in the process from the outset. To minimise risk, local authorities should assure themselves that they and their partners have shared aims.*
2. *For LPSA2, if key partners are not signatories to the main agreement, the local authority should have formal agreements, signed by a senior person in the partner organisation, committing partners to deliver their contribution.*
3. *The rationale for including targets which are wholly within the responsibility of a single partner agency other than the local authority needs to be very carefully considered. It is likely to be more difficult to hold partners to account for such targets, and the authority is less likely to be able to offer support if difficulties are encountered.*

7: Process outcomes in central government and in local-central relationships¹⁰

In this section we examine the evidence so far on the extent to which the LPSA contributed to change within central government departments and in local-central relations. The section is based around the following questions:

Process outcomes in central government:

- Did the LPSA lead to changes in the way in which central government departments organised themselves to relate to local government?
- Did the LPSA stimulate the development of new approaches to performance management of local government by central departments?
- Did the LPSA initiate partnership working between central government departments to facilitate delivery of the LPSA?
- What do central government departments see their role as being in securing local improvement?

Changes in local-central relations:

- What contribution can LPSAs make to local-central relations?
- How far has LPSA facilitated increased understanding on both sides about the process of policy development and implementation?
- Has the LPSA resulted in new processes of dialogue and exchange being set up between central and local government and what effect has this had on wider policy making?
- What evidence is there of a more mature relationship between central and local government, e.g. the development of joint solutions to policy problems?

7.1 Process outcomes in central government

Did the LPSA lead to changes in the way in which central government departments organised themselves to relate to local government?

There are two linked issues here: the way in which central government departments organised themselves to deal with the introduction of LPSAs, and the wider impact of LPSAs on how central departments structured their resources to relate to local government.

In relation to how central government departments organised themselves to meet the demands of LPSA, it was clear that those departments that were able to resource dedicated teams to co-ordinate their interaction with local authorities were much better placed to

¹⁰ This section draws on data from a working paper that has been produced by the evaluation team which focuses on the nature of and change in central-local relationships in relation to LPSAs.

respond to the demands of the process. Departments drew on a range of resources for this purpose – from within their departments, making use of Treasury funds to ‘buy in’ the necessary support and/or taking advantage of secondment opportunities from local government. For the most part teams were relatively small but their capacity to engage their policy colleagues and to work well with local authorities was dependent on two factors: their skills as networkers (able to communicate well with a range of stakeholders and secure their trust and co-operation) and their seniority in the organisation (offering the formal authority needed to be taken seriously). For many of those involved, LPSA was a relatively small part of their job and this made ODPM’s task of orchestrating Government’s response difficult.

In addition most central government respondents referred to the importance of the identified ‘departmental champion’ who played an important role in raising the profile of the LPSA across the department and with ministers and who was a member of the inter-departmental group steering LPSAs. While these individuals’ roles were largely symbolic, their absence was felt keenly by those officials more closely involved in co-ordinating activity as in a department where the lead official had left but not been replaced and consequently the profile of the LPSA in the department had slipped.

While resourcing was undoubtedly important it could 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. Its ability to do this appeared to be at least partly related to the staff capacity it had at its disposal. The size of the team meant that it could devote appropriate amounts of time to exploring the implications of the LPSA across a range of policy areas, while the skills and seniority of the civil servants within the team facilitated effective negotiations with officials in other central departments over target selection, outcome identification, levels of stretch and value for money.

Central government respondents were of the view that LPSA2 would be far more intensive than LPSA1. In some cases departments had taken steps to prepare themselves for this, by re-organising resources so that the teams with responsibility for LPSA increased in size. In other departments however the resources available for LPSA2 remained the same (or occasionally were reduced) as for LPSA1 which was a cause for concern amongst respondents (central and local).

There was also some limited evidence that central departments were changing the way in which they related to local authorities more generally and this was linked to the development of LPSAs. For instance, both DEFRA and DWP indicated that their departments had reorganised themselves to respond to the new emphasis on partnership working and local focus. The motivation was not confined to LPSAs however, but reflected wider developments in the way in which policy issues were addressed, in particular the growth of partnership working and partnership related funding streams. Consequently some departments reconfigured resources to establish ‘partnership teams’ whose functions included the facilitation of LPSAs but went beyond that into the management of other funding streams and the development of partnerships with a variety of central and local partners.

Did the LPSA stimulate the development of new approaches to performance management of local government by central departments?

Reactions amongst central government respondents to the LPSA and its approach to securing improved performance in local government, were mixed. For some respondents the identification of 'stretch' targets that were individually negotiated with local authority services held few attractions, as they perceived the improvement of local services to be something that was best done taking a universal rather than individual approach. Elsewhere the LPSA was viewed more positively, with some respondents comparing the scheme's linkage of target achievement to reward favourably against schemes that they were running which awarded money 'up front' based on competition between authorities for funds. The risk here was that quality bids might go awry in practice, whereas in LPSA improvement had to be demonstrated. Some central government respondents (though few) indicated that they were considering the replicability of the LPSA scheme in other areas of their activity.

The focus on outcomes promoted within the LPSA was something that was generally welcomed by central respondents, who reported that this corresponded with the way in which their own department/policy areas were developing. It was frequently acknowledged that the determination of appropriate outcome measures was both difficult and the subject of debate within departments/policy areas and that these debates had arisen in the negotiation of LPSAs, for example in relation to direct payments.

Where central government departments had existing systems for managing local authority performance, e.g. best value indicators or PAF indicators, then the LPSA tended to become part of those systems. Here LPSA has been seen as a way of 'adding value' to existing mechanisms by stimulating accelerated improvement in key areas. In other policy areas where LPSAs are facilitating the achievement of cross-departmental targets, e.g. streetscene, or require the collaboration of two or more agencies locally e.g. social services and PCTs, local government and JC+, there has been some reflection about whether existing performance management systems get in the way of this and what alternative mechanisms there might be for managing achievement in these circumstances.

Did the LPSA initiate partnership working between central government departments to facilitate delivery of the LPSA?

Central government respondents did make reference to developing new relationships with other government departments in order to deliver the LPSA. However, in general departments did not welcome these challenges even though they acknowledged the value of being more 'joined-up' in aiding local implementation. Some respondents referred to trying to avoid getting involved in targets that required cross departmental working, while few actively sought them out.

The reasons for these reactions rested with the resources needed to work out a cross departmental LPSA. When a cross departmental target emerged, departments had to agree who would lead on developing the agreement. In some circumstances the ODPM LGPSA team would lead. Then the lead department had to identify and track down other relevant policy leads and try to establish a process for negotiating the target. In areas where the incidence of cross departmental targets was likely to crop up regularly e.g. streetscene, cross departmental relationships began to become established and the process could become easier (provided the key players stayed the same).

The value of making connections across departments was acknowledged by some respondents, 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.

What do central government departments see their role as being in securing local improvement?

The nature of the data suggests that this is an important question to reflect on at this stage in the evaluation. The data we have from central government respondents reveals little, if any, acknowledgement that central government needs to significantly change the way it does things. LPSAs are understood 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.

There are some important examples of where change has taken place in central departments as a result of the operation of LPSAs, e.g. the introduction of the Single Education Plan and the flexibility on Standards Fund virement, but these remain limited to date and do not necessarily presage a radical rethinking within central departments about how they relate to local government, but rather reflect a perception of LPSAs as a means of refining a system that largely works well, although this perspective could be challenged should the new Education Compacts prove to be a significant departure from traditional central-local relations.

Amongst central government departments that have a less well established relationship with local authorities, e.g. DWP (beyond benefits) or fewer levers over what local authorities do, e.g. DEFRA, LPSAs are seen to offer an opportunity to push the departmental agenda at a local level. Again this is done largely on the basis that securing change in local authorities' strategies, priorities and ways of working will not require any significant alteration in their own, though the structural changes in both departments to facilitate the development of partnership activity may have a deeper impact than respondents have acknowledged to date.

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.

Implications for policy and practice

1. *LPSA2 is likely to be at least, if not more resource intensive than LPSA1. Therefore, central government departments need to ensure that they are appropriately resourced at all levels in order to engage effectively with the process. This applies equally to the ODPM's central LPSA team.*
2. *Over the life of LPSA1 central government respondents became aware of other departmental policy programmes that could duplicate/be duplicated by the workings of the LPSA. It is important that central government departments are conscious of this*

possibility in LPSA2 in order that complementarity can be built into programmes wherever practicable.

3. *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.*
4. *Similarly the emphasis on local priorities in LPSA2 is likely to place greater demands on central government departments in terms of their commitment and engagement and is also likely to challenge expectations about how or whether central government departments need to change the way they do things.*

7.2 Changes in local-central relations

What contribution can LPSAs make to changing local-central relations?

The 'Theory of Change' and local-central relations

It is important to put the potential contribution of LPSAs in context. The 'Theory of Change' elaborated for the LPSA evaluation does identify more mature working relationships between central and local government as one of the long term goals specified by stakeholders in relation to the LPSA. However, stakeholders' overarching goal was the achievement of sustained improvements in local service delivery to meet priority outcomes; other goals were subsidiary or instrumental to this. There was general agreement amongst stakeholders in this research that sustained improvement required systemic changes at both local and central government level, but doubt over the achievability of sufficiently profound and widespread change at central government level; change at local government level was seen to be integral to the success of LPSA in a way that central government change was not.

Characterising local-central relations

Beyond this it is important to acknowledge that LPSAs have been introduced into a set of pre-existing relationships between local and central government and their impact will be mediated by these relationships. These relationships are informed by history, local context and the relative power and influence of different government departments. The research revealed a number of possible relationships in the context of LPSAs:

- *Central government and individual local authorities.* This view of LPSAs was held by relatively few respondents, mainly those who had an overview of policy concerns across central government or in the corporate centres of local authorities and who saw the LPSA as an opportunity to 'join-up' government at all levels. Some central government respondents contested this characterisation of the relationship suggesting that stakeholders with an institutional focus as opposed to a functional policy focus were apt to conflate their departmental perspectives into 'governmental' perspectives, attempting – inappropriately – to 'own local government policy' in the process.
- *Individual central government departments with local government, facilitated by the LGA.* Another relatively rare example of the central-local relationship offered by the DWP following the signing of an 'Accord' between the DWP, Job Centre Plus and the LGA, symbolising a new era of partnership.

- *Individual central government departments with individual local authority departments.* This was the most common relationship that both central and local respondents (usually from service departments) referred to. It was also where respondents were able to provide evidence of a new relationship having been established as a result of the LPSA, or a change occurring in the pre-existing relationship. In some cases these relationships were embedded in existing structures and processes, e.g. DfES and DoH (SSI now Commission for Social Care Inspection). Elsewhere the relationships developed between key individuals as part of the LPSA.
- *Specific functions within central and local government.* The obvious (and possibly only) relationship in this category is that between sections within the DfES and individual schools. This was considered by some central respondents to be a very powerful relationship and one which gave DfES more insight into the 'front line' than many local authorities.
- *Individual central government departments with other local agents.* For some central government departments the primary relationship at the local level is not with all or some of the local authority but with other local agents such as the police, health service or JC+ network. Here LPSAs are perceived by some central respondents to facilitate a route into local authorities, via the workings of their primary partners and/or an additional lever to influence the workings of the primary partner, e.g. in relation to the public health agenda and PCTs.
- *Central government and local partnerships.* This articulation of central-local relations was one that many local respondents believed was essential in order to address the realities of modern governance, but which was, in their view, thwarted both by the local authority focus of the LPSA and by the inability of central government to respond to local strategic partnership (LSP) arrangements in a joined-up way. This view was particularly forcefully expressed in those localities where the LPSA had been agreed and would be delivered through the workings of the LSP. A variation on this theme occurred in two-tier areas where particular attention needed to be paid to county-district relationships to achieve particular targets, such as waste, and where the focus on the 'streetscene' target had required the active engagement of parish and town councils in order to be achieved.

In sum the development and application of LPSAs was informed by the prevailing perceptions of the nature of central-local relations and mediated by the pre-existing relationship of the local authority service area and the relevant central government department. The tone and quality of those pre-existing relationships influenced the conduct of the engagement in the LPSA, though they tended to be contained within a particular service area or function, e.g. a poor relationship in one target policy area did not necessarily have a negative effect on another in the same local authority.

Making change in local-central relations

Acknowledging the contingent nature of local-central relations, respondents were nonetheless able to identify a number of change agents at work in LPSAs. They were a mix of institutional and individual agents and their contribution could be considered both facilitative and constraining by different respondents. The core institutional agents included the Treasury, the ODPM LPSA team, the LGA and in relation to their potential contribution, Government Offices. However, in many cases key change agents (or blockers) were individuals. Those

identified by respondents included: ministers, local councillors, key individuals in central departments (career civil servants and secondees) and local officials (though they were cited less often).

From amongst the change agents it is possible to discern key roles played institutionally or individually that influenced the possibility of change to central-local relationships. Two roles are worth noting – ‘champions’ and ‘reticulists’. ‘Champions’ acting to promote and support the ambitions of the initiative could be found at institutional level, e.g. the Treasury’s resourcing of the initiative, the LGA’s extensive promotion and facilitation within local authorities, and amongst individuals. Similarly there were institutional and individual ‘reticulists’, those who facilitated the development of agreements by drawing on and developing their networks to ensure that the right people were brought together to negotiate a target and to support that negotiation to a successful conclusion. The LPSA team fulfilled this role institutionally and a wide range of individuals performed this function at both central and local levels.

How far has LPSA facilitated increased understanding on both sides about the process of policy development and implementation?

The evidence to date is very mixed. Central respondents were likely to report that the LPSA had afforded them a developing awareness of the importance of local context and the complexity of the environment that local authorities work in. They reported having a greater understanding of ‘what it’s like on the ground’ and the consequences of this for policy development and implementation. This tended not to be an issue for those departments with pre-existing local links (social services and education reporting ‘no change’ in their situation) but was identified as a positive outcome in other departments without such infrastructure, e.g. DEFRA, DWP.

However, central and local respondents also expressed considerable frustration with each other, though for different reasons. For local respondents (within and beyond local government) the frustration was primarily about their perception of central government’s limited capacity to ‘join up’ and its failure to really appreciate the importance of local context. This translated in some cases to a perception that central government was unable to acknowledge that certain local authority areas could make a unique contribution to the delivery of improved outcomes but only if central government dealt with them in something other than a ‘one size fits all’ approach.

For central respondents frustrations were more about getting local government to deliver what was needed. This manifested itself in different ways: some respondents did not believe local government had the capacity to deliver in certain service areas, while others were less concerned about capacity and more concerned about having to trust local government to do the right thing. Devolving decision-making from central government and increasing local discretion over priorities and activities (described by some as ‘new localism’) presented particular difficulties for central government respondents that held these views as they remained to be convinced that local government could deliver without closer central government direction.

Has the LPSA resulted in new processes of dialogue and exchange being set up between central and local government and what effect has this had on wider policy making?

Notwithstanding the frustrations that local and central respondents expressed about each other, the evaluation has gleaned some evidence of changes to processes of dialogue and exchange as a result of LPSAs. Particular examples are:

- *Improved central-local communication.* Central and local respondents refer to more frequent and productive communication as a result of LPSA (again mostly outside departments dealing with social services and education). Local respondents value 'having a name to contact' though the value of this personal communication may be short lived as civil servants move on. In some cases this communication is recognised to be potentially beneficial beyond the immediate local authority concerned. For example Manchester's health inequalities target has led to regular exchanges between the Department of Health and members of Manchester's Joint Health Unit about issues of local data collection and measurement in relation to health inequalities.
- *Improved communication between central departments benefiting local relationships.* While local respondents were quick to point to the ways in which the LPSA had exposed the boundaries between central government departments, they were also prepared to acknowledge where this had led to improvements in central government co-ordination, which were ultimately of benefit to localities. This was particularly the case in relation to cross cutting policy areas involving several departments, e.g. streetscene matters (which could involve DEFRA, HO, and ODPM). According to central respondents the LPSA process had prompted them to make contacts and develop relationships beyond their departments as part of the negotiations and this had helped to 'join things up' so as to enable central government to relate more effectively to local authorities (and their partners). These largely personal contacts will need to be embedded if they are to survive the regular personnel moves and reorganisations of central government.
- *Learning from local experience.* This was a clear hope of many local respondents but was expressed most forcefully by central government officials in relation to the workings of the Home Office. Here the LPSA process was perceived to have provided access to evidence about new local initiatives that added to the knowledge and evidence base of the department, e.g. in relation to the measurement of outcomes. Central respondents also saw the LPSA as another avenue for policy ideas to be communicated directly to the field and for local reactions to be quickly garnered.
- *New routes for policy consultation.* Related to the above, a number of central respondents referred to the way in which links made through the LPSA process enabled central government policy staff to identify those authorities with a particular interest in different aspects of policy and provided a ready made network of informed consultees (DEFRA, DWP, DCMS). Local respondents welcomed this particularly where central government was able to link learning from the LPSA to other initiatives focusing on service improvement.
- *Changes to policy planning as a result of LPSA.* Very few examples were provided here and none were identified by local respondents. However, two were suggested by central respondents: the move to the single Education Plan (and now Education Compacts), and clarification of guidance on highways maintenance.

What evidence is there of a more mature relationship between central and local government, e.g. the development of joint solutions to policy problems?

The identification of new processes of dialogue and exchange and the development of new approaches to policy planning identified above provide some examples of the ways in which local-central relations are changing, though these changes are not just attributable to the intervention of LPSAs. Evidence from case studies also provides some specific examples of ways in which the negotiation process, particularly the deliberations about freedoms and flexibilities, could in some circumstances be said to reflect a joint approach to policy problems. For example in one locality the freedom to establish 20mph zones without the attendant street furniture was granted on the basis that if the approach did not work the local authority would supply the necessary street furniture, and in another the performance of the transport target will be assessed differentially depending on whether particular freedoms and flexibilities had been agreed within given timescales.

It is possible that these developments, limited though they are, could foster further changes. However, on the basis of the evidence gathered to date there are three factors that appear to be important in influencing the direction of change:

- whether local authorities' experience of LPSAs to date has made them more confident in their dealings with central government and more prepared to be honest, or whether their experience has confirmed their existing beliefs/prejudices
- whether central government departments' experience of LPSAs has generated a greater preparedness to participate in a partnership relationship with local government as opposed to a principal/agent relationship
- whether there is evidence of a greater preparedness to trust on either side and whether the shape and nature of LPSA2 is understood by both local and central government as an example of this.

Implications for policy and practice

1. *LPSA2 will be operating in and amongst a variety of existing local-central relationships. What is considered 'change' in these relationships will be informed by a variety of factors and account will need to be taken of this when reflecting on the 'success' or otherwise of the LPSA.*
2. *LPSA2 will be operating alongside existing and developing departmental programmes. All stakeholders need to be aware of this and to anticipate how LPSA2 is likely to 'fit' with these programmes.*
3. *Secondments to/from local and central government appear to have worked well in helping to aid understanding about 'the other side' and to facilitate the implementation of policy programmes. LPSA2 should seek to capitalise on and encourage these exchanges.*
4. *Change in local-central relations is facilitated by individuals. However, if it is to be sustained it needs to become embedded in the department. Departments need to take action to secure this. Similarly, in those departments where there is an established*

infrastructure to relate to local services, it is important to examine whether that infrastructure acts to facilitate change to help realise the LPSA or whether it is used as a buffer to prevent change from impacting on centrally based functions.

5. *Routing LPSA2 through LSPs is likely to add coherence to locality planning but will also cut across central government boundaries and departments need to be prepared and organised to respond in a 'joined-up way'.*

8: Performance improvement

In this chapter we examine emerging evidence of progress towards the achievement of targets in our case studies, and consider the extent to which improvements are attributable to the LPSA and likely to be sustained.

8.1 Progress

It is possible to obtain an overview of progress towards the achievement of targets, using monitoring data and authorities' own judgements of probable success. We have used a 'traffic light' system to summarise progress, using the following calibration:

- green – over 75% probability of hitting the target fully; target already met or virtually certain to be met
- amber – 50-75% probability of hitting the target; some indicators within the target likely to be hit but not others; some cause for concern
- red – very unlikely to hit even 60% of the target.

The data come from thirteen of our fourteen case studies, and relate to complete targets rather than individual indicators.

Table 1 Summary of outcomes predicted by local authorities by date of finish

	Green	Amber	Red	Total
2005 finish				
Number	35	38	27	100
Percent	35	38	27	
2006 finish				
Number	28	18	9	55
Percent	51	33	16	
All				
Number	63	56	36	155
Percent	41	36	23	

Note: this is mainly based on first quarter 2004-5 data; educational attainment data relates variously to summer 2004 or summer 2003.

Table 1 shows predicted outcomes for case study authorities finishing in 2005 and 2006. Our case study authorities judge that approximately 40% of targets are likely to be hit, about one quarter seem likely to be completely missed, with a large group in the middle where there is some chance that the targets will be hit at least in part. As authorities get nearer completion it seems that they become less optimistic (this is a more likely explanation of the difference between authorities that will finish in 2005 and 2006 than that targets got easier). It seems likely therefore that eventual success rates will be lower than the overall figures above.

The results seem to 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. Most authorities have from the start expected to hit about half their targets, and it looks as if this is a realistic expectation if partial success is included.

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.

This assessment must however be treated with caution. The categorisation is based on target owners' assessments and these are not consistent across authorities. There is a large variation between authorities in the proportion of targets assigned to each category, which we consider reflects organisational culture (degree of optimism) as much as genuine differences in performance. It seems unlikely that any targets will move from the 'red' category, but the 'amber' category is a broad one, of which some targets will probably be hit at least in part and others not at all. The more successful authorities look likely to hit the majority of their targets, at least in part, but a few authorities look likely to miss more than half.

Table 2 shows predicted outcomes separately for local and national targets. The predicted success rate is significantly higher for local 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). This will be an important question for the next stage of the research, but one on which local authorities, their partners and government would do well to reflect on as they negotiate targets for LPSA2.

Table 2 Summary of outcomes predicted by local authorities: Local and national targets				
	Green	Amber	Red	Total
National targets				
number	37	41	33	111
percent	33	37	30	
Local targets				
number	24	14	6	44
percent	55	32	14	
All targets				155

Table 3 shows predicted outcomes for different policy areas. Although some of the policy areas have too few targets to be able to draw any conclusions, the data indicate:

- A high proportion of targets in transport are likely to be missed. Most of the targets with 'red' status relate to bus use (where authorities have had difficulties working in partnership with bus companies and reversing a downward trend); many road safety targets also look likely to be missed
- The education total hides a high predicted success rate for attendance, and a low success rate for all the national attainment targets which seem to have been too stretching
- Authorities show surprising optimism in social care targets (mostly relating to looked after children) given their concerns over volatility in small cohorts

- A comparatively high proportion of cost effectiveness targets may be missed (surprisingly, given the scope for manipulation of the index) – although most will hit the target
- The high success rate in environment and housing – many of which are local targets – may reflect lack of experience on both sides in target setting in these areas which could have resulted in relatively un-ambitious targets; however the national recycling target is also showing high predicted success rates.

Table 3 Summary of outcomes predicted by local authorities: by policy area

	Number				Percent		
	Total	Green	Amber	Red	Green	Amber	Red
Education	35	10	9	16	29	26	46
Health	11	3	5	3	27	45	27
Social care	19	9	9	1	47	47	5
Drug treatment	3	2	1	0	67	33	0
Transport	14	3	5	6	21	36	43
E-government	3	2	1	0	67	33	0
Environment & housing	26	17	7	2	65	27	8
Crime	13	5	5	3	38	38	23
Economy & employment	9	2	6	1	22	67	11
Fire	3	1	1	1	33	33	33
Cost effectiveness	10	4	4	2	40	40	20
Other	9	5	3	1	56	33	11
Total	155	63	56	36	41	36	23

Implications for policy and practice

1. *In seeking to influence targets for LPSA2, Government should take heed of the relatively low success rate on many national targets in LPSA1. A sector-based debate between localities and departments should be held to explore the reasons for this apparent lack of success.*
2. *A recurring theme in monitoring reports is the ‘fragility’ of performance against some targets, where outcomes are highly vulnerable to events outside the authority’s control and success is in effect a lottery. This accounts for many of the targets in the ‘amber’ category. If the reward grant is an important aim, authorities should avoid such targets for LPSA2.*

8.2 Attribution

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, the quantitative analysis should help to answer this question.

8.3 Sustainability¹¹

An implicit policy assumption of LPSA was that short term improvements in performance against targets would lead to sustained improvement in local service delivery and outcomes. The mechanisms for sustaining improvement were not clearly articulated at the time policy was developed, but the team's work with central and local government stakeholders in developing the Theory of Change suggested that at least two factors might lead to sustained change. First, if in order to achieve short term improvements systemic changes (for instance in processes, structure or culture) are made, then these changes may be irreversible. Second, if community, service user and inspectors'/regulators' expectations about service levels are raised, then a drop in performance to previous levels might become politically unacceptable. So far there is more evidence of the existence of the former than the latter mechanism.

Service providers are in general concerned about the sustainability of improvements achieved during the LPSA, and many target lead officers see 'sustainability' in terms of continued higher levels of resourcing. However sustainability is relatively low down the agenda for many in the corporate centre of authorities for whom the sustainability of improvement in an LPSA target area needs to be weighed against competing claims.

We have encountered a range of approaches to improvements under the LPSA, even within the same target area – some more likely to lead to sustained improvement than others. At one end of the spectrum, the LPSA is being used to introduce new working practices or processes, sometimes involving quite a radical change in culture amongst staff, but requiring no additional ongoing resources. Provided the changes are sufficiently embedded, these improvements should be sustainable. In other targets new processes or practices have been introduced, but the new practices have direct or indirect resource implications. A third group of targets are being pursued by using pump priming grant (and sometimes additional resources from the authority itself) to do 'more of the same' or short term actions; any improvements achieved will only be sustainable with ongoing higher levels of resources.

Barriers to sustainability include:

- Where targets were set unrealistically high, or do not reflect local priorities, then sustaining performance might offer poor value for money.
- The tight preparation and negotiation timetable meant that authorities often developed plans for achieving targets only after signing their agreement; this cut into the time available for achieving results and in some cases has encouraged 'quick fixes'.
- Authorities have not always understood the levers for change and factors underlying poor outcomes, or have chosen to ignore them because they are not amenable to influence within the timescale of the LPSA or with the resources available.

¹¹ This section draws on a workshop run jointly with Shared Intelligence, and the paper that emerged from that workshop. Available on ODPM website, April 2005
http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_037056.pdf

- The inclusion of reward grant and pump priming grant means that LPSA is sometimes seen as another short term funding stream by services or partners. As a result, the focus is often on activity and expenditure rather than making systematic and sustainable changes, and the strategy for sustainability is to seek new sources of top-up funding when the current funding runs out.
- The basic premise of LPSA was the money is not the main barrier to improvement, and that with an initial investment to overcome the one-off costs of change, improvements can be achieved at no ongoing cost. However, the reality is that better outcomes sometimes do require higher levels of ongoing funding.
- The attainment of targets may be threatened by unexpected cuts in mainstream budgets which may far outweigh the additional resources of reward grant. ‘Cinderella’ services are particularly vulnerable if they fall back off the agenda.
- Multi-agency targets are very difficult to manage, and partners’ priorities change in response to changes in central government policy which can make it difficult to determine what is the desirable outcome that should be sustained.

There may be circumstances in which sustainability is not appropriate, particularly if this is at the expense of achieving other outcomes. The important thing is that such decisions are taken in a conscious and considered way.

Implications for policy and practice

1. *When planning and implementing their LPSA, local authorities and their partners should consider how improvements will be sustained without continuing additional funding. This will require analysis of the underlying barriers to improvement; where these are not known, the LPSA should be used as an opportunity for learning. Short term measures may need to be complemented by a longer term plan, particularly where change in deep seated attitudes and behaviour is required; setting the LPSA in the context of the authority’s overall improvement agenda would help officers to focus on the longer term.*
2. *Local authorities and their partners should not confuse ‘sustaining an LPSA activity’ with ‘sustaining outcomes’. As the LPSA nears its conclusion, the feasibility and desirability of sustaining the attained level of performance (or seeking further improvement) should be reviewed in the light of the resources required and available, and competing priorities.*
3. *To achieve greater coherence between local and central government, planning and inspection cycles need to become more aligned to ensure that local and central policies reinforce each other, rather than work against each other.*

9: Implications for policy and practice

In this chapter we draw together for easy reference the implications for policy and practice set out in the body of the report. Given that we are only one year into a three year research programme, some of these are to be regarded as tentative. The intention is to provoke thought and discussion.

Addressed to Section

2.1 Local aims and objectives

Government The 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, and should be retained in LPSA2.

Local partners Local authorities and their partners need to engage in a robust and honest debate about their reasons for undertaking the LPSA, and then ensure that this motivation is reflected in their selection of targets and approach to the negotiation and implementation. LSPs are beginning to demonstrate their potential as an arena for this debate and local authorities should engage with them early on.

Local partners Local authorities need to document and share with partners and staff the aims for the LPSA and the rationale for particular targets, so that all concerned are clear about the importance of what they are doing and the relative priority that should be attached to it.

Government and local partners Because local politicians give higher prominence to CPA than to LPSA as a tool to improve performance, the opportunity should be taken, as CPA is being redesigned, to incorporate LPSA to give it longevity. Thought needs to be given by central government and individual local authorities to the interaction between LPSA and CPA (for instance in terms of the negotiating timetable and looking at CPA as a way of identifying areas for improvement).

2.2 Central government aims and objectives

Government 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. Opportunities need to be found for central departments to engage with local authorities and their partners to promote their policy priorities and link them to local concerns.

3.1 The selection of targets

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|----------------|---|
| Local partners | Local authorities and their partners should ensure, in LPSA2, that targets are more coherent, have a clear rationale and are rooted in local plans and priorities and evidence of need. |
| Government | Even though in LPSA2 targets are expected to reflect local rather than national priorities, our research suggests that central government departments may wish to exert an influence. The ground rules for this will need to be made explicit and shared with local government, and the rationale in each specific case explained and debated. |
| Local partners | Local authorities should ensure that partners and staff who will be responsible for achieving the targets are involved in target selection, specification of indicators and agreeing the level of stretch. |
| Local partners | There should be less danger of centrally imposed targets in LPSA2, although the implications of the interface with Local Area Agreements will only become clear with time. Local authorities should be clear in their own minds about the extent to which they are prepared to compromise, and be prepared to say 'no' (and justify this) where they are convinced a target is not appropriate locally. |

3.2 The development of proposals

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| Government and local partners | Local authorities should be required to demonstrate that they have a plan for achieving each target, as part of the negotiation process. This would increase the chances that authorities had adequately tested the feasibility of their proposals, reduce delays in starting work, and help authorities to identify and make the case for freedoms and flexibilities. The corporate centre of authorities needs to be convinced of the robustness of such plans. However, government should not seek to negotiate or improve the content of the plan. |
| Government | Local authorities will need both generic and target-specific support for the LPSA2 process to ensure that plans and proposals are based on best practice. |

3.3 The negotiation process

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| Government | Greater provision should be made for face to face meetings where necessary where a target is proving particularly difficult to negotiate. We understand that such meetings are held, but that they are costly in time because all relevant players need to be present; however it seems to be precisely the targets where there are many stakeholders where such a process might be more efficient than email. |
| Government | We understand that Government Offices will have a role within LPSA2; they will need to be thoroughly briefed on the policy and their role. |
| Government | While the very short timescale associated with LPSA1 was often criticised, local authorities and central government respondents acknowledged that it did provide important discipline in the process. The more generous time allowed for preparation and negotiation in LPSA2 will be welcomed, and |

should result in more robust and better prepared proposals and a more inclusive process locally. But stakeholders would still benefit from operating within a clear timetable for each stage of the process to avoid loss of momentum and drift, and it is the responsibility of LGPSA and the local co-ordinator to ensure that progress is maintained. Agreements need to be concluded in time to allow local authorities to gear up for implementation. A mechanism may be needed to deal with situations where failure to reach a satisfactory conclusion on one measure threatens to hold up the entire LPSA. Either a guillotine should be imposed so that after a specified period the LPSA is signed with fewer targets, or targets should be added to the agreement at a later date (and with a later start and end date). The desirability of allowing 'start dates' before the signing of the agreement needs to be considered further; at the least there is a need for greater clarity of communication with (within?) local authorities about this issue. Time needs to be better used (more time for local authorities to respond, less time while they wait for Government). ODPM business managers have a legitimate part in the process but their late intervention, after a deal has been struck, is seen as unhelpful; the negotiation process should allow for ODPM involvement at an earlier stage and clear guidelines on what is acceptable, to make late intervention less necessary.

- Government Accountability for LPSAs should be devolved to accounting officers in departments to make them as rigorous in agreeing stretch as if they were dealing with their own money. This should preclude the need for LGPSA to intervene at a late stage on vfm grounds.
- Government While vfm is important, it is more important in terms of outcomes to get the right target and the right indicators than the right level of stretch (which is inevitably often guesswork), and this is where effort should be focussed. The process proposed for LPSA2 should be an improvement in this respect.

3.4 Capacity

- Government and local partners In order for the negotiation process to generate new more mature central-local relations, it would be most effective if both sides approached the negotiations in the spirit of dialogue rather than confrontation. However, all concerned have to be convinced that 'the rules of the game' have changed otherwise old behaviours will continue to linger.
- Government and local partners LPSA2 looks likely to prove much more difficult and time consuming to negotiate than LPSA1. It may need more resources in both central and local government.
- Government The timetable needs to be realistic in the context of the resources within central government available to deliver it, but must be adhered to. If Ministers are committed to making this policy succeed, then officials in departments should give negotiation the required priority to ensure progress is maintained.
- Government Central government departments will need to reconsider how best to organise for LPSA2 to provide a more collective response, bring to bear the appropriate policy expertise at a sufficiently early stage in the process, and

ensure that negotiations are conducted by someone sufficiently informed, senior and with the authority to take decisions.

Local partners Local authorities need to ensure that the task of co-ordinating, preparing and negotiating the bid is adequately resourced. Negotiations are best conducted by senior staff with knowledge of the service area concerned, and managers who will be responsible for delivering the target need to be involved. The co-ordinator needs to have sufficient authority, and senior backing.

4.1 Reflection of local and national priorities

Government 12 targets seems an appropriate number – enough to get a spread across a range of service areas and to allow room for a focus on areas outside the mainstream, but not so many that focus is diluted. However, authorities finding the whole process difficult should be allowed to settle for a smaller number (with a correspondingly smaller reward grant).

Government The decision to abandon national targets in LPSA2 will be welcomed by local authorities, although some will struggle with the responsibility of having to determine targets for themselves. The new process proposed for LPSA2 seems more likely to result in a set of targets which genuinely reflect local priorities, are evidence based, and coherent. However, it is not going to be easy for government to judge this and authorities would benefit from explicit guidance on the requirements for proposals.

Government and local partners It will be important in LPSA2 to ensure that there is a genuine and evidence based debate about priorities, preferably involving dialogue between LA service departments and their counterparts in central government. Given local government expectations that LPSA2 will reflect local priorities, if government is seen to be imposing national priorities (even if these are shared between central government and the LGA) this will lead to great resentment. Does the capacity to engage in such a debate need to be strengthened?

Government Not everyone concerned in government departments has understood or accepted the role of LPSA2 in relation to the broader policy framework of devolving decision making to localities, and our research suggests that departments will try to challenge local priorities. LGPSA should explain to departments that they should not be concerned if their targets are not included in the LPSA, since LPSA may not be the best way of achieving such targets.

Government However, there is a danger that if LPSAs are no longer a vehicle for achievement of departmental targets, departments will disengage and the extent to which they are prepared to offer F&Fs will decrease.

Government and local partners 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 further consideration.) 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.

4.3 Performance indicators and measurement issues

Government and local partners	All targets should be clearly justified in terms of desired outcomes. However, it may be expedient to use an output or even a process measure as a proxy indicator instead of or alongside an outcome indicator where the outcome is subject to strong and unpredictable external influences or is long term in nature, and where the proxy measure can be shown to be linked to the desired outcome.
Government and local partners	Agreeing suitable indicators in LPSA2 is likely to be a major task. Local authorities (and government) will need help to define suitable indicators. Local authorities and central government officials would benefit from sharing their experience in the definition of targets in specific policy areas in LPSA1, to ensure that learning is consolidated and fed into departmental performance management frameworks and that mistakes are not repeated in LPSA2.
Government	Departments may need to help with the development of solutions to common data problems particularly those involving sharing of data between public sector partners.
Government	Efforts should be made in defining targets to minimise the impact of chance fluctuations; taking an average of the values of the target indicator over two or three years should be considered where targets are particularly prone to such fluctuations, for instance because of small numbers. (This also applies to the baseline.)

4.4 Stretch

Government	To be effective in a reward-driven system, targets need to be seen to be stretching but achievable by those who have to deliver them. National, standardised, aspirational targets – set without reference to local achievability – and negotiated, contractual targets are incompatible. The degree of stretch should be set in the light of local circumstances and should be realistic.
Government	The degree of stretch (and/or the threshold for reward grant) needs to reflect the risk attached to particular targets. (Risk is associated with factors such as inadequacies in performance information, small numbers, year to year volatility in the indicator or target group, partnership working, lack of influence over the target indicator and susceptibility to external influences including changes in national policy.)

- Government and local partners There is a fine balance to be achieved between ensuring that targets are sufficiently stretching, and pushing the local authority to the point where they sign up to something they do not believe can be achieved. Sometimes both sides in the negotiation are equally in the dark about what is achievable, but often the local authority will have a better understanding. Local authorities should be more prepared to walk away from a target when they are pushed too hard.
- Government We understand that renegotiation involves a significant resource cost for central government, and that Ministers wish to avoid encouraging local authorities to expend resources on renegotiation rather than achieving the target. Nevertheless we think there may be scope for more flexibility over renegotiation of targets in cases where the baseline data was so wrong that the target as it stands is clearly not achievable, and more particularly where the problem lies with a change in national policy or practice. Should there be a statement to local authorities on the situations where renegotiation will be considered, and those in which it will not?
- Government Linked to the above, central government needs to make clear the implications of policy changes that result in the wholesale removal of a target area. Will PRG be calculated on the basis of what has been achieved prior to the policy change or will all potential PRG simply disappear? Currently local authorities appear unaware about the rules pertaining to this; clarity from ODPM would help them avoid investing effort in trying to reopen negotiations with government departments.
- Government The whole issue of value for money as applied to LPSA needs reconsideration. Where considerations of value for money are evidence-based (for instance based on research into the social value of outcomes) this needs to be better explained to authorities rather than simply being used as a negotiating weapon.
- Government and local partners Both central government and local partners will have learned much about setting stretch targets as a results of the LPSA process; much of this learning will be sector-specific and so not captured by our evaluation. For the national targets and those local targets which have been adopted by a significant number of authorities and/or where there is central government interest, some mechanism should be found to capture this learning.

4.5 Freedoms and flexibilities

- Government 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.
- Government Clarity about what constitutes a 'freedom' or a 'flexibility' would help.
- Government The Comprehensive Spending Review 2004 commits the government to further strengthen local LPSAs, working with councils to identify and

remove obstacles to effective delivery. This renewed commitment will be welcomed by local authorities if it is seen to be backed up by a more flexible negotiating stance on the part of individual government departments. Departments should be required to give written justification for refusals to request for freedoms and flexibilities, which could then be challenged. Departments should compile and make publicly available a list of common requests that are invariably turned down, with the reasons.

Government	<p>All government departments should conduct an exercise to identify:</p> <ul style="list-style-type: none"> ● Freedoms requested through LPSA (especially where requested by a number of authorities) which may indicate that a change in legislation is required ● Requirements that are not statutory and can therefore be regarded as potential freedoms and flexibilities.
Government	<p>Innovation does not happen easily in a vacuum, and it seems to us unhelpful to treat requests for freedoms and flexibilities as an initiative test for local authorities. The freedoms that have been granted are public information, but time-consuming for an individual authority to access and process. Either ODPM or the LGA should collate, regularly update and publish a structured list of freedoms that have been granted, to help authorities prepare their submissions. It would also be helpful if departments could distil for publication a few generic changes that might be likely to be granted where an authority could make the case for a link with a proposed target (since F&Fs as they appear in agreements are generally not easy to interpret).</p>
Government and local partners	<p>The longer timescale for preparing submissions under LPSA2 should allow local authorities and their partners more time to consider potential freedoms. This would seem however to be an area where joint working between groups of agencies nationally could make more progress than localities working alone. As part of the support framework for LPSA2, a small number of working groups on common topics should be convened to identify (and provide evidence to justify) potential freedoms. Authorities should then document and share their experiences in negotiating these freedoms with a view to mounting a joint challenge in the face of unreasonable refusal.</p>
Government and local partners	<p>Local authorities should attempt to tie the degree of stretch required before reward grant is awarded to the delivery by government of any agreed freedoms. Where government's delay in delivering on commitments has prevented achievement of a target, authorities should be granted an extension.</p>
Government and local partners	<p>Because so few freedoms were granted, our research will not provide robust evidence about whether or not they contributed to improvement. Significant freedoms and flexibilities should be treated as pilots and evaluated and the findings fed back to central government. In LPSA2 such evaluation and feedback should be a condition of granting F&Fs.</p>

5.1 Bringing about change

Government	Nothing in our research so far suggests that the mechanisms used in LPSA1 should be changed in LPSA2, with the exception of freedoms and flexibilities which requires a new approach in order to be made effective.
Government	The findings set out here and later in the report suggest that government should consider shifting the balance somewhat in favour of pump priming grant and away from reward grant, without compromising the fundamental reward-based nature of the scheme. This is particularly true for targets which are shared priorities and 'high risk' either because they are strongly influenced by factors outside the control of the authority, or because the authority already applies leading edge practice and is a high performer and further improvement can only be achieved by experimentation. This would lead to a more equitable sharing of risk between centre and localities.
Local partners	Local authorities need to give more careful consideration to the way in which PPG is allocated so that it is used to best effect, and to the incentive that promising to share reward grant with partners (including schools) would provide.

5.2 Managing performance

Local partners	Each target should have a single individual who is clearly responsible for delivery and for coordinating actions within the target, although sub targets may have their own leads. Wherever possible the person responsible should be working on the target for a substantial proportion of their time, although this may not always be appropriate where the target is an integral part of mainstream services. However, to ensure that individual target leads are given the support they need as well as adequate oversight, accountability should rest at directorate level. Targets should be written into departmental plans and the personal plans of those responsible.
Local partners	Each target should have a written plan setting out: the aims of and rationale for the target; a plan of action with milestones and responsibilities for each action; intermediate targets for either the target indicators or proxies against which progress is assessed, and a risk assessment and risk management plan.
Local partners	The most effective performance management occurs where: <ul style="list-style-type: none"> ● The LPSA steering group involves either target leads or their immediate superiors (rather than, as sometimes happens, an information officer whose knowledge is confined to the data). ● Corporate performance management is complemented by active performance management at directorate level (or in an appropriate joint forum for partnership targets). ● Accountabilities and responsibilities are clear. Directors should be held accountable for the delivery of targets and this should be cascaded down as far as appropriate (which will vary with the target).

- Reporting covers progress against the action plan as well as monitoring of targets, perhaps using a traffic light system to highlight problems and focus attention; it includes consideration of changes to strategy as a result of learning.
- Discussion of performance involves active challenge and problem solving. There is however a supportive attitude towards lack of progress, especially where this is outside the control of those responsible.
- Risks are identified and actively managed.
- Performance management of the LPSA is integrated into wider departmental and corporate systems, but with its own sub-system at corporate level if necessary to ensure sufficient focus.
- There is clear political leadership.

5.3 Handling risk and failure

Local partners Cross cutting and partnership targets, which are likely to emerge from LPSA2, would seem to have greater potential to bring about systemic change. However such targets will be more difficult to achieve, and more risky. Local authorities and their partners need to be clear that they are unlikely to fully meet all their targets, and will need to put in place appropriate processes for managing performance and handling failure. Local authorities should incorporate risk management into their performance management of LPSAs. Local authorities need to ensure that they strike the most effective balance between motivating staff to strive, and engendering a fear of failure that could be counter-productive.

5.4 Resource allocation and opportunity costs

Local partners Local authorities should keep under review the costs (including staff time) of achieving each target in relation to the benefits (not just in terms of PRG, but also in terms of benefits to local people). Where the costs are likely to exceed the benefits, serious consideration should be given to abandoning that target.

6.1 Ways of working

Government To foster innovation, government should consider either giving PRG at a lower level of achievement or increasing the level of pump priming grant (and correspondingly reducing the amount of PRG) in cases where experimentation is needed.

Government There should be a feedback loop from local to central government as well as within local government, to share the service – specific learning that will come out of LPSA and to disseminate it. For instance this could be added to our second survey (to identify innovative practice) and followed up via practice exchange events.

6.2 Systems, processes and culture

- Local partners If fostering authority-wide changes in performance is the aim, then local authorities need to select their targets for LPSA2 with this in mind which will imply focussing on targets which involve as many staff as possible. However, LPSA is probably not the best instrument for this, although it can be very effective in bringing about change within particular services.
- Government The decision to abandon the cost-effectiveness target for LPSA2 is supported by our research.

6.3 Partnership working

- Local partners Where delivery will be significantly dependent on partners, they need to be involved in the process from the outset. To minimise risk, local authorities should assure themselves that they and their partners have shared aims.
- Local partners For LPSA2, if key partners are not signatories to the main agreement, the local authority should have formal agreements, signed by a senior person in the partner organisation, committing partners to deliver their contribution.
- Local partners The rationale for including targets which are wholly within the responsibility of a single partner agency other than the local authority needs to be very carefully considered. It is likely to be more difficult to hold partners to account for such targets, and the authority is less likely to be able to offer support if difficulties are encountered.

7.1 Process outcomes in central government

- Government LPSA2 is likely to be at least, if not more resource intensive than LPSA1. Therefore, central government departments need to ensure that they are appropriately resourced at all levels in order to engage effectively with the process. This applies equally to the ODPM's central LPSA team.
- Government Over the life of LPSA1 central government respondents became aware of other departmental policy programmes that could duplicate/be duplicated by the workings of the LPSA. It is important that central government departments are conscious of this possibility in LPSA2 in order that complementarity can be built into programmes wherever practicable.
- Government 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.
- Government Similarly the emphasis on local priorities in LPSA2 is likely to place greater demands on central government departments in terms of their commitment and engagement and is also likely to challenge expectations about how or whether central government departments need to change the way they do things.

7.2 Changes in local-central relations

- Government LPSA2 will be operating in and amongst a variety of existing local-central relationships. What is considered ‘change’ in these relationships will be informed by a variety of factors and account will need to be taken of this when reflecting on the ‘success’ or otherwise of the LPSA.
- Government LPSA2 will be operating alongside existing and developing departmental programmes. All stakeholders need to be aware of this and to anticipate how LPSA2 is likely to ‘fit’ with these programmes.
- Government Secondments to/from local and central government appear to have worked well in helping to aid understanding about ‘the other side’ and to facilitate the implementation of policy programmes. LPSA2 should seek to capitalise on and encourage these exchanges.
- Government Change in local-central relations is facilitated by individuals. However, if it is to be sustained it needs to become embedded in the department. Departments need to take action to secure this. Similarly, in those departments where there is an established infrastructure to relate to local services, it is important to examine whether that infrastructure acts to facilitate change to help realise the LPSA or whether it is used as a buffer to prevent change from impacting on centrally based functions.
- Government Routing LPSA2 through LSPs is likely to add coherence to locality planning but will also cut across central government boundaries and departments need to be prepared and organised to respond in a ‘joined-up way’.

8.1 Progress

- Government In seeking to influence targets for LPSA2, government should take heed of the relatively low success rate on many national targets in LPSA1. A sector-based debate between localities and departments should be held to explore the reasons for this apparent lack of success.
- Local partners A recurring theme in monitoring reports is the ‘fragility’ of performance against some targets, where outcomes are highly vulnerable to events outside the authority’s control and success is in effect a lottery. This accounts for many of the targets in the ‘amber’ category. If the reward grant is an important aim, authorities should avoid such targets for LPSA2.

8.3 Sustainability

- Local partners When planning and implementing their LPSA, local authorities and their partners should consider how improvements will be sustained without continuing additional funding. This will require analysis of the underlying barriers to improvement; where these are not known, the LPSA should be used as an opportunity for learning. Short term measures may need to be complemented by a longer term plan, particularly where change in deep seated attitudes and behaviour is required; setting the LPSA in the context of the authority’s overall improvement agenda would help officers to focus on the longer term.

- Local partners Local authorities and their partners should not confuse ‘sustaining an LPSA activity’ with ‘sustaining outcomes’. As the LPSA nears its conclusion, the feasibility and desirability of sustaining the attained level of performance (or seeking further improvement) should be reviewed in the light of the resources required and available, and competing priorities.
- Government To achieve greater coherence between local and central government, planning and inspection cycles need to become more aligned to ensure that local and central policies reinforce each other, rather than work against each other.

Appendix 1 Research questions

In this appendix we set out the questions the research aims to address. The research questions are primarily derived from the theory of change which the research sets out to test, but we recognise the need to look out for unintended effects and other effects not included in the TOC. Accordingly we have also included questions raised in the original statement of requirements and prompted by the research carried out in the development phase.

The questions have deliberately been kept at a relatively high level in order to focus on the most important issues. The questions are organised under the following headings:

- Aims and objectives
- Preparation and negotiation
- The agreements
- Change within local authorities
 - Managing implementation
 - Process outcomes: changes in local organisational structure, culture and processes
 - Changes in service delivery
- Change in partnership working
- Change within central government and in local-central relationships
- Contextual factors
- Performance improvement and changes in outcomes
- Policy implications.

The columns on the right hand side of the table show the main data sources for each question or cluster of related questions.

	Case studies	Central gov't research	Multi-variate analysis
Aims and objectives			
1. What were the explicit and implicit aims and objectives set by different stakeholder groups, how did these change over time, to what extent did they complement or conflict with each other?	x	x	
Preparation and negotiation			
2. At the negotiation stage, what motivated local authorities and their partners to become involved? What motivated them to be ambitious?	x		
3. How were targets selected? What role did existing local plans play? What was the involvement of the corporate centre of local authorities, service departments and partners? What was the influence of central government?	x	x	
4. In what ways did the preparation and negotiation process affect the final agreement? What aspects of the process helped in achieving the aims of the various parties, what elements hindered and in what ways? What was the role played by external agents such as inspectors and the LGA?	x	x	
5. What are the linkages between the preparation and negotiation process and the scheme impact/outcomes?	x	x	x
6. To what extent did the process of initial discussion and negotiation lead to a better understanding by local authorities and their partners of the position of government, and vice versa? How did this affect the agreements reached? What longer term effects, if any, did it have?	x	x	
7. How did the LPSA process interface with other processes in relation to the modernisation agenda within both local and central government?	x	x	
8. What skills and competences were required or lacking (and by whom)? What were the resource implications of the process and how were they accommodated?	x	x	
9. What changes in the process could have made it easier to reach agreement or brought about a better agreement? To what extent is the process introduced in round 2 an improvement?	x	x	
The agreements			
10. Did the targets reflect local and national priorities at the time of negotiation? If not, why not?	x	x	
11. Were the targets sufficiently stretching? Were they too ambitious (if so, why, and could this have been foreseen?)	x	x	
12. Was the degree of stretch required and the freedoms granted equitable between authorities? Where there were differences, what lay behind these?	x	x	x
13. To what extent did the process of discussion about freedoms and flexibilities enable local and central government to understand the real nature of the barriers and to jointly come up with solutions?	x	x	
14. Where requested freedoms were granted or refused, what impact did this have on the targets agreed, on the achievement of targets and more widely?	x		

	Case studies	Central gov't research	Multi-variate analysis
Change within local authorities			
<i>Managing implementation</i>			
15. What new structures, systems, and processes were put in place to deliver on targets and to manage performance? How effective were these, and how does this vary between authorities?	x		
16. What motivated and enabled managers and staff to achieve improved performance? What role did pump priming, unsupported credit approvals and the prospect of a reward grant play in improving performance?	x		
17. How did local authorities handle risk and failures? Where interim targets were missed, what action was taken and what was most effective?	x		
18. How were the targets aligned with and integrated into other local processes, plans and budgets?	x		
19. What were the real barriers to improvement, and in what ways did the LPSA process address these?	x	x	
20. To what extent were resources diverted from other areas, and what effect did this have?	x		
<i>Process outcomes: changes in local organisational structure, culture and processes</i>			
21. Did the structures, culture, systems and processes put in place to implement the LPSA become embedded throughout the local authority? If so, did this influence other processes such as community planning and performance management more generally?	x		
22. Did the LPSA create a multiplier effect in terms of innovation and improvement in related service areas?	x		
23. Did the negotiation process enable local authorities to gain a better understanding of the policy process? Did this enable them to participate more effectively with their partners in subsequent dialogue with central government?	x	x	
<i>Changes in service delivery</i>			
24. What role did the various PSA mechanisms have in improving performance, and what was their relative importance? Did pump priming result in the leveraging of resources from other areas? In what ways did the freedoms and flexibilities granted affect service delivery and outcomes? How important were UCAs?	x		
25. Did the PSA stimulate new ways of working, innovation and risk taking in order to achieve the targets? Which of the LPSA instruments were most important in this respect, and why?	x	x	
26. Have successful changes become embedded into mainstream practice, and if so what was the mechanism for this?	x		

	Case studies	Central gov't research	Multi-variate analysis
Change in partnership working			
27. Did the LPSA stimulate partnership working? What role did sharing of the reward grant play in strengthening commitment and encouraging a focus on outcomes amongst partners? Did pump priming act as a lever to encourage resource pooling and draw resource out of partners? Did the freedoms and flexibilities granted make partnership working easier, and if so how?	x		
28. Have there been consequential effects on partnership working more generally? Have local partnerships (including LSPs) become more productive as a result?	x		
Change within central government and in local-central relationships			
29. How did the scheme contribute to the modernisation agenda within central government? What other changes did the scheme contribute to (working practices, structures, attitudes, the administration of other schemes?)		x	
30. To what extent did the discussion and negotiation process enable central government to gain a better understanding of the impact of policy and regulation on the ground? Did it enhance the understanding of central government about the motivation of and constraints facing local government?	x	x	
31. Did the process reveal blockages in communication between central and local government? What action has been taken as a result to improve communications?		x	
32. Did partnership working skills within central government improve as a result of the discussion and negotiation process?	x	x	
33. Has a more mature relationship developed between central and local government? Did the agreements result in new processes of dialogue between central and local government? What effect has this had on wider processes of policy formulation or regulation?	x	x	
34. Has this had any influence on policy? Specifically, has policy become more delivery focussed? Has it become more attuned to varied local circumstances and capacities? Has conflict between silo based policies become better understood, and reduced?	x		
Contextual factors			
35. What other factors stimulated or impeded change (including other parts of the LGMA, CPA, sectoral policies)? What effect did these have?	x	x	x
36. How did the process and the resulting agreements change over time? How and why did these changes occur?	x	x	x
37. How did local contextual factors affect outcomes? (Including internal factors such as organisational culture, performance history, political context, history of local partnership working, organisational size, capacity, progress in implementing other aspects of the LGMA, and external factors such as socio-economic characteristics of the locality)	x		x

	Case studies	Central gov't research	Multi-variate analysis
Performance improvement and changes in outcomes			
38. To what extent was performance against the targets improved, and how far is this attributable to the scheme?	x		x
39. Where targets were missed, what was the cause of this? What were the consequences of any failures?	x		
40. Were these the right indicators from the point of view of both local and central government? Did the achievement of targets lead to the desired outcomes? Were they valid and accurate measures? Did they have perverse effects? Were the targets consistent with each other and with other government targets?	x	x	
41. What synergies were there within the PSA scheme? Is there more value in an agreement with key themes, rather than a collection of unrelated targets?	x		
42. Are the changes resulting from the PSA likely to lead to sustained improvements in local service delivery and outcomes? Is there any evidence of such sustained change to date? How will the rate of improvement after the PSA period compare with the authority's previous rate of improvement and with the average across all authorities? Is three years the right length of time for improvements in the target areas? Does this vary between targets?	x		x
43. Has the process provided value for money? Do the improvements in outcomes justify the cost of the process?	x	x	
44. What side effects were there? What was the impact, either positive negative, on outcomes in related areas? What were the opportunity costs of participating in the scheme? Were resources diverted from other areas, and if so with what effect? Were there beneficial spin-offs?	x		
45. Did the scheme reduce or widen differences between authorities? Was it more successful in some authorities than others, and if so why? Were there changes over time?			x
46. To what extent were the aims and objectives of the various stakeholders fulfilled?	x	x	
Policy implications			
47. What are the lessons for central government policy to drive performance improvement in local government?	x	x	
48. What are the lessons for local authorities and their partners?	x	x	

Appendix 2 Research methodology

There are three main elements to the research:

- Qualitative research in local authorities and their partners
- Qualitative research in central government
- Multivariate analysis based on published performance indicators and data derived from a survey of local authorities.

A separate but related piece of work has been carried out looking at performance measurement.

Qualitative research in local authorities and their partners

We have conducted research in fourteen case studies: Devon, Dorset, East Riding, Kirklees, Havering, Leeds, Manchester, North Lincolnshire, Oxfordshire, Nottingham, Slough, Southampton Staffordshire and Westminster. These were chosen to represent a broad cross section, broadly representative of the overall population of top-tier authorities. The characteristics of these case studies are shown in the table below.

Local Authority	Type	Region	CPA rating	Negotiating	End date of LPSA	NRF?	Net budget requirement	Pop density quintiles	Deprivation quintiles
				Batch	April		£'m	5= high	5= deprived
East Riding of Yorkshire Council	Unitary	GOYH	Good	1	2005	No	£282m	1	2
Leeds City Council	Met District	GOYH	Good	1	2005	Yes	£668m	3	4
Manchester City Council	Met District	GONW	Good	2	2005	Yes	£528m	4	5
Kirklees Metropolitan Council	Met District	GOYH	Excellent	3	2005	Yes	£367m	2	3
Devon County Council	Shire County	GOSW	Good	3	2005	No	£546m	2	2
Slough Borough Council	Unitary	GOSE	Fair	4	2005	No	£125m	4	2
Staffordshire County Council	Shire County	GOWM	Fair	4	2005	No	£597m	2	2
North Lincolnshire Council	Unitary	GOYH	Good	5	2005	No	£152m	1	3
Oxfordshire County Council	Shire County	GOSE	Fair	6	2006	No	£451m	2	1
London Borough of Havering	Outer LB	GOL	Weak	7	2006	No	£218m	3	2
Dorset County Council	Shire County	GOSW	Excellent	8	2006	No	£291m	2	1
Westminster City Council	Inner LB	GOL	Excellent	9	2006	Yes	£236m	5	3
Southampton City Council	Unitary	GOSE	Good	9	2006	Yes	£210m	5	3
Nottingham City Council	Unitary	GOEM	Weak	10	2006	Yes	£295m	4	5

In each authority we have interviewed between 20 and 30 people (287 interviews in total), typically as follows:

- Local authority chief executive
- Officer with lead responsibility for the LPSA
- Head of policy and/or performance management
- Local authority leader
- Director of Finance
- 12 or 13 target lead officers
- 2 strategic directors for example Education, Social Services
- Middle managers/front line staff for three targets (usually focus groups)
- Partners, for example police, health, districts, YOT, DAT, crime and disorder partnership, schools
- An 'informed observer' usually from the LSP

The topics covered in the interviews included:

- aims and objectives
- context and rationale: barriers to improvement and how the LPSA overcame these
- negotiation process: impact on the final agreement and implementation process
- targets and outcomes: reasons for selection of targets, measurement and other issues related to definition and level of the target, monitoring
- freedoms and flexibilities: impact of those granted/refused
- implementation process: looking in particular for additionality, innovation, and mainstreaming within service areas; the role of organisational structure, process and systems; partnership working
- resourcing
- assessment of impact: on final outcomes, in terms of the process outcomes indicated by the ToC, any unforeseen effects, other factors affecting outcomes.

We have also reviewed relevant documents and performance data, including trend data for the indicators, monitoring data and reports from the authority, and other relevant background information such as corporate and departmental plans. In many cases we have attended monitoring or performance review meetings.

Further work in these case studies is planned; this includes completion of the first tranche of interviews in two case studies, 'keeping in touch' interviews in the period between our first and second tranches of interviews, and a second tranche of interviews and data collection at the end of each authority's LPSA.

We have been unable to carry out case study work in any authorities with a CPA rating of 'poor'; instead we are conducting interviews with the LPSA leads in as many of these authorities as possible.

Qualitative research in central government

We have carried out interviews in the main central government departments involved (The Treasury, ODPM, Department for Transport, Home Office, Department for Education and Skills, Department of Health, Department for Work and Pensions, and Department for Environment, Food and Rural Affairs), as well as interviews with the LGPSA team. In total 35 such interviews have been carried out.

The interviews covered:

- How the department was organised for LPSAs
- Context and rationale: aims, role of LPSA in bringing about change, and relationship to other levers
- Negotiation process
- The targets – extent of shared priorities, stretch
- Freedoms and flexibilities
- Anticipated impact of LPSAs in localities
- Process outcomes in the department
- Costs and benefits of LPSA to the department
- Lessons for LPSA2

Multivariate analysis

In order to estimate the net impact of LPSAs on performance improvement, and to assess the effects of different approaches to the formulation and implementation of LPSAs, we will be carrying out multivariate analysis of the relationship between LPSA variables and measures of progress against performance targets. Work so far has involved downloading of secondary data on performance for all the national targets and those local targets for which national data exists, specification and initial calibration of a model, and a survey to collect information on each authority's approach to their LPSA.

Survey

We have carried out a survey of all LPSA coordinators and target owners. This focused on the preparation stage of the LPSA process and, in the 20 LPSA pilots, also asked about implementation. (There is a separate unpublished report on this survey.) The survey included questions on:

- The influence of various individuals and groups on selection of the target
- The consistency of the target with local plans and priorities
- The existence of and influences on strategies for achieving the target
- The degree to which the approach to achieving the target is considered innovative

And, for the pilots:

- The helpfulness of the various LPSA mechanisms in making progress towards the target
- Performance management and resourcing
- The influence of various individuals and groups on achievement of the target
- The influence of cross departmental and partnership working on achievement of the target
- Whether improvement is likely to be sustained, and if so why
- The impact of the LPSA on the wider authority

These questions will be addressed to all LPSA authorities later in the research, as they reach the end of their LPSA.

We obtained a satisfactory response rate (840 responses, 53.5%) with no evidence of non-response bias.

Work on performance measurement

We have also carried out an analysis of the robustness of all LPSA targets and drawn lessons for the design of performance measures for use in the second generation of LPSAs. This is the subject of a separate report¹².

¹² Designing performance measurements to be drawn on in the second generation of Local PSAs. George Boyne and Jennifer Law. 2004 (unpublished)