



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

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Public Service Agreements:  
Second Interim Report*

December 2006  
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Department for Communities and Local Government: London

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## Summary

This is the second interim report of a long term process and impact evaluation of Local Public Service Agreements, commissioned by the Department for Communities and Local Government. The research involves 14 case studies, interviews in a number of other authorities with a CPA rating of 'weak' or 'poor', interviews with authorities involved in the early stages of LPSA2 negotiations, interviews in the main central government departments involved, a survey of LPSA co-ordinators and target owners, and quantitative analysis of outcome data across all authorities. The research is ongoing and the findings and conclusions presented here are provisional, based largely on research in authorities that were amongst the early negotiating batches and whose LPSA finished in 2005.

### Performance against LPSA targets

#### *Improvement and achievement of reward grant*

Performance improved compared with the baseline on 62% of targets, while it was unchanged on 6% and deteriorated on 15%; for 16% of targets (where performance was less than 60% of the stretch target) we have no data on actual outturns.

67% of targets were eligible for some reward by achieving at least 60% of the negotiated 'stretch' over the estimated position without the LPSA on at least one of their sub-targets. On average local authorities claimed 57% of their potential reward grant, an average of £5.09 million per authority. However, the claim rate varied widely, from 17% to 92%.

#### *Stretch*

On balance, it would seem that the level of ambition in the negotiated agreements was reasonable – stretching, but attainable. However, performance is polarised. There is a tendency to either overshoot the target, often by a substantial amount, or to fail to hit even the 'without LPSA' predicted level. It would seem that many of the 'without PSA' projections were unrealistically high, while in other cases the 'with PSA' target was, with hindsight, probably too easy.

Many of the targets where even the 'without LPSA' level was missed fall into one of two groups. First, national targets where there was already an aspirational (i.e. unachievable) target imposed by government, which set a floor for the 'without PSA' level (notably the educational attainment targets). Second, targets – mostly but not exclusively local ones – where both sides admit that because of a lack of data about current and past performance, or the vulnerability of the target to unpredictable external influences, target setting was 'a shot in the dark'. A lack of understanding which prevented accurate target setting was also often associated with significant over-achievement.

#### *Variations in success rates*

The reward grant claim rate was significantly higher for local than for national targets, as was the average level of stretch achieved. Many national targets failed even to meet the 'without LPSA' level, while there was frequent overachievement in local targets. There

were also large variations in success rate across different policy areas; education significantly underperformed almost all other service areas in terms of both stretch and reward claim rate.

### *Data robustness*

In a significant minority of targets there have been problems with inaccurate data. One of the positive impacts of LPSA has been that it has highlighted weaknesses in data, and stimulated local authorities to improve their data collection systems.

## **Factors influencing performance**

### *How far is improvement attributable to the LPSA?*

Our case study research found that the extent to which improvement is attributable to LPSA varies across targets and also between local authorities, with respondents in some places being able to articulate quite clearly the factors underlying improvement, those in other places being very unclear. Our interviews suggest that in our case studies improvement is largely attributable to the LPSA in about one fifth of targets, and partially attributable to LPSA in a further third of targets; the remainder were equally divided between targets where there was very little impact, and targets where the respondent did not comment. However, in most cases factors other than LPSA also contributed to improvement.

Interim results from our multivariate analysis provide some tentative evidence that LPSA targets have been effective in driving service improvement, at least in some service areas, although the results of the quantitative analysis must be treated with extreme caution at this stage.

### *Contribution of specific LPSA mechanisms*

The pump priming grant (PPG) was most frequently cited as the most helpful aspect of LPSA. This provided additional capacity to plan and deliver changes in services and to experiment with new approaches which, having proved their value, have often been subsequently mainstreamed. Of equal or greater importance in many instances was the prominence that LPSA gave, and the added impetus that comes from publicly committing to a target. Performance reward grant (PRG) was not a direct motivator for most service managers because none of our case studies promised that the PRG would be allocated to those services that won it. PRG nevertheless had a powerful indirect effect; it was important to the corporate centre and intensified the pressure from the corporate centre to deliver, and the feeling amongst target leads that they did not want to let colleagues down. Freedoms and Flexibilities ('F&Fs', now referred to as 'enabling measures') were important in only a small minority of instances.

### *Other factors that influenced performance*

In terms of organisation and management of the LPSA, success seems to have been associated with an active performance management role for the corporate centre, ownership of the target by those who had to deliver it, clear accountability for each target or sub target, and continuity of staffing.

In many instances it was clear that factors other than LPSA had contributed to improvement. These included improvement initiatives that were already planned or underway, organisational changes, and helpful developments in national policy and funding. Targets were also however sometimes adversely affected by changes in central government priorities; targets where the lead was outside the local authority seem to have been most affected. Other targets were affected – either adversely or positively – by external events that were outside the authority’s control.

Our research suggests that some types of target were much harder to deliver than others. Authority-wide targets that lacked a clear and limited focus for action were in general more difficult to deliver. Targets that were measured in terms of outputs rather than outcomes and targets for services delivered by the local authority rather than partners were more likely to be achieved, because the authority could take actions that directly affected performance against the target.

### *Barriers to improvement in general*

This analysis casts some light more generally on the factors blocking improvement in services. Of prime importance is a lack of focus, with local authorities and individual staff trying to pursue too many different targets, and unable to prioritise. Another important barrier is the difficulty of finding small amounts of resource with which to experiment and to initiate change, where funds are very tight.

Although performance management has improved in general, in some authorities a lack of performance culture and the corporate and departmental performance management systems to underpin it are a crucial barrier to improvement. In relation to partnership targets, key barriers are the difficulty of getting partners to agree priorities and work together to achieve them, and partners being focused on silo driven priorities and getting blown off course when these change.

There are a number of barriers to improvement relating to individual services or outcome areas. For some outcomes, improvement is difficult because of a lack of understanding of the issues and lack of clarity about what has to be done to improve performance. In some service areas cultural factors are a barrier.

### *LPSA as a tool for improvement in poorly performing authorities*

Our research in weak and poorly performing authorities suggests that the authority’s general corporate strength is a factor affecting their ability to make the most of the opportunities offered by the LPSA initiative. Some of the shortcomings that had contributed to local authorities being rated as poor or weak by CPA meant that they were not in a good position to plan or manage the LPSA. During the LPSA, there were considerable improvements in performance management, in planning and goal setting in these authorities. The LPSA made a contribution to this, but the CPA ratings and their consequences – an improvement plan and increased scrutiny by central government – were the main driver behind these changes. However, having had the experience of LPSA1 and having made changes following CPA, these authorities are in a much stronger position to deal with LAAs and the reward element in them.

## Wider and longer term outcomes

### *Sustainability of performance*

It was a policy assumption that improvements would be sustained beyond the life of the LPSA. It seems from our case studies that in the majority of cases improvements will be sustained at least for the next few years, although many are not self-sustaining. Across our case studies as a whole, targets were roughly equally divided between two groups. In the first group are targets where changes in processes or activities were cost neutral or self-funding because they produced offsetting savings elsewhere, or where improvement resulted from new infrastructure, systems or processes; improvements in these areas are likely to be sustained. In the second group, improvements will only be sustained if there is continuing funding at a level higher than before the LPSA.

### *Structure, process and culture in the local authority*

In all our case studies corporate performance management, resource allocation and the use of management information has improved over the last three years. This seems largely to have been driven by policies such as CPA, but LPSA was a contributory factor. Within those service areas that had an LPSA target, LPSA contributed to a better understanding of the factors underlying performance, more widespread awareness of data and its value in planning and management, and a significant improvement in data availability and quality. LPSA has also contributed to joint working across services (although again other factors were more influential, such as the move to integrated children's services). New approaches to service delivery have been tried and in some cases rolled out across the authority. Ingrained professional attitudes and practices have started to shift. These changes are in addition to the many specific changes in target areas that enabled improvement to take place.

### *Relationships with partners*

In many of our case studies relatively few of the targets involved partnership working. In those that did, the LPSA is generally said to have strengthened partnership working, sometimes initiating collaboration where previously services worked in isolation but more often building on and deepening existing relationships. Partnership working on specific targets was however often fragile – vulnerable to key individuals moving on, and to the impact of changes in central government priorities. One of the weaknesses in Round One LPSAs was that the local authority had no leverage over partners, whose active involvement could not always be relied on particularly if they had not been involved in negotiating a target.

### *Negative impacts*

Most local authorities invested their own resources in achieving the targets, often matching the pump priming grant with funds from the corporate centre. However it is not possible to assess the total level of resources spent on achieving the targets. Generally the additional sums invested in the scheme are marginal in relation to mainstream budgets, and considered by service managers to be justified in terms of the benefits to service users. No adverse impacts on other services could be identified.

However, there were a few instances where the officers most closely involved felt that the target was ill-conceived and received a disproportionate amount of attention, diverting resources from other more worthwhile work. And in some localities money spent in the final stages of their LPSA to hit targets was not necessarily well spent (judged by setting the additional cost against the perceived value of the additional improvement in outcomes) except in terms of getting the reward grant, although the sums involved were generally quite small.

Many respondents commented on the demotivating effects of targets that were too stretching, or felt to be inappropriate (not worthwhile). Few other negative effects were reported.

## Second generation LPSAs

### *Aims and motivation*

Local authorities are by and large enthusiastic about LPSA – both as a mechanism for improvement, and a source of additional funds. However, experience of LPSA1 has engendered in some places a greater degree of pragmatism, and more authorities seem to be approaching their LPSA2 with a view to maximising the financial reward.

### *Preparation*

The longer time available for preparation than in LPSA1 has enabled a more considered approach to the selection of priorities and development of targets. The corporate centre of authorities has been more rigorous in the evaluation of possible targets, but more of the detailed work of defining indicators and negotiating these with government has been done at target owner level.

LPSA2 required the involvement of partners, and the longer timeframe allowed earlier and much closer engagement. Lessons have been learned about the importance of formalising agreements with partners, and making responsibilities and accountabilities clear.

### *The negotiation process*

Experience of the negotiations was very mixed. Some authorities reported that the dialogue was better than in LPSA1, and many found comments from the LGPSA team (and, to a lesser extent, other government departments) helpful in thinking about outcomes and shifting thinking onto a new level. About half our local respondents found the process “painful but worth it”. Central government respondents were of the view that LPSA 2 had made an important contribution to the way in which localities understood how to achieve performance improvement, via its outcomes focus.

However a sizeable minority were deeply disappointed in the process and what came out of it. Local authorities were particularly concerned about the length of time taken to reach agreement (a result both of delays on the government side, and local authorities’ tougher stance), which meant that for many authorities the agreement was not concluded until well into what should have been the first year of implementation. While generally appreciating the value of the outcomes focus, local authorities and central

government respondents (outside ODPM) expressed concern about what was seen as ODPM's over-zealous insistence on outcome measures, considering that the ambition of working with outcomes needed sometimes to be tempered by pragmatism about what was 'doable'. Concerns were also expressed by both local authorities and central departments about the way in which 'value for money' was handled in the negotiations.

### *The content of the agreements*

Most authorities consider their LPSA2 agreements much better than their LPSA1 as a result of both changes in the scheme and their own learning from round 1. This is partly because the agreements are a closer reflection of local priorities, better integrated with other policies and plans, and this (with the longer timescale for preparation) resulted in greater engagement of staff and partners. The targets are more sustainable, more complex – involving joining up across silos – and more subtle, more accurately reflecting desired outcomes.

However, the stringent application of standard value for money criteria has made it difficult and sometimes impossible for localities to address issues of inequality. The insistence on outcome indicators, while it has been very valuable in encouraging local authorities to think through their real aims and how best to achieve them, has also led to difficulties. It was not always possible to find an outcome indicator that reflected local priorities, and some authorities accepted 'second best' outcome indicators that do not reflect their real aims simply in order to make progress. The insistence on outcome measures made it difficult to include preventive work within the LPSA, since there is a lack of accepted indicators and a lack of evidence linking outputs with outcomes. It also inhibited innovation.

More generally, the experience of LPSA1 seems in some authorities to have induced an increased aversion to risk, a greater unwillingness to accept targets where the outcome cannot be controlled or at least strongly influenced, and an unwillingness to innovate. This has however often proved difficult to reconcile with the requirement for partnership targets and outcome indicators.

## **6. Provisional conclusions**

### *Did the scheme provide value for money?*

It is difficult to assess whether or not the benefits of the scheme exceeded the costs since neither can be quantified; moreover, whether government grants constitute a cost or a benefit depends on the perspective taken. Most target owners, whose focus is on outcomes rather than costs (and who regard the pump priming grant and other investment in their service as a positive thing), consider the scheme worthwhile. The views of those in the corporate centre of local authorities are more mixed; some considered the scheme had involved a disproportionate amount of effort, and provided value for money only if reward grant is counted as a benefit.

From central government's perspective reward grant is considered a cost along with pump priming grant. This is a very stringent test of value for money since it does not take into account the additional benefits that will come from spending the reward grant (which far exceeds what localities spent from their own resources on achieving the

targets). *If* negotiated stretch represented value for money, then it seems likely that the benefits have exceeded the costs overall. Pump priming grant was a relatively small sum, and there has been significant 'free' improvement (where improvement exceeded the 'without LPSA' level, but was insufficient to attract reward grant, or where the target was exceeded). However, without a full cost-benefit analysis it is not possible to determine whether negotiated stretch actually did represent vfm.

*Have LPSAs been a good way to drive up performance?*

LPSAs seem to have been a very good way of driving up performance in specific services. The initiative has given focus, common purpose, and a structure to work. The combination of an enabling grant, an external incentive and the pressure this creates, and specific targets (at least some of which were local priorities) was energising. LPSAs are more focussed than LAAs, and hence more conducive to making a step change in performance in specific service areas.

However, this very focus is one of the limitations of the policy; in some localities it seems that the LPSA may have led to too narrow a focus, on things that are measurable, and are not necessarily top priorities. In the light of this the integration of LPSA2 into LAAs as the reward element seems a very positive development.

Moreover, it is clear from the differential success in the attainment of targets between local authorities, that LPSA mechanisms are not always sufficient to bring about improvement. Where the barrier to improvement is a general lack of leadership and managerial capacity reflected in weak performance management and lack of a performance culture, a lack of understanding about what works, deep cultural barriers to change, or weaknesses in partnership working, incentivisation will not necessarily produce improvement.

LPSA seems to have been much more successful in some service areas than others, although at this stage it is difficult to tell how far this is due to unrealistic targets, and how far to a failure to improve. The same success cannot necessarily be expected with the much harder outcome targets of LPSA2.

*Has the scheme contributed to wider change?*

Our research suggests that in the short term the effect on improvement is narrow – the qualitative analysis suggests that there are no significant spin-off effects on other indicators even within the same service area. In the longer term however there are likely to be positive spin off effects, primarily because LPSA has contributed to significant improvements in data quality and the use of management information to understand performance and drive improvement. In addition to improvement in the targeted services, LPSA contributed to improvement more widely across local authorities, in terms of corporate performance management and the development of a 'performance culture'. However, LPSA has been just one amongst several drivers, with CPA and service specific inspection regimes being seen as more important factors.

In addition, LPSA, although not specifically designed as a capacity building programme, enabled and incentivised local authorities and their partners to take steps to build their own capacity, 'learning by doing'. It encouraged managers to develop an understanding

of what is needed to bring about improvement in their service area, to improve the quality and use of data, search for best practice, experiment and innovate.

*Making the most of the scheme*

Implications for preparation and negotiation include:

- Target setting is an imprecise science; choosing the right target and the right indicators seems to be more important than the level of stretch
- Targets should be part of the local strategic direction, accurately reflect priorities *for improvement* locally and be owned by those who have to deliver them
- It is difficult to reconcile the desirability of unambiguous, tested indicators with the policy aim of innovation. Incorporation of LPSAs into LAAs provides the opportunity to reconsider the balance between these two considerations.
- The sort of short term incentive provided by LPSA seems less likely to be effective where the outcome is largely outside the control of the local authority and their partners, and for targets that are too diffuse, or too 'large' for the scale of resources offered
- Agreeing in advance the principles on which reward grant will be allocated is essential when partners are involved, and can help to motivate staff.

Implications for managing implementation include:

- Leadership from both politicians and senior managers leading to a sustained high profile for the initiative is a critical success factor
- Localities should, at the negotiation stage, plan carefully what can be achieved in the 3 year time frame and get underway as soon as possible
- Performance needs to be actively managed at both corporate and directorate levels. This should focus on actions, and include risk management, clarity over resourcing and accountabilities, and periodic review of the desirability of continued pursuit of the target in the light of likely costs and benefits.

# Chapter 1. Introduction

- 1.1 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<sup>1</sup>), and may grant relaxations in statutory or administrative requirements ('freedoms and flexibilities' or F&Fs, now referred to as 'enabling measures'). The scheme was piloted with 20 authorities in 2000–2001, and negotiations 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 or 2007 (authorities in the later negotiating batches)<sup>2</sup>.
- 1.2 This is the second interim report of a long term process and impact evaluation of Local Public Service Agreements, commissioned by the Department for Communities and Local Government. The research started in March 2003 and will continue until September 2007. 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.
- 1.3 The research involves 14 case studies, interviews in a number of other authorities with a CPA rating of 'weak' or 'poor' where case study work was not feasible, interviews with authorities involved in the early stages of LPSA2 negotiations, interviews in the main central government departments involved, a survey of LPSA co-ordinators and target owners, and quantitative analysis of outcome data across all authorities.
- 1.4 Since our first interim report was published a year ago, fieldwork in the eight case studies whose LPSA ended in 2005 has been completed, some further interviews have been carried out in central government linked to our evaluation

<sup>1</sup> Now historic, replaced by Prudential Borrowing

<sup>2</sup> The majority of authorities completed their LPSA by March 2006; six authorities have agreements that last until March 2007

of Local Area Agreements, and statistical analysis has been undertaken of results up to April 2005 (representing final outturns for 60 authorities including the pilots). Over the next year further research will be carried out in the authorities whose LPSA ended in March 2006 including six case studies and a sample of authorities with a 'weak' or 'poor' CPA rating; there will also be further interviews within central government, a further tranche of the survey, and the quantitative analysis will be extended using 2005–6 data. (For further details of the research methodology, see Appendix 1.)

- 1.5 In our first interim report<sup>3</sup> we focussed on the early stages of the LPSA process – aims, preparation and negotiation, the agreements, and management of implementation; we also looked at early process outcomes locally and in central government. (See Appendix 3 for a list of outputs from the research so far.) In this report we focus on the outcomes and impact of LPSA in the authorities whose LPSA ended in spring 2005. We have also looked at the early stages of the LPSA2 in authorities that negotiated this with government, before negotiations were subsumed within Local Area Agreements.
- 1.6 This report is therefore based on partial data, and any conclusions must be tentative. In particular the sample of case study authorities finishing in 2005 is not balanced, and cannot be assumed to be representative of all the early negotiating authorities. Neither was there sufficient comparative data for our quantitative analysis to provide a robust measure of the impact of LPSA. We also suspect that there may be systematic differences between the agreements negotiated in the early phases of the process and those negotiated later (either because of a learning process particularly on the government side, or because the characteristics of 'early' and 'late' negotiating authorities are different). Hence final conclusions must await the completion of the research.

<sup>3</sup> <http://www.communities.gov.uk/index.asp?id=1137718>

## Chapter 2. Performance against LPSA targets

2.1 This chapter is based on both our qualitative case study research, and basic quantitative analysis of outturn data derived from reward grant claims made to DCLG for the 60 authorities that had submitted claims by May 2006. We focus on outcomes; the impact of LPSA (that is, whether the observed improvement is attributable to LPSA) and the factors affecting performance are covered in the next chapter.

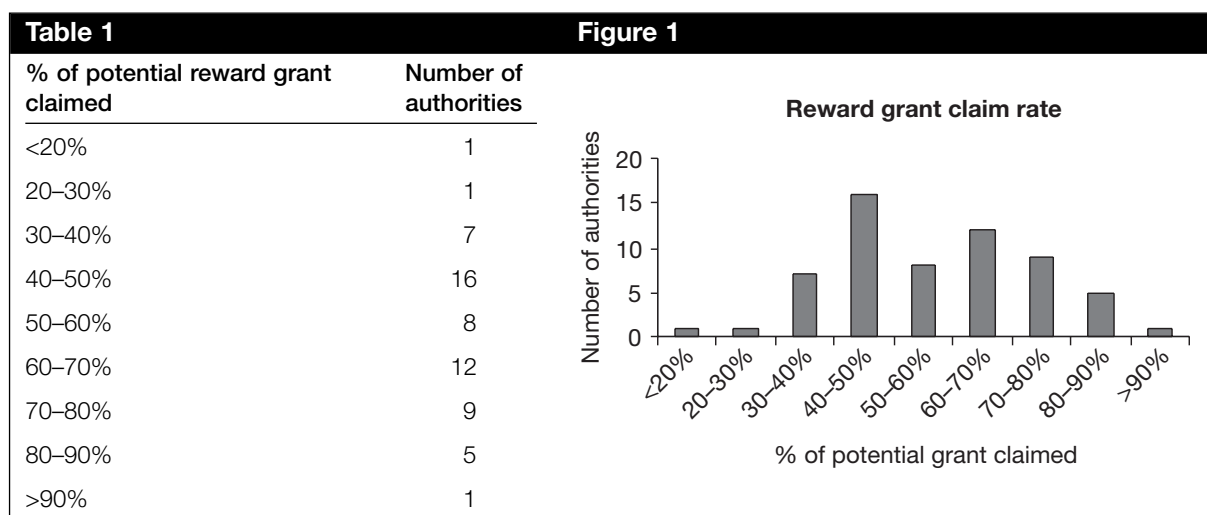
### Achievement of reward grant

2.2 Each local agreement sets out 12 or 13 targets (which may comprise several related sub-targets). For each indicator, three levels are specified – the baseline, the predicted performance without the LPSA, and the ‘stretch’ target with the LPSA. Reward grant is payable on any target or sub-target where performance exceeds 60% of the difference between the ‘with’ and ‘without’ LPSA levels.

2.3 Overall, 67% of targets were eligible for some reward by achieving at least 60% of the negotiated ‘stretch’ over the estimated position without the LPSA on at least one of their sub-targets. This is the way in which local authorities seem to express their achievement. However, if we look at performance on individual sub targets, weighted by their potential reward grant – a more specific method – then 58% of targets triggered a reward grant claim. All the tables that follow have been calculated on this latter basis.

2.4 On average local authorities claimed 57% of their potential reward grant, an average of £5.09 million per authority<sup>4</sup>. However, the claim rate varied widely, from 17% to 92% (Table 1 and Figure 1).

### Distribution of reward grant claim rates



<sup>4</sup> The potential reward grant is 2.5% of the authority's net budget requirement

- 2.5 Performance improved (compared with the baseline) on 62% of targets, while it was unchanged on 6% and deteriorated on 15%; for 16% of targets we have no data on actual outturns where performance was less than 60% of the stretch target<sup>5</sup> and hence this partial data overstates the average level of improvement (Table 2).

## Stretch

- 2.6 A key question for the evaluation is ‘How ambitious were the targets?’- was the level of negotiated stretch about right, too hard or too easy? This is hard to answer, since it relies on being able to assess accurately what would have happened in the absence of the LPSA as well as how much more was attainable.
- 2.7 Most of the target owners interviewed reported that their targets had been ‘about right’ or ‘very stretching’, although in a few authorities respondents hinted that some colleagues had set themselves easy targets. Views about stretch varied over the course of the LPSA – some targets which were felt initially to be too stretching were unexpectedly achieved, and vice versa, suggesting that target leads are frequently not able accurately to assess or predict what level of improvement is achievable. Central government respondents concurred with these views but argued that over time they had become much more adept at identifying and negotiating more appropriate levels of stretch. Across departments central government respondents shared the view that getting stretch ‘right’ was largely a matter of judgement and that an improved capacity to exercise judgement emerged with greater experience in negotiating LPSA targets. (Whether this is reflected in the data will be tested in our analysis for the final report.)
- 2.8 Since targets were expected to be stretching, if the overwhelming majority of targets had been hit, this might have indicated that the targets were, on average, too easy. Conversely, if most had been missed this might have indicated that they were set too high. On average it would seem that a reasonable balance has been struck – most local authorities achieved many but not all of their targets. A few authorities did better than they expected, and some were disappointed.
- 2.9 However, as Table 2 shows, performance is polarised. There is a tendency to either overshoot the target, often by a substantial amount, or to fail to hit even the ‘without LPSA’ predicted level. Relatively few targets fall into the 60%-100% or 100%-150% of stretch target bands where one would have expected them to be clustered, if target setting had been accurate. It would seem that many of the ‘no PSA’ projections were unrealistically high, while in other cases the ‘with PSA’ target was, with hindsight, probably too easy.

<sup>5</sup> Unfortunately the grant claim forms on which we have to rely for data on outturns give a very partial picture, as authorities were not asked to report their performance on targets where they failed to hit the 60% of stretch level triggering a grant claim.

Table 2 Achievement of stretch

Amount of stretch	% of targets
X < baseline	15.28
baseline < X =< without PSA	6.08
without PSA < X =< 60% PSA target	4.35
60% PSA target < X =<100% PSA target	9.13
100% PSA Target < X =< 150%	14.16
150% PSA Target < X =< 200%	8.00
200% PSA Target < X	26.83
missing data	16.34

Table 2 Notes:

1. X is the actual outturn
2. Stretch is defined as (Outturn – Target without LPSA / (Target with LPSA – Target without LPSA)
3. The missing values relate to targets that achieved less than 60% of stretch.

2.10 Many of the targets where even the ‘without LPSA’ level was missed fall into one of two groups:

- National targets where there was already an aspirational (i.e. unachievable) target imposed by government, which set a floor for the ‘without PSA’ level (notably the educational attainment targets)
- Targets – mostly but not exclusively local ones – where both sides admit that because of a lack of data about current and past performance, or the vulnerability of the target to unpredictable external influences, target setting was a ‘shot in the dark’.

2.11 In the former group, frequently authorities had identified these targets from the start as ones that they had little or no chance of hitting. Where managers thought the target worthwhile, they still tried to improve. Although the reward grant did not provide a significant incentive in these cases, it is possible that the availability of pump priming grant and the additional focus provided by LPSA may still have resulted in some improvement over and above what would have occurred anyway (particularly in those cases where managers were in any case committed to the target), although the evidence provided by the quantitative analysis is equivocal.

2.12 A lack of understanding which prevented accurate target setting, as well as being associated in some cases with a failure to hit even the ‘without PSA’ level, was also often associated with significant over-achievement. In these instances, the degree of stretch could not have been known at the time by either side to be insufficiently challenging. There were however a few exceptions, where localities knew from the start that a particular target would be easy, and in their minds set these against other targets they knew to be much harder if not unattainable so that the agreement as a whole felt balanced and ‘fair’.

2.13 Three points have wider implications for target setting. First, even where the target was missed, in many cases localities made significant improvement over

the LPSA period. Some expect to hit the target in the next year or two. So from the point of view of government, in these targets the LPSA has stimulated improvement at very low financial cost (the pump priming grant).

- 2.14 Second, ‘overshooting’ also represents good value for money from government’s point of view – assuming that the original target represented value for money. It is doubtful whether setting a more challenging target in these cases would necessarily have increased performance (although the quantitative analysis suggest there may be a positive relationship between stretch and improvement for some (national) targets, this does not necessarily apply to all targets). Few target leads, in those instances where a target had been achieved or overachieved, could suggest anything else they could have done (with available resources) to further improve performance. When target leads know that a target is likely to be hit, they typically do not slack off their efforts; this reflects both the fact that local managers find it very difficult to fine-tune performance, so any slackening of effort might have resulted in a missed target, and the fact that service managers generally *want* to improve performance and are encouraged by success (in the words of one target lead, “hitting the target in year two simply kick-started us into wanting to do even better”).
- 2.15 Third, where targets were felt from the start to be unrealistic it was difficult to motivate staff, and the failure to hit the target has overshadowed the often considerable progress made. Nevertheless, very few targets were abandoned. (Abandonment of targets was generally because either the target was both unrealistic and felt to be not worthwhile, or, in a few instances, where it had proved impossible to agree a way of measuring the desired outcome.)

### Variations in success rates

- 2.16 These average figures conceal substantial variations in success rates between different types of target. The reward grant claim rate was significantly higher for local than for national targets, as was the average level of stretch achieved (table 3). The difference between national and local targets is greater when measured in terms of average stretch than when measured by grant claim rate, because the former measure reflects the many national targets that failed even to meet the ‘without LPSA’ level, and in contrast the frequent overachievement in local targets.
- 2.17 This is partly a reflection of inaccurate target setting – the unrealistically high level set for some national targets, and in the case of some local targets asymmetry in information (localities were better able to predict their performance than were government Departments, and so set themselves ‘easy’ targets). It also supports the findings from our case studies that the characteristics of many local targets made them inherently easier to achieve – because they were output or throughput targets rather than outcome targets, or because they were tightly focussed on a particular client group or part of the locality, and so more easily managed.

Table 3 Success by national or local target

Type of target	Number of targets	Average stretch achieved	Reward claim rate
Local	271	89.48%	68.09%
National	463	47.65%	50.39%

2.18 Table 4 shows that there were also large variations in success rate across different policy areas. It is clear that education significantly underperformed almost all other service areas in terms of both stretch and reward claim rate. Most other differences, although large, are not statistically significant because either the number of authorities with a target in that service area is small or the degree of variation within a service area is large.

Table 4 Success by policy area

Policy Area	Total number of authorities	Average stretch achieved (1)	Reward claim rate
Fire	10	145.05%	85.09%
Elections	5	143.62%	84.64%
Planning	10	136.36%	81.06%
Drugs	14	135.54%	82.73%
Leisure	11	131.82%	87.56%
Libraries	8	112.17%	85.54%
Housing	24	111.85%	81.18%
Waste	66	106.04%	76.94%
Cost Effectiveness	58	101.34%	61.32%
Transport	77	85.91%	62.64%
Electronic service delivery	30	85.75%	68.61%
Employment	32	84.84%	60.38%
Crime Reduction	67	60.53%	56.81%
Benefits	12	49.96%	64.73%
Social Services	144	49.90%	49.86%
Education	163	-8.10%	31.98%

Note (1) A negative figure in the stretch column in this and the following table indicates that performance was less than the predicted level without the LPSA.

2.19 There are some indications that authorities in later negotiating batches were less successful in achieving their targets than those in earlier batches, perhaps because government became tougher in their negotiations as they gained experience; the claim rate for batches 4 and 5 is much lower than that for the pilots (table 5). However, there is no clear trend (the average stretch achieved was highest for batches 2 and 3) and it may be that there are differences between the capacity of authorities in different batches; this is something we will be examining further when data for the batches completing their LPSA in 2006 becomes available.

Table 5 Success by negotiating batch

Batch	Number of targets	Average stretch achieved	Reward claim rate
Pilot	234	64.89%	62.19%
1	37	32.08%	56.01%
2	125	70.47%	54.71%
3	149	88.05%	62.10%
4	123	43.25%	48.44%
5	60	25.16%	41.68%

(NB: Many Batch 5 authorities are still submitting claims in 2006/07 so the figures for this batch are incomplete.)

## The trajectory of improvement

- 2.20 Performance improved at different speeds in different targets, not necessarily following a linear route, with many targets experiencing peaks and troughs in performance dependent on both LPSA activities and external influences. Targets based on small numbers were particularly volatile, but even targets based on large numbers (such as Key Stage 4 results across a whole LEA, or public transport usage) did not necessarily show steady cumulative change but were vulnerable to chance events such as the loss of a head teacher in a key school, or a bus drivers' strike, or to changes in government policy which affected the effort put into the target by key partners (crime targets and health targets were particularly vulnerable to this). This uncertainty made it difficult for authorities to manage and predict performance.
- 2.21 It was common for improvement to start slowly, often with little improvement in the first year, as the early part of the LPSA either suffered from drift or was spent in planning and recruiting staff. A few targets plateau-ed when they hit a constraint (for instance a target for providing care to the elderly in their own homes was constrained by the local supply of care services), but this was very rare. It was more usual, even when the target had been hit before the end of the LPSA period, for performance to continue to improve.
- 2.22 In a number of instances, even where a target was missed, trend data suggests that it might be reached in the near future. This might suggest that the activities put into place are having an effect but take longer than three years to have the required impact (or that because the authority got off to a slow start there was in practice far less than three years for actions to take effect before the end of the LPSA).

## Data robustness

- 2.23 All our case studies had their LPSA targets audited by their internal auditors. Our research suggests that data for the majority of targets in our case studies are robust.

- 2.24 In a significant minority of targets however there have been problems with inaccurate data. This was often picked up and addressed during the course of the LPSA, but was occasionally not spotted until the final claim was examined by the authority's internal auditors. In some cases it has not been possible to improve the accuracy of data, and there are consequently some doubts over the figures included in the final grant claim. Particular problems with data accuracy have been experienced with data from external partners (notably the NHS, Job Centre Plus, and bus companies), but a number of our case studies also experienced problems with their own internal data. Local targets have been particularly affected by measurement problems and in general the data for these are less robust. A number of our case studies also found, when it came to making their final claim for reward grant, that they were unclear about indicator definitions or the period over which the target would be measured. In a few instances there is evidence that local indicators were 'massaged' to produce a favourable result.
- 2.25 One of the positive impacts of LPSA has been that it has highlighted weaknesses in data, and stimulated local authorities to improve their data collection systems. Greater confidence in the baseline has, in some instances, encouraged them to be more ambitious in setting their targets for LPSA2. Authorities have also been much more careful in their LPSA2 negotiations to ensure that definitions are watertight (with DCLG also exerting pressure for tighter definitions) and the details of negotiations with government documented.

## Chapter 3. Factors influencing performance

- 3.1 This chapter is based on both our qualitative research and our multivariate analysis of the 23 national targets where there is sufficient data to allow a comparison of changes in performance in authorities with and without a particular target. The results of the multivariate analysis in particular must be treated with extreme caution at this stage, as the dataset is only partial.

### How far is improvement attributable to LPSA?

#### *Results from the qualitative research*

- 3.2 The extent to which improvement is attributable to LPSA varies across targets and also between local authorities, with respondents in some places being able to articulate quite clearly the factors underlying improvement, those in other places being very unclear.
- 3.3 Overall, our interviews suggest that in our case studies improvement is largely attributable to the LPSA in about one fifth of targets, and partially attributable to LPSA in a further third of targets; the remainder were equally divided between targets where there was very little impact, and targets where the respondent did not comment. However, in most cases factors other than LPSA also contributed to improvement – in particular the local authority's existing plans, and national policies. The extent of attribution varies from slight (LPSA was one helping factor amongst many, and not necessarily the most important), to targets where the improvement seems to have been largely or entirely due to LPSA. In the latter instances target leads were able to make an explicit link between activities initiated as a result of the LPSA and changes in the target indicator, and were often able to point to a step change in performance over the LPSA period.
- 3.4 These views were supported by central government respondents although they were more likely to identify LPSA as contributing to change in those areas where they had few other policy levers with which to encourage change, e.g. DEFRA. Central government respondents were much less likely to identify LPSA as key to change programmes where they had a large arsenal of policy levers upon which to draw, e.g. DfES. At no point did central government respondents identify LPSAs as hindering the achievement of key departmental priorities.
- 3.5 It is easiest to attribute improvement to the LPSA in targets that measure outputs rather than outcomes; that are in policy or service areas where there is a well understood link between activities and outcomes; and that are delivered by the local authority rather than by partners; in all these instances target leads were frequently able to articulate a direct link between the activities undertaken as part of the LPSA, and changes in performance against the target indicator. It was also relatively easy to identify impact in targets that are narrowly defined in terms of their target population or geographical area (where again the LPSA was associated with specific activities, which could be linked to changes in performance), and in small low profile services that had previously not been the focus of much activity, where the LPSA often brought about a step change in

both funding and performance. It was hardest to demonstrate a link in large mainstream services (such as authority-wide educational attainment or attendance, or services for older people), where the additional activities undertaken under the LPSA (if any) were generally a very small part of overall efforts directed towards the same end.

- 3.6 In only one of our case studies was performance against the cost-effectiveness index linked to LPSA activity, since in general this target was monitored but not actively managed. (See our first interim report, section 6.2, for a fuller discussion of the way local authorities have approached this target.)
- 3.7 The survey results, which will become available in the autumn, will provide further evidence of stakeholders' views on the extent to which change is attributable to the LPSA.

#### *Results from the quantitative research*

- 3.8 The multivariate analysis casts further light on the question of the impact of LPSA, and is set out in full in Appendix 4. We address three questions:
- Do authorities that set a LPSA target on a specific indicator perform better than those without a target?
  - Does the level of 'stretch' associated with an LPSA target influence the extent of service improvement?
  - Does the number of LPSA targets that are set in the same service area influence the extent of service improvement?
- 3.9 Our analysis is provisional in three ways. Firstly, only a minority of the first generation of LPSAs have been completed. In order to obtain a sufficient number of cases for multivariate analysis it has been necessary to pool data on authorities that commenced their LPSAs in 2001, 2002, and 2003. Thus some of the authorities in our analysis have completed only the second year of their LPSA. The impact of targets may be stronger (or, less likely, weaker) when data on performance across three years are available for all authorities. Secondly, because our aim is to estimate the impact of targets, we need to run the analysis on 'nationally comparable' indicators that apply to all authorities. However, the sample size for many of these indicators is currently too small for meaningful statistical analysis, even in our pooled data set. We will be able to undertake the analysis on a wider set of indicators when performance data for 2005/6 become available. Thirdly, we do not yet have a sufficiently large sample of completed LPSAs to match the performance data with survey data on LPSA formulation and implementation processes, and this data on implementation is itself incomplete as the second stage of the survey has not yet fully been undertaken.
- 3.10 We have analysed performance on 23 nationally comparable performance indicators (8 for education, 8 for social services, 2 each for crime reduction and transport, and 1 each for waste, planning and electronic service delivery). We

found that LPSA had a statistically significant<sup>6</sup> positive impact on 8 out of the 23 targets (that is, performance improved faster in authorities that had set an LPSA target on these specific indicators than in those without a target). Statistical tests on 8 of the 23 targets also show that performance was more likely to improve if the target had been ambitious. The balance of evidence suggests that the number of LPSA targets in the same service area makes little difference to performance (that is, we found no evidence of either a 'dilution of effort' effect or synergy).

- 3.11 These interim results provide some tentative evidence that LPSA targets have been effective in driving service improvement, at least in some service areas, although overall the results of the quantitative analysis must be treated with extreme caution at this stage. This picture should become clearer as more performance data become available, and as we integrate this data with information from the surveys on LPSA formation and implementation.

### Contribution of specific LPSA mechanisms

- 3.12 As we reported in our first interim report based on interviews early in the LPSA period, the pump priming grant (PPG) was most frequently cited as the most helpful aspect of LPSA. This provided additional capacity to plan and deliver changes in services and to experiment with new approaches which, having proved their value, have often been subsequently mainstreamed. PPG was particularly important in services outside the big spending areas like education (where it was often spread too thinly to have much impact), and in services that are capital rich but revenue poor like road safety. However, even in education the ppg was a helpful 'sweetener' in winning schools over. There is one interesting exception to this amongst our case studies, an authority where the majority of the ppg was focused on one target<sup>7</sup>; this authority was as successful as others in attaining its targets, suggesting that increased resources from outside the authority are not a necessary condition for improvement in all cases.
- 3.13 Of equal or greater importance in many instances was the prominence that LPSA gave, and the added impetus that comes from publicly committing to a target. This was particularly beneficial in smaller services that were not already driven by central government targets, and that had not previously been high on the corporate agenda<sup>8</sup>. Sometimes the LPSA helped these services to attract additional resources from the council or other sources. Many respondents also mentioned the value of the focus and clarity associated with a limited number of very specific targets. LPSA often helped to galvanise partnership working through focus on a common goal. However, respondents were clear that this added focus would in most cases not have been enough on its own. For some central government respondents the high profile of the LPSA within local authorities could be of benefit if the LPSA included policy issues that were

<sup>5</sup> That is, this relationship is unlikely to have occurred by chance.

<sup>7</sup> The resources were focussed on electronic service delivery, a target requiring significant investment; most authorities chose to fund this through borrowing but this particular authority, which is not resource rich, was unable or unwilling to bear the revenue consequences of such borrowing.

<sup>8</sup> Best value reviews had a similar effect in small services.

otherwise at the margins of local authority priorities, e.g. domestic violence. In some cases the LPSA offered an opportunity to address an emerging policy priority of central government, e.g. childhood obesity (which was the subject of LPSA 2 negotiations in some of our case studies).

- 3.14 Performance reward grant (PRG) was not a direct motivator for most service managers because none of our case studies promised that the PRG would be allocated to those services that won it. However in several instances service managers mistakenly believed that PRG would be reinvested in their service, and in these instances it was a powerful motivator.
- 3.15 PRG nevertheless had a powerful indirect effect. It was important to the corporate centre and intensified the pressure from the corporate centre to deliver, and the feeling amongst target leads that they did not want to let colleagues down. This was often of particular importance in the final year of the LPSA, where the prospect of PRG stimulated a final push to hit the target (sometimes with the help of additional investment). This indirect effect was most powerful where the corporate centre of the authority was strong. It was also important in all our case study authorities in giving an added impetus to the development of corporate performance management.
- 3.16 Freedoms and Flexibilities ('F&Fs', now referred to as 'enabling measures') were important in only a small minority of instances. Even where they had been successfully negotiated, they rarely seem to have had a significant impact on performance – either they proved of little value, or came too late to enable the target to be hit. This confirms the findings from other research, about the difficulties of identifying freedoms that will help local partners, that can actually be granted by central government<sup>9</sup>. While most respondents were resigned about this, in some authorities there was a strong sense of disappointment about their failure to win significant concessions from government.

## Other factors that influenced performance

### *Organisation and management of the LPSA*

- 3.17 There is a marked variation across our case studies in the way in which the LPSA was managed, and the extent to which organisational factors appear to have impacted either negatively or positively on achievement.
- 3.18 The role of the corporate centre was vital. In most of our case study authorities the role of the corporate centre, after the completion of negotiations, was one of monitoring rather than active performance management. Several authorities regard this, with hindsight, to have been a mistake and plan a more active role for the corporate centre in LPSA2. In these circumstances success or failure was largely dependent on the approach taken within individual service directorates or departments. Lack of engagement from the centre allowed drift in some targets where the directorate management did not get to grips with their

<sup>9</sup> For example, *A Process Evaluation of the Negotiation of the Pilot Local Area Agreements*. OPM, UWE and Local Government Centre Warwick for ODPM June 2005.

targets, and limited the scope for learning across target areas and for removing blockages to improvement that required action across directorates. Lack of central engagement was sometimes associated with lack of leadership of the LPSA from the chief executive and politicians, but was also often associated with weak corporate performance management more generally and a culture in which it was not usual for the performance of directorates to be scrutinised and challenged.

- 3.19 In a minority of case studies however the corporate centre played a much more active role, and this seems to have been associated with an above average success rate. In these instances the LPSA had clear leadership from the chief executive and senior politicians, and the council's determination to promote the LPSA at every level helped maintain its high profile over time; for example in one authority there were regular LPSA poster campaigns visible in all departments. There was active performance management of LPSA targets by the senior management board, with target holders being held to account by a senior elected member. Resourcing was periodically reviewed, and additional resources allocated where necessary to boost performance.
- 3.20 Ownership of the target by those who had to deliver it was vital. Lack of ownership was a common problem with partnership targets in particular – for instance the education targets were often not owned by schools, and in a number of our case studies the police were not fully committed to the crime reduction targets. Failure to involve partners and operational staff adequately at the negotiation stage (which for some of the early negotiating batches was not possible because of the timing of the negotiations) was a major factor in this problem. Unrealistic targets (sometimes reflecting the lack of engagement in negotiations) and changes in personnel in partner agencies (a common problem with targets involving the police) also contributed to lack of ownership.
- 3.21 Clear accountability for each target or sub target was also important; where this was unclear the result was often inaction. It was also important that accountability was at the right level. Senior backing was vital – senior managers held a vital role in managing performance and removing blockages, and it was important that risk was held at senior level since achievement of the target was in many cases outside the control of operational managers. However, unless day to day responsibility was devolved to someone for whom activity to achieve the target formed a significant part of their job then the target would be unlikely to receive sufficient practical action.
- 3.22 Continuity of staffing also seems to have contributed to success, particularly where the person who negotiated the target was then responsible for delivering it. In some cases a change in lead led to a loss of momentum, particularly where communication from the corporate centre about the scheme was weak and where the handover took place at an early stage before improvement activities had been started. A change of lead often led to a lack of ownership of both the target and the activities associated with it by the incoming lead. Since high staff turnover seems, in our case studies, to have been associated with a weaker authority this factor was often compounded by other aspects of lack of corporate strength. This problem also seems to have been particularly acute

with targets led by a partner (crime targets in particular suffered from this), compounding the other difficulties of partnership targets. However, where there was strong ownership of a target at directorate level, adequate handover procedures and a can-do attitude by the new target lead, staffing changes did not necessarily impact adversely on delivery of a target. Where departments believed the target to be important, they would ensure that staff changes did not affect it, but where there was no senior level ownership then impetus was difficult to sustain in the face of a change in target lead. Difficulties in filling posts, particularly where the target lead role had to be recruited especially and recruitment could not start until pump priming grant was available, also contributed to a slow start in many instances.

### *External factors influencing performance*

- 3.23 In many instances it was clear from our case studies that factors other than LPSA had contributed to improvement, and in some instances were more important. These included improvement initiatives that were already planned or underway (and had been known about at the time of negotiation), organisational changes, and helpful developments in national policy and funding. For instance, in the case of targets for promoting the independence of older people, activity and funding associated directly with the LPSA was insignificant compared with national funding and policy imperatives pushing in the same direction.
- 3.24 More frequently we learned of targets that had been adversely affected by changes in central government priorities, particularly targets where the lead was outside the local authority. For instance, the street crime initiative prejudiced achievement of the burglary target in a number of places because it diverted police attention, and the emergency admissions target for older people became more difficult to achieve when this was dropped as an NHS priority. Local authorities feel bitter that they were locked in to a three year 'deal', with no scope for renegotiation when a change in central government policy made attainment of the target more difficult. (Some changes however worked in local authorities favour.) In a few instances, a freedom that had been promised but did not materialise, or came very late, was the main factor behind the failure to hit the target. While some central government respondents acknowledged that changing policy priorities could interfere with the momentum of LPSAs, they were keen to stress that the nature of the policy process meant that such scenarios would be very likely to be repeated in the future.
- 3.25 Other targets were affected – either adversely or positively – by external events that were outside the authority's control. Some targets are by their nature volatile – particularly targets dealing with small numbers (for instance road accidents, and the number of Looked After Children).

### *The type of target*

- 3.26 In the previous chapter the variation in success rates between local and national targets, policy areas and individual indicators was described. Our qualitative research suggests that some types of target were much harder to deliver than others.

- 3.27 Authority-wide targets that lacked a clear and limited focus for action were in general more difficult to deliver. The main example of this is educational attainment targets requiring improvement across a whole local educational system. In such instances efforts were spread too thinly to make a real difference in the very limited time available (“a drop in the ocean” in the words of one target lead), and often the LPSA had a very low profile, being unimportant in the broader context of the educational service and its targets; to make significant change in a huge service needs longer term attention and more resources. In contrast, targets focussed on a particular client group or geographical area tended to be easier to deliver.
- 3.28 Our case studies suggest that targets that were measured in terms of outputs rather than outcomes and targets for services delivered by the local authority rather than partners were more likely to be achieved because the authority could take actions that directly affected performance against the target.

*Inaccurate target setting*

- 3.29 Some targets were considered from the start by local managers to be unattainable; localities signed up to these because they felt they had no choice. The majority of these were based on an aspirational national target that was considered to be unattainable locally (i.e. local managers could not see what they could do in order to achieve the target – they were not able to create a realistic strategy that would work in the time available). Unrealistically high targets were sometimes compounded by the fact that they were felt to be imposed (this could have been partly because Round One LPSAs had to include targets on crime, health, education, transport and cost effectiveness), and not in line with local strategic priorities or plans, so not owned by those who had to deliver them. Where a service was already a top performer, additional improvement seems to have been particularly hard to achieve (this is confirmed by our statistical modelling, which shows that the highest performers had the lowest rate of subsequent improvement, other things being equal.) Where imposed national targets were felt from the start to be unattainable, this was demotivating both for those involved in this target and, in some authorities, more widely. However, some local authorities simply ignored an imposed target that was felt to be unhelpful or unattainable, and went ahead with the related, but generally more focused, work they had originally wanted to pursue.
- 3.30 Other targets proved to be unattainable because the target was set on the basis of inadequate information and planning; these were more often local targets. In some instances the baseline proved to be quite wrong so the degree of stretch was much greater than had been anticipated (although sometimes an inaccurate baseline worked in the authority’s favour). Some targets proved to be flawed – based on indicators that were a poor reflection of intended outcomes or actual needs. Attainment of some targets was made difficult because of a lack of understanding of the factors contributing to changes in performance, particularly when targets relate to public attitudes or are the outcome of a number of poorly understood factors.

## Barriers to improvement in general

- 3.31 Looking both at the ways in which LPSA helped to bring about improvement, and the other factors contributing to success or failure, casts some light more generally on the factors blocking improvement in services.
- 3.32 Of prime importance is a lack of focus, with local authorities and individual staff trying to pursue too many different targets, and unable to prioritise. The 12–13 targets offered by LPSA was a manageable number for people to focus on. In this context, it will be interesting to assess the impact of LAAs, which typically have a much larger number of targets. However, LPSA does have the potential to distort corporate priorities by encouraging a focus on the wrong things, and it is noteworthy (see our first report) that targets often did not represent the highest corporate priorities.
- 3.33 Another important barrier is the difficulty of finding small amounts of resource with which to experiment and to initiate change, where funds are very tight. This factor is at the forefront of many target holders' minds, and seems to be a particular constraint in smaller services. However, the availability of PPG seems to have led many authorities towards solutions involving increased expenditure on an ongoing basis, which may then be unsustainable.
- 3.34 There are a number of barriers to improvement relating to individual services or outcome areas. For some outcomes, improvement is difficult because of a lack of understanding of the issues and lack of clarity about what has to be done to improve performance, based on lack of rigorous analysis of data and failure to research and apply best practice, or simply a lack of knowledge nationally about how to influence outcomes. Reducing hospital admissions amongst older people is one example. Lack of understanding sometimes reflects data inadequacies, often compounded by the difficulties of sharing data across partners; the lack of timely and accurate data makes it impossible to assess the impact of changes in practice and hence to actively manage performance. In some service areas cultural factors are a barrier, for instance a lack of customer orientation or ingrained professional practices which it takes a huge amount of effort to change.
- 3.35 There are also some more general factors. Both our case studies and our interviews with weak and poorly performing authorities (see next section) suggest that the lack of a performance culture and the corporate and departmental performance management systems to underpin this are a crucial barrier to improvement. In relation to partnership targets, key barriers are the difficulty of getting partners to agree priorities and work together to achieve them, and partners being focused on silo driven priorities and getting blown off course when these change.
- 3.36 The opportunity to negotiate 'freedoms and flexibilities' / enabling measures was a response to the assertion by local government that there are regulatory impediments to improvement. However, most of our case study authorities found it hard to identify impediments that did not require primary legislation, an experience that has been repeated with LAAs.

## LPSA as a tool for improvement in poorly performing authorities

- 3.37 Our case studies tend to lie towards the upper end of the performance spectrum in CPA terms, and accordingly we undertook supplementary interviews in poorly performing or weak authorities. These authorities are all due to complete their LPSA in 2006, so our interviews so far have focussed on the early stages of the LPSA process.
- 3.38 This research suggests that the authority's general corporate strength is a factor affecting their ability to make the most of the opportunities offered by the LPSA initiative. Some of the shortcomings that had contributed to local authorities being rated as poor or weak by CPA meant that they were not in a good position to plan or manage the LPSA.
- 3.39 A lack of clear corporate goals and strategies and of joined up working made it more difficult for them than for other authorities to select appropriate targets, especially in the time available to prepare for the negotiation. This was made more difficult by the standard of performance management; authorities did not always have accurate information about current performance or an understanding of factors that contributed to it. These authorities experienced the negotiation process as particularly one-sided, with central government having the upper hand. This was partly because of their status; having been categorised as poor or weak, they did not feel able to meet central government as equal partners in the negotiation. Another factor was that they were not always able to make a strong case for choosing particular targets or proposing a particular level of stretch.
- 3.40 The selection process for targets and organisational weaknesses both contributed to authorities not giving targets the attention they needed from the beginning of the LPSA period. Senior management often paid little attention to the LPSA until well into the three years. Commitment and ownership by colleagues was often hard won or absent; selected targets did not fit with existing or subsequent priorities, officers did not necessarily see the work for the LPSA target as central to their work and it did not receive the necessary attention. Improvements may not be sustained where target areas are not considered to be continuing priorities.
- 3.41 During the LPSA, there were considerable improvements in performance management, in planning and goal setting in these authorities. The LPSA made a contribution to this, but the CPA ratings and their consequences – an improvement plan and increased scrutiny by central government – were the main driver behind these changes. However, having had the experience of LPSA1 and having made changes following CPA, these authorities are in a much stronger position to deal with LAAs and the reward element in them.

## Chapter 4. Wider and longer term outcomes

- 4.1 In this chapter we examine the wider impacts of LPSAs, drawing on our case study research. We focus mainly on local impacts rather than changes in central–local relations, which were covered in some depth in our first interim report and will be re-examined in our final report. These wider impacts, over and above short term improvements in performance against targets, are crucially important in considering the extent to which LPSAs have achieved the wider aims set out for them by stakeholders as outlined in the ‘maximum’ model in our Theory of Change for LPSAs (see Appendix 2).

### Sustainability of performance against the target indicators

- 4.2 It was a policy assumption that improvements would be sustained beyond the life of the LPSA. It seems from our case studies that in the majority of cases improvements will be sustained at least for the next few years, although many are not self-sustaining. (The survey will cast further light on sustainability.) Across our case studies as a whole, targets were roughly equally divided between two groups.
- 4.3 In the first group are targets where changes in processes or activities were cost neutral or self-funding because they produced offsetting savings elsewhere, or where improvement resulted from new infrastructure, systems or processes; improvements in these areas are likely to be sustained.
- 4.4 In the second group, improvements will only be sustained if there is continuing funding at a level higher than before the LPSA. Generally these were targets where pump priming grant had been used to fund new posts or additional services. In some cases these have absorbed into mainstream budgets, having proved their worth. In other instances the target areas are likely to receive continued funding for a further three years because they are included in LPSA2, or an LPSA2 target is dependent on continued good performance on the LPSA1 indicator (for instance, an LPSA2 target for the educational attainment of Looked After Children (LAC) being dependent on continued good performance in reducing the number of LAC).
- 4.5 In a minority of instances the funding ceased at the end of the LPSA period – either because the target was no longer a priority, or because in a period of budgetary constraints the activity was not affordable, and it seems likely that in these cases the improvement in performance will not be sustained. Sustainability in some target areas is dependent on other factors such as continued partner commitment, or continuity in government policy.
- 4.6 While financial incentives may bring about a short term improvement in performance, sustained change will in many cases only be achieved with sustained effort; LPSA would not seem therefore to be a sufficient mechanism for securing long term improvement in priorities that are important to government but not owned locally, at both corporate and service levels.

## Structure, process and culture in the local authority

- 4.7 In all of our case studies corporate performance management, resource allocation and the use of management information has improved over the last three years. This seems largely to have been driven by policies such as CPA, but LPSA was a contributory factor, apparently more important in some localities than in others. LPSA is said to have contributed to the more frequent corporate review of performance information, a transition from performance monitoring to more active performance management, a much clearer and tighter definition of priorities and a more evidence-based approach to resource allocation. Where there was a strong existing performance culture, this was reinforced, where this did not exist then LPSA contributed to a growing awareness of the need to improve.
- 4.8 Within those service areas that had an LPSA target, LPSA contributed to a better understanding of the factors underlying performance, more widespread awareness of data and its value in planning and management, and a significant improvement in data availability and quality. LPSA helped to instil a more evidence-based and data-led approach, encouraging managers to explore and better understand the nature or problems and the link between activities and outcomes, and to monitor and manage performance in a much more detailed way than before. The monitoring arrangements put in place for LPSA have in some service departments now been applied to all targets. However, in general this impact did not spread laterally outside the target areas.
- 4.9 LPSA has also contributed to joint working across services (although again other factors were more influential, such as the move to integrated children's services). New approaches to service delivery have been tried and in some cases rolled out across the authority. Ingrained professional attitudes and practices have started to shift. These changes are in addition to the many specific changes in target areas that enabled improvement to take place.

## Relationships with partners

- 4.8 In many of our case studies relatively few of the targets involved partnership working. In those that did, the LPSA is generally said to have strengthened partnership working, sometimes initiating collaboration where previously services worked in isolation but more often building on and deepening existing relationships.
- 4.9 Partnership working on specific targets was however often fragile – vulnerable to key individuals moving on, and to the impact of changes in central government priorities. One of the weaknesses in LPSA was that the local authority had no leverage over partners, whose active involvement could not always be relied on particularly if they had not been involved in negotiating a target. Where there was an understanding that the reward grant would be shared, this helped to incentivise co-operation but was not always sufficient. Challenges remain particularly in relation to accountability (upwards to central government versus horizontally to partners) and ownership (how committed are partners to the LPSA).

## Other positive impacts

- 4.10 A number of our case studies reported other, positive spin-offs from LPSA. These included better communications with the public, raising the local profile of small services that are important but were not previously high on the political agenda (e.g. care leavers, domestic violence ), and occasionally raising the profile of a local service nationally.

## Negative impacts

### *Diversion of resources*

- 4.11 Most local authorities invested their own resources in achieving the targets, often matching the pump priming grant with funds from the corporate centre<sup>10</sup>. However in most cases the corporate centre did not know how much resource had been diverted within individual services (and indeed service managers were often unable to assess this, since budgets change from year to year anyway), so, although some figures were provided for Round One LPSAs, in the main it was not possible to assess the total level of resources spent on achieving the targets.
- 4.12 Generally the additional sums invested in the scheme are marginal in relation to mainstream budgets, and considered by service managers to be justified in terms of the benefits to service users. No adverse impacts on other services could be identified, although clearly the resources did have an opportunity cost. In many cases diversion of resources within or between services was seen as entirely appropriate – for instance a diversion of road safety activities away from areas where residents were lobbying for action towards locations where the evidence demonstrated action was required, or an increase in funding to an important but previously neglected policy area such as domestic violence or helping disabled people into employment. In other instances the LPSA helped to lever in external funds.
- 4.13 There is some evidence that in some localities money spent in the final stages of their LPSA to hit targets was not necessarily well spent (judged by setting the additional cost against the perceived value of the additional improvement in outcomes) except in terms of getting the reward grant, although the sums involved were generally quite small.
- 4.14 However, there were a few instances where the officers most closely involved felt that the target was ill-conceived and received a disproportionate amount of attention, diverting resources from other more worthwhile work. This applied in instances where the target was in itself not worthwhile, or was too narrowly focussed, or where the level of the target was set inappropriately high. This was perhaps most clear in the case of educational attainment targets, where the LPSA encouraged an undue focus on ‘marginal’ groups in exam-year cohorts, and a just-in time approach (for instance, coaching for specific pupils in the marginal group, just before the exams) rather than a sustained improvement process. The national target to advance 100% e-enablement by one year came in for similar criticism, involving – with hindsight – a disproportionately large

<sup>10</sup> These contributions are listed in the agreements.

additional financial cost (and penalty in terms of reduced functionality) for a marginal additional time benefit. There were also instances where a poor indicator incentivised an unsustainable approach (for instance, a drugs target for entrants to treatment programmes rather than completion of programmes); problems such as this lay behind the move in LPSA2 towards outcome indicators.

#### *Other negative effects*

- 4.15 Many respondents commented on the demotivating effects of targets that were too stretching, or felt to be inappropriate (not worthwhile) – as mentioned above. Several respondents said that this reinforced cynicism about all targets amongst schools. In many instances the message about ‘having failed to meet the target’ swamped the message that in fact significant improvement had been achieved, and that either the rate of improvement or the overall level of performance was well above the national average.
- 4.16 Unreasonable levels of stress for staff, especially where achievement of the target was outside their control, were sometimes reported. This was felt far more in some authorities and some departments than others, and is a reflection of corporate culture and the way communications about LPSA were handled. The impact of this in some localities was determination to ensure that LPSA2 targets are attainable and within the local authority’s control.
- 4.17 Few other negative effects were reported. These included bitterness arising from misunderstanding over allocation of PRG (especially amongst schools and other partners), and public expectations raised only to be disappointed when a new policy was not sustainable.

#### **Use of the reward grant**

- 4.18 Most authorities have put the reward grant into a ‘corporate pot’, to be used for improving services on the basis of bids by departments, or to invest in LPSA2, or to fund projects that will benefit the entire community. At least one case study is using the grant to fill a gaping hole in their budget. A few authorities have allocated some of the reward grant to the directorates or partners that won it, often in response to an outcry from target leads who had promised some of the reward to partners. One is allocating the grant in discussion with their LSP. At the time of our interviews (autumn 2005) several authorities had yet to decide how the reward would be spent.
- 4.19 The allocation of reward grant has been a source of confusion and contention in many of our case studies. Some target leads and partners mistakenly expected that, if successful, some or all of the reward grant would be reinvested in their service. It is unclear if the corporate centres of authorities promised this then changed their minds, or whether the expectations were groundless. Such misunderstandings have led to ill-feeling amongst staff and more particularly partners and may potentially have damaging effects on LPSA2. Authorities and their partners are being much more careful for LPSA2 to agree in advance the principles on which PRG will be allocated. There is however a clear tension between using PRG as an internal incentive, and allowing flexibility for changing priorities and unforeseen needs.

## Chapter 5. Second generation LPSAs

5.1 This chapter is based on interviews with the LPSA2 co-ordinator in 26 authorities, including our early-batch case studies, as they were negotiating their LPSA2. More recently we interviewed some LPSA2 target leads in our case study authorities. Since, with the integration of LPSA2 into Local Area Agreements, negotiation has now been devolved to Government Offices, we focus here on the extent to which authorities were able to draw on their experience of LPSA1, and on process issues that had an impact on the agreements and are still relevant to the negotiation of the reward element in LAAs (notably the implications of a strict focus on outcomes, and the impact of the way value for money was handled in the negotiations), rather than on the experience of negotiation. The experience of negotiation of the reward element within LAAs is covered in our recent report on LAAs.<sup>11</sup>

### Aims and motivation

5.2 Because local authorities were by and large enthusiastic about LPSA – both as a mechanism for improvement, and a source of additional funds – they were keen to negotiate their second round agreement. LPSA targets are now an accepted part of the improvement process, and there is more widespread understanding and ownership of the process and the resulting agreement. However, experience of LPSA1 has engendered in some places a greater degree of pragmatism, particularly where authorities chose in round 1 innovative targets that proved much harder than expected, and more authorities seem to be approaching their LPSA2 with a view to maximising the financial reward.

### Preparation

5.3 Authorities have learned lessons from LPSA1. The longer time available for preparation than in LPSA1 has enabled a more considered approach to the selection of priorities. The removal of the requirement for national targets has also made it easier to reflect in the agreement priorities set out in the Community Strategy, the local authority's corporate plan and service plans. The corporate centre of authorities has been more rigorous in the evaluation of possible targets, weeding out those not reflecting corporate priorities, not supported by a credible action plan or which are believed to be unachievable. Although the process seems in most places to have been more strongly led by the corporate centre, more of the detailed work of defining indicators and negotiating these with government has been done at target owner level; respondents consider that this has led to better targets, and a greater sense of ownership.

5.4 LPSA2 required the involvement of partners, and the longer timeframe allowed earlier and much closer engagement. The LPSA was used to give LSPs something concrete to focus on and a source of funds (particularly important in non-NRF areas), and to engage a wider range of partners including the

<sup>11</sup> OPM. UWE and Local Government Centre, Warwick. Local Area Agreements Research: Round 2 negotiations and early progress in Round 1. Report for DCLG. October 2006.

voluntary and community sectors. Several respondents commented that this had been valuable in laying the foundations for work on the Local Area Agreement. Since LPSA1, many authorities have prepared a new Community Strategy, and this has helped in agreeing priorities with partners. Lessons have also been learned about the importance of formalising agreements with partners, and making responsibilities and accountabilities clear. However, while welcomed, the requirement for the involvement of partners has made the process more difficult particularly in two tier areas, and a few authorities have not gone through their LSP, preferring to work bilaterally with individual partners – one authority spoke of a “partnership of the willing”.

- 5.5 Most authorities we spoke to have recognised that agreeing the allocation of reward grant in advance can help to incentivise improvement, and is particularly important when involving partners. Most have agreed either an allocation of reward grant, or a process for agreeing this with partners once won.
- 5.6 Authorities have also learned to be much more careful about the reliability of data, making sure that definitions are watertight and documented, baselines are accurate, and the processes for gathering data – particularly from partners – are clear.

## The negotiation process<sup>12</sup>

- 5.7 Local authorities have also learned about the negotiation process, and taken a tougher stance. All our case studies have been more determined than in round 1 not to be pushed into targets that do not reflect local priorities or that they know are unachievable, and to drop targets when pushed too far (although in some instances targets known to be unachievable *were* agreed in the final stages of negotiations, in desperation to complete the agreement).
- 5.8 Experience of the negotiations was very mixed. Some authorities reported that the dialogue was better than in LPSA1, and many found comments from the LGPSA team (and, to a lesser extent, other government departments) helpful in thinking about outcomes and shifting thinking onto a new level (see below). About half our respondents found the process “painful but worth it”. Central government respondents were of the view that LPSA 2 had made an important contribution to the way in which localities understood how to achieve performance improvement, via its outcomes focus.
- 5.9 However a sizeable minority were deeply disappointed in the process and what came out of it. These concerns are summarised below; they are important because of their impact on the final agreements and localities’ ability to hit their targets.
- 5.10 Local authorities were particularly concerned about the length of time taken to reach agreement (a result both of delays on the government side, and local authorities’ tougher stance), which meant that for many authorities the

<sup>12</sup> This section relates to the early LPSA2 negotiations, conducted by central government, rather than the later ones conducted by GOs as part of the LAA negotiations.

agreement was not concluded until well into what should have been the first year of implementation. Both local authorities and central government respondents also expressed some concerns about the LPSA process, arguing that the division of the negotiation into ‘stages’ meant that sometimes important issues that could scupper a target negotiation were not arrived at until quite late in the day, which contributed significantly to delays.

- 5.11 While generally appreciating the value of the outcomes focus, local authorities and central government respondents (outside ODPM) expressed concern about what was seen as ODPM’s over-zealous insistence on outcome measures, considering that the ambition of working with outcomes needed sometimes to be tempered by pragmatism about what was ‘doable’.
- 5.12 The third main cause for concern was the way in which ‘value for money’ was handled in the negotiations. Localities felt they were being made to play a time-wasting ‘guessing game’, and were not warned at an early stage when it should have been clear that a target was unlikely to meet vfm criteria. Central government respondents also expressed mixed views about the vfm approach in the negotiations; all agreed it was important but there was some dissent from the approach adopted by the ODPM. Some central government respondents were concerned that trying to apply a ‘standard’ vfm formula both diluted the importance of exercising judgement in individual negotiations and in some cases was simply not possible e.g. estimating the cost of young people not in training, employment or education. Others were also concerned that – with devolution of negotiation to GOs – standard formulas would be interpreted by GOs as ‘tariffs’ against which to position localities, a development that was against the spirit of the LPSA. (Our evaluation of the negotiation of the reward element in LAAs suggests that this has indeed happened.)

## The content of the agreements

- 5.13 Most authorities consider their LPSA2 agreements much better than their LPSA1 as a result of both changes in the scheme and their own learning from round 1. This is partly because the agreements are a closer reflection of local priorities, better integrated with other policies and plans, and this (with the longer timescale for preparation) resulted in greater engagement of staff and partners. The targets are more sustainable, more complex – involving joining up across silos – and more subtle, more accurately reflecting desired outcomes.

### *Priorities*

- 5.14 The ability to focus the LPSA on ‘priorities for improvement locally’,<sup>13</sup> is universally welcomed by local authority respondents and seen as one of the strengths of LPSA2. However there has been some misunderstanding of this term; some authorities thought it meant their priorities, priorities agreed with local partners or expressed by local people and consequently resent the need to justify their choice of priorities with objective evidence. While government’s

<sup>13</sup> LPSA2G: Building on Success. ODPM 2004.

requirement for an evidence base is understandable, local authorities resent the fact that central government feels the need to tell them what their priorities should be based on government's perceptions of the authority and its performance. For their part central government respondents considered it to be entirely appropriate (and indeed part of their obligation as public servants) to challenge localities where they believed there were other more pressing priorities that could/should be addressed. In some cases e.g. DfES where central intelligence of local circumstances was good, then part of the negotiation process was considered to be challenging the locality on its proposals in order to establish whether their case was really sound. However, this challenge seems in other cases to have taken place on the basis of a weak evidence base and a lack of understanding of what the authority was trying to achieve. (This issue seems to have been much less fraught in the later negotiations conducted by GOs, who were able to see proposed targets in the context of the LAA – with its wider set of priorities – and their understanding of local needs and so have a more productive dialogue.)

- 5.15 Some agreements show considerable continuity in terms of target areas from LPSA1; here the new targets build on the work of the past three years and will help to ensure that the improvements are sustained. Where the indicators in LPSA1 proved a poor reflection of aims, authorities have tried to improve on this in LPSA2 (although in some instances were prevented from doing so by central government departments who insisted on standard indicators). However, in other localities, although the same broad target areas are in evidence, localities have taken the opportunity to develop a greater focus on partnership working and cross cutting issues, or to reflect a more general shift in modes of working (for instance a shift towards neighbourhood activity), and there is much less continuity in targets.

#### *Value for money*

- 5.16 One aspect of the negotiations that has had an important indirect effect on the ability of localities to reflect local priorities is value for money. The stringent application of standard value for money criteria has made it difficult and sometimes impossible for localities to address issues of inequality. This seems to have been a particular issue for counties wishing to target particular 'hot spots'. Setting a required threshold value on outcomes makes it harder to target particular deprived groups or localities, because the numbers involved may be relatively small. There also seems to have been a view within government that such targeting will encourage localities to 'take their eye off the ball' in respect of wider performance; however an average or overall target encourages focus on the groups who can most easily be brought up to the required standard, rather than the worst. (The introduction of variable levels of reward grant across targets in the agreements negotiated under the new arrangements has been helpful in dealing with this issue.)

#### *Outcome focus*

- 5.17 ODPM has been much more insistent in LPSA2 than in LPSA1 that targets should represent outcomes. This is to clarify thinking in local authorities about

what they want to achieve and how they can best do this, to avoid perverse incentives which are more of a problem with output and process indicators, and to make it easier to put a value on the achievement of the targets for the purposes of calculating value for money.

- 5.18 Authorities find this way of thinking hard, and it is clear that the process has exposed a lot of woolly thinking. Most admit that being forced to think about outcomes has been very helpful, and has meant that the final targets are much better. Even if the outcomes focus does not end up with an outcome target, it has been immensely valuable in getting authorities to think more rigorously. However, many consider that the outcomes focus was pushed too far, and that the requirements for an evidence base to back up proxy indicators (outputs or intermediate outcomes) were unreasonably tough. These findings are supported by our interviews with respondents from central government departments.
- 5.19 It was not always possible to find an outcome indicator that reflected local priorities, and some authorities accepted 'second best' outcome indicators that do not reflect their real aims simply in order to make progress. The insistence on outcome measures made it difficult to include preventive work within the LPSA, since there is a lack of accepted indicators and a lack of evidence linking outputs with outcomes. It also inhibited innovation and prevented authorities using their LPSA to try out new approaches. Authorities met with conservatism in government departments in relation to new indicators, and in particular found it hard to get cross cutting indicators (which tend to be new) accepted.

#### *Risk, innovation and ambition*

- 5.20 The experience of LPSA1 seems in some authorities to have induced an increased aversion to risk, a greater unwillingness to accept targets where the outcome cannot be controlled or at least strongly influenced, and an unwillingness to innovate. (One co-ordinator described their LPSA2 targets as "boring and safe".) This has however often proved difficult to reconcile with the requirement for partnership targets and outcome indicators.
- 5.21 Local authorities are rightly concerned that, with many outcome indicators, whether or not they are achieved is very much a lottery, since there are so many intervening variables and the time taken to achieve an impact may be well beyond the LPSA horizon. Local authorities have learned from the experience of LPSA1 and are less willing to bear the risk of the link between outputs (which are controllable) and outcomes (which are not).
- 5.22 Most respondents considered that their LPSA2 targets were more realistic than those in LPSA1 – mainly because they are founded on better data and a better understanding of the levers for improvement. But this does not mean that they are less ambitious – in some cases the confidence that comes from a sound baseline and established relationships with partners has encouraged target leads to aim for a more stretching target than they would have considered possible three years ago.

## Implementation

- 5.23 At the time of our fieldwork in autumn 2005, most of our case studies were still finalising or in the very early stages of implementing their LPSA2. For all of them, while the agreement technically started in April 2005, delays in negotiations meant the agreement was not signed until well into the financial year; for some almost the entire first year has been lost. Although all recognised the importance of getting off to a prompt start, they were unable to do so before final agreement had been reached (since they feared, with good reason, that even targets that they thought had been agreed might be unpicked as new central government officials became involved, and because they had no access to pump priming grant). This late start is likely to jeopardise achievement of the targets.
- 5.24 While it is too early to judge whether this is happening in practice, respondents report that local authorities have learned and are applying a number of important lessons about managing implementation. These include much more active performance management of the LPSA by the corporate centre, tighter management of targets in directorates, and clear responsibilities and accountabilities especially with partners. In addition there has been rich learning within service directorates about the levers for improvement.

## Chapter 6. Provisional conclusions

- 6.1 In this chapter we draw together our emerging conclusions about the impact of the first generation of LPSAs.

### Did the scheme provide value for money?

- 6.2 The real test of value for money is whether the direct and indirect costs of the scheme (investment by government via pump priming grant, by the local authority and partners, and the costs of the process) were outweighed by the value of the additional improvement generated. Unfortunately we are unable to answer this question as neither the costs nor the benefits can be quantified. Moreover, what constitutes vfm depends on the perspective taken and whether government grants are viewed as a cost or a benefit.
- 6.3 Most target leads found the question ‘Has the scheme provided value for money?’ hard to answer – they are evidently not used to thinking in this way. Target leads typically count the pump priming grant as a benefit (extra revenue for their service), and similarly any other funds leveraged into their service, from the Council or outside. (Reward grant was not part of their mental equation, since most did not expect the money to come back to their service area.) When pushed, they thought that the scheme had provided value for money since the outcomes were worthwhile, and the costs to the authority small. The only exceptions were in those target areas where the target itself was felt not to be worthwhile.
- 6.4 The views from the corporate centre of authorities were less positive. Reward grant was clearly considered a benefit; authorities had spent less than they received in terms of grant, and most saw the net effect (both financial and in terms of improved outcomes for local people) as positive. However if reward grant is excluded from the equation, views were more mixed, with most respondents still believing the scheme has brought net benefits, but a minority were of the view that the scheme had resulted in a disproportionate amount of effort being spent in relation to the improvements achieved, particularly where the targets were not top priorities. Some partners who did not get a share of reward grant held a similar view.
- 6.5 Many respondents considered the emphasis on value for money in LPSA2 excessive, because it meant that many worthwhile things were excluded; some local authorities would prefer to see PRG reduced and more flexibility over targets. ODPM’s decision in later rounds to allow variable amounts of PRG across the 12 targets was a welcome move.
- 6.6 From central government’s perspective reward grant is considered a cost along with pump priming grant. This is a very stringent test of value for money since it does not take into account the additional benefits that will come from spending the reward grant (which, as previously noted, far exceeds what localities spent from their own resources on achieving the targets). *If* negotiated stretch represented value for money, then it seems likely that the benefits have

exceeded the costs overall. Pump priming grant was a relatively small sum, and there has been significant 'free' improvement (where improvement exceeded the 'without LPSA' level, but was insufficient to attract reward grant, or where the target was exceeded). However, without a full cost-benefit analysis it is not possible to determine whether negotiated stretch actually did represent vfm.

## Have LPSAs been a good way to drive up performance?

- 6.7 LPSAs seem to have been a very good way of driving up performance in specific services. The initiative has given focus, common purpose, and a structure to work. The combination of an enabling grant, an external incentive and the pressure this creates, and specific targets (at least some of which were local priorities) was energising. LPSAs are more focussed than LAAs, and hence more conducive to making a step change in performance in specific service areas.
- 6.8 However, this very focus is one of the limitations of the policy; in some localities it seems that the LPSA may have led to too narrow a focus, on things that are measurable, and are not necessarily top priorities. In the light of this the integration of LPSA2 into LAAs as the reward element seems a very positive development. Knowing that the target could not be dropped or changed for three years was also a mixed blessing; while it kept the pressure on, it sometimes meant that targets that had been misconceived, or were no longer a priority, continued to be pursued.
- 6.9 Moreover, it is clear from the differential success in the attainment of targets between local authorities, that LPSA mechanisms are not always sufficient to bring about improvement. Where the barrier to improvement is a general lack of leadership and managerial capacity reflected in weak performance management and lack of a performance culture, or a lack of understanding about what works and deep cultural barriers to change, incentivisation will not necessarily produce improvement. Our research into LPSA in poorly performing and weak authorities highlighted that such authorities had difficulty taking advantage of the opportunities offered by LPSA, although the experience has strengthened them and put them in a better position for LPSA2. Neither will incentives overcome weaknesses in partnership working in the absence of commitment and leadership from some key players (although they can be a valuable 'sweetener').
- 6.10 LPSA seems to have been much more successful in some service areas than others, although at this stage it is difficult to tell how far this is due to unrealistic targets, and how far to a failure to improve. It seems to have worked best on targets that measure outputs rather than outcomes, that are controllable by the local authority alone rather than relying on partners, that have a short and well understood chain of causation, and that are focussed rather than relate to big mainstream services. Targets that require straightforward changes to the delivery of services rather than large scale attitudinal or behavioural change in agencies or the public are also more amenable to improvement in a 3 year timescale. These are of course the types of targets that are easiest to achieve, and the same success cannot necessarily be expected with the much harder outcome targets of LPSA2.

## Has the scheme contributed to wider change?

- 6.11 Our research suggests that in the short term the effect on improvement is narrow – the qualitative analysis suggests that there are no significant spin-off effects on other indicators even within the same service area. In the longer term however there are likely to be positive spin off effects, primarily because LPSA has contributed to significant improvements in data quality and the use of management information to understand performance and drive improvement. In addition to improvement in the targeted services, LPSA contributed to improvement more widely across local authorities, in terms of corporate performance management and the development of a ‘performance culture’. However, LPSA has been just one amongst several drivers, with CPA and service specific inspection regimes being seen as more important factors.
- 6.12 A central position in the ‘maximum’ model of LPSAs set out in our Theory of Change (see Appendix 2) was the contribution of LPSAs to capacity both locally and in the wider governance system. LPSA, although not specifically designed as a capacity building programme, did enable and incentivise local authorities and their partners to take steps to build their own capacity, ‘learning by doing’. It encouraged managers to develop an understanding of what is needed to bring about improvement in their service area, to improve the quality and use of data, search for best practice, experiment and innovate. The early tranches of negotiating LPSA2, because of the rigorous outcome focus adopted by ODPM’s LGPSA team, were particularly helpful in developing localities’ thinking about the outcomes they were trying to achieve and how planned activities are linked to outcomes, a way of thinking quite new to many authorities that has been taken forward in LAAs.

## Making the most of the scheme

- 6.13 In this final section we draw together some of the implications for local authorities and for government arising from our work since our first report.

### *Preparation and negotiation*

- 6.14 Target setting is an imprecise science, and it is not surprising that many targets were set too high or too low; however much has been learned and it will be interesting to see if LPSA2 targets are more accurate. Although our provisional quantitative analysis suggests that in a minority of the 23 national indicators tested the degree of stretch does affect performance, the qualitative research suggests that setting an unrealistically high target is potentially more damaging than setting one that with hindsight could have been more stretching (an unrealistically high target will not necessarily raise performance more than a lower one, because it is demotivating). Targets need to be stretching, but achievable – although this is often very hard to judge at the outset. Overall, choosing the right target and the right indicators seems to be more important than the level of stretch.
- 6.15 Targets should be part of the local strategic direction, and accurately reflect priorities for improvement locally (which are not necessarily the same as the

most important things locally or nationally). Targets seen as not worthwhile by those that have to implement them are less likely to be achieved and improvement is less likely to be sustained; it seems to us to be in neither localities' nor government's interests to agree such targets. An inclusive process locally can help to ensure that targets are 'owned' and considered both worthwhile and realistic by those who will be responsible for delivering them.

- 6.16 It is desirable that targets are unambiguous, and based on well defined indicators with accurate baselines and a trajectory of past performance. However, there is a dilemma in that these criteria may make it more difficult to innovate. There is no easy short term solution; *either* localities and government may have to accept that more innovative approaches are not amenable to a scheme such as LPSA, *or* both may have to be prepared to take a risk and use the scheme to try out new indicators, recognising that as a result achievement of the reward may be more 'hit and miss'. The most important consideration is that indicators accurately reflect desired outcomes, or they will distort effort.
- 6.17 There are important lessons in terms of what sorts of targets can be incentivised. Where the outcome is largely outside the control of the local authority and their partners, either because the factors affecting it are not well understood or are hard to manage (such as customer satisfaction or the fear of crime) or because it is highly vulnerable to external influences (such as morbidity and mortality), then the sort of short term incentive provided by LPSA seems less likely to be effective. Targets that are too diffuse, or too 'large' for the scale of resources offered by the LPSA, are also less likely to be effective – targets need to be well focussed, although not so narrow that they have perverse incentives.
- 6.18 Agreeing in advance the principles on which reward grant will be allocated is essential when partners are involved. Promising some of the reward to the service that wins it (perhaps ring-fenced within directorates rather than being tied back to narrow service areas) will help to motivate staff. Agreements then need to be clearly communicated. There is however a balance to be struck between using PRG as an internal incentive, and allowing flexibility for changing priorities and unforeseen needs.

### *Managing implementation*

- 6.19 Leadership from both politicians and senior managers leading to a sustained high profile for the initiative is a critical success factor.
- 6.20 A key message for local authorities and their partners is the need to plan carefully what can be achieved in the 3 year time frame and to get underway as soon as possible, particularly if success is contingent on putting new or improved infrastructure in place. A clear strategy for achieving the target at the negotiation stage is an important part of assessing the achievability of the target, and action planning should start as soon as the target has been agreed.
- 6.21 Performance needs to be actively managed at both corporate and directorate levels. This should focus on actions rather than just monitoring progress, and

include risk management. Localities should keep under review both progress towards targets and factors impacting on this, and also the continued desirability of pursuit of each target in the light of costs and likely benefits. Clarity with partners over responsibilities and resourcing is required from the outset. There must be clear individual accountability for each target, at both senior and operational level.

- 6.22 Local authorities and their partners should consider sustainability when choosing targets and planning the approach to improvement. Where targets are dependent on pump priming grant or other short term funding, an exit strategy should be put in place well before the end of the LPSA period. Rather than focusing on short term changes in funding and activity, attention should be paid to systematic changes in ways of working. Where three years is not long enough to bring about the required changes, actions need to be part of a longer term strategy.

## Appendix 1. Research Methodology

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.

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.

In summer 2005 the research was extended to cover the process evaluation and early impact evaluation of Local Area Agreements, in recognition of the fact that LPSAs are now the stretch element in LAAs. This work is reported on separately. At the same time the scope of work on LPSAs was cut back; the changes included the proposed case studies of the negotiation and implementation of second generation LPSAs (cut out), the size of the LPSA1 case studies (reduced) and research in central government (reduced).

### 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.

This report largely relates to those authorities whose LPSA ended in 2005 (highlighted in the table below).

In each authority, in our first round of fieldwork in 2003–4 we interviewed between 20 and 30 people, typically including the local authority chief executive, the officer with lead responsibility for the LPSA, the head of policy

Local Authority	Type	Region	CPA rating 2003	Negotiating Batch	End date of LPSA (April)	NRF?	Net budget requirement £'m	Pop density quintiles 5+high	Deprivation quintiles 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

and/or performance management, the local authority leader, the Director of Finance, 12 or 13 target lead officers, 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, and an 'informed observer' usually from the LSP.

In those authorities whose LPSA ended in 2005 we have conducted a second round of interviews with a smaller sample of about 15 respondents, including the LPSA co-ordinator and leads for each target or sub target.

The topics covered in the second round of interviews included:

- performance against the LPSA targets, probing the trajectory of performance, data robustness, the factors contributing to improvement or failure to hit the target, how stretching the targets proved to be, the extent to which change can be attributed to the LPSA

- assessment of impact in terms of the process outcomes indicated by the Theory of Change, any unforeseen effects either positive or negative, other factors affecting outcomes
- lessons learned – how to make the most of the scheme and ensure that change is sustainable
- experience of LPSA2, and how far the authority has applied these lessons.

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.

We have been unable to carry out case study work in any authorities with a CPA rating of 'poor', and only two with a rating of 'weak'; instead we have conducted interviews with the LPSA leads in as many of these authorities as possible. This research has been the subject of a separate unpublished working paper.

In addition we carried out some focussed research on the LPSA2 negotiation process, involving interviews with coordinators in 26 authorities conducting negotiations in January 2005. This research was the subject of a separate unpublished working paper.

## 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 were carried out in 2003–4.

A much more limited set of interviews has been carried out in spring 2006 to examine the impact of LPSAs within central government and on central-local relations. These interviews have included one official from each of the following departments: ODPM, DfES, Home Office, Department of Health, DEFRA, DWP, DoT, DCMS, HMT.

## 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 are carrying out multivariate analysis of the relationship between LPSA variables and measures of progress against performance targets. Work so far has involved a preliminary analysis of data on performance for all the national targets and those local targets for which national data exists, for the year ending 2005.

We have also carried out basic analysis of data supplied by ODPM on claims for reward grant made by those authorities that have completed their LPSA, which gives a more complete picture of performance albeit one not yet amenable to multivariate analysis.

## 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.

A second survey has been conducted in authorities completing their LPSA in 2005 which has focused on the later stages of implementation, and this will be extended to the remaining authorities in summer 2006 and the two batches of data analysed together. This survey includes questions on 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; and the impact of the LPSA on the wider authority.

A copy of the combined stage one and two questionnaires is included in Appendix 5.

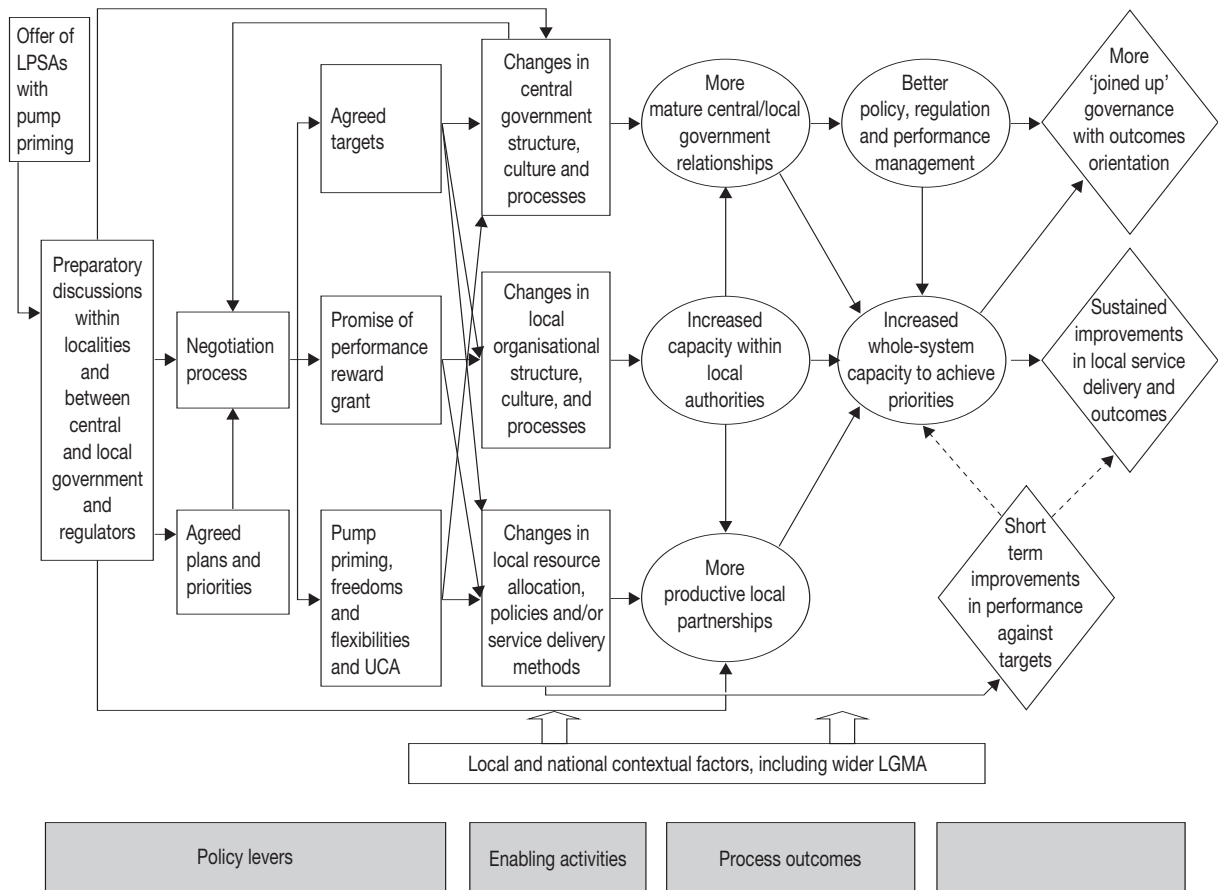
## Work on performance measurement

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 report.

## Appendix 2. Theory of Change for LPSAs

The diagram below summarises the main process and final outcomes in our TOC. For a full explanation, and the underlying change mechanisms, see Working Paper 1: Developing a ‘Theory of Change’ to Evaluate Local Public Service Agreements.

### A maximum model of LPSAs



## Appendix 3. Interim outputs from the research

### Published reports and working papers

( all on <http://www.communities.gov.uk/index.asp?id=1137718>. )

Working paper 1: Developing a 'Theory of Change' to Evaluate Local Public Service Agreements

Working paper 2: Evaluation of Local Public Service Agreements – Literature Review

Working paper 3: Central–Local Relations and LPSAs

Working paper 4: Exploring the Sustainability of LPSAs – Findings from a workshop of local government practitioners

Working paper 5: First Target Owners Survey Report

First Interim Report: Summary and Full Report

### Unpublished working papers

Designing performance measurements to be drawn on in the second generation of local PSAs. June 2004

Second Generation LPSAs. March 2005

The Impact of LPSA Targets: A Preliminary Empirical Analysis. June 2005

Report on research in poorly performing and weak authorities.  
September 2005

### Academic journal articles

Sullivan, H and Gillanders, G (2005) 'Stretched to the limit? The impact of Local Public Service Agreements on service improvement and central-local relations', *Local Government Studies*, special issue, Vol. 31, No.5, pp 555–574

Boyne, G. and Chen A., (2007) 'Performance Targets and Public Service Improvement' *Journal of Public Administration Research and Theory*, forthcoming.

## Appendix 4. Quantitative analysis

### The Impact of LPSA Targets: A Preliminary Analysis

The aim of this paper is to provide an initial assessment of the impact of LPSA targets on local service performance. We address the following questions:

- Do authorities that set a LPSA target on a specific indicator perform better than those without a target?
- Does the level of 'stretch' associated with a LPSA target influence the extent of service improvement?
- Does the number of LPSA targets that are set in the same service area influence the extent of service improvement?

We answer these questions by including measures of these variables (target/no-target, stretch and number of targets) in multivariate models of local service performance. The modelling strategy and data are summarised in the technical appendices to this report.

Our analysis is preliminary in two ways. First, only a minority of the first generation of LPSAs have been completed. In order to obtain a sufficient number of cases for multivariate analysis it has been necessary to pool data on authorities that commenced their LPSAs in 2001, 2002 and 2003. Thus some of the authorities in our analysis have completed only the first or second year of their LPSA. The impact of targets may be stronger (or, less likely, weaker) when data on performance across three years are available for all authorities. Secondly, because our aim is to estimate the impact of targets, we need to run the analysis on 'nationally comparable' indicators that apply to all authorities. However, the sample size for many of these indicators is currently too small for meaningful statistical analysis, even in our pooled data set. We will be able to undertake the analysis on a wider set of indicators when performance data for 2004/5 and 2005/6 become available.

### Data

In this report we use 25 nationally comparable performance indicators for which we have sufficient cases for statistical analysis. The data set includes 8 indicators for education, 10 for social services, 2 each for crime reduction and transport, and 1 for each of waste, planning and electronic service delivery (see table 1). The database for our analysis consists of two parts: target data and performance data. The target data were derived from a database and LPSA documents provided to the researchers by the Office of the Deputy Prime Minister. The database contains target information for 132 LPSAs signed between 2001 and 2003. In parallel, we built up a local public services performance database from three sources: Best Value Performance Indicators (BVPI), the Performance Assessment Framework (PAF) of the Department of

Health and DfES statistical returns. These data were downloaded online from the official websites of the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)), Department of Health ([www.doh.gov.uk](http://www.doh.gov.uk)) and Department of Education and Skills ([www.dfes.gov.uk](http://www.dfes.gov.uk)) respectively.

## Results

The detailed results of testing our multivariate model are presented in this Appendix. The pattern of the evidence is summarised in table 2 which shows that:

- Targets had a significant positive impact on over half of the LPSA performance indicators that we analysed. The effect of targets was significantly negative in only one case (emergency admissions to hospital per 1,000 elderly population). This may be a statistical quirk – only one authority used this indicator in 2001, so different results may emerge when more authorities have completed their LPSAs.
- The level of stretch is associated with service improvement: more than half the tests show that performance was more likely to improve if authorities set ambitious targets. The results are much the same regardless of whether stretch is measured as the difference between the target and the baseline, or the difference between the target and expected performance without the LPSA.
- The balance of the evidence suggests that a proliferation of LPSA targets in the same service area is counterproductive. A majority of the coefficients for the ‘number of targets’ variable are negative. One interpretation of this result is that a single target for a service allows local managers to focus on achieving better results, but 5 or 6 LPSA targets lead to a lack of clarity about priorities.

## Conclusion

These preliminary results provide tentative evidence that LPSA targets have been effective in driving service improvement. This picture should become clearer as more performance data become available, and as we integrate this data with information from the planned survey on LPSA implementation.

Table 1. Target Performance Indicator List

Policy Area	Variable	Definition	Number of authorities that adopted the indicator in their LPSA			
			2001	2002	2003	Total
Education	KS24E	<b>BVPI 40</b> – The percentage of pupils achieving level 4+ at Key Stage 2 in English	4	2	4	10
Education	KS24M	<b>BVPI 41</b> – The percentage of pupils level 4+ at Key Stage 2 in Maths	4	2	4	10
Education	KS35E	<b>BVPI 181a</b> – The percentage of 14 year olds achieving level 5 in English	9	18	19	46
Education	KS35M	<b>BVPI 181b</b> – The percentage of 14 year olds achieving level 5 in Maths	8	18	19	45
Education	KS35S	<b>BVPI 181c</b> – The percentage of 14 year olds achieving level 5 in Science	8	19	19	46
Education	GCSE5AC	<b>BVPI 38</b> – The percentage of pupils attaining 5 or more GCSEs grades A*-C	10	13	11	34
Education	UNAUTH2 <sup>a</sup>	<b>BVPI 45</b> – The percentage of half days missed due to unauthorised absence in secondary schools	5	12	27	44
Education	UNAUTH1 <sup>b</sup>	<b>BVPI 46</b> – The percentage of half days missed due to unauthorised absence in primary schools	6	20	30	56
Social Services	LAC_G1AG	<b>BVPI 50</b> (DH PAF A2) – The percentage of young people aged 16 or over leaving care with at least 1 GSCSE (grade A*-G) or a GNVQ	7	19	25	51
Social Services	LAC_ENGAGE	<b>BVPI 161</b> (PAF A4) – The percentage of young people who were looked after on 1 April in their 17th year (aged 16) who were engaged in education, training or employment at the age of 19	0	14	21	35
Social Services	LAC_TRUANCY	<b>DH PAF C24</b> – The percentage of children looked after absent from school (who missed 25 days+ of schooling for any reason during the previous school year)	0	9	7	16
Social Services	ADOPTION <sup>c</sup>	<b>BVPI 163</b> (DH PAF C23) – Number of adoptions of children looked after	6	21	9	36
Social Services	WARNING	<b>DH PAF C18</b> – The percentage of children in care who received final warnings and convictions	0	2	9	11
Social Services	OLDCARE	<b>DH PAF C28</b> – Number of households receiving intensive home care per 1,000 population aged 65 and over	7	15	28	50
Social Services	HOMEHELP	<b>DH PAF C32</b> – Number of older people helped to live at home per 1,000 population aged 65 or over	5	15	22	42
Social Services	EMERGENCY	<b>DH PAF A5</b> – Percentage annual change in total emergency admissions to hospital per 1,000 population	1	8	2	11
Social Services	ADMISSION	<b>DH PAF C26</b> – Number of supported admissions of people aged 65 and over to permanent residential and nursing care per 10,000 population aged 65 and over	7	14	19	40

*continued*

Table 1. Target Performance Indicator List

Policy Area	Variable	Definition	Number of authorities that adopted the indicator in their LPSA				Total
			2001	2002	2003	2003	
Social Services	OLDFALL <sup>d</sup>	<b>DH PAF C33</b> -- Number of admissions to hospital of people aged 75 or over due to hypothermia or injury caused by a fall, per thousand population aged 75 or over	0	7	1	8	
Crime Reduction	BURGLAR	<b>BVPI 126</b> – Number of burglaries per 1,000 households	7	12	24	43	
Crime Reduction	VEHICLE	<b>BVPI 128</b> – Number of vehicle crimes per 1,000 population	3	5	9	17	
Transport	ROAD_DEF	<b>BVPI 97</b> – The percentage of non-principal road network with a UKPMS defects score of 70 or higher	0	2	10	12	
Transport	ROAD_KSI	<b>BVPI 99a</b> – Number of road accident casualties (killed or seriously injured) per 100,000 population	15	35	31	81	
Waste	WASTE	<b>BVPI 82</b> – The percentage of household waste recycled and composted	8	17	10	35	
Planning	NEWHOME	<b>BVPI 106</b> – The percentage of new homes built on previously developed land	2	4	1	7	
Electronic Service Delivery	ESD	<b>BVPI 157i</b> – The percentage of services delivered electronically	10	6	2	18	

## Notes:

<sup>a</sup> The indicator definition was amended in 2002 to measure total absences in primary schools.

<sup>b</sup> The indicator definition was amended in 2002 to measure total absences in secondary schools.

<sup>c</sup> Most local authorities target on the number of children adopted. So the numerator of the original BVPI is applied.

<sup>d</sup> The indicator was deleted in 2003.

Table 2. How Targets Affected Performance (Summary Statistics)

	<b>Significantly Better Performance</b>	<b>Significantly Worse Performance</b>	<b>No Significant Difference</b>
TARGET	13 (52%)	1 (4%)	11 (44%)
STRETCH 1	14 (56%)	4 (16%)	7 (28%)
STRETCH 2	14 (56%)	2 (8%)	9 (36%)
N_TGTS	21 (25%)	37 (52%)	17 (23%)

## Notes:

Target = A dummy indicating whether a local authorities adopt a LPSA target or not in a year; 1 for adopted and 0 otherwise.

STRETCH 1 = The difference between target with PSA and baseline.

STRETCH 2 = The difference between target with PSA and target without PSA.

N\_TGTS = Number of LPSA targets in the service area (e.g., Education, Social Services).

## Appendix 4 – Annex 1

### Model and Estimation Methodology

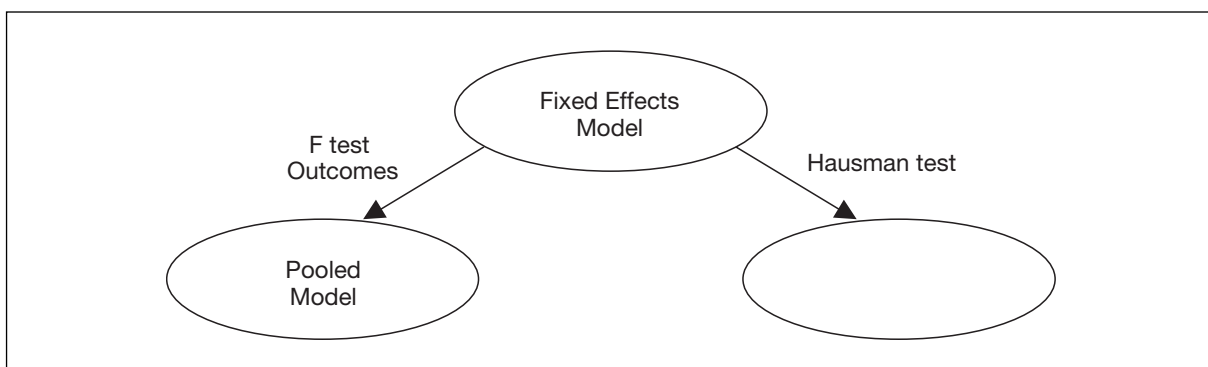
We constructed the following empirical model to estimate the impact of a target on local service improvement:

$$P_{it} = \beta_0 + \beta_1 \underset{(+)}{TARGET}_{it} + \beta_2 \underset{(+)}{STRETCH}_{it} + \beta_3 \underset{(-)}{N\_TGTS}_t + \beta_4 \underset{(+)}{P}_{i(t-1)} + \beta_5 \underset{(-)}{P}_{i(t-1)}^2 + \sum_{d=1}^{146} \delta_d \underset{(+)}{LA\_DUMMY}_{d(it)} + \varepsilon_{it}$$

where the  $\beta$ s and  $\delta d$  are coefficients and  $\varepsilon_{it}$  is the error term for the equation. The expected signs of the coefficients for the explanatory variables for which we have directional hypotheses are displayed below the equation. Target, Stretch and N\_TGTS are defined in table 1; P is performance on an LPSA indicator; LA\_Dummy is a set of categorical variables for each authority in the data set.

We have pooled all the cases for each indicator across the years 2000 to 2003. This panel data model allows us to examine issues that could not be studied in either cross-sectional or time-series settings alone (Greene 2003). The three main estimation techniques for panel data are a pooled model, fixed-effects model and random effects model. The major distinction between the three methods lies in their assumptions. The pooled model assumes no differential effects from individual units (local authorities). In contrast, both the random effects model and the fixed effects model can handle individual unit effects. The former assumes no correlation between the individual units (unobserved fixed effects) and explanatory variables (observed effects) whereas the latter does not assume this.

#### Diagram I: Discrimination Tests for the Panel Data Model



We need to run two discrimination tests before applying a fixed effects model, as shown in Diagram I. Firstly, we apply a F test to diagnose whether fixed effects are present. The inclusion of fixed effects allows each local authority to have a unique intercept instead of one common intercept (as in the pooled model). The null hypothesis for the F-test can be expressed as:

$$\delta_1 = \delta_2 = \dots = \delta_{146} = 0$$

which means the coefficients of the local authority dummies are jointly equal to zero. If this test rejects the null that fixed effects are zero, we can reject the pooled model. Next we apply the Hausman test, which is the classical test for discriminating between fixed effects and random effects models. This test compares the covariance matrix of the regressors in the fixed effects model with those in the random effects model, under the null hypothesis that there is no systematic difference between the two covariance matrices. If the null is rejected, the fixed effects model is superior to the random effects model.

We cannot assume that the observations are identically and independently distributed across local authorities and over time. Heteroskedasticity is the cross-sectional problem that we need to address. The consequence of this problem is biased standard errors of the coefficients and, in turn, misleading t-statistics. The chance of encountering heteroskedasticity across a panel of local authorities is much higher than that in non-panel data. Therefore, we use a Modified Wald test (Greene 2003) to diagnose heteroskedasticity across individual groups, with the null hypothesis of homoskedasticity. A time series problem that plagues panel data is autocorrelation. This results in underestimated standard errors and thus unreliable t-statistics for the coefficients. We run the first order Arellano–Bond (1991) autocorrelation tests to diagnose the error structure. The null hypothesis of the test is the absence of serial correlation across certain lags.

The presence of heteroskedasticity and autocorrelation calls for the application of robust panel model regression. This provides robust standard errors for computing reliable t-test statistics for the estimated coefficients. The most popular robust standard errors used in econometrics are the White standard errors (White 1980) and Newey–West standard errors (Newey and West 1987). The former can deal with heteroskedasticity, and the latter are robust in the presence of both heteroskedasticity and autocorrelation. We performed robust panel data regressions and diagnostic tests with STATA 8.

## Appendix 4 – Annex 2

### Descriptive Statistics for the Performance Indicators

BVPI/DH PAF	Variable	N	Mean	Std. Dev.	Min.	Max.
BVPI 40	KS24E	600	74%	5%	59%	97%
BVPI 41	KS24M	600	71%	5%	59%	89%
BVPI 181a	KS35E	596	65%	8%	41%	90%
BVPI 181b	KS35M	596	66%	8%	40%	97%
BVPI 181c	KS35S	596	63%	10%	31%	100%
BVPI 38	GCSE5AC	596	48%	9%	24%	88%
BVPI 46	UNAUTH1 <sup>a</sup>	296	0.53%	0.36%	0.06%	1.89%
BVPI 45	UNAUTH2 <sup>a</sup>	295	1.17%	0.66%	0.00%	3.50%
BVPI 46	UNAUTH1 <sup>b</sup>	298	5.93%	0.80%	0.00%	8.20%
BVPI 45	UNAUTH2 <sup>b</sup>	296	8.63%	1.17%	2.11%	12.40%
BVPI 50	LAC_G1AG	592	43%	13%	0%	83%
BVPI 161	LAC_ENGAGE	394	51%	13%	19%	91%
DH PAF C24	LAC_TRUANCY	539	12.7%	5.6%	0%	36.1%
BVPI 163	ADOPTION	556	24.54	18.22	0.00	141.00
DH PAF C18	WARNING	505	3.1%	1.4%	0%	10.5%
DH PAF C28	OLDCARE	595	11.93	6.26	0.12	34.40
DH PAF C32	HOMEHELP	596	89.84	28.15	35.00	215.00
DH PAF A5	EMERGENCY	422	2.0%	5.0%	-19.2%	18.7%
DH PAF C26	ADMISSION	596	107.27	24.06	43.90	223.30
DH PAF C33	OLDFALL	438	20.91	5.80	0.00	37.07
BVPI 126	BURGLAR	548	19.84	10.30	6.20	64.75
BVPI 128	VEHICLE	547	16.98	12.37	0.00	96.18
BVPI 97	ROAD_DEF	537	16%	13%	0%	79%
BVPI 99a	ROAD_KSI	587	69.98	40.00	21.00	617.00
BVPI 82	WASTE <sup>c</sup>	591	13%	6%	1%	35%
BVPI 106	NEWHOME	455	78%	23%	8%	100%
BVPI 157i	ESD	438	52%	19%	5%	100%

Note:

<sup>a</sup> BVPI 2000–2001

<sup>b</sup> BVPI 2002–2003

<sup>c</sup> BVPI 82a & b

## Appendix 4 – Annex 3

Target Effects on Local Service Performance (2001–2003)

	1	2	3	4	5	6	7	8	9	10	11	12
	KS24E	KS24E	KS24E	KS24M	KS24M	KS24M	KS35E	KS35E	KS35E	KS35M	KS35M	KS35M
Constant	1.162 [1.198]	1.161 [1.198]	1.171 [1.197]	0.901*** [0.327]	0.908*** [0.328]	0.891*** [0.325]	0.241 [0.156]	0.269* [0.156]	0.256 [0.157]	-0.145 [0.126]	-0.132 [0.129]	-0.161 [0.146]
TARGET	0.007** [0.003]			0.019** [0.007]		0.034*** [0.004]				0.018*** [0.004]		
STRETCH 1		0.048* [0.026]			0.125** [0.052]			0.245*** [0.033]			0.141*** [0.033]	
STRETCH 2			0.337 [0.268]			1.086** [0.425]		2.058*** [0.381]				0.935*** [0.239]
N_TGTS	0.015 [0.014]	0.015 [0.014]	0.015 [0.014]	0.010** [0.004]	0.010** [0.005]	0.010** [0.004]	-0.062*** [0.006]	-0.061*** [0.006]	-0.061*** [0.006]	-0.019* [0.010]	-0.018* [0.010]	-0.016** [0.008]
P <sub>t-1</sub>	-0.535 [3.647]	-0.532 [3.646]	-0.554 [3.645]	-0.206 [0.936]	-0.227 [0.940]	-0.183 [0.933]	2.104*** [0.499]	1.988*** [0.503]	2.017*** [0.506]	2.074*** [0.416]	2.018*** [0.426]	2.064*** [0.427]
P <sub>t-1</sub> <sup>2</sup>	0.107 [2.601]	0.106 [2.601]	0.118 [2.600]	0.041 [0.664]	0.055 [0.667]	0.026 [0.662]	-1.555** [0.396]	-1.456*** [0.400]	-1.473*** [0.402]	-1.031*** [0.324]	-0.984*** [0.332]	-1.003*** [0.334]
Hetero. Test	1.2E+05***	8.3E+04***	8.2E+04***	1.4E+06***	1.5E+06***	1.4E+06***	7.9E+04***	7.9E+04***	5.8E+04***	4.9E+04***	3.7E+05***	7.2E+04***
AR(1) test	-2.22**	-2.22**	-2.23**	-4.92***	-4.93***	-4.88***	-6.29***	-6.30***	-6.34***	-6.95***	-6.88***	-6.87***
F test for fixed effects	20.39***	20.35***	20.68***	20.97***	6.7***	20.38***	3.47***	3.20***	3.17***	1.15	1.22*	0.94
Hausman test	1874.57***	1916.18***	1853.98***	1170.66***	477.55***	1167.56***	152.82***	150.82***	139.9***	55.25***	50.35***	22.67***
Observations	450	450	450	450	450	450	447	447	447	447	447	447
R <sup>2</sup>	0.91	0.91	0.91	0.88	0.88	0.88	0.91	0.91	0.91	0.95	0.95	0.94
Adj. R <sup>2</sup>	0.87	0.87	0.87	0.82	0.82	0.82	0.86	0.86	0.86	0.92	0.92	0.92

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	13	14	15	16	17	18	19	20	21	22	23	24
	KS35S	KS35S	KS35S	GCSE5AC	GCSE5AC	GCSE5AC	UNAUTH1 <sup>a</sup>	UNAUTH1 <sup>a</sup>	UNAUTH1 <sup>a</sup>	UNAUTH2 <sup>b</sup>	UNAUTH <sup>b</sup>	UNAUTH2 <sup>b</sup>
Constant	0.633*** [0.054]	0.641*** [0.043]	0.629*** [0.043]	0.025 [0.129]	0.029 [0.130]	0.013 [0.128]	0.061*** [0.001]	0.061*** [0.006]	0.061*** [0.001]	0.092*** [0.001]	0.092*** [0.007]	0.092*** [0.007]
TARGET	0.009** [0.004]			0.016*** [0.004]			0.000 [0.001]			0.001 [0.002]		
STRETCH 1		0.092** [0.036]			0.181*** [0.052]		-0.017*** [0.005]				-0.005 [0.005]	
STRETCH 2			0.378** [0.179]			1.099*** [0.321]			-0.029*** [0.004]			-0.019** [0.008]
N_TGTS	-0.063*** [0.005]	-0.063*** [0.006]	-0.063*** [0.006]	-0.050*** [0.011]	-0.051*** [0.011]	-0.050*** [0.010]	-0.003*** [0.001]	-0.003* [0.001]	-0.003*** [0.001]	-0.004*** [0.001]	-0.004* [0.002]	-0.004* [0.002]
P <sub>t-1</sub>	0.760*** [0.166]	0.728*** [0.163]	0.757*** [0.162]	2.658*** [0.688]	2.646*** [0.696]	2.696*** [0.686]	-0.157*** [0.060]	-0.155** [0.060]	-0.154** [0.060]	-0.171*** [0.051]	-0.165*** [0.052]	-0.164*** [0.052]
P <sub>t-12</sub>	-0.415*** [0.140]	-0.387*** [0.134]	-0.406*** [0.135]	-2.360*** [0.792]	-2.342*** [0.800]	-2.389*** [0.791]	2.068** [0.878]	2.041** [0.878]	2.038** [0.876]	1.025** [0.482]	0.967** [0.487]	0.961** [0.485]
Hetero. Test	1.2E+06***	5.5E+05***	5.7E+05***	6.7E+05***	6.4E+05***	6.2E+05***	6.0E+23***	1.2E+24***	2.3E+24***	6.6E+26***	3.1E+25***	8.2E+25***
AR(1) test	-5.02***	-4.98***	-5.06***	-3.92***	-3.94***	-3.92***	-1.85*	-1.82*	-1.82*	-3.92***	-3.88***	-3.86***
F test for fixed effects	7.87***	15.94***	16.53***	17.65***	18.01***	16.46***	26.62***	28.23***	29.65***	29.92***	28.68***	28.92***
Hausman test	623.01***	1635.56***	1719.9***	1676.34***	1464.23***	1421.44***	42.53***	24.18***	34.01***	39.54***	22.4***	51.26***
Observations	447	447	447	447	447	447	444	444	444	441	441	441
R <sup>2</sup>	0.98	0.98	0.98	0.96	0.96	0.96	0.98	0.98	0.98	0.98	0.98	0.98
Adj. R <sup>2</sup>	0.96	0.96	0.96	0.94	0.94	0.94	0.97	0.97	0.97	0.98	0.98	0.98

<sup>a</sup> We amalgamate targets on unauthorised absence and total absence due to the amended definition in 2002. Two dummy control for two types of absence and a time control for the period prior to the change are used.

<sup>b</sup> Same as above for the case of absence in secondary schools.

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	25	26	27	28	29	30	31	32	33	34	35	36
	LAC_GIAG <sup>c</sup>	LAC_GIAG <sup>c</sup>	LAC_GIAG <sup>c</sup>	LAC_ENGAGE	LAC_ENGAGE	LAC_ENGAGE	LAC_TRUANCY	LAC_TRUANCY	LAC_TRUANCY	ADOPTION	ADOPTION	ADOPTION
Constant	0.612*** [0.077]	0.609*** [0.119]	0.611*** [0.119]	0.572** [0.266]	0.337 [0.269]	0.347 [0.295]	0.250*** [0.018]	0.256*** [0.073]	0.254*** [0.073]	24.386*** [2.305]	24.729*** [5.377]	12.689*** [3.877]
TARGET	0.058*** [0.021]			0.074 [0.055]			0.006 [0.024]			4.105** [1.748]		
STRETCH 1		0.004*** [0.002]			0.169 [0.228]			-0.171 [0.228]			0.216* [0.110]	
STRETCH 2			0.009* [0.005]			0.273 [0.355]			-0.492* [0.295]			0.296 [0.184]
N_TGTS	-0.121*** [0.024]	-0.121*** [0.018]	-0.121*** [0.018]	-0.053*** [0.012]	0.010 [0.021]	0.014 [0.014]	-0.017 [0.012]	-0.017 [0.012]	-0.017 [0.012]	0.086 [0.768]	0.068 [1.120]	2.022** [0.897]
P <sub>t-1</sub>	0.611** [0.290]	0.624** [0.299]	0.619** [0.296]	1.000 [0.985]	0.737 [1.066]	0.699 [1.079]	-0.043 [0.314]	-0.067 [0.321]	-0.068 [0.321]	-0.435*** [0.130]	-0.452*** [0.123]	-0.428*** [0.127]
P <sub>t-2</sub>	-0.736** [0.345]	-0.746** [0.353]	-0.744** [0.352]	-1.285 [0.901]	-1.054 [0.964]	-1.022 [0.974]	-0.309 [1.081]	-0.315 [1.089]	-0.286 [1.093]	0.003* [0.002]	0.003* [0.002]	0.003* [0.002]
Hetero. Test	4.4E+23***	1.7E+25***	2.4E+22***	5.6E+26***	2.3E+27***	1.8E+27***	1.2E+27***	2.4E+28***	1.2E+28***	1.8E+27***	3.3E+26***	3.3E+28***
AR(1) test	-5.12***	-5.29***	-5.12***	-5.38***	-5.00***	-5.01***	-5.21***	-5.00***	-4.97***	-3.17***	-3.14***	-3.16***
F test for fixed effects	9.50***	5.76***	10.10***	7244.06***	4874.42***	1162.48***	292.02***	56.00***	57.83***	4679.74***	2357.47***	2312.43***
Hausman test	155.88***	118.25***	147.02***	-14.02	8.00*	6.44	136.38***	133.34***	111.9***	306.8***	364.79***	339.36***
Observations	441	441	441	238	218	218	377	364	364	394	394	394
R <sup>2</sup>	0.59	0.59	0.58	0.57	0.59	0.59	0.54	0.54	0.55	0.91	0.91	0.91
Adj. R <sup>2</sup>	0.37	0.38	0.37	0.04	0.05	0.05	0.25	0.26	0.26	0.86	0.86	0.86

<sup>c</sup> These models include a dummy for the nested target – the percentage of young people aged 16 or over leaving care with at least 5 GCSEs at grade A\*-C (DH OC2) because the improvement of the indicator will lead to the improvement of the target performance.

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	37	38	39	40	41	42	43	44	45	46	47	48
	WARNING	WARNING	WARNING	OLDCARE	OLDCARE	OLDCARE	HOMEHELP	HOMEHELP	HOMEHELP	EMERGENCY	EMERGENCY	EMERGENCY
Constant	0.014** [0.006]	0.014** [0.006]	0.014** [0.006]	0.454*** [0.020]	4.814*** [0.020]	4.811*** [0.020]	62.037*** [13.306]	39.851* [21.095]	39.899* [21.121]	0.127*** [0.007]	0.122*** [0.033]	0.084*** [0.006]
TARGET	-0.003 [0.004]			0.827*** [0.249]			3.126 [2.182]			0.076*** [0.008]		
STRETCH 1		0.114* [0.065]			0.180*** [0.050]			0.007* [0.004]			-0.737*** [0.127]	
STRETCH 2			0.252** [0.105]			0.264*** [0.074]			0.015** [0.006]			-0.802*** [0.279]
N_TGTS	0.004*** [0.000]	0.009*** [0.000]	0.009*** [0.000]	0.314 [0.290]	-1.069*** [0.294]	-1.166*** [0.293]	-0.431 [1.306]	7.102* [4.109]	7.129* [4.113]	-0.034*** [0.007]	-0.033** [0.013]	-0.020*** [0.007]
P <sub>t-1</sub>	-0.211 [0.322]	-0.181 [0.340]	-0.181 [0.340]	0.739*** [0.167]	0.716*** [0.168]	0.740*** [0.168]	-0.214 [0.347]	-0.202 [0.349]	-0.204 [0.349]	-0.506*** [0.161]	-0.513*** [0.163]	-0.509*** [0.163]
P <sub>t-12</sub>	-1.090 [4.389]	-1.464 [4.607]	-1.47 [4.607]	-0.018*** [0.006]	-0.017*** [0.006]	-0.018*** [0.006]	0.001 [0.002]	0.001 [0.002]	0.001 [0.002]	0.376 [2.301]	0.359 [2.308]	0.347 [2.306]
Hetero. Test	1.2E+27***	2.1E+25***	4.6E+26***	2.6E+22***	1.8E+25***	2E+25***	6E+23***	2.2E+26***	2.1E+23***	6.4E+27***	6.2E+29***	4.8E+28***
AR(1) test	-4.01***	-4.03***	-4.03***	-3.55***	-3.51***	-3.54***	-4.35***	-1.87*	-1.87*	-7.00***	-6.97***	-6.99***
F test for fixed effects	33.67***	163.21***	51.74***	8.33***	67.88***	64.18***	22.07***	183.02***	181.15***	143.85***	1237.84***	1348.83***
Hausman test	-41.86	-109.84	-121.19	-15555	2257.11***	8217***	158.5***	3.03	2.38	381.61***	205.17***	194.68***
Observations	341	337	337	445	440	440	446	445	445	268	262	262
R <sup>2</sup>	0.58	0.58	0.58	0.96	0.96	0.96	0.84	0.84	0.84	0.57	0.55	0.55
Adj. R <sup>2</sup>	0.30	0.29	0.29	0.94	0.94	0.94	0.75	0.75	0.75	0.09	0.06	0.06

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	49	50	51	52	53	54	55	56	57	58	59	60
	ADMISSION	ADMISSION	ADMISSION	OLDFALL	OLDFALL	OLDFALL	BURGLAR	BURGLAR	BURGLAR	VEHICLE	VEHICLE	VEHICLE
Constant	92.989*** [28.658]	123.935*** [23.705]	104.020*** [23.745]	24.519*** [8.603]	24.538*** [8.604]	24.518*** [8.615]	11.387*** [1.660]	12.105*** [1.823]	12.174*** [1.839]	13.151*** [3.374]	13.217*** [3.366]	13.221*** [3.364]
TARGET	-13.552*** [3.487]			-0.305 [1.825]			-0.811 [0.594]			-0.505 [0.968]		
STRETCH 1		0.245*** [0.078]			0.084 [0.198]			-0.028 [0.143]			-0.142 [0.096]	
STRETCH 2			0.342*** [0.112]			0.028 [0.425]			-0.45 [0.594]			-1.703* [0.937]
N_TGTS	11.545** [4.556]	-0.921 [4.295]	6.789 [4.311]	-5.490*** [0.794]	-5.488*** [0.794]	-5.489*** [0.794]	3.712*** [0.358]	3.036*** [0.166]	3.038*** [0.168]	4.252*** [0.943]	4.252*** [0.942]	4.253*** [0.941]
P <sub>t-1</sub>	-0.957** [0.384]	-0.832** [0.386]	-0.897** [0.390]	0.254 [0.867]	0.251 [0.867]	0.254 [0.869]	-0.133 [0.164]	-0.137 [0.179]	-0.143 [0.180]	0.018 [0.047]	0.01 [0.047]	0.009 [0.047]
P <sub>t-1</sub> <sup>2</sup>	0.004** [0.002]	0.003* [0.002]	0.003** [0.002]	-0.007 [0.019]	-0.007 [0.019]	-0.007 [0.019]	0.001 [0.003]	0.001 [0.004]	0.001 [0.004]	-0.003** [0.002]	-0.003* [0.002]	-0.003* [0.002]
Hetero. Test	41752.49***	50289.9***	71611.69***	5E+24***	2.2E+26***	3.1E+25***	1.7E+31***	1.2E+31***	4.8E+30***	6.8E+29***	1.2E+30***	5.6E+28***
AR(1) test	-5.85***	-5.83***	-5.78***	-4.96***	-4.95***	-4.96***	-3.71***	-3.31***	-3.28***	-4.70***	-4.54***	-4.54***
F test for fixed effects	43.67***	41.40***	43.26***	174.62***	172.15***	174.36***	84.73***	3.1E+06***	8.8E+05***	334.03***	18810.19***	18606.07***
Hausman test	108.55***	117.11***	117.72***	170.64***	175.62***	140.02***	-2980.46	-109.09	-91.78	-301.72	-1275.88	-155.2
Observations	445	443	445	287	287	287	399	354	354	397	384	384
R <sup>2</sup>	0.68	0.67	0.67	0.92	0.92	0.92	0.95	0.95	0.95	0.94	0.94	0.94
Adj. R <sup>2</sup>	0.51	0.50	0.50	0.83	0.83	0.83	0.91	0.91	0.91	0.91	0.91	0.91

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	61	62	63	64	65	66	67	68	69	70	71	72
	ROAD_DEF	ROAD_DEF	ROAD_DEF	ROAD_KSI	ROAD_KSI	ROAD_KSI	WASTE	WASTE	WASTE	NEWHOME	NEWHOME	NEWHOME
Constant	0.183*** [0.019]	0.178*** [0.007]	0.178*** [0.007]	30.110*** [1.949]	29.908*** [1.982]	30.002*** [2.029]	0.127*** [0.022]	0.131*** [0.022]	0.132*** [0.022]	0.709*** [0.094]	0.711*** [0.103]	0.758*** [0.184]
TARGET	0.039 [0.058]			-3.817** [1.559]			0.035*** [0.005]			0.006 [0.057]		
STRETCH 1		0.435* [0.241]			0.029** [0.014]			0.309*** [0.037]			0.063 [0.327]	
STRETCH 2			0.552 [0.556]			0.045 [0.042]		1.155*** [0.217]				0.378 [0.650]
N_TGTS	-0.037*** [0.006]	-0.036*** [0.005]	-0.036*** [0.005]	13.201*** [1.568]	12.540*** [1.214]	12.593*** [1.250]	-0.027*** [0.008]	-0.030*** [0.007]	-0.030*** [0.007]	-0.004 [0.046]	-0.003 [0.047]	-0.04 [0.072]
P <sub>t-1</sub>	0.443*** [0.144]	0.475*** [0.144]	0.467*** [0.143]	-0.040 [0.078]	-0.032 [0.080]	-0.036 [0.082]	1.012*** [0.226]	0.989*** [0.225]	0.969*** [0.230]	0.402 [0.291]	0.393 [0.318]	0.369 [0.309]
P <sub>t-12</sub>	-0.917*** [0.336]	-0.959*** [0.320]	-0.980*** [0.325]	0.000 [0.000]	0.000 [0.000]	0.000 [0.000]	-2.227*** [0.743]	-2.204*** [0.733]	-2.135*** [0.752]	-0.196 [0.190]	-0.191 [0.205]	-0.176 [0.200]
Hetero. Test	1.1E+31***	2.9E+27***	7.5E+27***	1.7E+26***	2.1E+27***	1.4E+28***	6.2E+24***	6.5E+25***	5.1E+25***	1.4E+29***	1.7E+26***	5.9E+27***
AR(1) test	-4.90***	-4.82***	-4.79***	-3.36***	-3.25***	-3.25***	-3.67***	-3.36***	-3.35***	-3.39***	-3.38***	-3.35***
F test for fixed effects	447.33***	222.55***	228.97***	10.28***	10.59***	10.43***	5.29***	25.5***	24.84***	269.23***	255.91***	43.92***
Hausman test	84.59***	1.35	-477.53	203.47***	198.54***	180.28***	72.72***	50.32***	54.85***	-3221.22	-2870.16	59.91***
Observations	378	378	378	439	439	439	422	422	422	339	339	339
R <sup>2</sup>	0.66	0.66	0.66	0.91	0.91	0.91	0.89	0.89	0.89	0.90	0.90	0.90
Adj. R <sup>2</sup>	0.43	0.44	0.43	0.86	0.86	0.86	0.83	0.83	0.82	0.85	0.85	0.85

*cont'd*

	73 ESD	74 ESD	75 ESD
Constant	0.211** [0.087]	0.201** [0.096]	0.195** [0.098]
TARGET	0.190*** [0.040]		
STRETCH 1		0.234*** [0.059]	
STRETCH 2			0.000 [0.000]
N_TGTS	-0.103*** [0.036]	-0.102*** [0.037]	-0.100*** [0.038]
P <sub>t-1</sub>	1.424*** [0.315]	1.470*** [0.359]	1.482*** [0.362]
P <sub>t-12</sub>	-0.862*** [0.327]	-0.909** [0.364]	-0.903** [0.365]
Hetero. Test	4E+30***	8.2E+29***	1.6E+29***
AR(1) test	-5.87***	-5.80***	-5.85***
F test for fixed effects	38656.05***	3199.88***	11073.42***
Hausman test	16.17***	17.21***	22.43***
Observations	288	282	284
R <sup>2</sup>	0.73	0.73	0.72
Adj. R <sup>2</sup>	0.43	0.44	0.42

Notes:

Newey–West robust standard errors are in parentheses. \* significant at 5% level, \*\* significant at 1% level. P stands for the relevant performance indicator. The coefficients of 146 local authority dummies for fixed-effects are available if required. The Modified Wald test investigates groupwise heteroskedasticity in the residuals under the null of homoskedasticity across groups. The null hypothesis for the Arellano–Bond (1991) AR(1) autocorrelations test is the absence of the first order autocorrelation. The null hypothesis for the F test for fixed effects is all coefficients of local authority dummies are jointly equal to zero. The null hypothesis for the Hausman test is the absence of random effects. The implication of negative Hausman test statistics is ambiguous (Schreiber, 2005).

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# Appendix 5. Survey questionnaire



## NATIONAL EVALUATION OF LOCAL PSAs

### RESEARCH BACKGROUND

This survey is part of a national evaluation of the long term impact of LPSAs, commissioned by the Office of the Deputy Prime Minister, and being undertaken by OPM, the University of the West of England and Cardiff University.

This is a major piece of research. It will run from 2004 until 2007 and will provide the first longitudinal data on the impacts of LPSAs. The research will explore the relationship between the process of developing and implementing LPSAs and the achievement of targets.

As you are responsible for one or more LPSA targets, we would like to hear your experiences and would be very grateful if you could complete this questionnaire. The questionnaire should take no longer than 10 minutes to complete. Most questions require an answer along a scale (e.g. agree-disagree) by ticking the appropriate box (full instructions are provided).

Results from this survey will be complemented by in-depth case study research in selected authorities. They will also be pooled with other analyses of local government policies as part of the overall evaluation of the local government modernisation agenda. A follow up questionnaire will be sent towards the end of your LPSA to gather information about the process of implementation.

We would be very grateful if you could complete and return this questionnaire by **June 30th**. All responses will be treated in **COMPLETE CONFIDENCE**.

Your help with this research is greatly appreciated.

Dr Gareth Enticott  
Dr Alex Chen

**HOW TO COMPLETE THE SURVEY**

Highlight the appropriate circle by clicking it with your mouse button:

Most questions in this questionnaire require an answer along a seven point scale. Please answer by clicking/ticking the circle closest to your particular view. For example:

Disagree        Agree

For open-ended questions, please type your answers in the space provided. For example:

**Your Local Authority/organisation**

>

If you do not know an answer, please leave blank, or tick the don't know box.

Once you have finished, please save the file and email to [lpsa@cardiff.ac.uk](mailto:lpsa@cardiff.ac.uk)

**Please return the questionnaire by June 30th 2004**

Further information on the project and assistance is available at [www.clrgr.cf.ac.uk/lpsa/](http://www.clrgr.cf.ac.uk/lpsa/) or contact Dr Gareth Enticott (tel: 029 2087 6243) or Dr Alex Chen (tel:029 2087 5556), or email: [lpsa@cardiff.ac.uk](mailto:lpsa@cardiff.ac.uk)  
**Centre for Local and Regional Government Research, Cardiff Business School, Cardiff University, CF10 3EU**



> External organisations involved in service delivery	-----1 2 3 4 5 6 7----- No <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very strong <i>Don't know</i> influence influence <input type="radio"/>
> Service users	-----1 2 3 4 5 6 7----- <i>Don't know</i> No <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very strong <input type="radio"/> influence influence
> The wider community or other external stakeholders	-----1 2 3 4 5 6 7----- <i>Don't know</i> No <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very strong <input type="radio"/> influence influence

**B2: How far do you agree with the following statement?**

> The target is consistent with local plans	-----1 2 3 4 5 6 7----- <i>Don't know</i> Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <input type="radio"/>
> The target reflects local priorities	-----1 2 3 4 5 6 7----- <i>Don't know</i> Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <input type="radio"/> <input type="radio"/>

**B3: If you need to clarify any of your answers in this section, please complete this box**

**Section C: Developing a Strategy for Achieving the Target**

**C1: How far do you agree with the following statement?**

> The local authority has an explicit strategy for achieving the target	-----1 2 3 4 5 6 7----- Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <i>Don't know</i> <input type="radio"/>
> The local authority developed the strategy for achieving the target after thorough evaluation of the alternative strategies	-----1 2 3 4 5 6 7----- Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <i>Don't know</i> <input type="radio"/>

**C2: How influential were the following individuals and groups in developing a strategy for achieving the target?**

> Political leaders in the local authority	-----1 2 3 4 5 6 7----- No <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very strong <i>Don't know</i> influence influence <input type="radio"/>
> The local authority Chief Executive	-----1 2 3 4 5 6 7----- No <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very strong <i>Don't know</i> influence influence <input type="radio"/>
> The Corporate Management team	-----1 2 3 4 5 6 7----- No <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very strong <i>Don't know</i> influence influence <input type="radio"/>
> The senior management team for the service	-----1 2 3 4 5 6 7----- No <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very strong <i>Don't know</i> influence influence <input type="radio"/>



**Section D: The Implementation Process**

**D1: How helpful were the following aspects of the LPSA process in making progress towards the target?**

> Focus on a stretching target	----- 1 2 3 4 5 6 7 ----- Not Helpful <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very Helpful <i>Don't know</i> <input type="radio"/>
> The pump-priming grant	----- 1 2 3 4 5 6 7 ----- Not Helpful <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very Helpful <i>Don't know</i> <input type="radio"/>
> Extra freedoms and flexibilities	----- 1 2 3 4 5 6 7 ----- Not Helpful <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very Helpful <i>Don't know</i> <input type="radio"/>
> The prospect of a performance reward grant	----- 1 2 3 4 5 6 7 ----- Not Helpful <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very Helpful <i>Don't know</i> <input type="radio"/>
> Dialogue with local partners	----- 1 2 3 4 5 6 7 ----- Not Helpful <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very Helpful <i>Don't know</i> <input type="radio"/>
> Dialogue with central government officials	----- 1 2 3 4 5 6 7 ----- Not Helpful <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Very Helpful <i>Don't know</i> <input type="radio"/>

**D2: How far do you agree with the following statements?**

> Progress towards achieving the target was monitored regularly	----- 1 2 3 4 5 6 7 ----- Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <i>Don't know</i> <input type="radio"/>
> The performance of the LPSA target was actively managed	----- 1 2 3 4 5 6 7 ----- Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <i>Don't know</i> <input type="radio"/>
> Extra resources, in addition to any pump-priming grant, were allocated to help to achieve the target	----- 1 2 3 4 5 6 7 ----- Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <i>Don't know</i> <input type="radio"/>

**D3: To what extent was the achievement of the target influenced negatively or positively by:**

	No influence	
	-3 -2 -1 0 1 2 3	
> Political leaders in the local authority	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> The local authority Chief Executive	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> The Corporate Management team	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> Other corporate performance management	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> The senior management team for the service	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> The target owner	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> Front-line staff	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> Officials in the LPSA team at ODPM	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> Other central government officials	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> External organisations involved in service delivery	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> Central government policy	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>
> Other factors beyond the control of the authority (e.g. social and economic circumstances of the area)	Negative influence <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/>	Positive influence <input type="radio"/> <i>Don't know</i> <input type="radio"/>

**D4: To what extent has the LPSA influenced positively or negatively:**

> working within the local authority across departmental/directorate boundaries in relation to this target	----- -3 -2 -1 0 1 2 3 ----- No influence Negative <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Positive <input type="radio"/> influence influence <i>Don't know</i>
> working with external partners in relation to this target	----- -3 -2 -1 0 1 2 3 ----- No influence Negative <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Positive <input type="radio"/> influence influence <i>Don't know</i>

**D5: How far do you agree with the following statement?**

> Improved performance against this target is likely to be sustained	----- 1 2 3 4 5 6 7 ----- Disagree <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> <input type="radio"/> Agree <input type="radio"/> <i>Don't know</i>
----------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**D6: If you agree that performance will be sustained, which changes during the PSA will have contributed to this? (please tick all that apply)**

> New systems or infrastructure > Different ways of working by the local authority or other main service provider > Better understanding of how to approach problems > Closer involvement of partners > Increased resources	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
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**D7: If you need to clarify any of your answers in this section, please complete this box**

**Section E: Other Issues**

E1: Please write any other issues relating to the LPSA process in the box below

>

Thank you for completing this questionnaire.

Please save this file, exit Excel and email the file as an attachment to: [ipsa@cardiff.ac.uk](mailto:ipsa@cardiff.ac.uk)

Further information and assistance can be found at: <http://www.clrgr.cf.ac.uk/ipsa/>

Or by contacting Dr Gareth Enticott (tel: 029 2087 6243) or Dr Alex Chen (tel: 029 2087 5556), or email: [ipsa@cardiff.ac.uk](mailto:ipsa@cardiff.ac.uk)

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