



PERFORMANCE ART

*Enabling better management
of public services*

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GOVERNMENT

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About the Institute

The Institute for Government is here to act as a catalyst for better government.

The Institute for Government is an independent centre founded in 2008 to help make government more effective.

- We carry out research, look into the big governance challenges of the day and find ways to help government improve, re-think and sometimes see things differently;
- We offer unique insights and advice from experienced people who know what it's like to be inside government both in the UK and overseas; and
- We provide inspirational learning and development for very senior policy makers.

We do this through seminars, workshops, talks or interesting connections that invigorate and provide fresh ideas.

We are a place where senior member of all parties and the Civil Service can discuss the challenges of making government work and where they can seek and exchange practical insights from leading thinkers, practitioners, public servants, academics and opinion formers.

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All views, errors and omissions are, of course, those of the authors.

Foreword



What we expect of governments may be changing. The recent past has been dominated by the drive to deliver more responsive services more efficiently and the language of reform has been dominated by words like targets, inspection and management. The future will see us addressing challenges which are not necessarily resolved by the delivery of predefined services and certainly not if these are provided in the traditional bureaucratic silos.

Instead we will be looking for much more collaboration between institutions and a stronger focus on issues rather than services; governments will be more involved in influencing behaviour to achieve desired outcomes and there will be a premium placed on innovation in policy and delivery.

All of this will inevitably have implications for the way we manage the performance of our public services. We may need to reward the wider contributions of organisations and their success in delivering outcomes; we may need frameworks which offer more space for people to use their initiative and be creative and we may need to build in greater freedoms for the different players to meet specific local needs.

In some important respects the Government has sought to anticipate these challenges with the changes recently made to Public Service Agreements and Local Area Agreements and this report looks at how the new arrangements are bedding in. It is the result of some rigorous research involving over one hundred interviews, international comparisons and wide involvement with the entire stakeholder community.

Reassuringly, our conclusion is that the reforms are evolving in the right direction but I hope we have been able to make some practical – and challenging – recommendations which will, if implemented, speed the process of change. Our research has also flagged some wider issues which the Institute will look into in the coming months including the respective roles of different levels of government.

I hope you find our first research report interesting and helpful. Our objective is to help everyone involved in government to be more effective. I hope you think this does just that.

A handwritten signature in dark ink, appearing to read 'Michael Bichard', with a long horizontal stroke underneath.

Sir Michael Bichard
Executive Director, Institute for Government

Summary: The art of performance management

“

It's an idea whose time has come... but it can be quite tough to make it happen.

”

(Whitehall permanent secretary, IfG interviews 57)

Whither PSAs?

"Whither PSAs?", asked one Whitehall permanent secretary as he responded to one of our many questions about government's overarching performance management regime, Public Service Agreements (IfG interviews 57). It's the right question. Performance management can feel so 1990s – or perhaps early noughties. Open *The Guardian* and you find it lambasted: "Performance management regimes have distorted behaviours as organisations have focused on hitting targets simply to comply" (Worall and Mather 2008). Independent reviews, such as those led by Sir Ronnie Flanagan for policing and by Lord Darzi in health, have criticised the "unnecessary bureaucracy" resulting from some performance systems (Johnson 2008). History has also shown that poorly conceived or implemented performance regimes can encourage short-termism, neglect of wider organisational objectives, limited ambition, staff demotivation and excessive focus on quantifiable aspects of performance (SMF 2005).

In response to these critiques, politicians across parties have promised to rely less on centralised performance management in future: "Government... must step up its efforts to cut unnecessary targets, strip out waste and devolve responsibility to communities, councils and local service providers" (Brown 2008). David Cameron talks of the need to enter a "post-bureaucratic" age, where there is less "top-down management" and more power is given to communities, independent institutions and local councils (Cameron 2007).

Yet, despite the rhetoric, performance management is here to stay. For one thing, performance measurement is a must: as we move towards a world of cheap, real-time data, it would seem mad not to use it to find out what is working well, to help identify the sources of problems or to spot stars in the workforce (Meyer 2002). Even targets, though controversial, seem destined to endure. Ministers will always tend to think in terms of numerical targets whenever the public does. As far back as 1908, Asquith's administration promised to build eight warships in response to a vocal "we want eight" campaign from a public worried by German naval expansion. But targets can also be extremely powerful tools for driving performance and ensuring focus on key government priorities. Post-devolution in 2001, both Scottish and English politicians declared a desire to reduce hospital waiting times. While England's target-based performance management regime achieved dramatic reductions in both average and longest wait times, Scotland's approach, unsupported by targets and sanctions, was far less successful (Propper 2008). More widely, a series of in-depth independent inquiries into government performance management have all concluded that we are much better off with performance management frameworks than without them (PASC 2003; SMF 2005; Smith 2007). The truth is that most popular critiques are simply too simplistic: there are bad bureaucratic performance regimes but there are also very good ones.

Nevertheless, performance management clearly must evolve in order to reflect both what government has learned from its experience of recent years and wider changes in context. Many of the main challenges faced by government today are so-called 'wicked' issues such as climate change and obesity – long-term problems that will only be addressed through changes in citizens' behaviour. Problems of this nature often require more preventative, cross-sector approaches that can present challenges for conventional performance management. They also require greater innovation because solutions are often unclear, and this is reflected in growing interest in finding new ways of 'nudging' behaviours towards new, more positive, collective norms (Thaler and Sunstein 2008). Performance management must now also adapt to a more hostile economic climate; one that is likely to demand an even greater focus on government efficiency, even at a time when public expectations of service delivery standards are increasing (PMSU 2008).

Performance management must also change to reflect the fact that alternatives to 'top-down' objective setting are becoming more developed. Technology is creating new opportunities for empowering citizens, with 'real-time' performance data enabling users to make informed decisions where there is a choice of providers. This generates 'bottom-up' pressure for organisations to improve services. Technology can also provide a new platform for citizen involvement in policymaking, for example through online consultation. Government is gaining experience in these more dynamic approaches to performance improvement. Personalised budgets, for example, are beginning to allow older people greater discretion over the types of support they receive and from whom (Darzi 2008). Of course, such approaches are not possible or practicable in all areas and even where market mechanisms are used someone needs to keep an eye on performance to monitor contracts and protect against service failure. However, the existence of these ways of encouraging better performance will certainly need to play into government's performance management approach for the coming years.

Recent developments in government performance management

Government won't address all of these challenges simply by changing its approach to performance management – but it can adapt to reflect them. In 2007, government recognised this by announcing significant changes to its two main frameworks, Public Service Agreements (PSAs) and Local Area Agreements (LAAs). Performance management frameworks for the professions have also been refreshed to reflect these changes. Three themes run throughout:

- **A greater focus on high-level, strategic outcomes.** Revised frameworks are increasingly focused on end-results, including public satisfaction and perceptions, for example "public confidence in local agencies involved in tackling crime and antisocial behaviour" (in PSA 23). There are also fewer targets.
- **A less prescriptive approach, including a greater role for local agencies in setting targets.** LAAs comprise up to around 50 targets, which are agreed collectively through negotiations between local areas and Government Offices. LAAs are also linked to £5 billion of funding, the Area Based Grant, which local areas have the freedom to distribute as they choose.
- **A focus on encouraging collaboration across public services and sectors.** To achieve outcomes, LAA and PSA frameworks explicitly seek to promote coordination and partnership working between government departments and agencies. The cross-cutting nature of government objectives is more explicitly built into the PSA architecture and, locally, professional bodies now have a statutory 'duty to cooperate' in the creation of LAAs, ensuring a collective discussion between agencies about local needs.

'Green shoots' of progress

These changes chime with developments in the wider public sector landscape and, encouragingly, they reflect the recommendations of a number of reports on government performance management (PASC 2003; SMF 2005). The research we conducted also suggests that these changes are focusing on the right problems. Our 111 interviewees highlighted numerous historic examples of inadequate collaboration locally and nationally, as well as ongoing difficulties in the relationship between national and local government.

As a result, the aims of these new performance management arrangements have been widely supported across the system. "I'm a great fan of local area agreements..." said one local authority chief executive, "I think the policy thrust is right" (IfG interviews 4). Or, as a local partnership manager we interviewed put it, "Devolution powers down to local authorities, to local communities... making LAAs statutory... pooled monies... central government departments letting go.. you can't argue with any of it!" (IfG interviews 61). Across the system, those involved in LAAs and PSAs believe that both frameworks provide an indication of intent for wider system reform. As one chief constable put it, "I think the LAA was very necessary because something was needed to make people take partnership seriously... I'm very, very keen on the idea" (IfG interviews 76).

“
I think the policy
thrust is right.
”

*(Local authority chief executive,
IfG interviews 76)*

Though the frameworks only came into effect in April this year, there are already green shoots of progress. At this stage, much progress has related simply to developing new relationships. As a Government Office locality manager noted, “we find people gathering together around the mere fact that the LAA exists... in a way that hadn’t happened before” (IfG interview 29). However, such discussions are already beginning to improve understanding of the interconnectedness of a wide range of problems. As one local policy official put it, “We didn’t really understand what the story of the city was and what the needs really were... We got a cross-partnership steering group and external consultants and undertook a review... We know what the issues are now in a much more sophisticated detailed way” (IfG interviews 6).

In a few cases, there have been more tangible changes that relate in some way to new PSA and LAA arrangements. Centrally, there has been considerable progress in ‘joining up’ around the children and young people’s agenda, leading to reduced duplication. For example, new cross-departmental teams now give joint submissions to the relevant departments in areas such as youth crime, child poverty and childhood obesity. There have also been small-scale local innovations, which some perceive to be a direct result of this or the previous rounds of LAAs.

Similarly, there was early evidence of local government successfully ‘pushing back’ against Whitehall demands during LAA negotiations, aided by Government Office mediation. “I had a couple of instances like that in [area]” said one Government Office area director. “We chose to have 34 [targets in the LAA], so we had one or two departments saying ‘oh you’ve got a space there, can we put ours in’, and I said no.” This has been uncomfortable for many in Whitehall, which should be taken as a positive sign that ingrained assumptions about central government’s role and its approach to performance management are being challenged. During over 30 interviews in Whitehall, we heard the phrase “it’s a big risk” on several occasions, along with several interviewees noting that the new way of working with local government represents and requires “a huge cultural shift” (IfG interviews 32, 33, 35, 37, 55).

Key success factors

Our interviews revealed a number of key success factors that were linked to progress, including:

- **Explicit limits on target numbers**, which forced greater prioritisation and coordination by Whitehall and empowered Government Offices and local areas
- **Use of evidence**, which helped to resolve disagreements about which issues should be prioritised in each area
- **Governance structures**, with PSA Boards centrally and Local Strategic Partnerships (LSPs) locally providing vital fora for highlighting and resolving cross-departmental and cross-agency conflicts
- **Relationships**, which time and again facilitated connections between service areas
- **Government Offices**, which were deemed helpful in mediating between local and national views
- **Political engagement and commitment**, that, where it existed, could drive real focus across organisations
- **‘Buy-in’ and ‘faith’**, with LAA areas that viewed the process most positively from the outset also gained most from the process

Ongoing challenges

Processes are still too resource-intensive

Despite these significant positives, the LAA process remains rather bureaucratic. None of the areas we visited were reducing their performance management burden as a result of the new indicator set, instead adding the new indicators on top of existing measures. While some noted they might be able to remove other indicators in time, they also noted that outcome measures could not be used as a basis for running their operations on a day-to-day basis and many areas were still required to report on a raft of measures in order to earn reward grants from previous performance regimes. Local areas also noted

“There are silly things, contradictory targets. The Met has a target about children entering the criminal justice system and children’s services are pushing in the opposite direction, so reconciling that is tricky.”

(Local authority chief executive, IfG interviews 1)

that the ‘refreshes’ of LAAs (this year, a renegotiation of targets just a few months after initial LAAs were agreed) felt extremely onerous. The areas we visited all had at least two people working close to full time on coordinating the LAA process, while Government Offices were almost wholly dedicated to the process for a period of over six months.

At the same time, this activity was not translating into action at the rate that many had hoped. None of the six chief executives we spoke to had changed how they spent the Area Based Grant (although there were indications that changes were planned) and we found no examples of significant increases in pooled budgets for cross-agency purposes. In addition, the process of selecting LAA priorities did not always appear to tie with local areas’ Sustainable Communities Strategies, and timelines mean that new LAA priorities will not be able impact budgets until April 2009, ten months after they were agreed. As one deputy director from a Midlands Government Office summarises, “Whitehall was expecting genius and innovation and local areas were expecting freedom from oversight and I don’t think either of those things have happened yet...” (IfG interviews 52).

Technical problems with indicators remain

There remain a number of technical problems with the PSA and LAA indicators and the processes for developing them. Unfortunately, none of these problems are new, with many referred to in previous enquiries into government performance management. Problems with the indicator sets include:

- Some performance indicators do not really reflect the top priorities of government
- There is a lack of baseline data, for a very high proportion of indicators, including around 25% of all LAA indicators
- There remains some arbitrariness in the selection and setting of targets, partly due to ongoing weaknesses in government’s understanding of what ‘good’ performance looks like, at both central and local levels
- There are ongoing perverse incentives in design, with a number of indicators remaining vague and vulnerable to distortion depending on measurements used (for example, PSA 14, indicator 2: “more participation in positive activities”)
- Conflicting targets remain, with limited guidance on how to make trade-offs between different goals

There is variable performance management capability

Underpinning these difficulties was our finding that performance management capability in Whitehall and locally remains variable. Some examples of good practice are not shared widely across the system. Elsewhere, crude approaches persist. For example, the Department of Health initially had great success in reducing hospital-based infections using a target-based approach. However, they demanded the same percentage reductions from all hospitals, which meant that some previously poor performers still have high rates of infection, while hospitals who missed targets have been accused of failing even where they have exceptionally low levels of infection.

Conflicting pressures and incentives

Like many interviewees, we have serious concerns that system incentives may not yet do enough to support government’s goals of increasing local freedoms and encouraging working across organisational boundaries. Importantly, while local government has effectively been given responsibility for partnership working, it has insufficient authority over local partners (for example the police or NHS trusts) to drive the agenda. This is primarily because these bodies must respond to their own national lines of accountability and separate national performance management frameworks. As a Government Office area director put it: “those national agencies won’t necessarily be judged on the success and failure of those targets that they agreed with the county council. The county council will be judged on that... I think that’s a tension for the future” (IfG interviews 82). This is a particular concern because the financial incentives to work towards LAA priorities were determined late on in the LAA process and are very small – equivalent to around £40,000 per area for each target met over a three year period (CLG 2007). Similarly, local government still often lacks the funding control that would be required to drive innovative

“

...we would like to be much more creative around the way we do it to deliver the outcomes we agreed, but we are restricted because of the way the money comes down and the way it is monitored separately by the National Treatment Agency. That is a big frustration and that comes from government, who allegedly have given us this autonomy and responsibility and pot of money to choose how we spend it – this isn't actually the case.

”

(Local authority assistant director, IfG interviews 5)

cross-agency approaches independently, with the lowest level of control over local expenditure of all OECD countries (Adam 2007). In this context, much faith is being put in Comprehensive Area Assessments, yet it remains to be seen whether they will exert pressure on all local agencies rather than simply local councils.

Similarly, incentives for Whitehall to work cross-departmentally remain weak. There is still virtually no pooling of resources to support cross-departmental priorities, despite the fact that central government itself recognises that such pooling is a powerful incentive for partners to work collectively and to make the necessary trade-offs between conflicting priorities. “More must be done to incentivise and enable work across traditional service boundaries. A key driver of this is funding, and barriers to sharing resources must be broken down” (HMT 2007a). Similarly, consequences for performing well or badly against cross-cutting PSA objectives appear to be largely reputational, although it is admittedly difficult to hold departments or individuals to account for social outcomes that are affected by a wide range of exogenous factors.

These missing incentives may offer one explanation for continued problems with coordinating messages from national to local government. In June 2008, Louise Casey, former Respect ‘tsar’, published a review on *Engaging Communities in Fighting Crime* for the Cabinet Office, but this was followed just a month later by a Home Office Policing Green Paper and a White Paper, *Communities in Control* from the Department for Communities and Local Government. Officials working on these papers did work together to align messages but all reports covered similar issues and it was left to local government to work through how these messages related to circumstances on the ground.

Reality did not match up to expectations

As a result of these ongoing challenges, there was a sense in which new performance arrangements over-promised, leading to disillusionment. One LAA coordinator we spoke to had a half-written article on his desk called *Broken Promises*, reflecting his view that the freedoms that local areas had been promised had not materialised. In fact, one area we visited felt that it had a very limited say over 26 of the 35 targets negotiated, although this level of prescription was not typical.

Positives outweigh the negatives

Despite these real difficulties with the latest LAA and PSA frameworks, we do not consider that performance management frameworks are a ‘busted flush’, as one senior official put it. Both frameworks offer much that is of value: a way of setting priorities and aligning organisational resources behind them, a mechanism for increasing focus on delivering tangible results, a means for clarifying who is making decisions, and an additional mechanism for informing citizens of the results that government and public services are delivering. These latest changes also have great potential to form a basis for improved cross-government and cross-agency collaboration, and for helpfully clarifying the respective roles of national and local bodies. The changes also take a small step towards recognising that the use of national targets as a mechanism for driving performance improvement should not be the first resort for policymakers, with alternative performance pressures, for example citizen choice or prizes, offering less bureaucratic drivers for change.

We therefore argue that these frameworks should be retained and built on, not least because if they did not exist, they would soon be reinvented. Further, practitioners are insistent that dramatic changes would be damaging. As one GO Department Lead put it: “If you want LAAs to prove themselves as effective delivery mechanisms over a three year period, you can’t change them every day. And that’s what we’ve had over the first four rounds – every time you get to the next round of negotiations, it doesn’t change a little; it changes quite a lot” (IfG interviews 30).

Recommendations for further improvements

This report makes a number of recommendations that will strengthen government performance management. They are outlined in summary here but they are also covered in detail in the main body of this report, alongside our proposed plan for implementation.

First, there are a number of [immediate priorities](#) for improvement that should be addressed more or less immediately to improve the functioning of the system:

1. The government should [enhance public accountability through citizen-focused publication of performance against PSAs and better reporting to Parliament](#), in order to raise awareness of public service performance and to keep the pressure on government to make progress
2. The Audit Commission should [ensure that the Comprehensive Area Assessment fully supports LAA goals](#). Local government should be judged primarily on the targets negotiated (rather than all 198 indicators), while partners must also be judged on their contribution to cross-cutting local area objectives
3. Government should [revise LAA timelines](#) to avoid long delays between agreement of LAAs and budget-setting and [should consult on whether all local partners should work to the same budgetary timeline to facilitate coordination](#)
4. Whitehall should [support local delivery through better coordinated advice and demand-led support](#), including by developing cross-government models showing how the different indicators influence each other, and providing indicator-specific advice on request

Second, our research showed a need to invest in [building relationships and understanding](#). To achieve this end, a number of steps should be taken in the near future:

5. The Institute for Government is offering to [host a performance management network for senior Whitehall performance management practitioners](#), in order to build capability, and is also facilitating cross-government discussions for a range of government management challenges
6. Government should [build a common understanding of challenges through secondment programmes](#), including through a formalised exchange programme between the Civil Service Faststream Programme and the National Graduate Development for Local Government. No civil servant should be promoted to the Senior Civil Service without having spent a significant period of time outside Whitehall
7. Government should further [increase joint leadership training across sectors for public service leaders](#), including for public sector leaders from specific areas. For example, there might be joint events for police and fire service chiefs, NHS and local authority chief executives, and business sector leaders focused on how to tackle specific local issues
8. [Departments should increase the use of Whitehall 'negotiating champions'](#), who assist local areas in LAA negotiations

[Strengthening cross-departmentalism in Whitehall](#) is essential to ensuring coherent policy and better service delivery. We therefore propose that:

9. The Cabinet Office should [include assessments of cross-departmental contribution in future Capability Reviews](#)
10. The government should [give ownership of priority cross-cutting PSAs to 'cross-cutting ministers'](#) who would have a portfolio including responsibilities in the key two or three departments involved in delivery
11. All of Whitehall's [PSA Boards should make clear the financial contribution made by each department for each PSA objective](#) (aligning budgets), paving the way for greater pooling of budgets to support cross-government objectives in future
12. The government should accelerate work to [design individual appraisals that reward contribution to government's corporate \(cross-cutting\) objectives](#), starting with permanent secretary appraisals and cascading down to all staff
13. Permanent Secretaries ought to [provide Corporate Board leadership](#) of the government's agenda as a whole

“

I think it's a better framework than it was... but it's only a first step... it's got to go much, much further.

”

(IfG interviews 41)

We also put forward an agenda for the next spending review:

14. Where possible, use 'tournaments' rather than targets to motivate improvement, with local areas being rewarded for relative rates of improvement compared to similar areas
15. In the rare cases where a national target is required and appropriate, government should [set national targets via a bottom-up process](#) to ensure that targets are evidence-based and achievable
16. Whitehall should [clarify national priorities for each area early in LAA negotiations and eliminate the 16 mandatory DCSF indicators that were applied to all areas](#) irrespective of local priorities or performance
17. Next time round, the government should [publish all indicators in draft](#) two months prior to implementation, in order to ensure expert input and political scrutiny. The government should also make an early start in assessing how to improve the system, [refining indicators in line with local feedback and experience](#) but also ensuring that baseline data is in place for any new indicators demanded
18. Financial arrangements should be amended to [increase incentives for local partnership working](#), at least doubling the reward grant for LAAs

Towards a more nuanced approach to performance management

While some of these recommendations may appear technical, they are not based on a mechanistic understanding of performance management. Indeed, our focus on building relationships reflects the view that formal and informal networks are vital for building trust across public services and for developing collective understanding and expertise. These recommendations reflect our view that performance management is not just something for technicians. It is instead central to what public sector organisations and leaders do. However, at the same time, we also believe that material incentives do matter – and, to this end, our recommendations are aimed at ensuring that public servants are emboldened to work for collective public goods rather than narrow organisational interests.

The mechanics of performance management systems themselves matter too. Here, it is our hope that these recommendations facilitate a move towards a more nuanced approach to performance improvement, both by improving cross-government performance management capability and by highlighting specific ways in which the performance management frameworks could further improve.

Recent changes to performance management frameworks are making progress towards this more nuanced approach but they do not yet go far enough. Public service organisations must now be bold in finding ways to strengthen new relationships, to improve cross-system understanding and to pursue far more dynamic approaches to performance improvement. Central to this will be fixing coordination problems in Westminster and Whitehall itself and building organisational performance management capability, while also moving to address more thorny issues such as the respective authority of central, regional and local government. As a chief executive said, referring to the latest developments in performance management “I think it's a better framework than it was... but it's only a first step... it's got to go much, much further” (IfG interviews 41).

Section 1: Background

1. Methodology

This report presents the results of a research project that examined the likely and ongoing impact of the revised PSA and LAA frameworks. The project was informed by: 111 semi-structured interviews with central and local government, government offices, partner organisations, politicians and external experts; case studies of performance management successes abroad and in other sectors; a detailed literature review; and ongoing stakeholder consultation.

1.1 Objectives: learning the early lessons

Given the high profile given to performance management in the UK government context, the Institute decided to conduct a research project into the ongoing impact of recently revised performance management frameworks, focusing on Public Service Agreements (PSAs) and Local Area Agreements (LAAs). Initial impetus for the project came from discussions with civil servants, politicians of all political parties and a range of public, private and non-profit organisations – all of whom recognised the contribution that effective government performance management could make to achieving better outcomes for citizens and who felt it was important to establish early lessons from the new frameworks introduced in 2008. This research was therefore designed to:

- Provide early feedback on the implementation of 2008-2011 PSAs and LAAs, identifying early challenges and suggesting potential remedies¹
- Influence the design and implementation of future performance management regimes, fostering approaches that will deliver better outcomes for the public
- Provide a basis for the Institute to advise senior civil servants, ministers and shadow ministers and special advisers in this area, for example through Institute for Government seminars and training programmes
- Act as a pilot project for the Institute, exploring working relationships with government in the context of a wide-ranging subject

1.2 Research methodology

This report is based on the following research activities:

- **Literature review:** The research team conducted a detailed literature review, comprising over 100 articles, books and reports on government and private sector performance management theory and practice. In particular, we analysed recent survey data conducted by others, rather than generating this information ourselves, because we considered there was a danger of 'survey fatigue' amongst potential respondents.

¹ A consortium of academics led by Mike Geddes (Warwick Business School) are carrying out a longer-term assessment of Local Area Agreements, which is due to report in 2010.

- **Interviews:** The bulk of the project's primary research comprised 111 semi-structured interviews. The interviews were designed to explore how changes to the PSA and LAA frameworks are affecting attitudes and behaviours at all levels of government, as well as in the professions and partner organisations (non-profit and private sector). The sampling frame for the interviews was based on the need to capture the full range of government, from ministers to local deliverers, and local areas with contrasting records of performance.

Local authority and Government Office interviews were clustered mainly around three areas:²

- A high performing unitary authority
- A medium performing unitary authority
- A low performing district council within a low-medium performing county council (with interviews from both county and district councils and their partners)

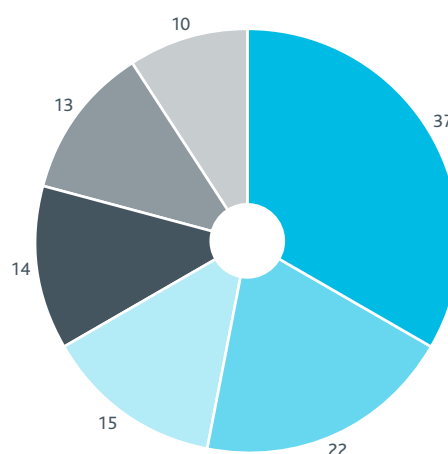
At the central government level, the Institute's interviews covered six departments. In all the different geographic areas and levels of government, we focused on the following PSAs, chosen partly because of their clear cross-cutting character, and the corresponding national indicators in the revised Local Area Agreement framework:

- PSA 14: Increase the proportion of children and young people on the road to success
- PSA 23: Make communities safer
- PSA 24: Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public

The affiliations of our 111 interviewees are represented in Figure 1.1.

Figure 1.1: Interviews conducted by respondent group

Local Authorities Central Government Partner Organisations
External Experts Government Offices Politicians



Source: Institute for Government

All interviews were recorded, transcribed and then qualitatively coded using the NVivo 8 software package. We did not apply a full grounded theory approach, but rather developed a 'short-list' of codes to be applied, which were based on issues raised in the preceding literature review, case studies and stakeholder consultation, and on a preliminary analysis of interview data conducted by the researchers. New codes were created during the coding process where it was felt that a significant theme emerged that was not captured by the existing codebook.

² Performance levels were determined according to reports and ratings issued by the Audit Commission. Available at: <http://www.audit-commission.gov.uk/>

- **Case study exercises:** Another major element of original research involved identifying relevant examples of performance (and performance management) success stories from abroad, and in other sectors. Among these were case studies on the performance management approaches of the Canadian Federal Government; the Government of Ontario, Canada; and the Government of Singapore. These case studies can be found on the Institute's website.³
- **Stakeholder consultation:** Throughout this project, the research team consulted widely with practitioners involved in government performance management. These practitioners were also involved in the development of our recommendations, allowing us to test their feasibility and to uncover and address possible objections or counter-arguments. Four exercises were particularly useful in this respect:
 - A seminar with senior stakeholders half way through the project to share initial findings (see Appendix 5)
 - A focus group with those involved in design and delivery of PSA and LAA frameworks in central government
 - An email-based consultation with select interviewees who participated in our research
 - A focus group with a panel of local government practitioners

This research has created a strong foundation on which to build our conclusions and recommendations. However, we should stress that our focus on specific PSAs and geographical areas means that our research findings are not necessarily representative of all geographical areas or policy domains. Our visits were focused in just three local areas out of a total of 150 areas that took part in LAA negotiations, although we did complement these visits with interviews with chief executives of three other areas and consultations with other experts with broad experiences of the impacts of revised PSA and LAA frameworks. Similarly, our interviews in Whitehall were particularly focused in two Whitehall departments, although again we did conduct interviews in four other departments. All conclusions and recommendations should be approached with these caveats in mind.

Further copies of the report are available alongside supporting information and references at www.instituteforgovernment.org.uk/projects/performance

3 www.instituteforgovernment.org.uk

2. Art and science

“

What we don't want is for performance management to become some sort of imposed, inspectorial and rather frightening intervention; one wants it to be something that people can use positively to help them understand, monitor, and to guide and support what they are trying to do.

”

(Local authority director of adult social care, IfG interviews 7)

All management and leadership regimes have strengths and weaknesses. Performance management must evolve to reflect the lessons learnt from a period of intense top-down target-setting. In particular, it should be remembered that performance management is as much an art as a science.

2.1 Government performance management has evolved

Performance management is not a fad. Governments have been managing performance in some surprisingly 'modern' ways for decades or even centuries (see Figures 2.1 and 2.2). Internationally, performance management is now both common and highly formalised, with over three quarters of Organisation for Economic Cooperation and Development (OECD) countries routinely including non-financial performance information in their budget documentation (Curristine 2005). Nonetheless, in the UK, it is perfectly fair to say that performance management has been on the rise in recent years. A number of factors have combined to encourage this trend, including:

- **Improved Communications and Information Technology:** Technology has provided new opportunities to measure and record performance, for example through electronic record management systems. The cost of data collection and storage has fallen significantly, meaning that the cost-benefit ratio of performance measurement has greatly improved.
- **More diverse public service organisations:** The introduction of market principles into public services has resulted in government increasing the number of service providers in order to create markets. In these markets funding has to follow either direct user choices or performance as perceived by government (PMSU 2006). This has, in turn, generated pressures to monitor and publish the performance of these organisations, either to facilitate user choice or to demonstrate the accountability of agencies or private providers.
- **More complex public service models:** The range of activities funded or carried out by the public sector has dramatically increased. In many areas, this has increased complexity to an extent that is unmanageable for previously 'omnicompetent' professionals, leading to specialisation and division of labour within professions (for example, medical specialisation). In turn, this has increased the demand for 'management' in order to coordinate service delivery: the number of NHS managers rose from 300 to 23,000 from 1985-1995 (Bach and Kessler 2007). Furthermore, this complexity – combined with spending pressures – has encouraged staff from external professional bodies to take on an increased role: in 2007, non-warranted (civilian) staff accounted for 37% of the police service, compared to 15.4% in 1960 (Chartered Institute of Public Finance and Accountancy (CIPFA) Police Statistics 2007).
- **Evolving political pressures and ideologies:** The above changes have coincided with (and reflect) shifting political ideologies and views on the role of government. In particular, performance management can be seen as an attempt by government to increase its control over professions whose actions were perceived to be insufficiently focused on public service improvement (Hood 2007).

Figure 2.1: Payment by results in education, 1860s – 1890s

In nineteenth-century Britain, elementary schools were funded by central grants. Grants were regulated by 'codes' and a 'Revised Code' was introduced in English schools in 1863. Changes attempted to address the fact that many felt that teachers spent too much time teaching older children and neglected the instruction of younger pupils in what would be currently called 'basic skills'. The 'performance management' policy introduced by the Code was to link grant payments to schools with the success of children in examinations in elementary reading, writing and arithmetic, where failure in any of these subject areas, in an examination administered by a government inspector, would result in loss of a substantial portion of the grant.

Over the three decades of its operation the policy went through a series of complex modifications. By the mid-1890s, however, a diverse set of objections to the original concept of linking grant to pupil examination performance led to a move towards a pattern of inspection that removed the obligatory annual examination and allowed inspectors to base their reports on observation of work in schools. Many of the objections to the Revised Code would be recognisable to those familiar with critiques of current performance measurement systems. For example, some argued that by encouraging 'teaching to the test', the system neglected overall development, while others believed that the neglect of contextual use of language in subjects such as history or geography actually damaged the ability to read.

(Source: Cutler 2007)

This increased focus on government performance management developed in a series of clear stages. First, government focused on tightening the performance management of local government from the 1980s, partly as a result of fiscal pressures and political tensions between the centre and localities. Second, government concentrated on establishing clearer performance management of new executive agencies, particularly in the late 1980s as part of government's *Next Steps* initiative (Smith 1995). Third, attention turned to the heart of government with an increased focus on the political accountability of Westminster and Whitehall from the late 1990s (see Figure 2.4). This focus intensified from 1998 as government felt the need to justify large spending increases across the public services by proving 'Value for Money'. Indeed, Public Service Agreements (PSAs) partly originated in the new Labour government's desire to demonstrate to the public what it would be getting in return for increased service investments.

Figure 2.2: Milestones in UK government performance management

1982 The Financial Management Initiative. The Initiative introduced the monitoring of objectives and performance indicators covering efficiency and productivity for all government departments.

1983 Audit Commission set up with a remit to scrutinise the economy, efficiency and effectiveness of local governments in England and Wales.

1983 National Audit Act establishes the National Audit Office (NAO) in its current form, with the Comptroller and Auditor General given new powers to report to Parliament at his own discretion on the economy, efficiency and effectiveness with which government bodies had used public funds (NAO 2008).

1984 Audit Commission creates 'profiles' of local government performance compared to similar areas (closest comparators).

1988 The 'Next Steps' Initiative. Executive agencies required to report their performance against ministerially set targets covering the volume and quality of services, financial performance and efficiency.

1991 The 'Citizen's Charter' Programme. This required those parts of central government that deal with the public to publish, monitor and report against quantifiable measures of service delivery.

1998 The Comprehensive Spending Review set out PSAs for each department and some cross-cutting areas, showing their aims and objectives and the progress departments were expected to make. Funding settlements were, it was argued, based on "a zero-based analysis of each spending programme to find the best way of delivering the Government's objectives" (HMT 1998).

1998 The Charter Programme is re-named 'Service First' and given a new emphasis to promote quality, effectiveness and responsiveness and the need for service providers to adapt in order to deliver services across sectors and different tiers of government.

1999 The *Modernising Government* White Paper is published and reinforces the role of PSAs. It emphasises the shift to outcome measures and encourages the link between organisational and individual objectives.

2000 The Cabinet Office report, *Wiring it Up*, recommends the extended use of Performance Indicators (PIs) to tackle weaknesses in the handling of issues that cross departmental boundaries.

2000 The Spending Review again reiterates use of PSAs and makes PIs inherent to them. The PSA framework included 15 cross-cutting PSAs and floor targets (of a total of around 160 targets) which set out minimum outcomes that should be achieved in every area.

2000 The Statistics Commission is established as an independent body, with part of its remit being to measure progress against PSA targets.

2001 The Prime Minister's Delivery Unit (PMDU) is set up to support the delivery of priority government objectives (starting with 17 'top' PSAs).

2002 Spending Review sees a significantly remodelled PSA framework, including fewer targets.

2004 Spending Review announces that PSAs will be increasingly focused on outcomes rather than on the inputs or the process of delivery: "PSAs encourage local freedom and flexibility, encouraging departments and delivery agents to think creatively about how their activities and policies can best contribute to delivering results" (HMT 2007a).

2004 Local Area Agreements (LAAs) introduced as the main performance management and reporting tool for local government.

2006 Local government white paper promises to slash council targets from a total of over 1,200 in some areas (CLG 2006).

2006 First departmental Capability Reviews published, assessing the strengths and weaknesses of government departments in terms of leadership, strategy development and delivery.

2007 Sunningdale Institute evaluation of the first round of Capability Reviews, *Take Off or Tail Off*, praises overall Capability Review process but argues that "as well as providing limited analysis of delivery capabilities, it focuses on the individual department rather than on how departments work together on cross-cutting issues and capabilities" (Sunningdale Institute 2007).

2007 Spending Review limits PSAs to around 30, disaggregated into approximately 180 performance measures. PSAs were accompanied by a 'Service Transformation Agreement' which aimed "to change public services so they more often meet the needs of people and businesses, rather than the needs of government" (HMT 2007a).

2007 LAAs revised to place explicit limits on the number of targets that central government can impose on local government and imposing a statutory duty on a range of local bodies to cooperate in the development and negotiation of local targets.

2007 A new Area Based Grant (ABG) is introduced (CLG 2007).

2.2 Performance management has been subject to a range of critiques

As performance management evolved, so did critiques. Media criticism has been widespread and shows little sign of diminishing. "Performance management regimes", *The Guardian* tells us, "have distorted behaviours as organisations have focused on hitting targets simply to comply" (Worall and Mather 2008). "Teaching to the test can prove disastrous", writes *The Times* (Frean 2008). In fact, target-bashing has become a popular pastime in public debate, with only a few vocal defenders. Headlines focus especially on targets and their potential perverse effects, but broader performance management approaches and the bureaucratic burden imposed through certain performance measurement methods are also criticised.

Performance management has had some perverse consequences

These days, many members of the general public can reel off stories about where the government's approach to targets and performance management since 1997 has been flawed. Examples often focus on cheating or inappropriate prioritisation (the policeman arresting the child for a playground scuffle, for example) but the past ten years have given us examples of the full range of problems that can occur in all performance management

“
Not everything
that is countable
counts – and not
everything that
counts is countable.”⁵

”
(Albert Einstein)

regimes. Many of these problems were predictable, and indeed were predicted by certain commentators (see for example Smith 1995). Observers are especially critical of performance regimes when they appear to encourage behaviours that make public services worse instead of better. Problems have varied in their extent and seriousness but include:⁴

- **‘What’s measured gets done’:** By focusing on what is measurable, certain organisations have been deemed to have neglected wider organisational goals, particularly those goals that are difficult to quantify. For example, focus on school examination results has been argued to have led to excessive focus on tested aspects of the curriculum (‘teaching to the test’) and neglect of wider goals, including child wellbeing (Sodha and Margo 2008). Similarly, a recent independent enquiry into policing found evidence that police had placed excessive focus on easy-to-solve minor offences in order to meet detection rate targets (Flanagan 2008).
- **Short-termism:** Many policy innovations have significant ‘lead-times’ before affecting wider social outcomes. For example, interventions to support parents with very young children, such as the U.S. Nurse-Family Partnership programme, are highly cost effective but do not show results in terms of educational attainment or reduced criminality for some time (Lees *et al.* 2008). Across a range of policy areas, commentators have observed that excessive focus on short-term targets can lead to prioritisation of approaches with more immediate impacts, even where these are less cost-effective (see, for example, Margo and Stevens 2008). For example, local Jobcentre Plus managers have resisted the implementation of new technology even where it will lead to higher service levels, because they felt that the time taken to retrain workers might have led to them missing existing targets (Smith 1995).
- **Misinterpretation:** Public policy outcomes are typically influenced by a wide range of factors. This creates challenges for *performance* assessment as results can be misinterpreted if the wrong performance measures are used or inappropriate comparisons are made. For example, teenage pregnancy has fallen in the UK in the last decade, suggesting a strong performance but when compared to falls elsewhere in Western Europe, however, performance looks less strong. Similarly, a recent study has shown that the star rating systems in hospitals and local government should be treated with some caution as scores for these composite measures vary significantly both because of random variation and even small changes in score weighting systems (Jacobs *et al.* 2008).
- **‘Gaming’, limiting ambition and conservatism:** Because targets typically demand year on year improvements in performance, performance frameworks can encourage managers to constrain performance levels in order to avoid being set more ambitious targets in following years. Similarly, frailties in measurement methodology can be exposed where insufficient checks or controls are in place (see Figure 2.3). In addition, because of the delay in implementing performance management frameworks, they can become out of date quickly, leading to missed opportunities (Smith 1995).
- **Misrepresentation or ‘cheating’:** There have been a number of cases where performance data has misrepresented or cheating has occurred. For example, in 2001 the NAO found in 2001 that nine NHS trusts had been “inappropriately manipulating” data on waiting list times (NAO 2001). There have also been instances (though rare) of police patrol officers manipulating emergency response times by making their own 999 calls when they encounter criminal activity and then logging short response times (Loveday 2005).

4 The categories listed here draw heavily on Peter Smith’s 1995 article, ‘On the Unintended Consequences of Publishing Performance Data in the Public Sector’ (Smith 1995)

5 Albert Einstein, cited in Graham, I. (2007). ‘What’s Wrong with Targets (?)’ in *Perspectives on Performance*, Vol. 6, No. 1. At: <http://www.som.cranfield.ac.uk/som/research/centres/cbp/pma/POP%20vol6%20iss1.pdf>

Figure 2.3: Evidence of gaming in response to three types of target

Problem	<4 hour wait in accident and emergency	Ambulance category A calls (response within 8 minutes for 75% of calls)	Maximum waiting times for first elective hospital admission
Poor performance in domains where performance not measured	Extra staff drafted in and operations cancelled for the period over which performance was measured ¹	Strong allegations that some ambulance trusts relocated depots from rural to urban areas hence achieving the target at the expense of a worse rural service ²	
Hitting the target and missing the point	Patients had to wait in ambulances outside the department until staff were confident of meeting the target ²	Idiosyncrasies in the rules of classification led to some patients in urgent need being given a lower priority than less serious cases ²	Patients may have been removed from waiting lists once they had been provided with a future date for an appointment, or given immediate appointments that they were not able to attend and then classed as refusing treatment, or had treatment inappropriately suspended ⁴
Ambiguity in reporting of data or fabrication	The level reported to the Department of Health in 2004-5 was 96% but an independent survey of patients reported only 77% ³	Problems in the definition of category A calls and ambiguity in the time when the clock started 2, 3. A third of ambulance trusts had "corrected" response times to be less than 8 minutes ²	Nine NHS trusts had 'inappropriately' adjusted their waiting lists; three others had deliberately misreported waiting list information; and 19 trusts had reporting errors in at least one indicator ⁵

Source: Bevan and Hood 2008

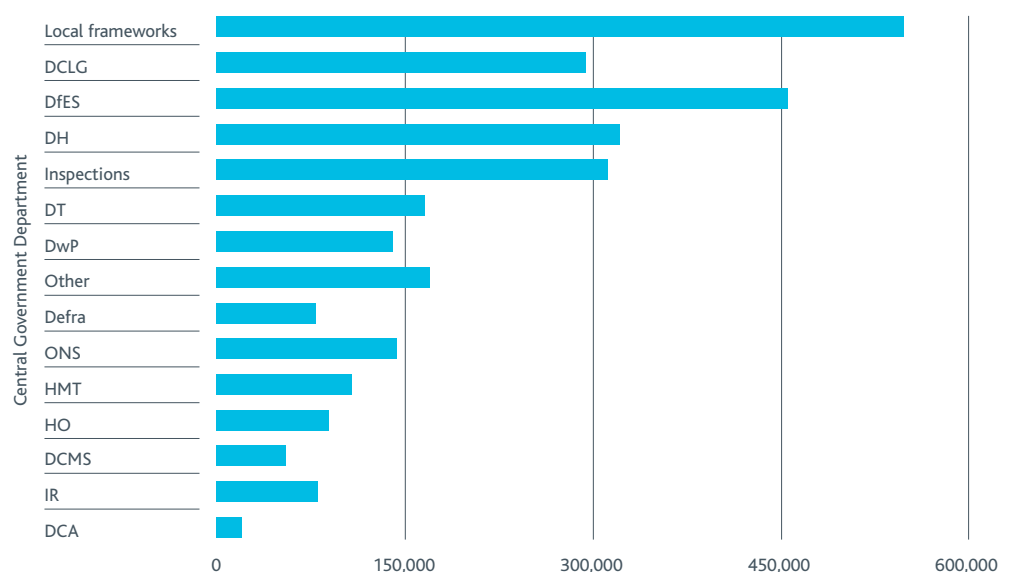
Internal references: ¹ Carter et al 1995, ² CHI 2003, ³ Economist 2005, ⁴ CHI 2004, ⁵ Bird et al. 2005

Note: Evidence suggests that perverse consequence such as those listed are not uniform and vary in extent and seriousness across services

Performance management has been linked to increased bureaucracy

Another popular critique is that performance management has led to unnecessary bureaucracy. Some processes for collecting data have been deemed to cost more than any benefits from using data (see, for example, Flanagan 2008). Lengthy target-setting and negotiation processes have also been seen as disproportionate. In 2006, a report by consultants PricewaterhouseCoopers for the Department for Communities and Local Government noted that local councils "spend over 80% of their performance reporting effort on reporting 'upwards' and less than 20% on their 'local' systems, with an estimated £1.8m [per council] spent on upwards reporting each year" (PwC 2006). The report further noted that "all respondents suggested that this effort of upward reporting represented a disproportionate use of scarce resource" (PwC 2006). Since this report was published, a Local Government Association (LGA) 'Lifting the Burdens Task Force' has further argued that "the number of PIs [performance indicators] local authorities are required to collect today is actually rising rather than falling" (LGA 2007). This report notes, for example, the addition of 54 performance indicators to measure economic regeneration which should be collected on a voluntary basis and an additional 56 Comprehensive Performance Assessment (CPA) indicators in 2005 (LGA 2007).

Figure 2.4: Average costs of performance controls by central government department



Source: PwC 2006, based on the average costs across four high performing local authorities⁶

⁶ CLG costs include monitoring frameworks for local government that cut government departments, for example Local Public Service Agreements

While in-depth studies of public sector performance management regimes are relatively rare, those that have been done suggest that some performance management approaches are not cost-effective (though others are), a situation that is also found in private sector organisations (see, for example, Walshe and Freeman 2002).

Professions and local government have questioned why central government should dictate performance requirements

Much of the vigour in debates about government performance management comes from disagreements about who should be defining performance indicators and targets. Professions, for example, often argue that they should decide on certain priorities or actions, rather than government, because they feel that they as professionals have greater expertise and knowledge of what constitutes a 'good' service. For example, some in the police have argued that they should be free to use their 'discretion' to decide on how to prioritise workloads (see, for example, Berry 2008). Government, on the other hand, has argued that as the elected body it is both more attuned to what the public wants and accountable when results are not delivered. As Andy Burnham notes, government performance management was intended to provide an "expression of the public's priorities that the public services needed to hear" (Burnham 2007).

Similarly, proponents of stronger local government have questioned whether target regimes reflect the right balance between local and national government power. Both independent experts and groups representing local government have frequently criticised government's use of targets for local government as 'centralist' or 'top-down' (see, for example, Wilcox 2006). Some critiques are based on practical considerations – for example, arguments that local government is better positioned to determine required actions – while other critiques relate to wider questions of identity and democratic legitimacy.

There are claims that performance management has reduced workforce motivation

Perverse consequences, bureaucracy and reduced autonomy have been argued to have undermined public sector morale. An Audit Commission survey in 2002 found that of those leaving the public sector due to stress, nearly 80% blamed bureaucracy and paperwork (Carvel 2002). Roffey Park Management Institute, meanwhile, found that nearly 40% of public sector managers felt that morale was low in their organisation compared to 16% in the private sector and 6% in the non-profit sector (*Personnel Today* 2007). The reasons for this were cited as being, in order, bureaucracy, poor management and lack of recognition (*Personnel Today* 2007).

Figure 2.5



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Several high performance organisations do little performance management

There are examples of successful organisations that have few performance measures in sight. Finland's education system is consistently rated the best in the world but has little standardised testing or active performance management (Programme for International Student Assessment 2006). Examples also abound in the innovative or creative industries, particularly in small organisations where employees have strong intrinsic (inbuilt) motivation (Austin and Larkey 2002).

Research has suggested evidence of a 'public service ethos' that might in theory reduce the need for financial or other performance incentives. For example, public sector workers are more likely to 'donate' labour, with professionals working in public or voluntary sector healthcare, education and social care organisations being more willing to do unpaid overtime than those working in private sector equivalents (Gregg *et al.* 2008).⁷ Interestingly, researchers have also found circumstances in the private sector where performance has improved precisely because performance management 'rules' are breached. For example, a series of case studies by Austin and Gittell concludes that high levels of performance within an organisation may sometimes be achieved when one party acts explicitly to make himself or herself vulnerable to opportunistic behaviour by others (Austin and Gittell 2002).

2.3 Political rhetoric suggests a more limited role for performance management in future

In response to these critiques, politicians from all parties promised to rely less on targets in future: "Government... must step up its efforts to cut unnecessary targets, strip out waste and devolve responsibility to communities, councils and local service providers" (Brown 2008). David Cameron talks of the need to enter a "post-bureaucratic" age, where there is less "top-down management" and more power is given to communities, independent institutions and local councils (Cameron 2007). Similarly, Nick Clegg stated earlier this year: "A People's NHS would replace top-down targets with personal entitlements to high-quality care" (Clegg 2008).

The Labour Government's vision for public service, set out this year in *Excellence and fairness: Achieving world class public services*, openly accepts some performance management critiques (Cabinet Office 2008). "Persisting with too many top-down targets", the report notes, "can be counterproductive; we know services must value professionals if we are to foster innovation and excellence; we know that while central government must be a key player in driving better public services there are limits to what it can achieve and if it seeks to do too much it will stifle local initiative" (Cabinet Office 2008). The report outlines that government is therefore entering a 'third phase' of reform, with three broad themes:

- **"Empowering citizens...** both extending choice and complementing it with more direct forms of individual control, such as personal budgets... and providing greater transparency of performance"
- **"New professionalism...** [to combine] increased responsiveness to users, consistent quality in day-to-day practices and higher levels of autonomy from central government wherever those at the front line show the ambition and capacity to excel and greater investment in workforce skills"
- **"Providing strong strategic leadership** from central government to ensure that direct intervention is more sharply concentrated on underperforming organisations, while the conditions are created for the majority to thrive more autonomously" (Cabinet Office 2008, p.11)

Details of David Cameron's vision can be garnered from a range of speeches in recent months. Citizens and communities must be empowered, with users given much greater access to information and a greater say in how services are provided (Cameron 2007). Professions must be trusted (Cameron 2007). There must be "an end to top-down micro-management" and diversity and innovation should be encouraged and enabled (Cameron 2007). Clearly, there is a remarkable consensus about how public services and approaches to performance management should evolve. All major parties argue that historic approaches to performance management are no longer as appropriate, with a much reduced emphasis

⁷ This remains the case even excluding demographic factors, suggesting that the effect is found at an individual level.

in all narratives on 'top-down' target-based mechanisms. Of course, there are political differences – for example, varying degrees of tolerance for local variation and differing views of how best to employ citizen choice – but the parties are clearly committed to change.

2.4 But performance management is here to stay

Despite the rhetoric, performance management is here to stay. Even targets seem likely to have an ongoing role, being both politically attractive and at times highly effective in driving service improvement. Similarly, wider performance management is often vital for incentivising progress, while performance measurement is essential for learning about which policy interventions and management methods work (see Figure 2.6). The attractiveness of performance management is also increased by the fact that there has been limited progress in developing alternative approaches to system improvement, for example market-making and building local community engagement and activism. This means that while performance management can undoubtedly be improved (based on the lessons of recent experience), governments would be unwise to abandon it completely.

Targets are politically attractive

Politicians like targets in part because the public do. The public wants to see results in return for their tax contributions. Many of the most high-profile government targets sound like they are straight from the mouths of voters. "We want eight!" chanted crowds in 1908, successfully persuading the Liberal administration of the day to build eight warships in response to German naval expansion.⁸ Pressure from voters to reduce school class sizes in the late 1990s was the primary motivation behind government targets to reduce class sizes. Similarly, when he became the new Minister for Energy and Climate Change, Ed Miliband immediately revised targets for carbon emissions (Miliband 2008). Quantifying goals makes them tangible and tells voters the scale of government's ambitions.

Targets can drive performance improvement

Targets are also attractive because, despite their drawbacks, they focus public services on key government priorities and can improve performance. For example, an evaluation of Local Public Service Agreements (LPSAs) introduced between 2001 to 2004, which rewarded local councils financially for meeting specific targets, found that the targets had "a significant positive impact"⁹ on 18 out of 20 LPSA performance indicators with "no evidence of performance deterioration because of LPSA targets on any indicator" (Boyne and Chen 2008). Similarly, while England's target-based performance management regime achieved dramatic reductions in both average and longest wait times, Scotland's approach, unsupported by targets, was far less successful. A recent study has shown that not only were differences the result of different management methods but also there is little evidence that targets in England were met through systematic distortion of clinical priorities, despite isolated incidences of 'figure fiddling' (Propper *et al.* 2008). This recent work supports earlier research concluding that targets for health had broadly "worked", at least in the short term (Bevan and Hood 2006). Other successful examples of the use of targets include the halving of rates of the hospital-acquired infection MRSA (BBC 2008a) and the successful application of targets for emergency response times in ambulance services (Bevan 2008).¹⁰

8 Maurer, J. (1997). 'Arms Control and the Anglo-German Naval Race Before WW1: Lessons for Today?', *Political Science Quarterly*, Vol. 112, No. 2, 285–306.

9 "Significant" is used here to mean "larger than would be likely to occur than by chance alone".

10 Studies cited in this report are in-depth research studies, which include statistical research. This is vital to determining target effectiveness given the wide range of other variables that could be contributing to organisational performance.

Figure 2.6: The role of performance management in government

Government performance management aims to deliver better outcomes for citizens, improving performance through:

- **Learning:** Measuring performance allows government to learn what is working, to identify problems and to adapt its approaches accordingly
- **Increasing organisational alignment:** By clearly stating what government is aiming to achieve, performance management can ensure that effort and resources of multiple organisations and individuals are focused on those things that the government thinks are most important to the public
- **Motivating improvement:** By rewarding success and sanctioning failure, performance management can encourage organisations and individuals to improve
- **Increasing transparency:** Publishing performance data can increase the ability of citizens to hold government to account for performance levels. This both motivates improvement and is seen by many commentators as a normative good in its own right, reflecting the view that people have a 'right' to know what their taxes are spent on (Prat 2006)

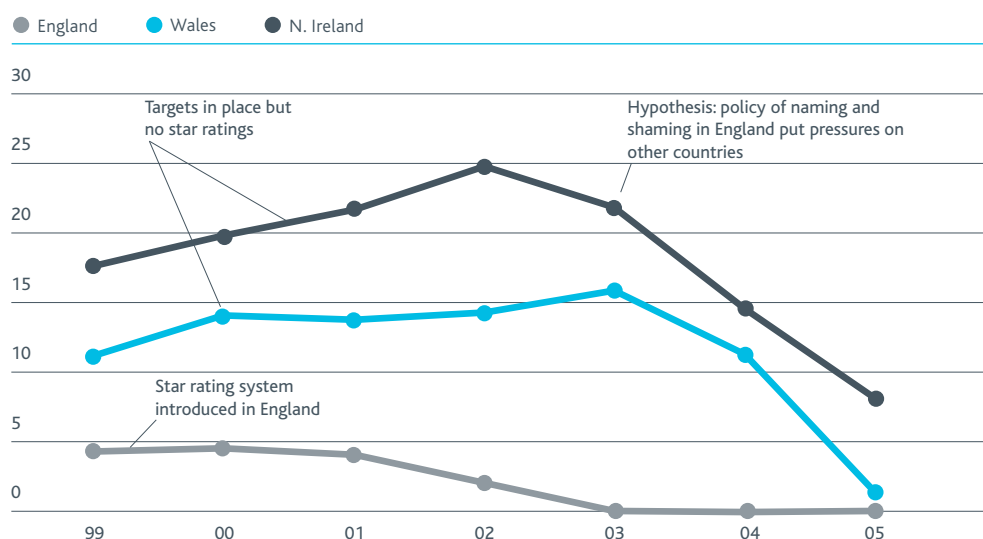
Wider performance management is vital for incentivising improvement

It is clearly not just targets that have generated improvement. For example, overall performance assessments through inspections or performance against a suite of indicators, can be powerful motivators when rewards and sanctions are attached. Given that different actors may act on different motivations, the ability to offer a variety of incentives is clearly a vital part of performance management. Two main types of incentive exist: extrinsic incentives, which, broadly speaking, are external rewards and sanctions for performance levels, and intrinsic incentives, which result from the rewards inherent in performing a task well in itself (Tyson 2006). Current evidence suggests that there is no single type of incentive that is uniformly successful but that incentives of all kinds can prove powerful for encouraging improvement (see, for example, Osterloh and Frey 2002).¹¹

Recent years have shown that reputational incentives for overall organisational performance have been very effective (when judged through inspection and/or performance against specific performance indicators). This is one reason why, despite occasional methodological weaknesses, the simplicity of league tables and star ratings are attractive to the public, media and leading government performance management practitioners (see, for example, Barber 2007). Quite simply, *The Sun* headlines such as "You make us sick! Scandal of bosses running Britain's worst hospitals", give powerful incentives for those zero rated hospitals featuring in the article, as shown in Figure 2.7 (*The Sun* 2004).

¹¹ Intrinsic rewards can derive either from the satisfaction of task completion in itself or because the task is perceived as having some intrinsic value (for example, contributing to society). Both intrinsic and extrinsic incentives can operate at the individual, group or organisational level, with research again suggesting that different types of incentive are more suited to organisation levels, depending on factors such operational context and group or organisation size (Wageman and Baker 1997)

Figure 2.7: Percentages of patients on NHS hospital waiting lists waiting longer than six or 12 months, 1999-2005



Source: Bevan and Hood 2006

The success of financial incentives, as in the example of LPSAs above, is also clear. Financial incentives for organisations clearly motivate individuals across public services, although they are not without problems. For example, financially rewarding organisational success can be impractical (creating 'doom loops' for underfunded poor performers) and politically difficult, as shown by several cases of back-tracking on commitments not to bail out financially failing NHS Trusts.

Individual and team financial incentives can also motivate improvement, although some government schemes have arguably paid rather too much for the benefits received. The Office of National Statistics (ONS), for example, found that GP performance related pay had improved performance but also reduced overall GP productivity levels due to the overall scale of the extra payments made (NAO 2008). Other schemes such as team incentives in Jobcentre Plus have been more successful, which suggests that initiatives can be effective in a public sector context (Burgess *et al.* 2004).

Softer motivational skills and public sector ethos are clearly also important, and should be built into the design of any incentive schemes at both the organisational or individual level.¹² This is particularly relevant because several studies have indicated a "hidden cost of reward" (Lepper and Greene 1978) or "the corruption effect of extrinsic motivation" (Deci 1975). Just as children eventually refuse to do their homework or housework if they become used to being rewarded from it, reward schemes can be seen to undermine intrinsic performance motivation (Osterloh and Frey 2002).

Performance transparency enables democratic accountability and user choice

Performance transparency creates incentives partly through reinforcing political accountability and enabling user choice. If made public, government performance information allows citizens to make more informed choices at the ballot box. This, in theory, should encourage politicians to be more focused on ensuring strong public sector performance, although clearly the quality of public services will be just one factor on which politicians are judged. Several commentators also see transparency as a normative good in its own right: in other words, taxpayers have a 'right' to know how their money is being spent and how well.

Similarly, performance management of professions can be seen as a tool for ensuring that professional bodies focus on public priorities. This is clearly contentious where it is seen as an unwarranted encroachment on professional independence and authority but, as has been previously observed "targets can... undermine morale but the professions cannot be permitted a veto on the use of targets. A target holds a profession to account and some tension is inevitable" (SMF 2005).

¹² As Osterloh and Frey note, in fact, "in situations of incomplete contracts – and these dominate work relationships – an incentive system based only on monetary compensation for work is insufficient to bring forth the performance required. In many situations, monetary incentives even reduce performances" (Osterloh and Frey 2002)

“
There are no
perfect solutions
in performance
management.”
”

(Likierman, 2008)

Performance measurement is essential to learning

Performance measurement is also a vital tool for learning. Using qualitative and quantitative data allows organisations to ask questions about what is working and to identify new opportunities and areas for improvement. Some of the top private hospitals have used data in this way to drive up standards, as Karin Hogsander, a Partner at Circle (a private healthcare provider) explains: “surgeons are the bottle-neck in our hospitals... We found one surgeon who was doing nine cataract operations in an hour compared to an average of four or five – with equally good patient outcomes. He is now teaching the other surgeons how to work more effectively”.¹³ Given the decreasing cost of information collection and storage, such measurement is also becoming increasingly cost-effective.¹⁴

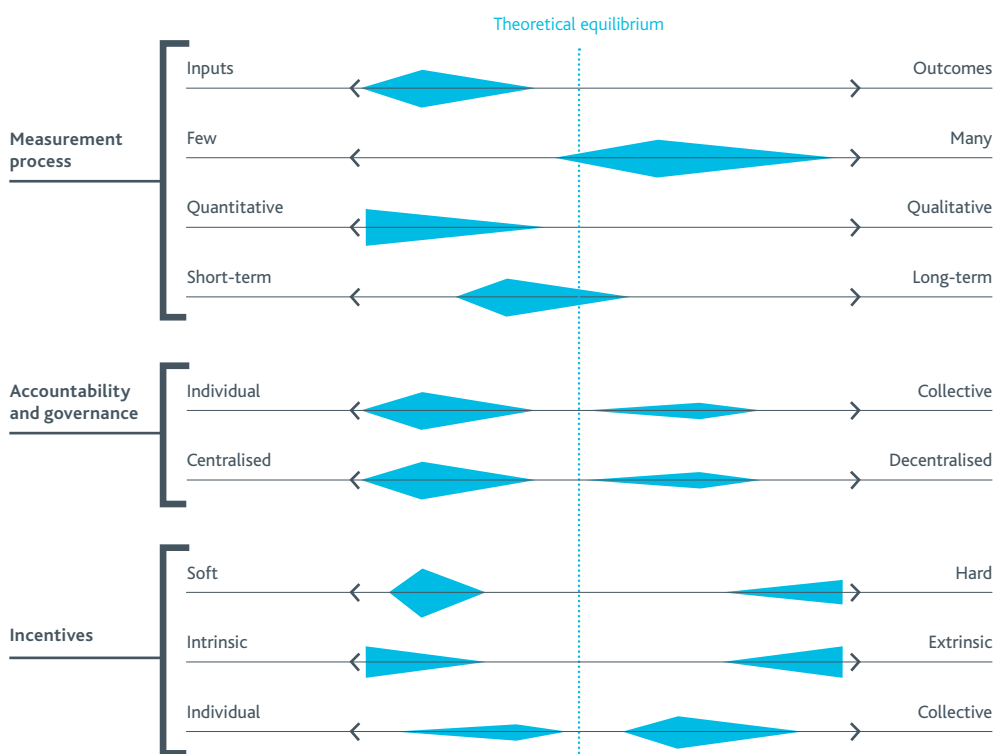
Conclusion: there are good and bad performance management frameworks

These factors mean that, despite the risks of perverse consequences or demotivating bureaucracy, performance management should not be abandoned. Even targets, in some form, appear destined to endure. Yes, there are risks in implementing a performance management framework and there are also choices and trade-offs to be made. Such challenges are by no means unique to public sector, and companies can get it very wrong too. Our recent banking crash, for example, owes a considerable amount to the fact that performance management systems in investment banks gave excessive rewards for short term gains and insufficient attention to long-term stability (Grapper 2008).

The reality is that “there are no perfect solutions in performance management” (Likierman 2008). All performance management systems require choices and trade-offs. In defining ‘performance’, performance frameworks make decisions about what is important. This requires choices between short term productivity and long-term competitiveness, speed and quality, and so on (Neely 2002). With this in mind, Figure 2.8 attempts to summarise recent critiques of government’s approach to performance management.

Figure 2.8 Designing any performance management system requires making difficult, interrelated trade-offs

Representation of types of criticism of government performance management, prior to new performance frameworks introduced in 2007



Source: Institute for Government, based on literature review of over 100 commentaries on performance management
Note: The shaded areas represent levels of criticism. For example, there is a trade-off between having few or many performance indicators and the body of research reviewed suggests that, on balance, there were somewhat too many as at 2007.

13 Personal communication from Karin Hogsander, 2 October 2008.

14 It is worth noting, however, that where targets are in place or there are sanctions for performance, data can become less reliable, which has led some to suggest that we should attempt to ‘decouple’ measurement for learning purposes and measurement for performance assessment and motivation (see, for example, Pidd 2007).

These choices always depend on the context in which they are made. For example, collating performance information requires appropriate IT infrastructure; interpreting performance information appropriately requires analytical skills; and collective decision-making will be easier in an open, cooperative culture with processes that encourage collaboration. Further, the success of a performance management framework has repeatedly proven to be as dependent on the capabilities of those who implement the framework as the mechanics of the framework itself (see, for example, Walshe and Feeman 2002).

Some performance management risks (for example, false reporting of data) can be mitigated through an appropriate 'control framework' – but to ignore that all systems require choices and are dependent on context is to ignore that performance management is an art as much as a science. A failure to recognise the 'art', the importance of context and relationships, may lead to an overly punitive and inflexible approach that merely encourages gaming and risk-aversion and demotivates staff. On the other hand, placing too much emphasis on these factors may mean that public servants are not sufficiently accountable for performance levels. Achieving a productive balance between the two in an increasingly complex public sector is, unsurprisingly, a difficult task.

3. A changing context

“

With an issue like teenage pregnancy, each time you use it in a target-based approach you do a bit, but actually are you getting to the core? Of course, a lot of the questions at the core are hard – they're about changing people's behaviour.

”

(Local authority chief executive, IfG interviews 3)

Performance management must evolve to adapt to new challenges and opportunities. Government has already attempted to adapt its approach by making significant revisions to its two cross-cutting performance frameworks, Public Service Agreements and Local Area Agreements.

3.1 Performance management must adapt to a changing world for public services

Performance management regimes can never be perfect. Instead, they must make trade-offs to best reflect the context in which the performance regime will operate.¹⁵ For government, that context has changed and continues to evolve, requiring ongoing adjustments to performance management approaches. The following sections examine these changes.

Tackling 'wicked issues' requires new skills and knowledge

Many of the main challenges faced by government today are so-called 'wicked' issues such as climate change and obesity. These are long-term problems that can only be addressed through changes in citizens' behaviour, and require a very different approach from that to 'traditional' delivery problems such as improving schools or hospitals. They require new skills in policymakers and public servants, including an understanding of how to influence individuals and groups, both through traditional regulatory approaches and through 'nudging' behaviour towards new positive social norms (Thaler and Sunstein 2008).

Influencing behaviours requires collaboration with citizens and an improved understanding of relationships and social networks.

Influencing behaviour tends to imply earlier, preventative interventions from the state as attitudes and behaviours are easier to influence during early years. Because behaviours are influenced in multiple and varied ways and require positive reinforcement, public services also need to become more coordinated. New, holistic interventions managed outside traditional government departments can be particularly effective. The Dundee Family Project, for example, aimed to provide intensive support to families in which children exhibited high levels of 'antisocial behaviour', and gained considerable success as a result of better coordinating families' interactions with public services such as housing and social workers (Dillane *et al.* 2006).

Innovation is essential for moving 'from good to great'

Because understanding of how to address 'wicked issues' is less developed, government will need to innovate to address these problems. Innovation is, however, also important for driving up standards in more traditional service areas. Across services, central direction and intervention has had considerable success in addressing major service failings. For example, 2007 was the first year in which no local council received a zero star rating from the Audit Commission since the Comprehensive Performance Assessment (CPA) began in 2002 (Aldred 2007). As one senior local government figure noted, "actually, I think we are okay at that headline stuff about getting the basket case into a better place" (IfG interviews 16). Sir Michael Barber, Head of the Prime Minister's Delivery Unit from 2001 to 2005, believes that performance improvements had helped to answer the question of how to improve from "awful to adequate" but had not yet improved services from "good to great" (Barber 2007). Barber himself notes that moving from good to great will require new approaches: "continuous learning and innovation", "enabling" and "incentivising" government, "strategic partnership", and "public engagement and co-production" (Barber 2007, p. 377).

¹⁵ Please see Chapter 2 for a full outline of the theory and history of government performance management.

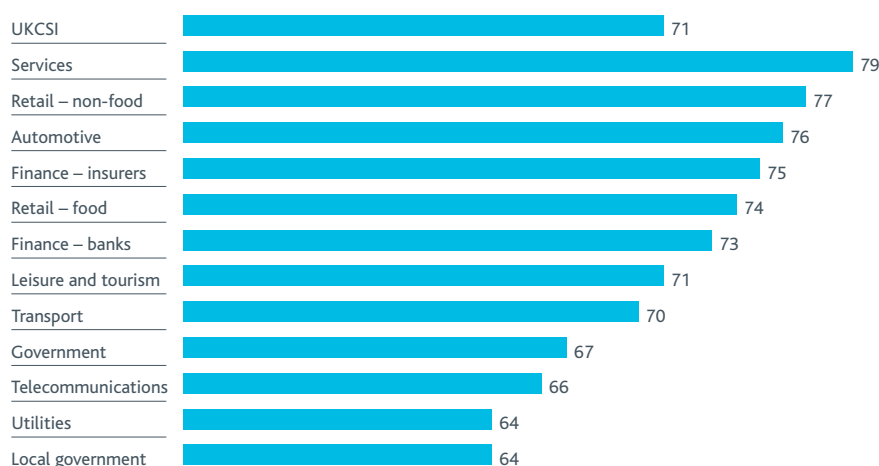
Technology provides new opportunities for improved performance

Developments in technology have created new opportunities for empowering citizens, in particular through providing them with better, real-time data. They can use this information to inform their choice of provider, where possible, thereby creating market incentives for improvement. Information technology can also improve public accountability of politicians, including at a local or even neighbourhood level.¹⁶

Expectations of public services continue to rise

Pressures to improve delivery of more traditional public services remain. Public expectations are forged by experience and as long as the private sector is developing better, faster and more convenient services, there will be pressure for the public sector to do likewise (PMSU 2008). People expect services that are designed to fit around their lives rather than to reflect the silos of government departments and agencies. Performance management will increasingly need to reflect this desire if it is to have any hope of improving public sector service standards (see Figure 3.1).

Figure 3.1: UK Customer satisfaction by sector, July 2008



Source: UKCSI 2008

The financial crisis will increase the focus on cost-effectiveness

Performance management approaches are also likely to have to adapt to a context of tightening public finances. Recent economic projections, and historical analyses, indicate that increased borrowing and the current recession will lead to 'substantial fiscal tightening' in coming years (Chote 2008; Chote *et al* 2008). This tightening is likely to lead to an even greater focus on public service cost-effectiveness, which may encourage increased use of quantitative performance indicators and targets. Given the increased pressure on finances, there is also a risk that performance management may over-emphasise sanctions for failure and neglect to provide sufficient rewards for good performance.

3.2 Government has recently revised its performance management approach

Government clearly cannot address all of the challenges society faces simply by changing its approach to performance management – but it can adapt its approach to reflect the challenges better and to learn the lessons of recent experience. In 2007, government announced significant changes to its two main frameworks, Public Service Agreements (PSAs) and Local Area Agreements (LAAs) (highlighted in Figure 3.2). Performance management frameworks for the professions have also been refreshed to reflect these changes.

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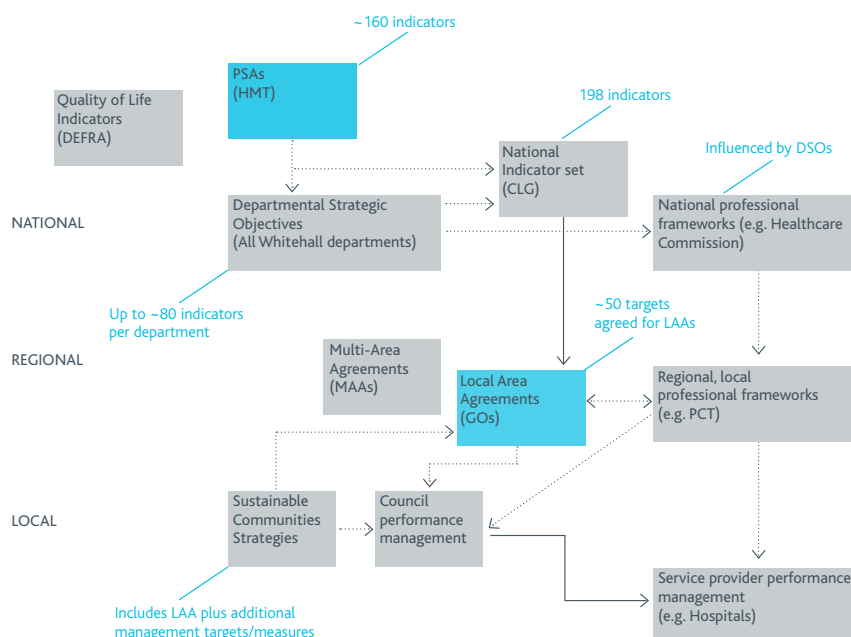
I think there is something wrong with the conversation here at the moment in the UK between the citizen and government. And the big philosophical question is how could you change that – because change it will have to if we are to have an engaged citizenry taking up responsibility for their actions, if we are going to do things like co-creation and co-production. We can't do that by diktat, so there needs to be a new relationship.

”

(Local authority chief executive, IfG interviews 3)

¹⁶ For example, the websites run by MySociety allow citizens to study MPs' voting records and make Freedom of Information requests. See <http://www.mysociety.org/projects/>

Figure 3.2: Government performance management in the UK



Three themes run throughout these revisions (CLG 2007):

- A greater focus on high-level, strategic outcomes
- A less prescriptive approach, including a greater role for local agencies in setting targets
- A focus on encouraging collaboration across public services and sectors

These directions should not be seen as new; rather, they represent a continuation of an ongoing evolution of government performance management.

New frameworks place a greater focus on high-level, strategic outcomes

Revised frameworks are increasingly focused on end-results or 'outcomes', with less prescription of how outcomes are achieved (see Figure 3.3). This approach leaves delivery bodies with increased scope to innovate around the means for achieving outcomes and is intended to ensure services are focused on citizens rather than processes. This can be seen as part of a longer term trend. In the first round of PSAs (introduced in 1998), the targets were mainly about process (51%) and outputs (27%) and only 11% were about outcomes (Talbot 2003). In the second round (in 2000), outcome targets accounted for 67% (*ibid.*) and this proportion has increased still further in the 2007 framework. In the latest round, there has also been a new emphasis on public satisfaction and perception outcomes, for example "public confidence in local agencies involved in tackling crime and antisocial behaviour" (in PSA 23).¹⁷

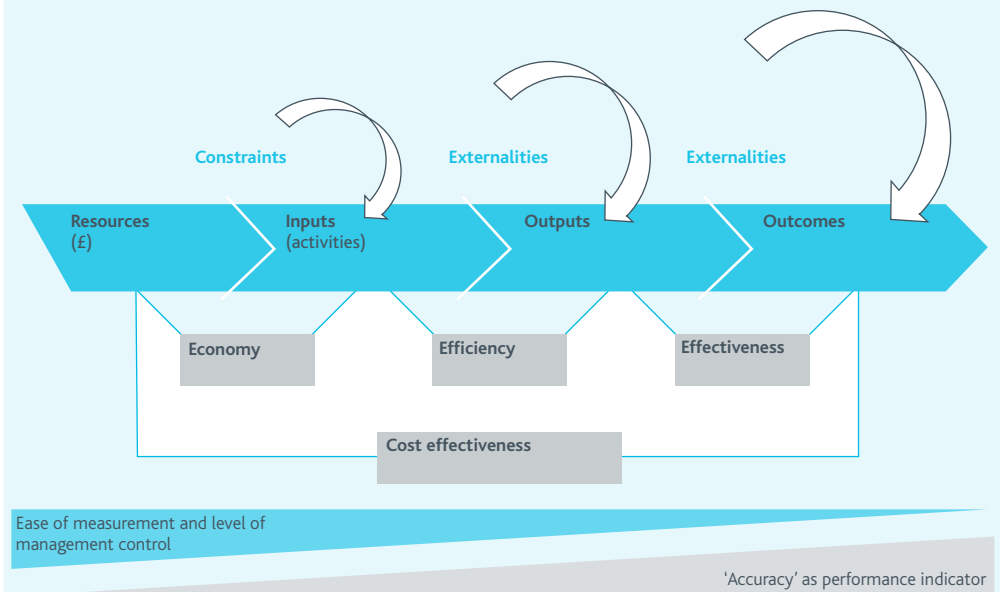
Furthermore, because outcome measures are often affected by factors beyond the control of the relevant government bodies, fewer targets have been set. Only around a quarter of the PSA indicators have national targets or minimum standards attached, a significant reduction. This means that PSAs can no longer be treated as being synonymous with a target-driven approach to performance improvement. The latest round of LAAs also represents a dramatic reduction in targets and performance measures. The previous round of Local Area Agreements required the monitoring of as many as 1,200 indicators,¹⁸ whereas the new Agreement only measures local area performance against the 198 indicators in a new 'National Indicator Set' (NIS). Of these 198 indicators, 16 education indicators have mandatory targets attached and local areas will negotiate up to 35 additional targets, meaning there are a maximum of 51 mandatory targets for local authorities. Implicit within these changes is a desire to reduce the bureaucratic burden of performance management.

¹⁷ See PMDU analysis in Annex 4.

¹⁸ Statement by the Secretary of State for Communities and Local Government. Hansard, 26 October 2006, Col. 1657.

Figure 3.3: Inputs, Outputs and Outcomes

Delivering 'performance' requires setting clear objectives, determining the best ways to achieve them and allocating resources accordingly. Performance measurement can reflect this process, measuring money spent, the activities performed (inputs), the immediate results of those activities (outputs) and the end results (outcomes).



To use healthcare as an example, an input might be the number of doctors, an output the number of cancer operations, and an outcome reduced cancer mortality rates. We should note that there are several different types of outcome, however. Clearly, reducing cancer mortality rates or increasing health service user satisfaction are outcomes of a different type from the ultimate health outcome of increased quality-adjusted life years.

The PSA framework has become a focal point for debates about the extent to which performance measurement should focus on outcomes, outputs or inputs. While improving outcomes is the ultimate goal of the system, outcome measures can be far harder to attribute to government action than outputs – for example, the UK's economic performance is significantly affected by global events that are, at best, indirectly under government control. Outcomes (for example quality adjusted life years) can also be harder (and consequently more expensive) to measure. This can make both setting targets and holding departments to account for performance against them problematic, particularly for frontline performance management. In fact, a recent survey of local authority finance directors found that 67% of finance directors perceived "establishing measures which show the department's contribution to final outcomes" to be a great or very great challenge (NAO 2006). As a result, output measures can be more useful performance indicators for management purposes, particularly if used with appropriate contextual information.

New frameworks aim to be less prescriptive, with a greater role for local agencies in setting targets

LAAs comprise up to 51 targets, which are agreed based on negotiations between local areas and Government Offices. This aim of these negotiations is to give local areas greater influence over deciding local priorities than previously. Local areas typically agree priorities through Local Strategic Partnerships (LSPs), forums without a fixed form but which are usually organised by local councils and include representatives from the private and voluntary sectors, Primary Care Trusts, the police and other nationally organised professional bodies. The LSP's perspective is then compared with the national view of local priorities, which will reflect national political priorities as well as views on where the area is not performing as well as similar areas. Regional Government Offices then facilitate negotiations where there are differences as to which policy areas should be prioritised and negotiate targets that are 'achievable' but 'stretching' (CLG 2007).

National government has ultimate authority in selecting targets but has committed to performance manage local government on only those targets included in their LAAs. Nevertheless, it will also continue to monitor performance against the remaining indicators in the National Indicator Set (NIS) and retains powers of intervention where 'minimum standards' are not met. If local areas hit the targets negotiated, they receive small financial rewards (equivalent to around £40,000 per indicator hit) and performance against the indicator set is reported through the Audit Commission's new Comprehensive Area Assessment (CAA). CAA will assess the progress of all local partners against the NIS but also includes a council performance assessment (Audit Commission 2008b).

LAAs are also linked to an increase in spending freedoms for local councils. The Area Based Grant (ABG) is a new £5 billion funding pool, which local areas have the freedom to distribute in whatever ways are most effective for their local area. The ABG is not additional spending but is instead a fund collecting together grants that were previously 'ring-fenced' for specific purposes. This move reflects the government's commitment to move away from ring-fencing of funds for specific initiatives (CLG 2006). As with changes to target and inspection regimes, funding freedom is intended to allow local areas to tailor approaches to local circumstances and to allow greater responsiveness to local democratic pressures.

Frameworks are designed to encourage collaboration across public services and sectors

To achieve outcomes, both LAA and PSA frameworks explicitly seek to promote coordination and partnership working between government departments and agencies. The cross-cutting nature of government objectives is explicitly built into the new PSA architecture, with 30 cross-government PSAs reporting into the cabinet committee structure, with named departments and individuals (Senior Responsible Officers) for each PSA indicator (see Figure 3.4). In 2004 only two PSA areas were deemed to be explicitly cross-cutting: those for the Criminal Justice System and those for tackling problems associated with drugs (HMT 2004a).

Locally, the last ten years have seen a major increase in partnership working in specific policy areas, for example through bodies such as Crime and Disorder Reduction Partnerships (CDRPs) and Children and Young People's Trusts (CYPTs). New LAAs, however, aim to promote greater cross-sector partnerships as professional bodies now have a statutory 'duty to cooperate' in the creation of LAAs. This is intended to ensure that all agencies involved in improving area public service performance, including voluntary and private sector organisations, are included in a collective discussion about local needs and potential responses.

Figure 3.4: The current UK PSA framework

Public Service Agreements (PSAs) are agreed every three years as part of the government's Comprehensive Spending Review (CSR) process. PSAs define the government's priorities, ambitions and objectives for the next three year period, while Spending Reviews set fixed Departmental Expenditure Limits within which departments must meet these objectives.

PSAs comprise a fixed set measures or targets, which are intended to drive performance improvement and to help to determine whether these objectives are met. PSAs are also intended to represent 'contracts' or 'promises' about the services that government will deliver to the public in return for taxation received, as well as commitments by central government departments to deliver on government's overall objectives in return for appropriate funding.

PSAs were first introduced in the 1998 CSR process and the latest framework was announced as part of the 2007 CSR. This new framework has been effective from April 2008. It comprises 30 overarching PSAs, each underpinned by a single Delivery Agreement, which is shared across all contributing departments. Each Delivery Agreement contains between two and eight performance indicators (PIs). A subset of around a quarter of the indicators also has specific national targets or minimum standards attached. Responsible departments are held accountable for performance against these targets or minimum standards and are also "expected to improve against baseline trends over the course of the spending period" (HMT 2007a). Success and/or failure against baseline trends and targets can result in changes in funding for the next CSR period.

PSAs and performance indicators are agreed between the ministers and officials from relevant government departments on the basis of consultation with delivery partners and frontline workers. The overall CSR process is coordinated by Her Majesty's Treasury (HMT). After PSAs are set, the Prime Minister holds relevant secretaries of state to account for their performance through periodic 'stock-take' meetings. Departments are also scrutinised on an ongoing basis by the Prime Minister's Delivery Unit, which can intervene to support performance improvement when targets and trajectories are not being met.

The PSA Delivery Agreements for 2008-2011 are arranged into four groups:

- Sustainable growth and prosperity (PSAs 1-7)
- Fairness and opportunity for all (PSAs 8-17)
- Stronger communities and a better quality of life (PSAs 18-26)
- A more secure, fair and environmentally sustainable world (PSAs 27-30)

Figure 3.5: Departmental Strategic Objectives

The 2008-11 central government performance frameworks also require departments to develop a set of Departmental Strategic Objectives (DSOs). The DSOs set out a picture of what departments as a whole aim to achieve over the three year Spending Review period provide an overarching framework for performance management and progress reporting. Most departments perceive that "DSOs are no less important than PSAs".¹⁹ Like PSAs, DSOs are each underpinned by a number of performance indicators that are intended for use in assessing progress towards the delivery of objectives. The measures can either duplicate or complement targets and measures included within the PSA framework.

Conclusion: performance management is evolving

The changes to the main government performance frameworks discussed above reflect wider changes in the delivery of public services. The need for innovative approaches to tackle 'wicked' issues will require performance management systems that encourage innovation to flourish. While technological developments may offer new opportunities for such frameworks, they must also adapt to an environment of slower growth in public finances and rising expectations for public services.

However, given the complexity of government, PSAs and LAAs are not the whole story: they must be aligned with other existing mechanisms, such as Departmental Strategic Objectives, professional frameworks and service inspections. Furthermore, their success depends on engaging and incentivising those who implement them, no matter how well the design of performance frameworks reflects their environment. Similarly, performance management is not the only way of delivering service improvement. Other approaches, such as investment in capacity or the creation of markets, are also important – perhaps sometimes more so. However, with that in mind, the next chapter begins our assessment of the success that the revised PSA and LAA frameworks have had so far.

19 Source: http://www.berr.gov.uk/aboutus/corporate/performance/performance_Framework/page43603.html

Section 2: Assessment

4. Green shoots of progress

“

Devolving powers down to local authorities, to local communities... making LAAs statutory... pooled monies... central government departments letting go... you can't argue with any of it!

”

(IfG interviews 61)

“

I think the policy thrust is right.

”

(IfG interviews 4)

There is widespread support for the new PSA and LAA arrangements at both central and local level. We also found considerable evidence of progress that could be linked to the revised frameworks, even at this early stage. In particular, new processes have started to help build relationships and understanding of challenges faced across government. These advances were often underpinned by key success factors that were common to all the localities we visited.

In Chapter 3, we highlighted that the latest round of PSAs and LAAs aims to achieve change in three key areas, namely: a changing view of the relationship between central and local government; an increasing focus on outcomes; and strong support for a more cross-cutting approach to delivery.

We found that these aims chime with developments in the wider public sector landscape since the late 1990s. Indeed, our research suggests that these changes are directed at the right problems, many of them reflected in the major recommendations of other previous reports (SMF 2005). Historically, there have been numerous examples of poor coordination of messages to local delivery bodies, alongside inadequate collaboration locally and in some cases centrally, and ongoing difficulties in the relationship between national and local government (see Chapter 2).

In this chapter, we describe early signs of progress under the new arrangements. Progress included improvements in the quality of targets and indicators, the emergence of a more mature dialogue between Whitehall and local authorities, and a greater understanding of problems and interdependencies. There were also some real changes on the ground, including small-scale innovations as a result of improved partnership working and plans to shift funding to reflect new cross-cutting priorities.

Our research suggests that these changes were underpinned by a set of key success factors common to all the local areas we visited. Process-related factors, such as explicit limits on the number of targets included in LAAs and the use of evidence in negotiations, undoubtedly played their part. But so too did contextual factors, for example, leadership and political engagement, and 'faith' in the system more broadly. These observations represent valuable 'lessons learned' for future rounds, and for further improvements of the public services.

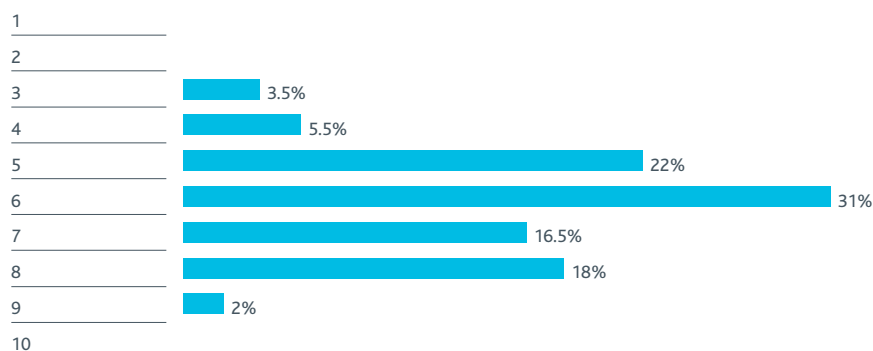
4.1 Perceptions of the new arrangements were broadly very positive

The aims of the new performance management arrangements enjoyed clear and widespread support across the system, as suggested in Figure 4.1. "I'm a great fan of Local Area Agreements..." one local authority chief executive told us, "I think the policy thrust is right" (IfG interviews 4).

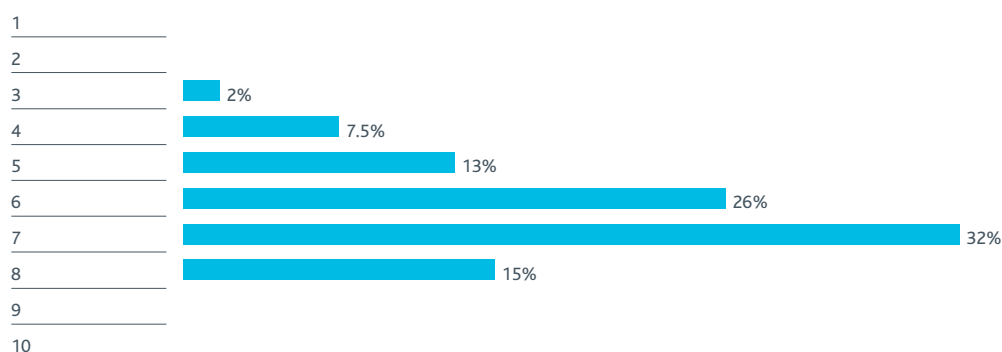
"I am a supporter of local agreements, I think there's huge potential", said another chief executive (IfG interviews 21). A community programme director said that he felt "positive about the new local area agreements... they have helped in that we have focused much more on what are the genuine priorities that we're all going to sign up to across the partnerships..." (IfG interviews 19). Partners also seemed well engaged with the process. One chief constable told us that he believed "it has been a useful... thing to set up. I'm very, very keen on the idea" (IfG interviews 76). Finally, the view in central government proved to be just as positive. Speaking about PSAs, a permanent secretary suggested "they have got potential to quite radically change... cross-government incentives and drivers" (IfG interviews 57).

Figure 4.1: Overall perceptions of the Local Area Agreement

Question 1. How 'fully formed' is the current LAA framework?



Question 2. What difference will the LAA make to service delivery over the next two years?



Source: Brand 2008

Note: These scores reflect responses to a New Local Government Network Survey directed at the 150 top-tier local authorities, asking for their initial reflections on the new LAA arrangements (N=47 out of 150). For Question 1 a score of 1 indicates that the system is "nowhere near ready, unsuitable, dysfunctional and irrelevant to our needs"; a score of 10 denotes "it is as good as it could be". For Question 2 a score of 1 indicates the LAA has made "no difference at all", a score of 10 indicates "a revolution in services".

These optimistic views often translated into favourable overall assessments of how the new arrangements were playing out in practice. In Whitehall, one official told us that "[PSAs are] the language of government and partners and it's amazing what the response of local areas is to an agenda once it's got a PSA because you know it's a government priority... this is the first time we've had alcohol in the PSA and it means so much to our frontline practitioners" (IfG interviews 33). Locally, we were told by the head of communities and regeneration in one of the areas that we visited that the LAA "creates that genuine thing about trying to break down the silos much more..." (IfG interviews 71). This perspective was echoed by a local councillor who felt that the LAA "has helped in a way to make the directorates work closely together... so much overlaps anyway if you think of children's services... it's early days, but so far it seems to be running smoothly" (IfG interviews 22).

“

Formerly, it used to be very much top-down. Government and Government Office were going to come in... and not only that but 'we are going to kick you'. There used to be a big round table... and our people used to sit down and explain why they did not meet a particular target and it seemed like an end-of-year discussion with your headteacher... now it's become much more a local LAA and the outcomes in it have come out of really broad discussions amongst partners, there's much more ownership...

”

(Local authority head of neighbourhood renewal, IfG interviews 25)

There was, moreover, a clear sense that the new system was an improvement on its predecessors. As one local official told us, “there is a much better sense of the LAA being a multi-stakeholder arrangement, geared towards the city – and not about the activities of individual groups” (IfG interviews 7). Similarly, at regional Government Office level, one official we spoke to felt that:

“[localities] feel more involved this time, whereas before they felt more done to, and I think that’s because the time-frame was a little bit more useful... in the previous round the timeframe was quite tight and a lot of the indicators were pre-set.”

(IfG interviews 82)

There was also considerable optimism about the potential impact on performance of the revised frameworks, as shown in Figure 4.1. As a Whitehall official noted,

“I think as a process it’s got a lot of potential. I think it’s too early to say that’s definitely worked, but I think it’s beginning to move in the right direction.”

(IfG interviews 53)

Many interviewees felt that the new system would help to improve relations between central and local government – relations that had not always been strong in the past. For some, this was a matter of encouraging dialogue with a view to clarifying central government demands of localities. “The mere fact that the LAA creates a conversation between central government and local government about what has to be delivered about public services in an area is a huge step forward”, one Government Office deputy regional director told us (IfG interviews 79). Others viewed the localising principles underpinning the new arrangements as the central theme. As one Whitehall director told us, “we were trying to move to a world where local areas themselves should have worked out what a particular target was... with a bit of questioning along the way... if it’s your local priority, you select what a challenging target is...” (IfG interviews 36). Central to this was the contribution of the new arrangements to improved prioritisation (IfG interviews 13).

The drive towards increased cross-cutting working was seen as having real potential to produce better outcomes for citizens. At local level, a chief constable argued, “I think the LAA was very necessary because something was needed to make people take partnership seriously” (IfG interviews 76). This view was echoed in central government, where many interviewees felt that the new arrangements had potential to improve cross-departmental working in Whitehall, which had historically been quite limited (IfG interviews 34, 43, 45).

Local politicians were one important exception in terms of their overall attitudes. They were generally sceptical of the likely impact of the new processes, and guarded about their own involvement. One Council Leader noted that he had “very little idea [of the purpose of the LAA framework] and... would abolish it immediately” (IfG interviews 73). Nonetheless, even some councillors perceived the new arrangements to be helpful in some respects. “I think it has some relevance”, noted one councillor, “but... it isn’t the solution...” (IfG interviews 42).

4.2 There was evidence of ‘green shoots’ of progress

Attributing progress directly to the new PSA and LAA arrangements inevitably presents problems. This issue is particularly difficult to resolve given the fluid environment in which the new arrangements have been implemented – specifically, the wider context of a shifting political environment and wider public management reform in the UK.

Nevertheless, beyond the positive perceptions outlined above, we found plenty of evidence to suggest that the new frameworks are already bringing about real changes on the ground, despite the fact that they only came into effect in April 2008. While we would not expect to see end results or outcomes at this stage, some of the initial signs are very promising. Our findings suggest that the most significant improvements have occurred in the following areas:

- Better constructed targets and indicators
- Greater clarity in the relationship between central and local government, and, as a result, better prioritisation

- The emergence of a more mature dialogue between Whitehall and local government
- Development of new relationships and improvement of existing ones, in Whitehall and locally
- Greater understanding of problems, interdependencies and place
- Innovation at both central and local levels, and plans to redistribute resources to new priorities

Better targets and indicators, in general

We explored some of the most serious failings of previous target-based regimes in Chapter 3, including cases in which targets created perverse incentives, could be manipulated to suit the purposes of those reporting against them, and conflicted with one another. The architects of the new arrangements appear to have responded to such criticisms of the quality of targets and indicators included in past agreements.

There was widespread acknowledgement from the people we spoke to that [the targets and indicator set from which localities were now being asked to select targets for their LAAs had much improved](#). “We’ve got a rather better set of indicators now”, one local partner organisation representative told us, going on to highlight the fact that “we’re able... to select 35 out of the 198 that we want to concentrate on” (IfG interviews 26). Importantly, this meant that indicators that were seen to be irrelevant or poorly constructed could be ‘selected out’ by local authorities during the LAA negotiations. Indeed, of 198 indicators in the national set, 19 were not selected by any authorities at all.²⁰

There were several changes underpinning this improvement. First, [many of the targets that created perverse incentives in previous rounds have been removed](#). For example, previous rounds of PSAs focused heavily on the overall percentage of pupils achieving particular exam results. The then Department for Education and Skills target was to reduce the proportion of schools in which fewer than 65% of pupils achieve level 4 or above by 40% by 2008 (HMT 2004b). However, as this could lead to focusing attention on those pupils around the threshold (and to neglect of both weak and high achievers) the target was revised in the latest round. PSA 11 now contains instead an indicator measuring the “proportion of pupils progressing by 2 levels in English and mathematics at each of Key Stages 2, 3 and 4” (HMT 2007b). Similarly, PSA 24 now commits to replacing the 2004 ‘Offences brought to Justice Target’ (HMT 2007c).²¹ This was after high profile reports highlighted that because this measure did not distinguish between the seriousness of the crimes being resolved, it led to excessive focus on minor, easier-to-solve cases (Flanagan 2008).

Second, [some indicators that were clearly open to manipulation have been amended or removed](#). A national target on trancies in one of the early LPSA rounds, for example, was undermined by the fact that ‘unauthorised absence’ was at the behest of head teachers, and trancies could thus be hidden as authorised absences even where they were not (CLG 2008a). A consolidated attendance target, based on measures of both authorised and unauthorised attendance, was subsequently adopted to overcome this (CLG 2008a).

Third, [some potentially conflicting indicators have also been amended or removed](#). An important example from earlier LPSA rounds lay in two overlapping indicators measuring domestic violence. One of these measures sought an increase in reporting of offences; the other measured reductions in repeat offences. As a recent CLG evaluation of the LPSA system suggests, “although the logic of using these indicators is clear, they obviously work against each other in the short term” (CLG 2008a, p. 63).

²⁰ IfG analysis, based on review of uptake of indicators in the national set across local authorities. Data collated by Government Office London. At: <http://www.idea.gov.uk/idk/aio/8762092>.

²¹ Under the terms of CSR 2004, the Home Office was required to increase the number of crimes for which an offender was brought to justice to 1.25m by 2007-8 (HMT 2004c).

There is greater clarity in the relationship between central and local government – and prioritisation is more effective as a result

Many ascribed improvements under the current round to central government making their demands of localities clearer. The cap of 198 indicators and 35 targets in the LAA (plus 16 statutory DCSF targets) was widely viewed as a positive development in this context. Not only did these limits force Whitehall to prioritise more clearly, they also forced Whitehall to think in terms of areas and place. As one deputy director noted, “Government departments were asked to nominate their most important priorities spatially. This was the first time this had been done in central government” (IfG interviews 104).

These limits contributed to a clearer sense locally that national government was effectively prioritising. “If something is in that 35”, one local delivery partner noted, “it’s much more likely that it’s going to be prioritised” (IfG interviews 11). They also limited the number of central demands, providing a platform for local areas to ‘push back’ when faced with competing demands from different Whitehall departments. Indeed, a Government Office deputy regional director we spoke to felt moved to tell us that “whoever devised and enforced the 35 limit did a very good thing because it’s probably the thing in the whole process that’s been most effective” (IfG interviews 82).

The fact that there were fewer indicators and targets was also seen as a major reason behind the improvement in the quality of indicators used. As one Whitehall director involved in the process told us:

“slimming down PSAs has been a good idea partly because it was a ridiculous for us to say we had 8,000 or whatever priorities, because clearly we didn’t have any at all, and some people will say 180 is too many, but there’s been a lot more clarity in it. The fact that there are few of them means that we’ve been able to focus much more on what the indicator actually is... because there were a lot of poor ones”

(IfG interviews 37)²²

Central and local government are beginning to develop a more mature dialogue

Helped by limits to target numbers, we found evidence to suggest that a new kind of relationship is emerging between local authorities and Whitehall departments. A local authority chief executive told us that “for the first time we’ve been able to influence what government expects of us rather than just receive through tablets of stone targets from central government... these have been genuinely negotiated” (IfG interviews 4).

A Government Office official, meanwhile, felt that:

“the relationship has definitely grown up and matured... which implies a greater element of trust and a greater element of quality assured transparency.”

(IfG interviews 80)

This new, more equal relationship manifested itself, on a number of occasions, through the successful efforts of local and regional authorities to ‘push back’ against Whitehall demands during LAA negotiations. This was often aided by Government Office mediation. “I had a couple of instances like that in [area X]”, said one Government Office area director. “We chose to have 34 [targets in the LAA], so we had one or two departments saying ‘oh, you’ve got a space there, can we put ours in’, and I said, ‘No’” (IfG interviews 81). We also found concrete examples of appropriate ‘push back’ at local level. For example, some authorities were able to prevent particularly problematic indicators – all-age, all-cause mortality being one – from being included as a target within their Local Area Agreements after negotiation (see also Chapter 5). “I know there were one or two indicators in particular”, said one official, “where [local authority X] said ‘look this is a deal breaker... we do not want this indicator in, and if you make us have it in, you won’t get your LAA’... so some people were playing hardball...” (IfG interviews 80).

22 In fact, there has been a relatively small reduction in the overall number of PSA indicators, contrary to the account given by this interview. A far more significant reduction has occurred in the number of local authority targets, because of LAA rationalisation and the move towards a cap of 35.

This sense of a more equal relationship helped to empower local areas and increased local ownership of the new frameworks. As a local authority strategy official explained to us:

“it’s not like we’ve had stand up rows with Government Office... we defined the terms of trade very early on by giving them a list of indicators... and saying, this is what we’re going to have in it; you can argue around the margins but, you know, this is the basic list. And that has been successful in that we have got a local area agreement that I feel really does work for us and is ours.”

(IfG interviews 6)

Furthermore, we found that the experience of increased local ‘push back’ has been uncomfortable for many in Whitehall. This arguably should be taken as a positive sign that ingrained assumptions about central government’s role are being challenged. During over 30 interviews in Whitehall, we heard the phrase “it’s a big risk” on several occasions, along with several interviewees noting that a new way of working with local government represents and requires “a huge cultural shift” (IfG interviews 32, 33, 35, 37, 55).

The new arrangements have improved existing relationships and facilitated new ones

The improving dialogue between central and local government reflected a particularly important impact of the new arrangements: reinforcing existing relationships and facilitating new ones. As a Government Office locality manager noted, “we find people gathering together around the mere fact that the LAA exists... people get together in a way that hadn’t happened before” (IfG interviews 29). The impact of the LAA arrangements on relationship-building was most pronounced in those areas where the track record of cooperation was less strong. As an assistant director of public safety at one of the localities we visited pointed out:

“with community and the crime reduction partnership we had good partnership working well before the LAA and we haven’t really needed the LAA in that way because we have an understanding of partnership working. But I can see that in other areas it has been a great tool for bringing together people who haven’t worked together in that way and haven’t understood the benefit of partnership working.”

(IfG interviews 5)

In one of the localities we visited, which was wrestling with governance issues, the effect was seen to be particularly positive: “as we’re a two-tier county, it has naturally got problems with the way that the two organisations cross-work together, and there have been historical issues... the LAA and the new CAA process is forcing that relationship to improve” (IfG interviews 39).

The relationship strengthening effect also applied at Whitehall level. A Whitehall director we spoke to told us she felt that cross-cutting working in central government had “stepped up to a new level” (IfG interviews 34), while another remarked that “I think the Home Office has been improving from a low base... in terms of joining up” (IfG interviews 52). Many people we spoke to felt that the PSAs had helped create the conditions for this improvement: “I think we’ve got better cross-departmental working as a result of having a youth PSA target which several departments have an interest in and, particularly with the Home Office and the Ministry of Justice, relationships have got a lot better over the last year or two...” (IfG interviews 37). Several interviewees highlighted the beneficial impact of governance changes associated with the new regime. For instance, one director-general told us that “there are sometimes policy tensions which are real tensions out there in the world... so the fact that we’re forced to address them in the PSA board is really helpful” (IfG interviews 43).

Many felt there was a better understanding of problems, interdependencies between them – and of “place” more generally

Many people we spoke to seemed to better appreciate the interconnectedness of a wide range of problems at both central and local levels. One Whitehall director told us about the approach their Department had taken to help build strategic working with localities and partner organisations:

“We had a three day event... down in Woking... with around 150 people... from central government but also NDPBs and local government and frontline services and schools and coppers and YOTs and so on... to identify the common problems you had, how you were approaching them now... and thinking about how it might all be brought together... I think it worked pretty well.”

(IfG interviews 37)

“

There’s lots of cooperation. I suspect we’re working a lot more closely than previously.

”

(Director-general, Whitehall, IfG interviews 43)

In some areas, LAAs, along with Sustainable Community Strategies, had proven a real stimulus for all local partners to gain an improved understanding of the locality and its priorities. In one locality we visited, a policy official told us that "we didn't really understand what the story of the city was and what the needs really were... we got a cross-partnership steering group and external consultants and undertook a review...

"We know what the issues are now in a much more sophisticated and detailed way."

(IfG interviews 6)

Simply going through the process of re-assessing some existing issues appeared to have had a significant impact. A local authority head of neighbourhood renewal described the effect of one such exercise in his area: "statistics on pockets of deprivation finally made people sit up and say, 'bloody hell!', because it was LSP-commissioned and partner-owned... it was a little bit like a bucket of cold water in the face for some people. It made them sit up and think how it contributes to the city as a whole because the figure was atrocious" (IfG interviews 25).

It was clear that this improved understanding had strengthened local authorities' basis for negotiation. As one Government Office official told us:

"we've had real battles where we've fought back [against Whitehall demands] if we thought the data was right – it wasn't that we were just fighting back for the sake of it, it was keeping to what we thought was the story of the place."

(IfG interviews 38)

PSAs and LAAs have helped create better conditions for innovations in service delivery

In a few cases, there have been tangible improvements in cross-departmental and cross-agency working that relate to new PSA and LAA arrangements. In central government, there has been considerable progress in 'joining up' around the Children and Young People's agenda, supported by some key innovations in governance arrangements. First, the PSAs incorporate the creation of a board, specifically focused on youth, and chaired by the director-general for Young People in DCSF. Second, new cross-departmental teams have been introduced, who now give joint submissions to the relevant departments at national level in areas such as youth crime, child poverty and childhood obesity. These changes seem likely to generate important savings in terms of both time and money. As one Whitehall director explained to us, "the point of the PSA was to try and bring together all of the departments that deal with children and young people... the Home Office only starts to worry about people when they are teenagers... it's certainly progress" (IfG interviews 37).

At local level, we found evidence of some small-scale innovations as a direct result of this or the previous round of LAAs. A notable example from one of the localities we visited was a programme that aims to improve the physical and mental health, community engagement, and financial security of older people in the area (see Figure 4.2). It delivers this support through participatory, accessible and non-threatening means, taking a preventative approach by entering communities and proactively contacting hard-to-reach people who had not been reached by existing services. "I've been working in social services for 30 years", said the coordinator in charge of the programme when we spoke to her, "and I really feel that this is the most effective piece of work that I've ever seen because it's about preventive work and going into communities" (IfG interviews 13).

Figure 4.2: Case study of local innovation supported by the LAA process – a community programme for the over 50s

The LAA supported the programme by identifying the issue of 50+ people as a priority for the local authority. In order to address the issue effectively, the local authority brought together the various agencies and third sector organisations providing services for older people to see how they could support the programme. This generated a dialogue that built new relationships amongst the agencies and sparked innovative ways of delivering services to older people. The funding provided by the local authority (which was not derived from the LAA) was crucial for leveraging such support from the agencies.

One particular area of success has been the prevention of falls among older people. The programme persuaded the local PCT's Falls Prevention Team to move out of their clinic and work in the community, which improved fall assessments. If a person was assessed as being vulnerable to a fall, the 50+ programme allowed cross-disciplinary teams to identify the reasons for this vulnerability and provide appropriate support.

Overall, there is a sense that the PSA and LAA system is becoming more centre-stage

Overall, these observations contributed to a sense that the PSA and LAA arrangements were becoming a focus of attention for both central and local government. This was neatly summarised by one local official, who explained that "partners appreciate that LAAs are now 'the big show in town'... previously, they viewed (LAAs) as an experiment that had yet to show its worth, but it is clear that this is now the central relationship in which the performance of a local authority and its partners is determined" (IfG interviews 7). A representative of a partner organisation told us that "it's growing in significance for all of us, you know... it doesn't dominate everything that we do as a mental health provider. But... it is far more important than it's been in previous years" (IfG interviews 26).

At Whitehall level, too, there was recognition that many in central government now appreciated the potential power of the new arrangements to drive change, and were engaging much more closely with them. Although the extent to which PSAs have been integrated into planning processes varies across Whitehall, one central government interviewee reported that his department had put PSAs at the core of its departmental programme system, performance reporting system and programme board (IfG interviews 43).

4.3 'Green shoots' were underpinned by some key success factors

The evidence we gathered during our interviews suggested that this broadly positive impact of the new arrangements was underpinned by some common success factors. These could be divided into two groups: those dealing with the framework itself, and processes associated with it; and those that were contextual. Key framework and process success factors included:

- Explicit limits on the number of indicators
- The use of evidence, and transparency in the new arrangements
- Improved governance structures, particularly for the PSAs
- The constructive role of Government Offices

On the other hand, important contextual factors were:

- Strong personal relationships
- Leadership and political engagement
- Buy-in and 'faith' in the system

“

[Killed and Seriously Injured] figures were being used to push really hard for an indicator when we discovered that there was a problem with the data, and instead of rolling out a three-year average, someone had picked up a peak, single-year figure... we were pressing as hard as we were pressing because we thought the numbers were worse than they actually were. And as soon as we found out that the rolling average was better than that, we backed off. So, yes, it is evidence-based. It should be.

”

(Government Office locality manager, IfG interviews 29)

Explicit limits on the number of indicators

The explicit limit on the number of targets to be included in the LAA was often viewed as an important success factor, largely because it provided some of the clarity of focus that had been absent in past rounds. First, it forced Whitehall departments to differentiate their approach depending on local circumstances in a way that they had not really done before in the context of performance management. The cap of 35 targets meant that departments had to engage much more closely with priority issues at local level, and were forced to make decisions on which concerns they regarded as being most important for each particular area. As one Whitehall director told us:

“there’s been quite a lot of manoeuvring and a lot of acceptance that when an LAA has only 35 targets, you can’t hope to get your indicators in at every point... and I think the GOs did a good job of making that case to Whitehall very forcefully.”

(IfG interviews 53)

Second, it helped to ensure that localities have not been overwhelmed with targets in the manner of previous agreements. “The 35 are spread across what we do and it seems a reasonable number because any more could get out of hand”, said a local authority head of housing: “nothing has been missed out that’s a major issue” (IfG interviews 67).

In some cases, the limit also provided a clearer structure for negotiations from a local authority perspective. Very often, this was because local officials and partners appreciated that the inclusion of an issue within the 35 meant it was much more likely to be prioritised at the local level (IfG interviews 11, among others). As one interviewee from a regional Government Office explained: “because we only have up to 35 slots, you really have to do some hard thinking. But that’s negotiating. And I think that brought out some real benefits... hearing and talking about bringing the... issues together” (IfG interviews 31).

Similarly, a local authority director of community care told us that “there was a useful debate to get to the 35... it got people talking, sharing issues” (IfG interviews 19). Some authorities responded to this debate by putting in place clear structures governing the negotiations: “what we did was to take the 35 targets, sort them by government department – in terms of who the lead negotiators from GOSE were going to be – and therefore made sure that all the appropriate partners were around the table... we tried to get collective ownership... this worked quite well” (IfG interviews 14).

The use of evidence, and transparency in the new arrangements

A key success factor in the negotiations was the use of evidence. This contributed significantly to building a shared sense of the main problems and priorities in each area. As we discovered when talking to one Government Office area director and her deputy, some areas had “case conferences around particular places with our policy colleagues to establish if you like a starter for ten on what we as central government in the regions felt should be included in the LAA for X place. There was pretty universal agreement, support and so on... we came away with a fairly clear idea based on statistical evidence and what the targets and data and performance indicators were telling us on that particular area, on what we would expect to see in the LAA...” (IfG interviews 80).

Moreover, there was a clear sense that this aspect of the process had improved since previous rounds. Government Offices repeatedly found that disagreements could be resolved through the use of a consistent, high quality evidence base – and this often provided the basis for attempts by localities to ‘push back’ where they felt indicators were undesirable or targets were unachievable (IfG interviews 10). Where particular problems were identified in individual localities on the basis of evidence gathering, local authorities were keen to include relevant targets in their LAAs. Often, this reflected close alignment between government-identified issues and evidence collection exercises at local level. In one area we visited, the local authority made clear their intention to ensure a close match-up between local priorities and the content of the LAA by ignoring evidence-summarising documents sent to them by their Government Office:

“I refused to look at [Government Office’s evidence] because I knew if I looked at it I’d be seen to be influenced and I wanted us to work out what we thought was right... and when we actually did it there was quite a lot of correlation between the two...”

(IfG interviews 85)

The way in which evidence was used turned out to be crucial. In particular, the commitment to rigorous use of evidence in negotiations occasionally created difficulties where available data was patchy or inconsistent. Usually, this was resolved amicably by delaying agreement until future refresh rounds. As one Government Office locality manager told us, “a lot of those [issues] have been parked... we know there’s an issue, but we haven’t got the data, so they may have been left to be picked up in the refresh this time round” (IfG interviews 29).

See Recommendation 1:
Enhance public accountability
via citizen-focused publication

Public disclosure of evidence gathered in support of the LAA process sometimes acted as a powerful driver for greater focus on delivery improvements. For teenage pregnancy, for example, one interviewee told us that:

“we’ve been quite effective at getting people to care about [the targets]... there was a clear strategy and a clear set of things that we could evidence that would work and that local authorities could do and take on and take forward. That, and our regional press notices pointing out who had high rates of teenage pregnancy and who didn’t... that concentrates the mind.”

(IfG interviews 37)

See Recommendation 4:
Support local delivery through
better coordinated advice and
demand-led support from Whitehall

Overall, our sense was that improved use of evidence across the system has established a better basis for negotiation between central and local government in the future. As one interviewee enthused:

“in the past, it was based on very iffy or anecdotal evidence that was difficult to back up I think the principle discussion around our LAA targets is always evidence-based now.”

(IfG interviews 25)

Improved governance structures, especially for the PSAs

An important change has been the improvement of governance structures, and in some instances the establishment of new ones, to support delivery. In central government, for example, [PSA Boards provided new forums for discussion around the PSAs](#). Cross-departmental representation on the boards has ensured that they provide good opportunities for highlighting areas of conflict. Indeed, PSA Delivery Boards emerged as one of the more important success stories of the current round of PSAs and LAAs from our interviews. One Whitehall official told us that “we are starting to have really useful discussions through our Delivery Board about the fact that certain government priorities are directly in conflict with each other, and how are they going to manage that” (IfG interview 53).

On the other hand, it was acknowledged that this was a system that could still be strengthened. Several interviewees highlighted the difficulty of allocating appropriate resources to the boards where a number of departments were looking to work together. Others suggested that commitment to cross-cutting discussions often depended on the structural capabilities of the departments involved:

“Department X are... more difficult to work with because they’ve got less direct leverage... they’re not difficult in terms of obstructing... but Department X at the centre have much less leverage over local partners than we have over local partners... they’re much harder to work with because they have much weaker levers over their delivery network.”

(IfG interview, 43)

At local level, LSP infrastructure was viewed as critical to LAA success. Areas with clear LSP governance structures were better able to cope with coordinating the LAA process, partly because they were more effective at engaging a broad range of potential partners at local level. As one local official we spoke to pointed out:

“if just the local authority negotiated the LAA then you wouldn’t get the amount of buy-in that you usually get from the LSP. The LSP is not chaired by someone from the local authority. Having the LAA done through the LSP and PSB will hopefully ensure that the sign-up from the broad range of partners is much more than the local authority wagging its finger – it’s everyone getting together and agreeing that’s the way it is.”

(IfG interviews 5)

“

I was in a position of advantage because I knew the Jobcentre Plus district manager well – we’d worked together – so I was able to say, give me Y... on the understanding that we would re-negotiate as economic conditions change.

”

(Area director Government Office, IfG interviews 82)

A new sense of purpose for Government Offices

Government Offices played a key role in mediating between national and local perspectives, especially during the LAA negotiations. As a Whitehall department strategy director explained, there had been important differences in the role of the Government Offices in this round relative to the previous one: “the GO role is key and this time we’ve seen a totally different world in terms of Government Office skills... really nuanced and much more capable” (IfG interview, 35). This was echoed by a number of people at local level, where interviewees often recognised the tremendous challenges faced by Government Offices. One local authority chief executive said “Government Offices have grown up a lot over this period. They’re in an invidious position... I think we’ve had a good guy doing it” (IfG interviews 4). Others recognised the role GOs played during the negotiations in driving focus on core issues. As one local strategy official put it, “GOSE has seen the report, and has been able to say, ‘come on, where’s your work on these issues’... we haven’t been able to get lost in our own world and not deal with these issues” (IfG interviews 8).

This view was tempered, however, by a sense that Government Offices’ role *could* be more effective, if they were given the autonomy to drive real change. As one local authority chief executive admitted, “GOs are caught between Whitehall pressure from one end and local pressure from the other... they are going to take the line of least resistance... their honest ability to broker agreements I think is severely limited” (IfG interviews 14).

Strong, existing relationships

Time and again, we found examples of where conflict had been resolved through strong personal relationships – and where these relationships enabled improved awareness of connections between different problems. **Strong relationships proved to be particularly important during the negotiating process, where they helped foster trust between various parties.** As one Government Office official noted, “the credibility of the negotiator was very important to the negotiation process. I have an ongoing relationship with those authorities so I just didn’t walk in the door when I was negotiating the LAA. I knew them over a period of time and I knew their performance over a period of time” (IfG interviews 28).

Importantly, we also found that existing relationships tended to make working across certain policy areas (for example, local government and the police) easier than working across others in which there was less of a track record of cooperative activity (for example, Jobcentre Plus and housing). As a Government Office official made clear, “they’re quite used to having community safety considered as a partnership issue. I mean... CDRPs [are] ten years old” (IfG interviews 31). In one locality we visited, we found an authority – with an otherwise poor track record of partnership working – experimenting with a novel approach to fostering it through co-location of several key crime and disorder reduction service providers in one building. This arrangement depended on an existing positive relationship with the police, who are co-funding the initiative (IfG interviews 40, 41, 58). As the council leader in the area in question pointed out:

“the driver to bring our anti-social behaviour unit, the police guys, some of the voluntary sector dealing with domestic violence, all into one place was not that the government wanted to do it... it was because individual officers in different organisations were working quite closely together anyway, and someone said why don’t we bung this lot all into one room together.”

(IfG interviews 58)

Many people we spoke to felt that the attention devoted to cultivating relationships during the negotiating process would ultimately feed into improved delivery during the lifecycle of the LAAs themselves at local level. One Government Office official told us: “The important lesson that comes out of the whole thing, is that it’s not necessarily the bit of paper signed at the end that’s important; it’s the process you go through to get there and what that does for your relationships, which means collectively you are in a much better place for delivery than you would have been had you not gone through that process” (IfG interviews 30).

The involvement of Whitehall ‘Negotiating champions’ (senior Whitehall officials who worked with specific local authorities) was strongly endorsed. Several interviewees felt this had helped to facilitate smoother negotiations, and that the champions themselves had gained a better understanding of local challenges through their personal contacts (IfG interviews 2, 38, 68, 80).

As a deputy regional director at one of the Government Offices we visited put it, "what we know was very valuable in the process was the role of the regional minister and the role of the champions, particularly [named individual]. His interest in [specific local area], and his willingness to talk to people about it, and them feeling noticed by Whitehall actually helped a fantastic amount" (IfG interviews 38).

Leadership and political engagement

Political engagement in the process – at both central and local levels – was a key issue. In central government, ministerial focus on PSAs was patchy and clearly related to levels of ministerial commitment, which in turn appeared to relate strongly to working styles (IfG interviews 57). However, a number of the people we spoke to suggested that ministerial engagement was somewhat improved under the new PSA arrangements and, in particular, that ministers were aware of local area performance management (LAAs) in a way they had not been previously. "It was very interesting that the first round [of LAAs] was quite tense... and there wasn't the same sense of ministerial drive", one local authority chief executive told us: "what has been different this time round [is] that it's been much clearer that it is on actual ministers' desks and on the Prime Minister's desk... so we were getting feedback that said you know LAAs have actually been discussed at Cabinet and the Prime Minister is saying 'this is part of how we govern'" (IfG interviews 41). There was also evidence that close engagement from the Cabinet Secretary, Sir Gus O'Donnell, had increased focus on PSAs and LAAs – not least because the Cabinet Office is currently the lead department on a PSA relating to Social Exclusion (IfG interviews 53, 56, 68).

On the other hand, political disengagement at local level could undermine commitment to the LAA process in important ways. In one locality we visited, councillors appeared quite disillusioned with the process: "I'm probably more cynical about this than most... it appears to allow us very little room to do local agreements" (IfG interview, 69). Importantly, political disengagement emerged as a much more significant issue in one of the localities that we visited than the others. This was perhaps because the balance of power between politicians and administrators in that area seemed tilted towards the former. In another locality, on the other hand, the relative strength of the local authority officers meant that a change in political affiliation at the last round of local elections actually made much less difference to the process of delivery.

Buy-in and 'faith' from delivery staff

Findings from our in-depth visits to three LAA areas suggested that the areas that viewed the process most positively from the outset also appeared to gain most from it. For example, one local authority officer claimed that taking a proactive approach to negotiating paid dividends:

"the reason it was successful was because we took control of the evidence and we took control of the debate at the start... If we'd waited for GOSE to make the first move, then I think it would have felt like the power relationship was very different."

(IfG interviews 21)

Importantly, there was no clear link between this success and overall council performance as indicated by CPA results. Of the three areas that we visited, it was the mid-level performer that appeared to have gained most from the process, partly because of strong buy-in across the council (particularly at senior leadership level). These findings reflect similar observations by the PASC inquiry concerning targets – specifically, that targets tend to be most effective where those delivering services are engaged and motivated by the process of creating them (Public Administration Select Committee 2003).

Although there were some variations in the level of impact that the new arrangements appeared to be having on day-to-day work locally, there was broad consensus that commitment to the process has improved compared with previous rounds. Partly, this was question of ownership. "It's become much more a local LAA and the outcomes in it have come out of really broad discussions amongst partners, there's much more ownership", a local authority head of neighbourhood renewal enthused (IfG interviews 25).

“We did get allocated a champion... I think the kudos was helpful to be honest... that Whitehall are there, they care...”

(Area director, Government Office, IfG interviews 80)

Conclusion: there is great hope for the future

Perhaps the most encouraging sign from our research work was a strong sense from the people we spoke to – especially at local level – that they wanted the new system to stay. Several interviewees expressed their hope that a new government would retain the new arrangements. “Hopefully it’s going to be so established that it’s getting support from Conservative administrations as well anyway”, a local authority head of neighbourhood renewal told us: “I can’t see it changing no matter what government comes in. I think it will be too far down the line by then and too established” (IfG interviews 25). In part, this reflected many interviewees’ hope for stability and continuity in the new system. But it also reflected a **strong belief in the power of the new arrangements**, based on the progress that we have outlined in this chapter:

I do think actually it creates a tremendous potential as a broader force for changing what is happening in a locality but that isn’t just about 0.25% on a particular target – it’s about galvanising partner commitment and resources behind it.

(IfG interviews 85)

Although this progress has been impressive, the arrangements could still go further to realise their full potential, as the next two chapters make clear.

5. Technical problems

“

There are still issues... But I think most pragmatic people would say it's an improvement and it can get better.

”

(Chief executive, London NDPB, IfG interviews 16)

Despite marked improvements, PSAs and LAAs continue to be undermined by technical weaknesses in design and implementation. We found evidence of excessive bureaucracy, weaknesses in indicators, erratic management from the centre of government, and difficulties with two-tier arrangements, all of which could distract from the focus on improving services for the public. These problems are underpinned by variations in government performance management capability but also reflect inherent weaknesses of target-based mechanisms.

While PSAs and LAAs represent a marked improvement on preceding regimes, they have been undermined by a series of technical problems, including:

- Significant start-up costs, as with many new ventures. While some of these costs may generate long-term improvements, others appear to add unnecessary bureaucratic burden.
- Ongoing problems in the indicator set itself, including poor design or absent baseline data. Many of these issues have been highlighted in previous studies.
- Somewhat erratic implementation by central government, thanks to short deadlines, tardy guidance and unexpected demands.
- Failure to consider fully the differing needs of two-tier and unitary local authorities.

These problems combine to reduce the potential benefits of the new arrangements, particularly by demotivating staff and exacerbating tensions between those involved in implementing them.

Underpinning these technical issues are more fundamental problems. It is clear, for example, that performance management capability in both national and local government is highly variable, with inadequate sharing of good practice. Given these varying capabilities, a lack of consultation with performance management experts and key stakeholders means that some glitches were not addressed early enough. More widely, it appears that some of these problems are caused by inherent weaknesses in target-based mechanisms. While targets will be appropriate in some cases, they will always tend towards intensive (and expensive) negotiation processes, while sometimes encouraging incremental change rather than radical innovation.

We hope that this chapter aids the development of the PSA and LAA systems by identifying some areas for future improvement.

5.1 A high investment framework

A common criticism among the officials and partners we spoke to was that the new arrangements are labour-intensive, increasing the bureaucratic burden without releasing sufficient benefits in return. This section concentrates on three activities where the resources required have had a particular impact:

- Reporting on indicators
- Negotiating indicators and targets
- Delivering on key priorities

Local authorities continue to report on many indicators

Although the announced reduction in indicators was widely welcomed at a local level, *none of the localities we visited had reduced their performance management burden as a result of the new indicator set*. One section head at a local authority pointed out that the officer resources required to agree the LAA were “tremendous”, involved all her section managers and created “an industry on its own” because of the “huge number of indicators”, even after the recent rationalisation (IfG interviews 71). Such a vast commitment of resources led her to wonder when the exercise’s value for money would be examined (see on this point the PriceWaterhouseCoopers figures cited in section 2.2 above).

Importantly, the LAA and PSA frameworks have not reduced the number of indicators as radically as is claimed. In a document released in response to the publication of the National Indicator Set in 2007, the Local Government Association (LGA) argued that the existing set of 198 indicators in fact disguises a number of sub-indicators that bring the final total nearer to 238, (IfG interviews 12, 104).²³ For PSAs, a headline number of “30” PSAs is also rather misleading, as beneath the 30 cross-cutting objectives are 157 performance indicators.²⁴ This array of indicators left one Government Office official we spoke to feeling that the process had been “spectacularly over-engineered” (IfG interviews 82).

The new LAA framework also contributes to the reporting burden for many local councils because of the existence of ‘legacy’ indicators and frameworks. For example, some councils are still required to report on a raft of indicators in order to earn reward grants from the previous LAA performance management regimes (IfG interviews 1, 85).

In addition, the new LAA framework represents an additional measurement burden for national bodies such as the NHS and the police. These bodies already have their own professional performance management frameworks, (represented in Figure 3.2, page 31), which do not yet align perfectly with indicators in the LAA National Indicator Set that are relevant to them. One interviewee pointed out that at a meeting with partners he realised that “there were probably in the order of 1,500 separate targets outside the Local Area Agreement that all these other people had to meet” (IfG interviews 6).

Another factor which has increased the burden of performance measurement for councils and partners is the shift towards outcome-based measurement. Several interviewees noted that, despite their merits, it was difficult to use outcome measures to manage operations on a day-to-day basis. This meant that existing output measures had to be retained while the outcome indicators came in “on top of” them (IfG interviews 13, 59, 85). Similarly, local authorities felt that it would be difficult to use new indicators in general. Managers were worried that they would not be able to tell whether they had performed well or poorly on the basis of the data, at least in the short term (IfG interviews 85).

Besides these ongoing measurement and reporting burdens, *there remain many de facto reporting requirements outside of the official local government frameworks*. As one official put it; “I applauded the fact that the number of indicators for children’s services has reduced. Of course, they haven’t actually reduced, because we’ve still got to report on everything else; they’re just not in the National Indicator Set.” (IfG interviews 65).

²³ LGA (2007). Response on the National Indicator Set, December 2007. At: <http://www.lga.gov.uk/lga/aio/105338>.

²⁴ Moreover, some of these indicators disguise several “hidden” measures that are required if performance against key objectives is to be accurately assessed. For example, Indicator 4 in PSA 28 is in fact a composite measure of marine health, relying on information on “clean, healthy, safe, productive and biologically diverse oceans and seas as indicated by proxy measurements of fish stocks, sea pollution and plankton status”.

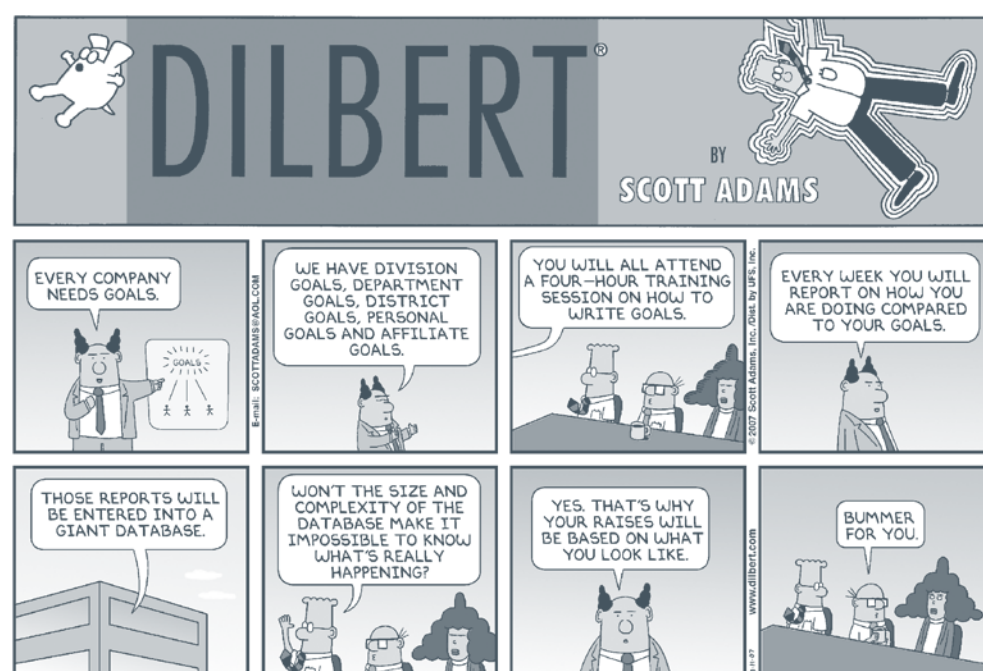
There remain a range of ad hoc reporting requests, including ones for which the eventual use of information is not apparent, yet which remain difficult to fend off. As one Government Office interviewee put it:

“A lot of the process that we did was about reassuring Whitehall that we are actually aligned to these issues, we do actually understand what you’re saying... every week, instead of doing the actual negotiations, we were showing people what was happening with the negotiations... it did feel that the Whitehall process, reassurance end of things had tipped too far.”

(IfG interviews 80)

It is sometimes difficult to distinguish between information collection that is essential, and that which is merely desirable. However, we feel that a more mature relationship between central and local government would mean that localities could resist central government information requests if they feel that their value is doubtful.

Figure 5.1



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Negotiating and refreshing indicators imposes a significant burden on local authorities

The process of negotiating the LAAs has required a great amount of time and resources over many months, often necessitating the creation of dedicated teams (IfG interviews 1, 6, 11, 17, 61, 71, 79, 80). Of course, this level of effort may be necessary and appropriate because the new frameworks have broad ambitions (focusing on outcomes, generating ownership in local areas). But some local authority officials and partners argued that a significant proportion of this effort turned out to be wasted or unnecessary. Many local authorities dedicated resources to inform the indicator negotiation process, only to discover that the degree of local determination and “place-setting” was far less than they had initially anticipated (IfG interviews 3, 8, 11, 25, 29, 60, 63). As one local authority official recounted:

“We worked very hard... with Government Office, with central government, tried to incorporate central government into our own feasibility testing... and then at five to twelve were told that there were these mandatory targets.”

(IfG interview, 61)

Disagreement relating to indicator selection and target negotiation sometimes led to conflicts that were intense and draining for central and local government and Government Offices (IfG interviews 10, 30, 82, 90). Indeed, these conflicts were sometimes pointless because there was no possibility of reconciliation, regardless of the evidence or arguments presented:

“There was a huge tension between us and the GO about whether to include teenage pregnancy or obesity. Our view was that in terms of the data and the needs analysis for [the region], teenage pregnancy would have been a higher priority than obesity... In the end, obesity went in there, basically because the GO had been told that obesity needed to be there.”

(IfG interviews 90)

Many interviewees felt that the “refreshes” of LAAs (renegotiations of targets at intervals of six months) were overly onerous. One Government Office official we spoke to suggested that up to 25-30% of the targets originally agreed would be revisited in the first refresh, while another suggested that “the refresh will be in some places potentially as onerous as the original negotiations” (IfG interviews 38, 52). This was galling to many local officials, who felt that the need for refreshes was partly dictated partly by the fact that negotiations had been conducted too hastily in the first place (IfG interviews 61). Of particular concern was one Government Office’s claims that over 70% of the Home Office’s community safety indicators they selected had placeholders instead of targets, to be negotiated in the refresh (IfG interviews 31, 38).²⁵

See Recommendation 16:
Clarify Whitehall’s priorities early
in LAA negotiations

Refreshes will have to address the uncertainties of data gathering against some of the indicators originally agreed; some of the indicators based on the forthcoming Place Survey²⁶ were described as a “major risk for the refresh” because local authorities had concerns that the data collection methodology was untested and had not yet been fully implemented (IfG interviews 38). There is a rationale for revisiting certain aspects of the LAAs to ensure they remain relevant and appropriate. For example, targets for National Indicator 154, “Net additional homes provided” (selected by 104 local authorities) may have to be revisited in a changing economic climate. Nevertheless, the scope of the refreshes was felt to be excessive and could have been limited through better preparation.

The framework can divert attention from delivery of key priorities

Some interviewees felt that localities had become so tied up in the negotiation and data collection efforts that their attention was being diverted away from delivery. The leader of one council expressed frustration that the “huge burden” of reporting on LAA targets prevented the council from “getting on with what we were elected to get on with” (73). Other interviewees suggested that the limited resources available to local authorities meant focusing attention on one area and giving less to others. For example, a local authority health coordinator pointed out that the staff who have strategic planning and performance management responsibilities were being taken away from “meeting the needs of local people” by the volume of performance reporting (IfG interviews, 10).

Similar pressures on local authority staff were documented in a recent evaluation of the LAA’s predecessor, the LPSA system (CLG 2008a, pp.123-4). The risk is that the LAA framework can lead to losing sight of delivery and “the whole process can become its own *raison-d’être*, it almost exists purely for itself” (IfG interviews 14, 25). This suggests that the mechanisms intended to improve the delivery of services may have inadvertently deflected some attention and resources away from that goal.

Overall, it appears that the resources being devoted to performance management under the new arrangements remain substantial. The areas we visited all had at least two people working nearly full time coordinating the LAA process, while Government Offices were almost wholly dedicated to the process for more than six months. It is also important to remember that PSAs and LAAs are only part of a wider performance management landscape that includes professional frameworks, DSOs, and the Comprehensive Performance Assessment. The various elements of this complex, interrelated performance management landscape decay, mutate and are replaced at different speeds and in overlapping phases, which means that the change to PSAs and LAAs has increased the reporting burden for many actors, at least in the short term.

²⁵ This delay is partly because of the Home Office proposals to implement a single national target for police forces. See Home Office (2008).

²⁶ Detailed in (CLG 2008c)

5.2 Problems with the system of indicators and targets

Despite the improvements noted in the previous chapter, our interviews also highlighted many technical problems with the PSA and LAA indicators and the processes used to develop them, despite further rationalisation of the National Indicator Set in the run-up to the most recent round. These include:

- Too many indicators
- Indicators that are poorly designed or structured
- Conflicting and competing indicators
- Baseline data that is either poor or absent altogether
- Arbitrary or unrealistic target setting

Worryingly, most of these problems have been identified and discussed in many previous performance management studies (CLG 2008a, Smith 2007, Hood 2006, SMF 2005, PASC 2003), meaning that it is more important than ever to investigate how they have survived in the new PSA and LAA frameworks.

There are arguably still too many indicators

The previous section illustrates how the performance reporting burden remains substantial under the new LAA and PSA frameworks, despite the intended reduction in indicators. As shown in chapter 4, there have been some advances: there was broad support for the limit of 35 optional indicators (not including the 16 mandatory DCSF indicators) that had been imposed for LAAs because it “forced [local authorities] and partners to realise we can’t just throw everything in there” (IfG interviews 62, 82). However, some interviewees were unclear what practical difference a limit on the number of targets makes, given that local areas are monitored on all 198 indicators regardless (IfG interviews 1, 25, 33, 61, 85). Furthermore, some interviewees felt that the limit of 35+16 indicators was still too high, meaning that it remained difficult to focus sufficiently on the critical local priorities. As one councillor explained:

“I don’t think there’s a mismatch [of priorities] as such... I think what there are, are too many priorities. For [the locality], in my area, the number one priority is educational attainment, which has just been dire... our educational attainment is no better now than it was ten years ago.”

(IfG interviews 69)

Central government departments are also confronted by an array of different indicators competing for attention and resources, through Departmental Strategic Objectives (DSOs), PSAs and other department-specific measures. One senior Whitehall official said that this means that departments still have too many indicators and priorities to address, although this seems to vary across Whitehall (IfG interviews 57). In those departments where DSOs are poorly aligned with PSAs, there is an evolving tacit understanding that DSOs are the indicators that drive decisions in the main (IfG interviews 27, 32, 34, 49, 56, 68). Faced with a considerable number of indicators, departments may be resorting to effectively prioritising DSOs over PSAs. The significant point is that this prioritisation (made necessary by the prevalence of indicators) appears to take place in an inconsistent and often implicit manner.

Some indicators are poorly designed or structured

Well known limitations of target and indicator design have been further exposed in the current round. Some of the indicators within the PSA framework remain **vague and vulnerable to distortion** depending on measurements selected. For example, National Indicator 110, “Young people’s participation in positive activities”, has no baseline data, a definition for “positive activities” is still being awaited, and the methodology for collection remains unclear (HMT 2007d, CLG 2008d). This is particularly worrying given that this indicator has been selected by 77 authorities (IDeA 2008). One councillor whose local authority had selected the measure said that “we weren’t particular sure how we’d measure the positive activities, if we’re honest, but we thought this could be an evolving one, because ultimately we think it’s something which will be helpful” (IfG interviews 69). In addition, the Local Government Association has noted that the National Indicator Set

includes variations in the criteria used to determine what is meant by “satisfied”, inconsistent use of population-adjusted indicators, and problems with indicators that measure timeliness of completion of work (LGA 2007).

In other instances, it is [not clear how specified targets and indicators relate to performance](#). PSA 27 (“Lead the global effort to avoid dangerous climate change”), for example, includes a performance indicator for “the proportion of areas with sustainable abstraction of water”, but it is not clear that strong performance against this measure would necessarily reflect progress against the overall objective. Indeed, our interviews suggested that this is now not considered a high priority by the relevant departments (IfG interviews 51). Poorly constructed indicators such as these may reflect a desire to measure quantifiable phenomena, even though they may give only a vague picture of performance levels. At the same time, some local areas felt that the National Indicator Set did not provide suitable indicators to measure the areas of performance they considered most crucial – economic growth, for example (IfG interviews 39, 58).

Interviewees objected strongly to targets and indicators that they considered to be [unachievable within the three-year timeframe](#) of the LAA. A commonly cited example was the indicator on all-age, all-cause mortality. Under the CSR, PSA 18 includes a target for increasing male life expectancy to 78.6 years and female to 82.5 years by 2010. Since all-age, all-cause mortality is influenced by a range of factors, from individual genetic make-up to community-based or even societal influences such as social capital and early life experiences, many interviewees felt that the three-year timeframe for change was unrealistic. One local authority respondent argued:

“There’s absolutely no way that anyone will be able to demonstrate, as far as health outcomes are concerned, [given] the interventions that we will put into play within a three year period, that we would be able to demonstrate, tangibly and specifically, the health outcomes that arise from those interventions at the end of the three year period.”

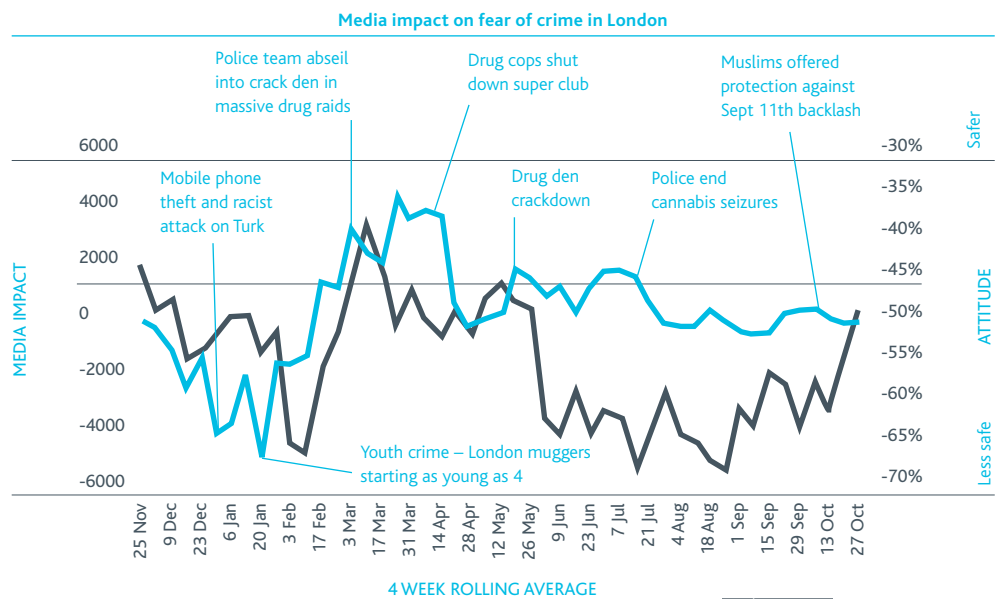
(IfG interviews 10)

[Including inappropriate indicators contributed to a more negative perception of the whole PSA and LAA framework](#). One local authority official went as far as claiming that “there has been a loss of faith... a lot of people don’t believe that the targets are valid or useful... no-one takes it seriously for these reasons” (IfG interviews 8).

Twenty of the 198 National Indicators attempt to measure satisfaction and perceptions around issues such as community cohesion, anti-social behaviour and housing. There is also growing interest in the use of satisfaction and perception measures as targets, on the basis that they will focus management attention on ‘soft’ outcomes that might otherwise be ignored in the drive to hit ‘hard’ objectives (PIU 2001). At a local level, however, [there was a good deal of unease locally at the use of satisfaction and perception data as the basis for targets](#), the general view being that “satisfaction, perception and experience targets are vital – but attaching targets to these is stupid” (IfG interviews 17, 52). The unease around a perception-based target in two LAA areas was such that the Government Office “did a deal and fudged the issue” (IfG interviews 30). The most common reason why local officials objected to satisfaction and perception targets was the sense that these measures are easily skewed by factors outside local control, making councils “hostages to fortune”. As the same Government Office regional director explained, “[the locality] thought [the indicators] would be very difficult to influence because perceptions may be influenced by the national media” (IfG interviews 30). Evidence supports the view that public perceptions are volatile and can be influenced in quite unexpected ways (see Figure 5.2).

Figure 5.2: Volatility of public perceptions: the example of the media and crime²⁷

● Net attitude to London becoming safer ● Exposure/Slant on racial incidents, youth & street crime & drugs



Source: Test Research, Ipsos MORI (2008)

Satisfaction and perception also seem to be affected by stable, underlying factors which therefore require extensive statistical controls. For example, some studies have found that demographic factors may account for 90-95% of variations in stated patient satisfaction with health interventions (Sixma *et al* 1998). Finally, gathering accurate information on satisfaction and perception poses real practical challenges. Interviewees raised concerns about the cost of collecting data and the fact that the proposed Place Survey was only scheduled to commence fieldwork after the LAAs had been agreed (IfG interviews 38; CLG 2008c).

Overall, there are many obstacles to implementing effective and fair target-setting using satisfaction and perception data, and it may ultimately prove counter-productive. Targeting will doubtless help to focus attention on 'soft' outcomes, but the ability of service delivery organisations to drive improvement will depend on the extent to which underlying determinants for observed trends can be established. As one interviewee pithily put it, "how do you know what you're really doing is impacting on perception?" (IfG interviews 52). There is a danger that lack of understanding of these determinants could lead to haphazard, wasteful and ineffective attempts to affect satisfaction levels. Interviewees acknowledged that tracking satisfaction and public perceptions of services could be valuable, but only if handled correctly and appraised in conjunction with more objective measures and professional assessment (IfG interviews 17, 71, 76, 78). Therefore, measuring satisfaction in conjunction with and compared to more objective data may ultimately prove the best compromise (SMF 2005).

There are some examples of conflicting and competing indicators

Although attempts to remove conflicting indicators from the National Indicator Set have been mostly successful, some remain – and limited guidance is offered to help overcome this problem. For example, a local authority chief executive highlighted the "contradictory" nature of aiming to reduce the number of first-time entrants to the Criminal Justice System aged 10-17 years (PSA 14, indicator 5; National Indicator 111) while also measuring the rate of offences brought to justice locally (PSA 24, indicator 2; IfG interviews 1).²⁸

Perhaps inevitably, the indicator set also reflects the competing priorities that may be faced by public services. For example, it is clearly a high priority for the Department for Work and Pensions, through JobCentrePlus, to deliver on National Indicator 152, 'Working age people on out of work benefits'. But the department also has joint ownership of PSA 16, "Increase

²⁷ Taken from IPSOS/MORI Social Research Institute. (2008). Closing the Gaps. Crime and Public Perceptions, p.41. At: <http://195.153.208.93/newsletter/leading/pdf/4.pdf>.

²⁸ As noted in Chapter 4, it is important to note that 'rate of offences brought to justice' is a temporary proxy measure, to be replaced with a new efficiency and effectiveness measure in 2009 (HMT 2007c, pp.17-18).

the proportion of socially excluded adults in settled accommodation and employment, education or training”, which covers National Indicators 143 – 150. Thus, the Department has to focus both on the high-profile task of getting people back to work efficiently and on more complex, resource-intensive cases that are further from the labour market (IfG interviews 53). Some interviewees felt that there was insufficient clarity or direction in these areas, and PSAs did not “provide a safe space to identify policy trade-offs” (IfG interviews 68). There was, however, some evidence that structures are now better placed to allow such conversations to take place in the future (IfG interviews 43, 51, 68). In a time of tightening financial constraints, the question remains whether, or how, the PSA framework can be flexible and responsive enough to reflect political decisions on how to prioritise these competing goals.

Poor or absent baseline data remains a problem

Poor baseline data remains a problem for a very high proportion of LAA and PSA indicators (CLG 2008b, p.8). In fact, one local authority chief executive claimed that nearly a third of his targets lacked any baseline data at all; this had to be collected during their first year of use (IfG interviews 4). There were particular concerns that nearly 1 in 10 of selected national indicators lack baselines because they are based on the Place Survey, which commenced its fieldwork in late September 2008, after the LAA negotiations concluded (CLG 2008c, IfG interviews 38).

Lack of consistency over time was also highlighted as an obstacle for creating baselines. One local official we spoke to said that there had been difficulties in setting a baseline for anti-social behaviour because the definition of its constituent elements kept being altered (IfG interviews 40). The introduction of the new LAA framework has meant that previously functioning baselines, set up for previous rounds, are now no longer appropriate. One official involved in adult social care created a baseline neighbourhood survey to supply evidence for the LPSA targets, and wished to measure progress from this baseline. During the same period, the new LAA had been agreed and consequently she was unable to gain advice on how her existing baseline could be used to inform the LAA, if at all, and therefore whether it was cost-effective to fund another survey (IfG interviews 20). Our sense was that the implementation of the PSA/LAA framework could have made better use of the data and processes already generated by those areas participating in previous rounds.

These difficulties in creating baselines, and therefore targets, caused significant unease amongst local stakeholders, with one pointing out that.

“It’s quite difficult to sign up to something when you don’t know what’s being asked of you... You wouldn’t sign up to buy a house without having it surveyed.”

(IfG interviews 65)

Such unease has affected the selection of indicators, as one local authority official confessed: “We picked indicators that we were familiar and confident with. A limited level of knowledge and information would make it very difficult to look at new targets. It is difficult to know how to improve things without a baseline of information so it is easier to pick indicators that we feel we can achieve” (IfG interviews 64).

Target setting was sometimes unrealistic or arbitrary

There is no question that targets should be ambitious and challenging in order to drive real improvements. But there were major concerns about the imposition of nationally-set targets that were entirely unrealistic for a local area to achieve. The most common examples related to National Indicator 112, ‘Under 18 conception rate’, included in 106 LAAs. Many interviewees complained that impossibly steep reductions in teenage pregnancy levels, originally set in 1999, were being imposed on them with “no negotiation” in a “one-size-fits-all approach to target setting” (IfG interviews 14, 38, 54, 69, 78, 85). Most of the objectors recognised that teenage pregnancy was a problem in their area and that efforts needed to be made to address it, although some were unclear about its extent and causes. However many made strong arguments against the imposition of these targets.

See Recommendation 15: Set national targets via a bottom-up process

“There’s absolutely no way that we are going to be able to demonstrate that we’re going to make a tangible impact on reducing teenage pregnancy within the three year period, largely because our analysis locally demonstrates that really we’re not achieving a significant downward trend in our teenage pregnancy rates and there’s absolutely no way we will hit the national target by 2010.”
(IfG interviews 10).

In addition to targets that, although unrealistic, may be derived from data or logical reasoning, we also encountered targets that appeared to be almost entirely arbitrary.

One local area’s Crime and Disorder Reduction Partnership suggested a target of reducing violent crime by 10.6%, based on consideration of the falls in crime previously achieved. The Home Office had, however, insisted on a reduction in violent crime of 12%. The reason for this, according to the chief constable, was that “somebody in the Home Office had said, ‘Twelve would be tidy.’” (IfG interviews 76). Clearly, central government should approach target setting in the spirit of mature collaboration, setting targets to achieve the greatest level of improvement, rather than to meet aesthetic principles.

A final objection was that central government was unreasonably inflexible in adjusting agreed targets, even if changes in measurement or resources make the target unachievable through no fault of the local authority. In other words: “the goal posts change, and yet [central government] won’t amend the deal” (IfG interviews 8). Indeed, there is a potentially thorny problem that agreeing an LAA target and focusing partnership action on an issue may improve diagnosis and coding of the particular issue, revealing a much bigger problem than the previously established baseline (IfG interviews 10). The case study in Figure 5.3 (below) illustrates how a change in measurement can lead to a local authority’s reward element being lost.²⁹

Figure 5.3: Case study of an inflexible approach to targets – a community programme for the over 50s revisited

The previous chapter detailed the progress made in establishing an effective community programme for those aged over 50 years, particularly in the area of falls prevention. Unfortunately, this case study also demonstrates the negative effects of changes in measurement. Given the success of the programme in preventing falls, the local authority entered into an LPSA agreement to reduce the numbers of older people admitted to NHS care as a result of a fall to 50 incidences. Using the community-based strategy, progress was being made towards the agreed target. However, subsequently the NHS was incentivised to change the way admissions were recorded. As a result, the admission figures for falls mushroomed to approximately 1,000 incidences. Nevertheless, the local authority was not allowed to renegotiate its target and the potential LAA reward element was lost.

A further consequence was that the Falls Prevention Team was told to increase the number of people they saw at their clinic, leading them to reduce their preventative work in the community. As one party put it, “now what happens is people wait to have a fall before they go to the falls prevention service”, whereas previously the services and relationships based around the 50+ programme may have ensured they were referred to specialists in time. (IfG interviews 8, 10, 13.)

²⁹ It is interesting to note that the evaluation of the LPSA system also highlighted a case where a change in definition made after a target had been agreed had led to the target becoming unattainable. In one case, it took two years for the local authority to agree a compromise definition with the central department (CLG 2008a, p.65)

In summary, local authorities, partners and central departments are experiencing difficulties in prioritising and the array of indicators they have to manage. Too many of these indicators are poorly designed or structured and potentially conflict with each other. Furthermore, a significant number of indicators lack adequate baseline data to enable appropriate target setting. Even where such data is available, there is evidence that the setting of some targets has been arbitrary or unrealistic, while government has taken an inflexible approach to renegotiation. There is a risk that these problems will create disillusionment around the framework and demotivate those tasked with meeting them, with possible adverse effects on service delivery. Although we found little evidence to indicate that such demotivation had happened in the current round of LAAs, these issues should be addressed in future designs.³⁰

5.3 Erratic implementation

The preceding sections have focused mainly on problems inherent in the design of the PSA and LAA frameworks. We also encountered a series of difficulties with the implementation of these frameworks. Many local stakeholders felt that central government had coordinated the LAA negotiation process rather poorly, causing significant difficulties at the local level. The main problems identified were:

- An unrealistically compressed timescale
- A lack of clear guidance
- Unexpected demands from Whitehall
- Poor alignment with local strategic planning

The process was conducted under too much time pressure

Many local stakeholders felt that the process had been conducted under too much time pressure. As one local strategy official we spoke to asked ruefully: “if you’re going to have a negotiated LAA process, why does it have to be in the last five minutes?” (IfG interviews 8, 55, 75, 86). Some Whitehall interviewees agreed that “this round of LAAs was negotiated at a horribly rushed timetable... it all came terribly late because CSR is late” (IfG interviews 53). In practice, these time pressures may have damaged relations with local partners, either by making considerable demands on them or by preventing “meaningful engagement”, leaving them to “rubber stamp decisions that had been largely made by council offices” (IfG interviews 63). One local partner went further, claiming that issuing unrealistic deadlines from the centre “actually undermines partnership because people stop trusting the process and start thinking, ‘Oh, this is just another one of those things and it’s not going to work’” (IfG interviews 75).

There was too little clarity around key processes

Many interviewees complained that guidance from the centre about the process arrived late, incomplete or was altered over time (IfG interviews 2, 5, 8, 12, 14, 28, 53, 74, 75, 80). As one official told us: “goalposts have changed considerably about what [LAAs] are for, how they will be managed; was there any money attached to them; how that money will be delivered; what the targets will be” (IfG interviews 5).

One chief executive complained that the concept of “placeholders” seemed to emerge over the course of the process, “largely to do with some government departments not being able to deliver on their side” (IfG interviews 14).

Notably, the lack of clarity – especially over key milestones – continued right up to the end of the negotiating process, with one local official telling us that “we still didn’t know what [the process] was about until just before Christmas... this set up a lot of uncertainty around change... this was really unhelpful, since we were taking people through quite an uncomfortable process” (IfG interviews 8).

This uncertainty extended to the incentives and funding attached to LAAs, with some interviewees confessing that they were still unsure about the new arrangements (IfG interviews 1, 11, 14, 19, 20, 39, 85, 90).

30 A recent evaluation of LPSAs suggested that unrealistic targets can demotivate staff, although staff still strove to improve if they considered the activity to be worthwhile (CLG 2008a, p.13, p.92).

There were late, unexpected demands from Whitehall

Unexpected demands from Whitehall departments were identified as an important cause for some or all of these problems. They created additional pressures, often when negotiations were already underway. One Government Office official explained that “the problem was that despite CLG’s best attempts to keep the Whitehall mob coordinated, it did feel that you were getting requests leftfield, and very late, and we were having to then broker that with the area... and say ‘we’re really sorry, but Whitehall department X would like to have indicator Y’... most areas will have a slight distaste in their mouth about that” (IfG interviews 80).

Problems of communication occurred partly because some departments engaged in the process less effectively than others, “making lots of late decisions about the priorities, giving late guidance... making lots of decisions late in the game” (IfG interviews 52). Sometimes these late interventions were the result of ministerial announcements that placed a particular issue higher on a department’s agenda (IfG interviews 38). Such interventions contributed to doubts about the level of central government commitment to increasing local government autonomy.

The LAA negotiation was sometimes poorly aligned with local strategic planning

One facet of political disengagement was the objection that the LAA did not offer the opportunity to identify and agree strategic local priorities. There was a feeling that LAAs had moved from being about tackling local objectives to a more process-driven exercise of selecting national targets, which meant that “instead of the performance management system being used to support the achievement of longer-term policy objectives, it’s become an end in itself” (IfG interviews 12, 14, 48).

In this view, a split has emerged between actual local strategic planning and LAA indicator selection and target setting. As one chief superintendent said: “The way we set our priorities is more sophisticated than going through a list of 198 indicators and saying, ‘Let’s find six or seven that fit what we think’s right for the city. Okay, well, we’ll pick those. And we skew all our activity towards those.’” (IfG interviews 23, 85).

This split was sometimes expressed as a disconnect between the Sustainable Communities Strategies (SCSs) and the LAA process – while “a Sustainable Community Strategy is telling the story of a place and demonstrating your ambition for that place”, in contrast “an LAA is just really a series of targets, isn’t it? And isn’t government just picking the targets anyway?” (IfG interviews 14).³¹

Some interviewees indicated that this split had led local authorities to look for other means of developing local strategy, whether through concentrating on politically-driven priorities in isolation from the LAA or by establishing a Public Service Board that explicitly aims to provide a perspective beyond the short-term “delivery mechanism” of the LAA (IfG interviews 73, 76). Nevertheless, one council leader suggested that the LAA process may actually be stifling local authorities’ capacity for strategic planning:

“I have a unit of corporate policy, well that sounds good... but when I speak to the corporate policy people they haven’t got any vision for the future, because they’re working on this [LAA] target business.”

(IfG interviews 73)

In view of this split, it seems that the links between performance management, strategic planning and budgeting in the PSA and LAA frameworks could have been made more explicit. At the same time, expectations of the impact of LAAs could have been managed better, given that the agreements were unable to affect budgeting in their first year of implementation.

In summary, the LAA negotiation process was conducted under too much time pressure and there was too little clarity of key processes, which seemed to alter over time. The process was further disrupted by late, unexpected demands from Whitehall. Furthermore, there was a feeling locally that the way the LAA was implemented had made it into a process-driven target-setting exercise, meaning it became rather divorced from local strategic priority setting.

See Recommendation 3: Revise LAA timelines and align budget timetables

31 There is now a statutory duty for Local Area Agreements to ‘have regard to’ the relevant Sustainable Communities Strategy. *Local Government and Public Involvement in Health Act 2007*, 106.2.c.i.

5.4 The process was poorly suited to two-tier authorities

The LAA process seems to be less well-suited to two-tier local authorities. The fact that upper-tier authorities are responsible for agreeing LAAs creates major problems in resolving the differences that may exist within a particular area (IfG interviews 6, 42, 58, 80). As a business representative put it:

“Trying to put together a LAA, you know, for [a large two-tier area] can't be easy because, for a start, you've got the counties and the boroughs all sort of fighting at each other's throats, neither trusting the other, the business community is very spread out, it's not all in one place, very difficult to engage; [there are] difficult structures to put together.”

(IfG interviews 12)

The three main problems highlighted were differences in political representation, differences in needs and priorities, and lack of clarity in the division of responsibilities.³² In terms of politics, the “political tussle” between county and districts, and between different districts, made LAA negotiations more fraught and held back partnership working (IfG interviews 58, 61, 75). Political differences often reflected the fact that many disparate regions may be contained within an upper-tier authority. In one region, the main town wanted the LAA to focus on growth and housing, which was strongly opposed by the more rural areas (IfG interviews 6). At a practical level, negotiating LAAs in a two-tier authority means that there are many more stakeholders sat round the table, making the process more cumbersome (IfG interviews 84). Finally, there was a concern that the division of roles and accountability in delivering against LAA targets was not absolutely clear in a two-tier system since the problems to be addressed may not be evenly divided between councils, and partners may be organised along different geographic lines (IfG interviews 42, 60).

As a result, district councils may feel disconnected from the area's LAA because upper-tier authorities have “held [the LAA] pretty close to their chest”, leading districts to have the view that “this is being done to you rather than feeling that we own it” (IfG interviews 42). A councillor and a chief superintendent reflected that districts felt the LAA to be “too remote”, because of a lack of influence in the process and the inclusion of few priorities that relate to the services specifically provided by district councils (IfG interviews 41, 84). These problems led some interviewees to claim:

“We are working in a two-tier system with a model that is meant for a one-tier system.”

(IfG interviews 41)”

Indeed, one individual argued that LAAs were “a mechanism by which government is seeking to shove everyone into unitary working by the back door” (IfG interviews 41, 61, 76). On the other hand, it may be that the LAA has been “a good catalyst for partnership working” and has helped to relieve some of the tensions inherent in two-tier structures (IfG interviews 39, 82).

5.5 Performance management capability is highly variable

Many of these technical problems – a high investment framework, problems with the system of targets and indicators, erratic implementation, and unsuitability for two-tier authorities – have been caused, at least in part, because performance management capability remains high variable, particularly in Whitehall. We have already seen that some departments engaged in the process less successfully than others, often because of their low performance management capabilities. Interviewees indicated that some departments lacked understanding of monitoring processes, information sources, data cleaning procedures, and how to construct appropriate indicators (IfG interviews 38).

In contrast, other departments demonstrated that they could develop and implement sophisticated and appropriate performance management practices. For example, the Department for Children, Schools and Families (DCSF) has a financial budgeting system that integrates PSAs and DSOs into financial planning, team organisation, performance management of units and performance management of individuals, as represented in Figure 5.5 (IfG interviews 32, 49, 68). Similarly, the Department for Environment, Food and Rural Affairs (DEFRA) has developed new methods to: allow their management board to prioritise

See Recommendation 5:
Host a performance management
network for Whitehall

See Recommendation 14: Use
‘tournaments’ rather than targets
to motivate improvement

32 “Clarity around roles and responsibilities”, “district and county councillor involvement” are amongst 12 critical success factors for LAAs in two-tier authorities identified by IDEa. At: <http://www.idea.gov.uk/idk/core/page.do?pageId=8035638>

spending according to cost and effectiveness; strengthen personal objective setting; and make sure activities are aligned with the department's overall mission (IfG interviews 68). In addition, there are a number of interesting approaches to performance management being developed overseas, for example in Canada (see Figure 5.4).

Figure 5.4: Canadian performance management

Performance management capabilities vary markedly from country to country: Canada, for example, has developed some particularly innovative practices. Its Management, Resources and Results Structure (MRRS) maps individual programs and sub-activities in each department to thirteen 'whole of government' outcomes related to four high-level policy areas. While each of the thirteen government outcomes is supported by multiple departmental strategies and goals, each departmental program activity is linked with only one whole of government outcome. By linking program activities with overall government outcomes in this manner, spending and results associated with each of the thirteen outcome areas can be assessed, leading to an overview of government spending and results organised by outcomes.³³

A few channels exist to disseminate good performance management practices within Whitehall: PMDU is coordinating a series of workshops and the DCSF Delivery Unit has written a guide on running joined-up government boards, for example (IfG interviews 49). Nevertheless, given that the PSA system aims to set up a coherent performance management framework for government, there could be much greater efforts to seek out and disseminate the most effective practices that have sprung up. It may be difficult to compare ways of working that have been created to serve particular departmental cultures and tasks, but to develop even a rudimentary sense of which practices are most effective would be extremely valuable. A dedicated performance management network for Whitehall would be very useful in this regard.

Performance management capability also varies greatly across local authorities. We saw some areas that arguably had more sophisticated systems than those in Whitehall, despite not being the authors of these frameworks. One Primary Care Trust, for example, has built a single system to collect data on every target the Trust has signed up to, regardless of which framework it is from (IfG interviews 78). Other areas, of course, are only just setting up basic processes that will allow them to quantify their levels of performance. Again, this discrepancy points to the value of disseminating good practice better – but, given that relationships, history and culture are often specific to each area, this task needs to be handled carefully. Possible ways forward include using peer-to-peer instruction and making direct comparisons with other local areas (which was successful in the context of teenage pregnancy, as mentioned earlier).

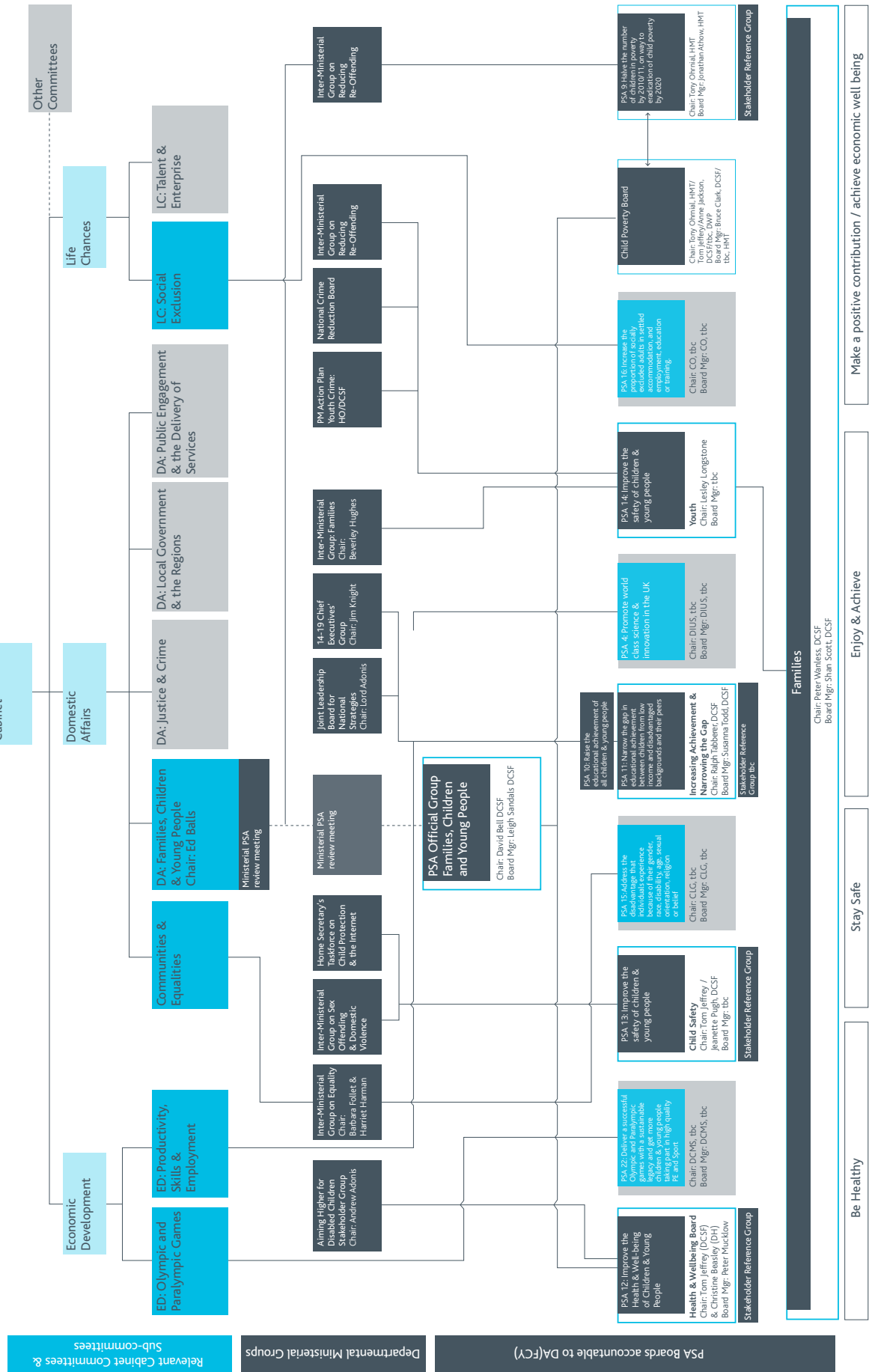
Given these varying capabilities, it appears that greater consultation and "hands-on" involvement with experts could have prevented or ameliorated many of the problems we outlined above.³⁴ Many performance management experts and stakeholders were able to identify specific glitches and failures present in the frameworks – in particular, poorly constructed indicators (IfG interviews 91-3, 95, 98, 101, 105, 106, 108). Despite some departments hosting limited consultations that revealed a range of objections to indicators, some experts felt that they had observed a degree of complacency over indicator quality from central government departments (IfG interviews 102, 106). Of course, it should be stressed that it is not only experts that can make valuable contributions. Greater transparency around the formulation of PSAs could have allowed others – partner organisations, local politicians, citizens – to provide input and thereby generate greater ownership.

See Recommendation 17:
Improve the quality of the
indicator set through earlier
and better consultation

33 http://www.tbs-sct.gc.ca/maf-crg/index_e.asp

34 This issue relates to the wider ongoing debate about the input of expert thought into policy-making. See Reisz, M. and Marcus, J. (2008) 'Still No Call from Number 10?', Times Higher Education Supplement, 6 November; British Academy (2008) *Punching our weight: the humanities and social sciences in public policy making*. London: British Academy.

Figure 5.5: Draft DCSF PSA Governance reporting lines



5.6 There are inherent limitations to target-based approaches

We have seen that the introduction of the new PSA and LAA frameworks has demanded considerable resources to support reporting and negotiation. These extra demands may have been inevitable to a degree, since it often requires significant work to set appropriately stretching but realistic targets. This is particularly the case for outcome targets, which are affected by numerous environmental factors (Bevan and Hood 2006).

Furthermore, targets are arguably most effective in dealing with short term priorities, and therefore may have a narrowing effect on strategic vision (Smith 1995). A local authority official outlined an approach that could counter this narrowing effect:

“Has infant mortality been halved [by 2020]? [We should have] come up with some very bold statements like that, based on as big as possible a consensus with the people. And then to have looked at targets towards that transformational future. That would have been better. But we’ve tended to look at this as an incremental approach and therefore we’ve tended to create our big vision statement on the basis of what we can achieve in the next three years. That means, in my opinion, we are not very bold in our vision.”

(IfG interviews 63)

Finally, targets are often recognised as being useful for improving performance from poor to moderate levels, but are rarely effective for enabling good or “great” performance (CO 2008). This is because organisations may negotiate targets that they can hit through incremental improvement and then limit ambition once targets have been met. The effort to reduce the number of targets has, therefore, been a positive step. Nevertheless, *the PSA and LAA systems still appear to be geared more towards avoiding failure than enabling and rewarding outstanding success* – “getting the basket case into a better place” (IfG interviews 16). As a result, they have succeeded in enabling only limited innovation so far, as we shall see in the next chapter.

Conclusion

This chapter focused on technical problems that have afflicted the successful design and implementation of the PSA and LAA frameworks. The new arrangements have proved to be labour-intensive: the organisations involved continue to report on many indicators and spend much time selecting indicators and targets, which sometimes affects their ability to focus on delivery of key priorities. This burden has been exacerbated by indicators that are too prevalent, poorly designed, and conflicting. Too often the baseline data for these indicators is weak or absent, while the process of setting targets can be arbitrary or unrealistic. The implementation of these frameworks also raised problems such as an unrealistically compressed timescale; a lack of clear guidance; unexpected demands from Whitehall; and poor alignment with local strategic planning. Finally, the process was less well-suited to two-tier local authorities, meaning some district and borough councils felt disengaged.

Varying performance management capabilities in central and local government contributed to many of these problems. Some departments and areas have introduced sophisticated and effective practices that merit wider dissemination, while others have limited understanding of basic performance management principles. Given these skills gaps, the fact that expert consultation was limited led to indicators that were seen as merely adequate, while a dearth of transparency limited potentially beneficial input from others outside the process. This risks feelings of disillusionment and lack of engagement amongst those using the frameworks, particularly at local levels, thereby hindering progress towards the transformations promised in the Comprehensive Spending Review. The difficulties in achieving these wider goals of innovation, partnership working and local engagement are examined in the next chapter.

6. Lukewarm commitment

“

Whitehall was expecting genius and innovation and local areas were expecting freedom from oversight and I don't think either of those things have happened...

”

(Deputy regional director, Government Office, IfG interviews 82)

Some of those implementing new performance management approaches are not yet fully committed to them. Local politicians remain generally disengaged from revised performance management processes and, while they often viewed them as positive, some local practitioners still felt that changes might not be sufficient to deliver the improvements that they wanted to see. Partnerships, both in Whitehall and locally, continue to appear fragile, particularly because incentives to work collectively remain weak and cross-sector relationships are not sufficiently supported.

At this stage, it is difficult to evaluate fully the overall impact of new Public Service Agreement (PSA) and Local Area Agreement (LAA) frameworks. Ultimately, these frameworks aim to improve performance, particularly in targeted areas, and these improvements cannot be made overnight. However, an important indicator of success would be if local areas embraced new freedoms by adopting significant changes in strategy and policy, including innovative cross-sector approaches to tackling problems. Our research showed mixed results in this area. On the one hand, none of the six areas we spoke to, nor Government Office officials, could point to any specific examples of radical, new cross-sector approaches to tackling problems. On the other hand, we saw that the area Sustainable Community Strategies (SCS) had led to some significant changes in strategic direction in some localities, despite the fact that some of these shifts were later destabilised during the LAA process.

There is, of course, still time for the new PSA and LAA frameworks to have a dramatic impact. One test of the likelihood of future progress is the level of commitment to the new frameworks across levels of government system. Chapter 4 showed that there is some cause for optimism here, with a wide degree of support for the aims of the new frameworks. Nonetheless, this chapter shows that interviewees also had reservations:

- Local politicians remained overwhelmingly sceptical about the process.
- Local officials feared that LAAs might not be sufficiently radical to achieve their stated ambitions.
- Locally, partnership working is improving but 'partners' are still reluctant to pool funds and remain more responsive to national direction.
- Nationally, the rhetoric of collaboration has stepped up to a new level but Whitehall departments do not yet work together in a sufficiently co-ordinated manner, which continues to make life more difficult for practitioners at a local level.

Four main factors appear to underpin these problems:

- There has not yet been sufficient investment in building relationships across the government system.

“

[the LAA process is] all motherhood and apple pie – for God’s sake, can we do something exciting...?

”

(Council leader, IfG interviews 58)

- Incentives for cross-departmental working in Whitehall are insufficient.
- Incentives for local partnership working are relatively weak.
- Local councils sometimes lack spending freedom and authority over partners, preventing genuine boldness and inhibiting innovation.

These findings suggest that performance management approaches will not achieve their full potential without still further investment in supporting cross-government relationships and clearer incentives for cross-government co-operation. They also highlight open questions about the future roles of local and central government, which will need considerable further attention.

6.1 There has not yet been widespread change as a result of new frameworks

Many interviews reported that the new PSA and LAA arrangements had not enabled the level of innovative thinking that had been expected – despite some of the promising evidence put forward in Chapter 4. One Government Office official reflected that none of the work related to PSAs or LAAs seemed to be “transformational”, and everyone involved was still waiting for “people to start doing things in really exciting new ways” (IfG interviews 52). While it is early days, we too found limited evidence of innovation. As one council leader exclaimed, the LAA process was “all motherhood and apple pie – for God’s sake, can we do something exciting, not be told how we’re going to do some stuff which is pretty much straightforward?” (IfG interviews 58).

It should be noted, of course, that innovation is not an *a priori* good. Some areas may be better served by shifting resources to existing but effective approaches and focusing on wider improvements to the speed and efficiency of processes (IfG interviews 54). Encouragingly, we found several examples of new visions and approaches, particularly as a result of local Sustainable Communities Strategies (SCS), as noted in Chapter 4. For example, one area’s strategy focused on economic regeneration, while another focused on reducing inequalities. However, on occasions, some interviewees felt that the connections between SCS and LAAs were not as clear as desired, with new strategies losing coherence as a result of the LAA process (IfG interviews 3, 8, 12, 14, 25, 29, 38, 63, 70, 73). This was particularly true where local areas were ‘forced’ to include targets in their LAAs that did not relate to SCS objectives.

Furthermore, the wider impact of the new arrangements on approaches to funding appears to have been relatively limited (IfG interviews 6, 7, 8, 82). As one partner pointed out, there was little evidence of local stakeholders having the confidence to step back, look at all their evidence of the outcomes of their services and consider which activities should be stopped or which should be expanded (IfG interviews 11, 25). As a result, none of the six chief executives that we spoke to had changed how they spent the Area Based Grant, although there were indications that changes are planned in following years. We also found no examples of significant increases in pooled budgets for cross-agency purposes. A local authority strategy official confirmed this impression, saying that “the LAA hasn’t changed in a big way the allocation of money”, although he did add that “the fact that there’s less of it means that we are re-designing services and there is more conversation around doing this together” (IfG interviews 8).

6.2 There are signs that commitment to new arrangements is only skin-deep

Our research suggested that enthusiasm for new performance management arrangements was tempered by nagging concerns. Local politicians were often completely disengaged from the LAA, while some officials felt that new frameworks would offer only limited benefits. Moreover, despite outward commitment, Whitehall is still not fully co-ordinating its messages to local government, creating problems at service delivery level. Partners, meanwhile, appear to be caught between conflicting pressures and are often open in recognising that this may undermine their ability to contribute to LAA goals.

“

There’s a tendency at a very strategic level to leave... some of these issues to the lower level partnership... I think the partners at the top level need to get more excited and energised about these sorts of things there are some big issues or themes where they’ve got to decide ‘we’re going to drive this’.

”

(Chief superintendent, IfG interviews 83)

“

There isn't the right culture or bravery to say, 'I'm going to stop doing that because the evidence base says it's not impacting on that target, but if I move some of my money then that money will improve.' That's not there yet. The processes are there, but the bravery isn't there

”

(Head of neighbourhood renewal, IfG interviews 25)

Local politicians remain disengaged from the LAA process

While it may be unreasonable to expect councillors to be fully engaged in all of the details of LAA negotiations, the success of LAAs will directly relate to the ability of the process to drive increased focus on the priorities of local communities (CLG 2007). As such, politicians should be sufficiently engaged to ensure local political priorities are reflected in agreements – and to understand if and why certain national priorities must be pursued. Overall, we did not see local politicians as being highly engaged in the LAA process. Not only was the LAA process clearly 'owned' by council officers but there were also examples of outright resistance to LAA arrangements (IfG interviews 1, 42, 60, 66, 80, 84, 87). Evidence of low political engagement generally took one of three forms:

- **Ignorance:** A significant number of councillors did not appear to have a good understanding of the construction and purpose of LAAs (IfG interviews 46, 72, 77, 84). One portfolio holder, when asked about the impact of the LAA on his job, responded: "I haven't got a clue to be quite honest with you.... I don't look at the LAA at all, I just get on with my job which I am asked to do... I leave the officers to worry all about that – the LAA and all that sort of stuff" (IfG interviews 72).
- **Apathy:** Even if councillors were aware of LAAs and their purposes, we found that many were apathetic. They saw the LAA framework as a relatively unimportant bureaucratic performance management system that does not greatly affect them (IfG interviews 1, 58, 76, 79). One Government Office interviewee explained: "Don't get me wrong, the politicians are very interested in delivering better quality services... [but] they're not terribly interested in the construct that is the LAA... generally they don't see the added value of the LAA" (IfG interviews 80). Often, it seemed that politicians engaged to the extent that was required by the process, without seeing it as a really useful vehicle for achieving change (IfG interviews 21). Interestingly, we often heard claims that changes in political administration had not greatly affected the LAA negotiations, which suggest that the incoming administration had similar priorities, or that it was not greatly engaged with the process – or both (IfG interviews 2, 13, 74).
- **Rejection:** In a few cases, local politicians actively rejected the LAA process as a valid or useful exercise, usually because of political objections to any central government direction (IfG interviews 21, 69, 70, 73, 84). As one local authority official related, "At a local political level it's very much perceived as a Big Brother hand coming down... local members say to me – 'We're signing up to this, but we didn't agree this. This is what the Government Office agreed with officers'" (IfG interviews 70). Indeed, one councillor said that his party were convinced that the LAA was "a total waste of time", and they only reluctantly abandoned the "nuclear option" of total non-compliance (IfG interviews 69). There is some evidence that councils may pay lip service to their LAA, while trying to pursue the local area's priorities as they see them. As one Government Office negotiator put it, "[the LAA] was signed off along the lines of 'We'll just get on with our business and put that in the cupboard'" (IfG interviews 45).

Local officials feel that expectations of greater local autonomy have not been met

As seen in Chapter 4, interviewees suggested that, overall, more had been given to local authorities in the new round of LAAs (IfG interviews 3, 8, 12, 14, 25, 29, 38, 63, 70, 73). However, many local stakeholders believed "there was a lot that was far less negotiable than one thought based on central government presentation of the new system" (IfG interviews 7). Ultimately, central government was still felt to have a lot of control over much of a local authority's indicator set. As one chief executive put it, "there is a dialogue, but at the end of the dialogue there is a lot of telling" (IfG interviews 3). One area we visited felt that they had been "forced" to have 26 indicators, leaving them flexibility to choose over only the remaining nine (IfG interviews 61). This was atypical but such incidents led to deep disillusionment. One LAA coordinator we spoke to had a half-written article on his desk entitled *Broken Promises*, reflecting his view that the freedoms that local areas had been promised had not materialised. Other interviewees argued that the recent lack of freedoms and flexibilities reflected a long history of dashed hopes for greater autonomy at local level (IfG interviews 7, 14, among others). As one local official explained:

“

So instead of getting on with what we were elected to get on with, we have to keep thinking ‘oh is there a target’... we have to fulfil these wretched things, which may or may not accord with this council’s cohesive political policy. And in many cases they don’t.

”

(Council leader, IfG interviews 73)

“

There is a dialogue, but at the end of the dialogue there is a lot of telling”

”

(Local authority chief executive, IfG interviews 3)

“One becomes quite sceptical about these kinds of processes. Very often, a new dawn is promised in terms of local empowerment, devolution, local determination and local priorities, but actually, when you get to the nuts and bolts, the new systems turn out to be as centralising as ever.”

(IfG interviews 7)

A few interviewees even suggested that the previous generation of LAAs had offered more freedom and “a much greater sense of local agenda” because it was a voluntary, not statutory, endeavour. In contrast, the introduction of a national set of indicators has “increased the sense of prescription and top down and central to local [control], and being done unto” (IfG interviews 23, 29, 41, 61).

Some complaints among officials, as among councillors, reflected differing views on the problems which should be prioritised locally. Some disagreements were quasi-constitutional, with officials questioning the right of the centre to impose national priorities in certain policy areas, for example education or housing. However, the majority of complaints were on the grounds that Whitehall departments had overridden apparently strong, evidence-based cases made by local authorities. In one locality, officials felt that strong preparatory work by partner organisations had been pushed aside when it came to negotiating the LAA:

“The business community has undertaken a very good piece of work called the City Employment and Skills Plan where they identified all of their priorities... these are the ones they wanted to see in the LAA, but they’re not in there because they have been pushed out by involvement in the arts and pointless measures around health.”

(IfG interviews 8)

Local Officials also tended to feel that they could deliver better results if they were given more freedoms: “I think what would be slightly more constructive next time round would be letting go of our hands just a little bit, to give us a set of information to work with, to be really clear on the deal-breakers, and then to give us some discretion to go off, and to accept when we come back and say ‘actually this can’t be done, and this is the reason why, but we can offer you this instead’” (IfG interviews 80). This was a particularly common view in high-performing authorities. As one local authority chief executive explained to us, “I would have thought that [my area] had earned some autonomy but because we’re changing the models we’re no different from a bog-standard authority” (IfG interviews 1).

Whitehall is ‘talking a good game’ but is not yet good at coordinating messages to delivery bodies, nor is it always fully committed to a less prescriptive approach

As seen in Chapter 4, national-level commitment to cross-departmental working has increased, albeit from a low base (IfG interviews 10, 27, 34, 37, 43, 45, 52, 53, 80). However, interviewees expressed considerable frustration that Whitehall departments still did not appear to be coordinating their work to support the LAA process at a local level (IfG interviews 2, 4, 5, 48, 61, 63, 80, 88). As one local authority policy official complained:

“There is an awful lot of duplication and departments [are] really not working together at that high central level to facilitate partnership working properly on the ground at the local level... in the last month you’ve had the Home Office paper on policing, the Communities and Local Government and another one about communities engaging in fighting crime... Join yourselves up a bit and that might actually show to local partners the benefits of partnership working”

(IfG interviews 60)

This perception that central government is not ‘practising what it preaches’ appeared to have soured local central-local relationships. “Central government can do whatever they want”, protested one partnership co-ordinator, “they don’t have to join up, they can have arguments... they don’t have to be at anywhere near the level we’re expected to be at” (IfG interviews 61). As a result, some respondents felt that they had been put in the difficult position of trying to resolve national tensions at a local level (IfG interviews 4, 63). A few even felt that they were being given confusing messages about how to drive partnership working locally, with a more prescriptive approach to Children and Young People’s Trusts (CYPTs) appearing to run against the grain of increased freedom to work out how best to organise partnerships (See Figure 6.1).

Figure 6.1: Competing philosophies for partnership working

Our research highlighted that there are currently two competing philosophies about how Whitehall should enable local agencies to work together more effectively. The two approaches are not irreconcilable, but have caused disruption and confusion at local levels. One philosophy is that of the LAA framework, which focuses more on allowing areas to develop partnership relationships organically, with no specification of the composition of local partnership bodies and no statutory basis for the main partnership bodies (Local Strategic Partnerships), meaning that these bodies cannot, for example, hold funding. This approach is founded on the idea that partners will find the most appropriate way of working together for their local population (CLG 2007). It also assumes that citizen pressures will be one of the primary drivers of what local areas choose to focus on.

However, there is another approach to promoting partnership that is embodied in current proposals for CYPTs, which are being implemented by the Department for Children, Schools and Families (DCSF) to improve cross-departmental working in relation to children and young people. DCSF intends to place CYPTs on a statutory footing, with obligations for specific agencies to co-operate, and our interviews suggest that CYPTs will be seen as an important conduit for information and guidance from Whitehall on how to manage children and young people's problems (IfG interviews 90).

While DCSF's approach to driving local co-ordination may succeed in ensuring focus around children's issues, we believe that the disadvantages of this prescriptive approach are considerable, as it leaves local governance arrangements in a confusing state and further disempowers practitioners from tailoring management systems to local needs. The tension between these two approaches is particularly problematic given the pivotal relationship between CYPTs and Local Strategic Partnerships (LSPs). As a recent Audit Commission report notes, "there is now a danger of different approaches coming from two government departments; one is enabling and devolutionary in respect of LSPs, the other is more prescriptive and controlling of children's trusts" (Audit Commission 2008a, p.19). Although this tension may be an unavoidable by-product of the evolution of central government policy, Whitehall should attempt to minimise the undoubted difficulties it is causing for local administration of children's services.

These coordination issues are exacerbated where Whitehall feels it still needs to micro-manage problems locally. While the majority of Whitehall interviewees expressed commitment to 'trying out' a less prescriptive approach, our interviews also revealed some unease about increasing local freedom (IfG interviews 28, 32 – 37, 47-50). Several interviewees in Whitehall noted concerns about local capability, while others noted that national political priorities should not be undermined by new arrangements (IfG interviews 32, 33, 51). There is clearly a cultural challenge here too: "ministers feel they are representative of people", said one Whitehall director, "they feel duty bound to get involved and I think officials feel the same" (IfG interview 51).

Partners feel that some tensions are unresolved

We found a great deal of evidence that the LAA process has considerably improved partnership working at a local level. Despite these advances, there were indications that so far the LAA has not ensured full commitment from some partners. Rather than seeing the LAA as a truly beneficial mechanism for change, these partners' contributions remain 'surface-deep' (IfG interviews 14, 23, 42, 62, 74). One interviewee put it this way: "they turn up [to meetings], and at quite a senior level they turn up, but I think actually it's to find out what's happening rather than to contribute" (IfG interviews 12). This view was borne out by comments from one police representative, who said:

"I've sat on five or six different local strategic partnerships and I've never seen one that's delivered a pizza... if you said to me, 'Well, what effect on me and policing and community safety in the city would losing the LSP (Local Strategic Partnership) and the PSB (Public Service Board) make?', the answer would be 'None'... from a policing point of view: do away with them; it wouldn't make any difference to me at all."

(IfG interviews 23)

“

A continuing difficulty with children's services is the children's trust strategy was endeavouring to carry out things that are similar to the LAA. For people involved in children's and young people's services there has been a bit of a confusion because LAA and CYPTs have been seen as separate strands of activity, but actually they're both trying to achieve the same thing – to bring partners together, to agree priorities and needs for their area

”

(Local authority director of children's services, IfG interviews 90)

Interestingly, a local authority policy official mentioned this interviewee as one of the main supporters of partnership working in the area: it appears that some partners may be making ostensible contributions, while remaining sceptical in private (IfG interviews 6).

Other interviews indicated three ways in which limited commitment was apparent:

- **Partners place greater priority on their other responsibilities:** Many interviewees noted that partners, particularly statutory bodies, had a range of other responsibilities in addition to LAAs, which ultimately command far more attention from them (IfG interviews 1, 9, 11, 14, 74). While these partners may see the importance of the LAA, they have their own organisational performance to consider. As a business representative put it: “the police and the Primary Care Trust (PCT) are understandably going to look at their own targets first” (IfG interviews 12).
- **Partners are sometimes motivated mainly by the potential for receiving funding:** Organisations have a range of motivations for entering into local partnerships, and these will vary from region to region. Some LSPs may be founded entirely on the ideal of working together to address the challenges of the local area. Nevertheless, it was clear that partners often entered into partnerships as a means of acquiring money that otherwise might not have been available (IfG interviews 62, 66, 74, 78). Given the reduced reward element available in the new round of LAAs, some interviewees were concerned that partnership working might suffer as a consequence (IfG interviews 21, 62). Indeed, one strategic partnerships manager claimed that the local authority itself was “not actually that wedded to [partnership working]... how much is it costing they’re all asking”. He then reflected that it was increasingly difficult to show the income that offsets these partnership costs (IfG interviews 62).
- **Partners are still reluctant to pool budgets:** Despite the advances in partnership working encouraged by the LAA, pooled budgets remain rare (IfG interviews 24, 62, 63, 66, 78, 82, 85). As a local authority interviewee explained:

“I think there was an expectation that the LAA would be more of a real resource to pool resources and have common budgets. But the people who are pooling budgets together were doing that before the LAA. And I don’t think there’s been a real push for the PCT or private business to put a big pool of money in. We’re still working, really, on our own budgets.”

(IfG interviews 74)

Other interviewees pointed out that there was “an enormous resistance to the culture of pooling budgets”, which is rooted in long-standing institutional barriers and reluctance by managers to relinquish control (IfG interviews 63). This resistance may be heightened during times of stretched budgets and redundancies. A probation officer pointed out how unlikely it was for the leader of the council to ring up his manager to consult him on the possible impact of cutting staff in the housing or education departments (IfG interviews 24).

6.3 Commitment is partly undermined by fragile relationships

Our research has clearly shown the power of personal and professional relationships. Where individuals trusted one another, negotiations were more constructive and less time-consuming. When people came together in new forums, for example PSA Delivery Boards, they gained new perspectives and a more sophisticated understanding of problems. Under these conditions, previously insurmountable disagreements could be overcome (see Chapter 4).

But the muted commitment of some involved in implementing the frameworks makes it clear that relationships between certain organisations and individuals remain relatively fragile. This limits understanding and knowledge transfer, reduces engagement and leads to protracted (and therefore costly) debates over minutiae. This should, of course, not be surprising. Some of those who are coming together as a result of the PSA and LAA processes have had limited previous exposure to one another and relationships take time to develop. Silo mentalities in Whitehall and, to some extent, local government, remain entrenched (IfG interviews 1, 3, 4, 16).

See Recommendation 6, 7 and 8

While the PSA and LAA processes themselves do act to bring people together, both through new governance arrangements and innovations such as 'negotiating champions', we noticed that other opportunities for collective endeavours between partners locally and especially between local government practitioners and Whitehall were limited, particularly outside London (IfG interviews 14, 16). One chief executive referred to a "post-box relationship" with Whitehall, also citing Whitehall's ongoing ignorance of the nature of service delivery as a key factor behind remaining weaknesses in performance management (IfG interviews 14). This is not a new finding (see, for example, Clarke 1995) but it remains relevant.

Building relationships and networks between Whitehall and local government, across local partners and between Whitehall departments will be vital to overcoming the teething problems of the new regimes, and building a 'one public service' ethos that will allow public servants to focus on users rather than internal structures and silos.

6.4 Incentives for partnership working in Whitehall are still weak

Trusting relationships and a shared commitment to public service will go some way to encouraging greater collaboration across public services. Nonetheless, both our interviews and wider research suggest that incentive structures in Whitehall can act to undermine efforts to promote more collaborative approaches to policy-making. PSAs are currently the only accountability mechanisms in Whitehall that assess the contributions of departments and individuals to cross-cutting government objectives, while other incentives to work across departmental silos are rare.

There is very limited use of pooled funding to support cross-departmental cooperation

There is still virtually no pooling of resources to support cross-departmental priorities. One Treasury official noted that the level of cross-departmental funding was "peanuts", although some examples of pooled funding do exist, for example a 'Global Conflict Prevention' pooled budget, owned jointly by the Foreign and Commonwealth Office (FCO), the Ministry of Defence (MoD) and the Department for International Development (DfID) (IfG interviews 98).

This seems surprising, particularly in light of past successes in using pooled budgets as a catalyst for improved cross-departmental working (see Figure 6.2). It also appears inconsistent given central government's own arguments that pooling of budgets locally can be a powerful incentive for partners to work collectively and to make the necessary trade-offs between conflicting priorities.

"More must be done to incentivise and enable work across traditional service boundaries. A key driver of this is funding, and barriers to sharing resources must be broken down."

(HMT 2007d)

One alternative to pooled funding is creating cross-cutting initiatives funded through the Cabinet Office, as seen in Transformational Government initiatives such as Business Link or DirectGov, which focus on cross-governmental improvement of the Government's citizen-facing IT services. It is noticeable, however, that such projects have also encountered difficulty in attracting funding in face of the power of the major spending departments.

Figure 6.2: Driving co-ordination through 'triple key' budgets in the Criminal Justice System (CJS)

In the late 1990s, relationships between the Home Office (then responsible for running police and the prisons service), the Lord Chancellor's department (then responsible for the courts) and the Attorney General's Crown Prosecution Service (CPS) reached an all-time low. Co-operation across the organisations was limited, leading to avoidable case collapses and long delays in resolving criminal prosecutions, which in turn overburdened custody facilities.

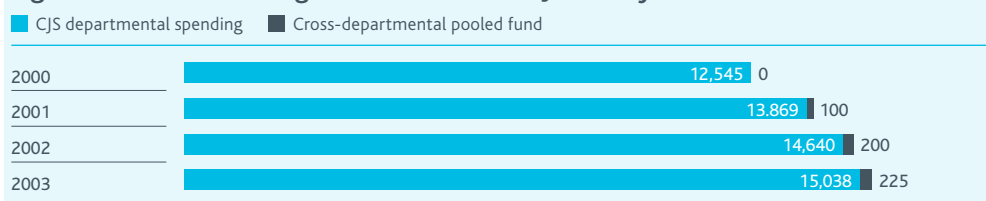
Having pledged to halve the time taken to deal with persistent young offenders from 142 days to 71 days by 2002, the government launched a cross-departmental review of the Criminal Justice System (HMT 2000). This review concluded that progress had been made towards the target, particularly as a result of new Local Criminal Justice Boards which had bought the relevant agencies together at a local level. However, the review also concluded that cross-departmental working remained problematic and that "further measures were required to boost the CJS departments' contribution to reducing crime, delivering justice and securing public confidence in the system". It therefore recommended that extra funding be placed in a pool, with the only condition placed on the expenditure being that the ministers of all three budgets agreed to release the expenditure, leading to the fund being known as the 'triple-key' budget. The sums placed in the pool, though relatively small compared to total CJS spending, amounted to a considerable proportion of the departments' discretionary spend, motivating them to come together to discuss how best to make system improvements.

Observers of the implementation of the triple key budgets noted "changed dynamics" and "a new sense of common purpose" for those involved in discussions. These in turn contributed to collective working that ensured that the government's target was met (MoJ 2008). It is even arguable that the dynamic of collaboration that was created helped lead to the creation of the new Ministry of Justice in 2007, bringing together the Prison Service, the Crown Prosecution and Courts Services within one organisation. A Whitehall director who closely observed the process summarised:

"It can be very hard to persuade departmental finance officers to spend money to improve an interconnected service like the criminal justice system if the costs of the improvement fall on their budget and the savings accrue elsewhere. Also, finance officers hate surrendering any control over "their" budget. The extra money provided under the "triple key" arrangement got round that and created the effect of a pooled budget without requiring any change to the basic structure of the individual departments' budgets" (IfG interview November 2008).

Pooled funding across the Criminal Justice System (CJS)

Figure 6.3: Pooled funding across the Criminal Justice System £m



Source: HMT 2000

All case study sources: IfG analysis based on HMT 2000; MoJ 2008; NAO 2004, IfG interviews

Some performance management practices fail to reward cross-departmental contributions

While cross-cutting PSAs have the potential to encourage greater cross-Whitehall collaboration, other performance management tools remain focused more narrowly on Whitehall's departmental performance. A recent evaluation of Capability Reviews from the Sunningdale Institute (SI) noted, that "the model... focuses on the individual department rather than on how departments work together on cross-cutting issues and capabilities" (Sunningdale Institute 2008).³⁵ Similarly, departmental performance management does not always take account of individuals' contributions beyond departments, with several interviewees highlighting that they were still rewarded for defending departmental positions not for resolving departmental conflicts (IfG interviews 47).

There is also a wider question about whether PSAs yet have sufficient 'grip' on the civil service to drive cross-cutting working. Although interviewees noted that departments did generally focus on delivering PSAs, one interviewee told us:

"I don't see anybody really worrying dramatically about the PSA indicators. I mean they worry about their account of the broad outcomes that PSAs are expected to deliver... but I'll be interested to see if in two years time [the PSA leads] are really held to account for the specific measurements in the PSA."

(IfG interviews 51)

The fact that sanctions for under-performance are often limited to reputational damage and, on occasion, higher scrutiny from the Prime Minister's Delivery Unit (PMDU), is probably a contributory factor (IfG interviews 111).

Of course, there are good reasons for not holding departments to account based solely on PSA performance. One director was rightly sceptical of linking rewards and sanctions too directly to PSA performance, because indicators did not cover the totality of government priorities but also because "past performance is not a good predictor of future performance" (IfG interviews 51). Similarly, external factors often affect performance, explaining why some poor performers hit PSAs while well functioning departments do not. It is notable, for example, that the Home Office hit its PSA targets at the same time as it was being condemned as "dysfunctional" by John Reid, following poor results in its Capability Review.³⁶

Nonetheless, the wider question of whether Whitehall has sufficient performance incentives generally, and particularly for cross-cutting working, remains open, as it has been repeatedly suggested that performance pressures for civil servants are insufficient (see, for example, Lodge and Rogers 2006). Capability Reviews have gone some way towards addressing these concerns, but, despite surprising frankness about widespread poor performance, there have still been no dismissals of senior staff directly as a result of these since they were instigated in 2006. Addressing top level civil service incentives is made more complex by 'the doctrine of ministerial responsibility', which asserts that ministers make and are responsible for policy decisions while departmental permanent secretaries are responsible for delivery. This split risks the situation where both politicians and civil servants can 'pass the buck', with politicians blaming failures on poor delivery by the civil service and the civil service blaming ministers for poor policy decisions.

6.5 Incentives for partnership working locally are weak

Local partnerships currently depend heavily on public service motivations. However, other, harder incentives often act to undermine partnerships locally. In particular, professional bodies are accountable to national government, meaning that they have to respond to national priorities before local ones, and financial rewards for partnership working remain small.

Local delivery partners remain primarily accountable to national government

The contributions of partners to LAA priorities will be judged through the new Comprehensive Area Assessment, which comes into effect in 2009. However, interviewees questioned whether the new inspection arrangements would do enough to incentivise partner focus on LAAs, particularly because individual professional inspectorate bodies and

See Recommendation 9: Include of cross-departmental contribution in Capability Reviews

See Recommendation 12: Design individual appraisals to reward contribution to the corporate agenda

See Recommendation 13: Provide Corporate Board leadership

“

The PSAs *should* be a framework for a serious discussion about performance.

”

(Permanent secretary, IfG interviews 34)

See Recommendation 2: Ensure that the CAA full supports LAA goals

³⁵ Capability Reviews are assessments of the delivery, strategy and leadership ability of Whitehall departments (see Chapter 3 for further detail).

³⁶ See: http://news.bbc.co.uk/1/hi/uk_politics/5007148.stm

“Area-based grant was presented to us as a special ‘pot’ and prioritisation would be really important in this context, to decide how you were going to carve up this pot. It ended up a series of grants for specific things. All of these went to things which were core functions anyway...”

(Local authority strategy official, IfG interviews 8)

See Recommendation 18:
Increase incentives for local
partnership working

nationally organised performance frameworks would remain (IfG interviews 1, 4). As one chief executive put it: “we are dealing with partners who don’t have to sign the LAA – they might have a duty to cooperate but they don’t have to sign it – and does this really figure in their pantheon of their own performance indicators? Life becomes a little bit more difficult” (IfG interviews 14).

Others noted that local government had therefore effectively been given responsibility for partnership working but without sufficient authority over local partners (for example the police or NHS trusts) to drive the agenda. As one chief executive put it: “You can’t tell a Chief Constable what priorities need to be met. Fortunately, we’ve got a very good Chief Constable who is interested in local partnerships more than diktats from the Home Office... but had we not, there would be incredible pressure” (IfG interviews 1). This is clearly a cause of tension. The same chief executive told us that, [Public sector organisations] are all in these silos up to the centre and much less locally-focused, which we are. Obviously that’s something we’re trying to change through the LAA but it’s hard with that centralised culture that we all know about (IfG interviews 1).

A number of interviews felt that partnerships would be best served by giving local government greater authority over the police, health services and other bodies, minimising local conflicts. However, partners rightly noted that, despite attractions, ‘localising’ would have drawbacks as well as benefits. A chief superintendent was particularly worried that greater local accountability in policing would lead to neglect of national priorities such as counter-terrorism, as well as co-ordination problems (IfG Interviews 83). In all policy areas, deciding how to balance local and national accountability is highly complex and requires differing trade-offs, which we are not examined in detail in this report.

Financial incentives for local partnership are small

Given differential accountabilities, alternative incentives are required to ensure partners are rewarded for working collaboratively. However, it is notable that financial incentives for partners to work towards LAA priorities are very small. The reward grant gives local authorities the equivalent of around £40,000 for each target over a three year period (CLG 2007). The reward element supporting the LAAs was felt to be particularly small relative to the administrative effort involved in negotiating and then implementing them. As a representative from a local partner organisation commented:

“I don’t think the rewards have been thought through. It’s a symbolic reward. I know it’s over a million pounds for the county, but you think about the expenditure of the agencies sitting around the table – NHS is about £700m, Council is about £700m, we’re about £132m. So there’s about £1.5bn pounds of effort in the room.”

(IfG interviews 76)

A local authority strategy official was forthright about the difficulty of changing financial arrangements under these circumstances:

“We are in a situation where money is quite tight, and when money is tight it makes lubricating change a lot harder, so I think one of the problems that you come up against is that because people are fighting... to keep their money... the idea that you can then go to them and say, actually, would you mind giving us £100,000 if everyone else gives us £100,000 to do this interesting piece of work? Because they’ll say there’s no money.”

(IfG interviews 6)

This relatively small ‘pot’ is in marked contrast to previous rounds of LAAs, where rewards were more significant. As one chief executive noted “each one of those targets has a cash value of £0.5m... at that level of money you can use that as a genuine carrot [for partners to work collectively]” (IfG interviews 14).

Local government does not yet have sufficient funding freedom to offer partners incentives

Similarly, local government still often lacks the funding control that would be required to drive innovative cross-agency approaches independently, having the lowest level of control over local expenditure of all OECD countries (IMF 2007). While the Area Based Grant (ABG) does provide new flexibility to local areas, it takes local discretion over spending up from a very low base as it is only “the tip of the iceberg in terms of spend” (IfG interviews 4). Further, the £5bn per year pool is not as radical in direction as it might appear because much of the money is already committed to contracts and ongoing projects, often directed at core services. “Take the carers grant”, a local authority director told us:

“You can take the ring-fence off this and put it in the area-based budget, but we spend all that money on the carers centre, the Alzheimer’s society... it’s all tied up in contracts, so to pull out of those, when they’re working well – you’re not going to do that... you might do it further down the line.”

(IfG interviews 19)

6.6 There are ongoing questions about the balance of authority between central and local government

A lack of local control over funding also affects local government’s ability to innovate and reallocate resources to reflect local concerns. Our interviews showed that local officials still come up against obstacles when trying to use funds in new ways to tackle the problems of their area (see Figure 6.4).

Figure 6.4 Innovation and drugs and alcohol funding

One local authority expressed frustration that funding streams prevented them from taking a new and more effective approach to tackling drug and alcohol problems. There was recognition that these were major issues in the city, contributing to levels of acquisitive and violent crime, respectively. The local authority had put a great deal of effort into working with local partners to tackle drug and alcohol problems in conjunction with each other, on the basis that the two are inextricably linked.

Unfortunately, this joined up approach was limited by the fact that central government provides two funding streams, one tied to drugs and another, much smaller, tied to alcohol. Consequently, the local authority is not given the leeway to use that money more creatively to address the broader substance misuse problem, based on its knowledge of the local environment. As its public safety director explained:

“We would like to be much more creative around the way we do it to deliver the outcomes we agreed, but we are restricted because of the way the money comes down and the way it is monitored separately by the National Treatment Agency. That is a big frustration and that comes from government, who allegedly have given us this autonomy and responsibility and pot of money to choose how we spend it – this isn’t actually the case” (IfG interviews 5).

As the local authority points out, this inflexibility of funding is an old problem. Interestingly, it appears that the LAA has done little to improve matters – as the chief executive noted, “I never was able to have that real conversation with government... we never, never got that flexibility. We still haven’t” (IfG interviews 21).

Ring-fenced funding, is a particular problem, and has long been criticised for prohibiting innovation and encouraging councils to spend up to the level of the ring-fenced limit. As the Audit Commission reported to the Public Administration Select Committee (PASC) enquiry into the role of local government in 2004:

“Ring-fencing of grants and other targeting of funds – including the requirement to passport funds to education – do not promote efficient and effective resource allocation at a local level.”

(Audit commission, PASC submission (PASC 2004))

“
...we would like to be much more creative around the way we do it to deliver the outcomes we agreed, but we are restricted because of the way the money comes down.
”

*(Assistant director, local authority
IfG interviews 5)*

The ABG represents an overall trend, with government also making wider commitments not to use ring-fencing except in exceptional circumstances. Yet a number of new ring-fenced funding initiatives have been introduced since the introduction of LAAs. None of this ring-fencing appears to have a clear rationale and several of our interviewees raised unprompted objections to perverse, inefficient or unfair consequences that would result from the new arrangements (IfG interviews 41, 42, 66).

Lack of control of spending in turn relates to wider questions around tax-raising and constitutional powers, including the question of influence over professional bodies, as noted above. Again, several interviewees felt that the current balance of authority and control between central and local government was not yet optimal and, indeed, there is intense and growing political focus on this issue, as noted in Chapter 2. However, these are questions for the future, and are, to some extent, beyond the scope of this report. Nonetheless, it seems clear that there is still scope to reduce unhelpful central prescription at the margins (for example by reducing ring-fencing and prescription) without fundamentally redefining the constitutional settlement.

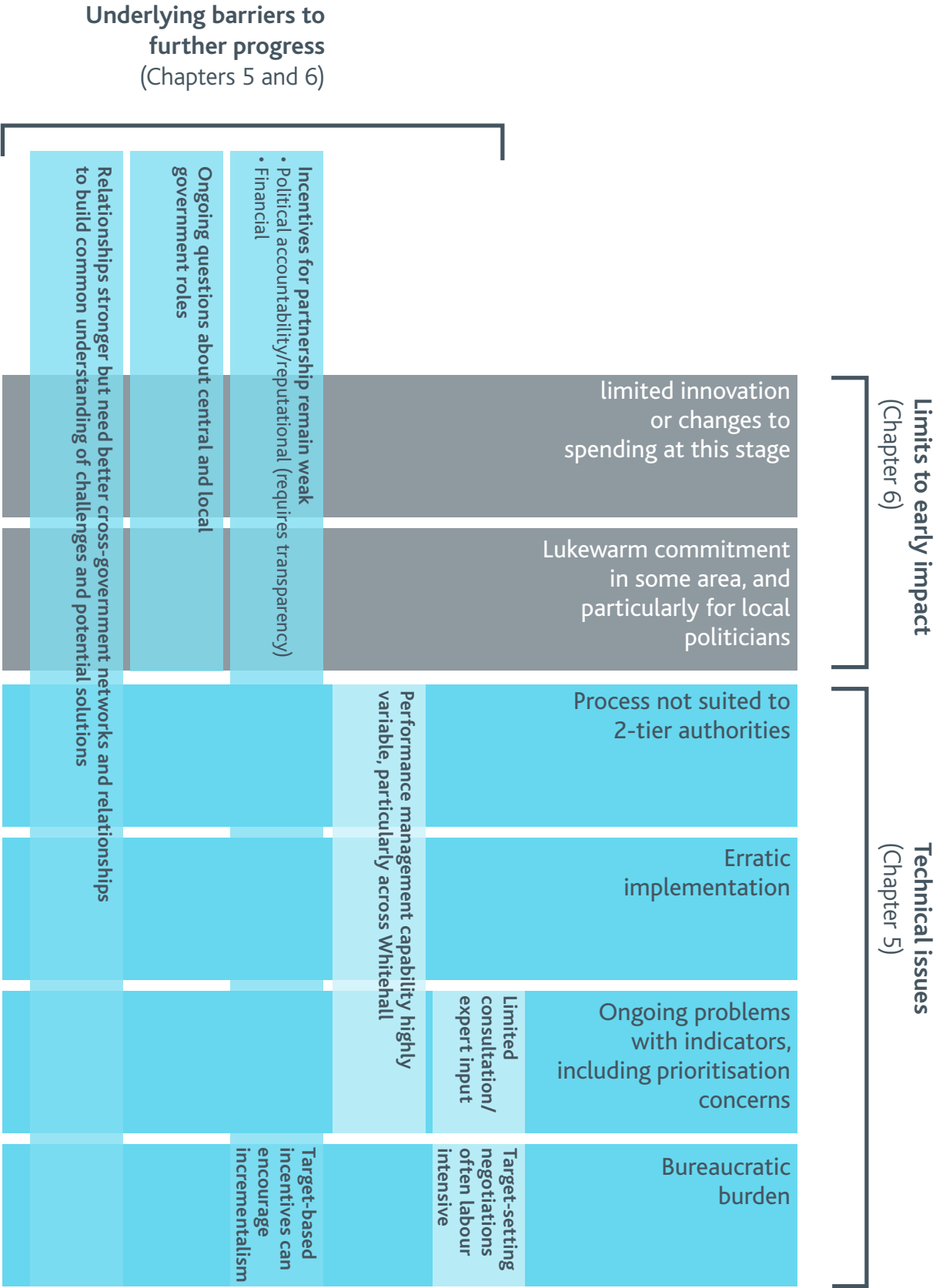
Conclusion: More needs to be done to meet the goals of the framework

These underlying problems suggest that the goals of these new performance frameworks – a less prescriptive approach; a greater focus on high-level, strategic outcomes; greater collaboration across public services and sectors – will not be achieved through changes to the PSA and LAA frameworks alone. This is unsurprising given the fundamental shifts in behaviour being demanded across public services and because of the vast range of other influences on behaviour, for example other performance frameworks, inspection regimes, *ad hoc* controls, and environmental influences.

More can be done, however. One priority must be to invest still more in improving cross-system relationships and understanding, as many of these relationships are in their infancy and remain fragile. Another will be to ensure that wider system incentives encourage cross-departmental working in Whitehall and partnership working locally. As shown in the previous chapter, building performance management capability and openness and transparency will be equally critical, as it will enable more sophisticated performance management. There is also a clear need to reduce aspects of unhelpful micro-management from national government, although there may also be a need to revisit the wider questions of local government powers in future.

Figure 6.5 summarises the problems that we observed through our research and how these relate to wider underlying system problems. In Chapter 8, we make recommendations on how to address these underlying barriers to improvement.

Figure 6.4: PSA and LAA problem matrix



7. Uncertain futures

“

These threats are already creating instability

”

(Civil service director, IfG interviews 37)

The current PSA and LAA frameworks represent considerable progress over previous approaches. Partly as a result of this, there was a clear sense from many of the people we spoke to that there was now a need for continuity and stability in the system. However, the economic downturn, a tightening fiscal environment and potential political change all threaten the stability of the new system.

There is a strong case for maintaining stability in the system

Overall, we feel that there is a strong case for ensuring the stability of the new arrangements, certainly for the duration of the current Public Service Agreement (PSA) and Local Area Agreement (LAA) round, and to some extent beyond, for several reasons. First, there will always need to be some way of making priorities clear both locally and nationally. Second, the evidence we have presented in this report suggests that on balance the positives arising from the new system outweigh the negatives. And third, the introduction of completely new frameworks is likely to create additional bureaucracy and confusion, particularly if new frameworks are introduced while the current round of PSA and LAA agreements are running their course. In Chapter 5, we saw the difficulties that overlapping performance management frameworks can create, including increased performance management burden and demotivation of staff.

Many of the people we spoke to emphasised the importance of continuity for delivery. Having recently completed negotiation processes, organisations are now motivated to deliver and feel change would be disruptive. One local authority chief executive lamented that “if we were given enough time... for the maturation of these processes it would work... [but I’m not sure we’re going to be given that time] because governments are always in a hurry” (IfG interviews 4). Indeed, concerns about stability already seem to have had a disruptive effect on negotiations and commitment. As one local government interviewee told us: “we’ve refused to sign up to perfectly good indicators this time round because we believe they’re going to change them again...” (IfG interviews 8).

The need for greater stability was acknowledged at Whitehall level, too. A Whitehall director we spoke to was candid in his assessment: “in theory what we’ve done is said to local authorities ‘you have more autonomy and you will decide and we will monitor on outcomes’ but you see all the time anxiety around central government about whether that’s the right approach, whether we can let go here and there and so on... it still doesn’t feel stable to me... obviously it’s unhelpful from a purely delivery point of view because, I mean, stability is quite important” (IfG interviews 37).

However, growing economic turbulence, a tightening fiscal climate and the potential for future political change all threaten stability and progress.

Adverse conditions in the wider economy may affect performance against targets – and Whitehall may draw the wrong conclusions

There were worries that if the economic downturn bites, targets may be missed and belief in the new arrangements will be undermined. One Government Office official told us that “if the government has set targets, those targets have got to add up to PSAs, and yet you know that those targets are now becoming very difficult to achieve if not unachievable... so

how honest are we about the ability to look again at what's what?" He went on to point out that "anyone who negotiated a target around benefits... or even economic development, housing numbers... will be starting to say 'no, the climate's different now', I can't agree to that..." (IfG interviews 82). Many felt that performance in these areas, and on crime reduction, was most at risk.

In particular, there are concerns that declining performance against pre-agreed targets and indicators might encourage Whitehall departments to draw the wrong lessons about the experiment with devolution that the current round of PSAs and LAAs represents. Some interviewees felt that there was a danger of recentralisation as government sought to regain stronger control over policy formulation and delivery and get performance back on track. Ongoing unease in Whitehall about the "huge risk" that the new arrangements represent seemed to add weight to this argument (IfG interviews 32, among others). But there were also clear concerns in some Whitehall departments about the implications of declining performance in particular policy areas.

A Whitehall director told us that:

"There is certainly a risk if crime starts to turn up sharply. There would be an immediate debate about what the Home Office is doing, what the Home Office is for... and that's where we have to hold our nerve frankly... if crime rises we will need to find new strategies but that doesn't mean going back to micro-management..."

(IfG interviews 36)

In truth, there was a good deal of uncertainty about how far-reaching the impacts of an economic downturn would be. While several interviewees highlighted the potential for declining performance against pre-agreed targets and indicators for housing, crime reduction and unemployment, others felt that some might even improve as economic conditions worsened. One Whitehall director we spoke to, for example, felt that the number of 16-17 year olds in school was likely to increase as incentives for moving into the job market become less strong (IfG interviews 43).

Declining investment in the new frameworks could undermine partnership working

A tightening fiscal climate could spur reductions in investment that might undermine partnership working. This is a particular concern since many interviewees felt improved partnership working at local level was one of the core strengths of the new arrangements. Fears were partly shaped by evidence from history and the private sector suggesting that organisations tend to focus on core business areas in times of economic stress. A local authority probation lead, for example, told us that "we're going to go through a rough economic patch, I think the tendency then will be for people to retreat into their own silos" (IfG interviews 26). A local authority chief executive felt that a refocusing on core services was just as likely to apply to partners as central and local government themselves: "their service thinking is still dominant and I guess, particularly if resources get tighter and everything else, I think some of those direct lines are still very important" (IfG interviews 16).

See Recommendation 10: Give ownership of priority cross-cutting PSAs to cross-cutting ministers

There was a strong sense from our interviews that reverting to core service delivery in this way would be a mistake. As we argued in Chapter 3, a focus on core service delivery – even if it is of outstanding quality – is unlikely to help tackle the "wicked issues" government increasingly faces. Quality of service delivery in a number of areas, including public health, social care, and climate change, requires cross-cutting approaches, meaning the public will be disadvantaged by any "retreat to the core".

There are concerns that electoral change could undermine the new arrangements

The prospect of imminent political change troubled a lot of the people we spoke to despite the public commitment of the Conservatives to maintain LAAs should they win a general election. We found evidence that, in some cases, this concern had undermined local authority commitment to the new arrangements. As one local authority chief executive told us, "anything this government is saying or doing... you've got to put up with it and almost pay lip service to it for the next year or two... I mean things change, can't they? (IfG interviews 21). These concerns were increased by the fact that some Conservative councillors viewed LAAs unfavourably. In one of the localities we visited, for example, the election of a majority Conservative council in May this year had transformed the approach

“
I think you have to
revise the system,
you can't have a
model that sits there
for ten years, but you
don't want to be
constantly tweaking
it as well, so it's
about getting that
balance between
change and
continuity which is
critical for
organisational
success

”

(IfG interviews 1)

to an LAA. A Government Office official closely involved with the relevant authority told us that “the Conservatives [in this locality] have a very different view on partnership working... do not believe in it, and have been very overt in giving that point of view to everybody, both before and after they gained control of the council” (IfG interviews 45). This view was also expressed by councillors on an individual basis during our interviews (IfG interviews 69, 73).

However, it is far from clear that this represents national-level policy. In fact, the new arrangements – at least for LAAs – appear to have significant support from other political parties. First, leading opposition figures have openly expressed their support for LAAs as tools for improving performance management in local government. For example, Eric Pickles, the Shadow Secretary of State for Communities and Government, recently expressed the view that “I don't see why we should wait for a general election to get the benefits of Conservative policy... we have had some doubts in the past, but I reckon LAAs are the future”. Similarly, Roger Gough, a researcher on local government at the centre-right think tank Policy Exchange, suggested at the recent LGA annual conference that LAAs would strengthen citizens' ability to hold organisations like the police to account. He argued that “an LAA could be used to start to strengthen the democratic elements within it” (LGA 2008).

Endorsements of PSAs, by contrast, have been conspicuous by their absence, leading to greater concerns about change. As one Whitehall director commented, “Pickles has said he would keep [the LAA]... but in light of political change, will they chuck out the old [PSA] architecture because that's just what you do?” (IfG interviews 37).

Conclusion: fiscal, economic and political circumstances could conspire to generate instability, which could undermine PSAs and LAAs

The consensus among those we spoke to was that a complete overhaul of PSAs and LAAs was not desirable. Instead interviewees generally favoured complete stability during this round of PSAs and LAAs and moderate change for the next Comprehensive Spending Review. As one local authority chief executive told us, “I think you have to revise the system, you can't have a model that sits there for ten years, but you don't want to be constantly tweaking it as well, so it's about getting that balance between change and continuity which is critical for organisational success” (IfG interviews 1).

However, interviewees also noted that much could be done to support delivery focus and achieve the goals of the revised frameworks in the next three years, without changing the mechanics of the frameworks themselves (IfG interviews 1, 3). These calls for short-term stability and only moderate medium-term change are reflected in our recommendations.

Section 3: New Directions

8. Conclusions and Recommendations

“

I think it's a better framework than it was... but it's only a first step... it's got to go much, much further

”

(Local authority chief executive, IfG interviews 41)

8.1 Building on progress

The new frameworks for PSAs and LAAs announced in 2007 were presented as offering a radical shift away from the performance management systems of the previous decade. The system would be “more outward-looking... more streamlined... more motivating... more empowering... and more local” (Burnham 2007). As discussed in the preceding chapters, our research found evidence that the new approach has made progress towards achieving these goals – but some obstacles still need to be overcome (as shown in Figure 6.4).

The following sections set out our proposals for meeting these challenges. Our recommendations range from short-term technical adjustments to the process to major structural changes to the PSA and LAA frameworks and surrounding governance arrangements. We present these proposals in four groups.

First, in recommendations 1 to 4, we set out some reforms that should be taken up within the next six months. These immediate [priorities for change](#) are in line with the logic of the existing framework, but represent ways to smooth over some of the early operational difficulties identified by our research. These adjustments will have a beneficial effect at the margins, but will not make serious inroads into more deeply-rooted weaknesses of the system.

Addressing these deeper problems requires action with a broader focus, which seeks to foster a more supportive environment for delivering the objectives of PSAs and LAAs. With this in mind, we present our second and third tranches of proposed reforms. These address two key enablers for meeting the objectives set out in CSR 2007. Recommendations 5 to 8 are designed to [strengthen relationships](#) and understanding between Whitehall and local authorities, which many interviewees identified as a core success factor in delivering service improvement. Recommendations 9-13 aim to [improve coordination](#) between departments and individuals in government by changing incentives and governance arrangements around PSA delivery. They address the persistent problem of ‘departmentalism’ in Whitehall, which frustrates attempts to join up government and can give inconsistent messages to local authorities, thereby disrupting local delivery.

These proposals could all be introduced during the 2008-11 spending round, but other problems are more deeply ingrained into the current arrangements. We therefore outline a fourth package of reforms, which are more tentative but could be acted upon in time for the next PSA/LAA cycle. Recommendations 14 to 18 would [build upon the positive momentum](#) generated by CSR 2007. They would not represent a reinvention of the wheel, with all the disruption to local authorities or delivery partners this would cause. Indeed, these recommendations go with the grain of the ambitions of the PSA and LAA frameworks, but, hopefully, will serve as encouragement to move further and faster. We also hope that they will contribute towards an ongoing debate as approaches to public service performance improvement become more nuanced and sophisticated.

More radical reforms involving much wider changes to the fundamental operation of public services and government are of course possible. This takes us beyond the scope of this report, but – as discussed in the final section of this chapter – this will be doubtless be territory that the Institute for Government will revisit in future work.

8.2 Immediate Priorities

The PSA and LAA frameworks were formally launched in April 2008, but our interviews revealed a widespread sense that the machinery for making the system work remained incomplete. As one local government official said: "The reality is that [the government] rushed into it... they said they were going to do it before they knew what it was... they should have left it a year" (IfG interviews 8). Below, in our first set of recommendations, we highlight areas where immediate action should be taken to complete the implementation and improve the functioning of the new system.

1. Enhance public accountability via citizen-focused publication and better reporting to Parliament

Quantitative performance indicators and targets hold the promise of improved political accountability, by creating a clear benchmark against which government can be held to account for delivery. However, for this benefit to be realised, performance information has to be published in such a way that feeds into public debate, and does not become simply a technocratic resource for officials and experts. [The development of a comprehensive publication strategy is fundamental.](#)

The government currently performs reasonably well in publishing performance data for local areas in a usable format. The Floor Targets Interactive site – run by CLG – is the main existing platform.³⁷ This site includes the facility to access and export data disaggregated by local areas for a range of indicators, and to generate reports showing time series data. This site is in development and will be relaunched in Spring 2009 with additional analytical tools and early data across the whole National Indicator Set.

Useful though this resource is for experts seeking to track trends or identify correlations between indicators, it remains the case that [performance data is not currently published in a format that makes it easy for citizens to understand](#). Data is also not presented directly alongside targets, weakening the accountability function of LAAs and PSAs. In addition, there is at present no central platform for reporting against all national targets as set out in PSAs, with interested citizens having to struggle through diverse departmental websites and annual reports to find this information. For example, to find the latest data relating to all Department of Health PSAs one must click through five links from the department homepage, before scrolling down to page 215 of the 2008 Annual Report (DoH 2008).

It is true that LAA targets are unlikely to become the currency of conversation at the metaphorical 'Dog and Duck'. However, information about government performance does feed into popular discourse, often as a result of media coverage or political activity (for instance through opposition parties highlighting poor performance in an election campaign), and interested citizens should be encouraged and enabled to seek out the figures for themselves. There is also a normative case that greater transparency in government should be defended in its own right as a basic principle of liberal democracy.

[Data for all LAAs and all PSAs should therefore be published on a single website in an accessible manner.](#) This site should make it simple for interested members of the public, third sector actors and the media to find information relating to particular policy domains or local areas, and should present this data in various comprehensible formats (such as graphs showing progress over time, and interactive maps displaying variation in performance by local area and region). Crucially, data should also be presented directly alongside PSA and LAA targets (with interim assessments of whether performance is on track or not, and a verdict at the end of the period on whether the target has been met). Clear text and graphic based explanations should set out the relationship between LAAs, PSAs and the CSR, the distinction between indicators and targets, and rationales for the choice of particular data sets. It should also clearly identify which individuals and organisations are responsible for delivery in each case. Good practice examples of citizen-friendly performance reporting include 'Scotland Performs' and 'Virginia Performs' (see Appendix 4). We are also attracted to the idea that annual performance reports of local areas be included with council tax bills (Brand 2008, p.58).

37 CLG, Floor Targets Interactive website, at: <http://www.fti.communities.gov.uk/fti/>

To enhance public trust, we further propose that [all performance data should be subject to independent validation](#). This would most logically be a task for the National Audit Office (as recommended by PASC 2003, p.36), which already assesses departments' data collection systems.³⁸ In addition, to strengthen accountability further, the Government should make an annual report to Parliament on progress against all PSA targets, together with commentary on its performance (see also Sorabji 2007, pp.25–26). This would complement the existing departmental Annual and Autumn Performance Reports, and would provide a focus for parliamentary debates or committee inquiries (e.g. by the Public Administration Select Committee) to assess performance across government as a whole.

[National level performance information could also be used to make international comparisons](#), where reliable data is available (for instance PISA educational rankings). The Institute for Government intends to revisit the issue of cross-national assessment of government performance and capability in future projects.

2. Ensure that the CAA fully supports LAA goals

The Comprehensive Area Assessment (CAA), due to be launched in April 2009, will be another important plank of the accountability framework for LAAs. According to the seven bodies involved in the exercise, the CAA will ensure that people receive “clear and impartial information on how well they are being served by their local public services, how that compares with elsewhere, and what the prospects are for the quality of life in their area” (Audit Commission *et al* 2008, p.2).

The latest draft version of the CAA methodology explains that: “*For each indicator* [in the NIS], we will compare and report local performance against established comparator groups or those facing similar challenges” (Audit Commission *et al* 2008, p.14, emphasis added). Although the new CAA will “pay particular attention to those indicators adopted as Local Area Agreement targets”, there is a danger that CAA will effectively assess local area performance against all 198 National Indicator Set indicators. This runs the risk of confusing the incentive structure for LSPs and councils as they make budgetary and policy decisions relating to service delivery. It therefore may undermine focus on issues that local and central government have already agreed (through the LAA negotiation process) as key priorities for the area.

We therefore recommend that the [CAA should strongly emphasise areas' performance against indicators selected for LAAs rather than against the NIS as a whole, in order to encourage greater focus on LAA delivery](#). This should be clarified at the earliest opportunity in final guidance for local areas (see also Brand 2008, p.89), so that LSPs can plan accordingly. The CAA would continue to monitor performance across the full NI Set to maintain minimum standards, but public reporting of CAA results should make a clear distinction between assessment findings relating to LAA priorities and those taking the broader perspective.

3. Revise LAA timelines and align budget timetables to enhance impact

Another important implementation issue is the timetable according to which LAAs operate and how this aligns with financial planning timelines. In the current round, local budgets cannot be tailored to Local Area Agreements agreed in June 2008 until 10 months later, when the 2009/10 financial year begins. This delay may hinder local authorities' attempts to make early progress in meeting LAA targets. To counter this problem, [annual LAA 'refreshes' should be finalised by December at the latest in order that they can affect annual budgets in local authorities and other services](#). Doing so will ensure that progress made during LAA discussions can translate quickly into action. The Government should also undertake to ensure that the delays in issuing LAA guidance are not repeated. Although negotiation timelines were already found to be challenging by some involved, this was principally because of the late engagement in the process of certain departments, which clear leadership from the centre should be able to prevent from recurring.

A related problem is that the budget timetables of local authorities and partners such as Primary Care Trusts are not aligned, which can frustrate attempts to coordinate initiatives. One senior local authority official noted that while the council had shared its budget plans with partners to enable a collective debate, this had not been reciprocated, partly because of differing timescales (IfG interviews 85). We believe [there is a strong case for bringing the](#)

³⁸ We consider this to be a neater solution than the more recent suggestion that a new National Performance Office be created with responsibility for data validation (PASC 2007, p.35).

budget processes of all the statutory LAA partners into alignment. Changing financial planning timetables would inevitably cause some disruption in the short term, however, so the Government should launch a consultation process on how best to align budgets.

4. Support local delivery through better coordinated advice and demand-led support from Whitehall

Whitehall should concentrate on enabling local actors to find the most effective and efficient ways of delivering PSA and LAA priorities. Local authorities already receive a significant amount of guidance from the centre so the emphasis should be on improving utility not increasing quantity.

Central government's advantage is its ability to look at the national picture and identify what interventions produce the best results, and how different policy areas relate. Whitehall should therefore provide cross-government guidance on how indicators are thought to causally interact and, if necessary, the order in which they should be tackled. This might show, for instance that it makes sense to prioritise tackling antisocial behaviour (NI 17), before focusing on, say, the ways in which children travel to school (NI 198), since one reason why children in some areas do not walk to school is fear of crime.

Similarly, Whitehall should offer or fund indicator-specific guidance to local areas, highlighting known interventions and evidence of effectiveness, while clearly enabling local areas to tailor to local needs and to innovate, if desired. This work should link to that of the Improvement and Development Agency (IDeA): IDeA is already building a library of best practice case studies and tying these to specific indicators, and detailing the most important levers for making progress in different policy areas.³⁹ The guidance should also be designed and co-produced with commissioners of services – implementing an often promised, but yet to be delivered, 'Which guide' for commissioners in LAs, PCTs, and CDRPs.

It is also crucial that departments coordinate their communications with local actors. For instance, as the Public Accounts Committee recommended in October 2008, the Home Office and DCSF might jointly "promote good practice in Safer School Partnerships by identifying the number and type of Partnerships and their potential impact upon local crime trends" (PAC 2008, p.6). However, we uncovered evidence that departments often continue to communicate with local authorities and partners through vertical silos, for instance to push the line that 'their' indicators are the key to driving improved outcomes elsewhere. As a result, the messages received at the local level can be blighted by problems of redundancy, lacunae, and incoherence (Hood 2005, p.27).

This type of situation arises because there is no actor in Whitehall with responsibility for coordinating messages transmitted to the local level. Typically, this is a GO role but GOs are often only involved in coordination at a very late stage – by which time their impact is limited. It may therefore be necessary for CLG, together with a Cabinet Office team – perhaps under the direction of the Cabinet Committee with responsibility for local government (DA-LGR) – to take on the role of 'gatekeeper' in ensuring messages are coordinated.

The provision of advice should be driven by local preferences rather than central presumption, with Whitehall expected to respond to requests for information from local areas acting individually or collectively. *Moving to a demand-led model of guidance should be one part of a broader shift in the role of Whitehall towards the vision of a "strategic and enabling" central state recently set out by the Government* (Cabinet Office 2008, p.14). This would see the centre creating the framework for successful delivery (via market-making, capacity-building, minimum-standard setting, etc), but intervening more directly only in exceptional circumstances. This subject – the future role of central government – is likely to be the focus of future Institute for Government work.

8.3 Building Relationships and Understanding

Our research repeatedly demonstrated the value of relationships in building common purpose and in resolving tensions where organisational priorities appear to conflict. The academic literature also suggests that increasing the social capital between government officials can lead to improved performance (although the available evidence paints a complex picture: Boix & Posner 1998; Coffe & Geys 2005; Tavits 2006). The measures outlined above (in particular recommendations 3 and 4) would help to smooth the interactions between local partners, and

³⁹ See for instance the IDeA's advice on how to push economic development indicators in the right direction at: <http://www.idea.gov.uk/idk/core/page.do?pageId=8496128>

between central and local government. This in turn should enhance the impact of the PSA and LAA systems on performance and accountability. But [more creative thinking is required to build more lasting relationships among actors at different points in the delivery network](#). We suggest below a number of ways in which the power of relationships could be harnessed to coordinate actions and increase understanding among partners in pursuit of improved policy outcomes.

5. Host a performance management network for Whitehall performance management practitioners

Our research found evidence that awareness among officials of cross-governmental interdependencies, trade-offs and opportunities is often lower than is desirable. It also found many pockets of good practice in Whitehall that went unshared. To alleviate this problem, we propose holding [purposeful networking events that explicitly aim to facilitate improved cross-governmental working](#). These events would focus on building relationships between officials who have similar roles in different parts of government.

The Institute for Government, working with the Cranfield University Centre for Business Performance, therefore proposes to establish and support a network for Whitehall's senior performance management practitioners (Grade Five or above). The network would be built around a number of events each year of various formats, and would include action learning sets and challenge sessions with external experts and practitioners. There is both a need for this network (as shown through our research finding that good practice on individual and collective performance management is often not shared, and by findings of the Capability Reviews) and a demand from potential attendees. Such a network would also provide a forum discussing the other recommendations made in this report, enabling practitioners to refine the detail of our proposals for reform, and to share ideas about implementation.

Other networking events could also add value. For example, a series of events could bring together Whitehall, GO and local authority directors who are involved in delivery of particular PSAs. By combining various policy areas and levels of government, these events could provide an arena where useful dialogue can take place between actors who may not normally interact. An alternative approach is for selected local and central government actors to participate in an annual study visit to understand how another country tackled a specific type of management challenge.

6. Build common understanding of challenges through secondment programmes

"I think some of the civil servants could do well to come out and work in local government. Local government sectors understand how difficult it is to match a conceptual target to what delivery actually is on the ground" (Chief executive, IfG interviews 14).

A lack of awareness amongst central government civil servants of the delivery challenges faced by local authorities has increased tensions in the LAA negotiation process. To address this issue, and to improve central-local understanding, [FastStream participants should be seconded to work in a local authority \(or to another relevant delivery organisation\) for six months, with local government graduate scheme participants moving into Whitehall](#). The secondment would consist of a structured 'project' that has direct relevance to service delivery, creating a fuller understanding of what constitutes realistic timescales and how local budgets are constructed. Dissemination of the ensuing insights amongst central departments should lead to officials having more realistic expectations and making more realistic demands of local government.

Requiring early-career officials to spend time at the front line in this way – on what one local government director called 'tourist visas' – would therefore be a beneficial step in its own right. However it could be taken further, by viewing this initiative as part of a wider exercise of setting the expectation that a civil servant needs to have spent a significant period of time (on a 'work permit') working outside Whitehall before entering the Senior Civil Service (SCS), just as senior officials in the FCO will have spent time in embassies and international organisations elsewhere in the world. These secondments might be in the private or third sectors as well as local government.

The government has long been committed to personnel interchange in and out of the civil service and departments have 'interchange managers' to facilitate this. However, secondments remain the exception rather than the rule. In April 2005, for example, 1,007 of 3,900 senior civil servants had ever been on secondment, some more than once, but the majority of these had been seconded to other Whitehall departments and only a quarter (6% of the total SCS) to the wider public sector.⁴⁰ Yet secondments to local government and delivery partners in particular are likely to become more important as the civil service moves to a smaller and more strategic model, with a less direct role in service provision (as discussed in Recommendation 4 above). There is therefore a need to give this commitment more teeth, through harder incentives. **We propose that a norm should be established, wherein no official can reach the SCS without having spent 1-2 years outside Whitehall.** This would complement the shorter secondments FastStreamers would undertake.

7. Increase joint leadership training for public service leaders

Developing potential and current leaders has become an increasing priority for Whitehall, local government and the professions. This focus has prompted a range of actions since 1997, including:

- The creation of new professional agencies and non-departmental public bodies, either to commission and provide professional training generally or to focus solely on leadership training;
- The increased use of private providers who offer a growing range of bespoke and off-the-shelf services (King *et al* 2006);
- Increased expenditure, although it is often conceptually and administratively difficult to separate out spending on leadership training, and public disclosure of information in this area is limited.

However, there are increasing concerns that creating individual service silos for leadership training could potentially lead to:

- An inappropriate reinforcement of silo-based professional and organisational mentalities;
- Reduced cross-fertilisation and shared learning about what works in leadership training;
- Failure to ensure optimal capacity utilisation of residential facilities;
- Failure to capture economies of scale in administration and management of commissioning and delivery;
- Reduced bargaining power in commissioning of training services.

This service-specific approach to leadership training seems incongruous given growing awareness of the similarity of the organisational challenges faced by service leaders and the potential for leaders from different services to share best practice. It also appears incompatible with wider attempts to increase collaboration between public servants. In addition, this service-specific approach differs from international practice. For example, France's prestigious *Ecole Nationale d'Administration* (ENA) brings together high potential public sector leaders from across all parts of the public sector (NZSSC 2001).⁴¹

There is significant potential to increase the amount of leadership training involving leaders from a range of sectors and professions. Such an approach could be particularly powerful when bringing together public service leaders working in specific localities because it would allow them to work through real, collective problems (taking an 'action learning' approach).

40 The full reported figures were: 550 SCS secondments to other Whitehall departments, 300 to the private sector, 250 to the wider public sector, 250 to international organisations and 36 to the voluntary sector. Source: The Guardian, 'A job that's second to none', 5 July 2006, at: <http://tinyurl.com/64vo3p>.

41 The Public Administration Select Committee proposed a 'Public Service Academy' for 'public servants of all kinds and at all levels... to discuss and develop the practical application of public service principles for their own work' (PASC 2002)

However, achieving this change may require more than the creation of a high quality leadership training proposition. Monopoly provider structures and lack of user choice will tend to inhibit use of cross-service courses. There may therefore be a need to revisit public sector leadership provision in a more fundamental way, looking at the underlying structures and governance for the commissioning and provision of leadership training.

8. Increase the use of Whitehall 'negotiating champions'

Our interviews suggest that the involvement of senior Whitehall figures as negotiating champions for selected local areas, assigned to facilitate LAA discussions, had proved 'very valuable' – including for the champions themselves. Despite the potential for duplicating the Government Office role, GOs appear to have welcomed the use of 'champions', while local authorities have been buoyed by the 'attention from Whitehall'. Specifically, 'champions' were helpful in gaining traction on controversial indicators such as NI 154 (additional homes provided), in acting as an arbitrator when difficult trade-offs needed to be made in selecting the maximum of 35 discretionary indicators for each LAA, and in explaining local decisions to colleagues in Whitehall.

Therefore, [the use of such 'champions' should be expanded from the current 27 to 75 in 2009, and they should be given an ongoing role to improve central-local relationships](#). The long list of approved 'champions' would be generated cross-departmentally at Whitehall – perhaps drawing heavily from the 'Top 200' and 'High Potential' Groups. CLG should coordinate this process and provide support to the 'champions' with regard to their new local roles. Local authorities, in collaboration with their Government Office, would apply to be assigned one of the available 'champions'. These 'champions' would then become another 'route to Whitehall' available to local authorities, enabling a more mature discussion around balancing local and central priorities. At the same time, the 'champions' would gain a valuable insight into how central policies are being implemented and the pressures faced by local authorities. Given the ongoing nature of this role, there needs to be careful liaison between the 'champion' and the director of the relevant Government Office.

8.4 Strengthening Cross-Departmentalism in Whitehall

The PSA and LAA frameworks rightly signal to the whole public service that traditional silo-based working is not sufficient to meet the challenges of modern government. Nevertheless, our research shows that [departmentalism continues to hinder delivery of cross-cutting performance objectives](#). Better coordination between parts of the government machine is not for nothing known as the "administrative holy grail... for practitioners of government" (Peters 1998, p.1). Making progress towards this elusive goal therefore requires the use of all available tools in government's power. Relationship-building, as discussed above, is one way to improve coordination, but this must be backed up by harder measures. Below we set out five reforms that should be made during this spending round to align incentives with cross-departmental objectives, and to give unambiguous signals that cross-cutting work is at the heart of the Government's programme.

9. Include assessment of cross-departmental contribution in Capability Reviews

Just as individuals should be incentivised to work cross-departmentally, so too should departments. One important tool for this should be the Government's Capability Reviews. These have proven a considerable success in improving accountability of Whitehall departments and providing incentives for improvement. However, in a broadly positive assessment, the Sunningdale Institute found that "What the model omits is significant", and specifically, that the process "focuses on the individual department rather than on how departments work together on cross-cutting issues and capabilities" (SI 2007, p.1). This weakens departments' incentives to concentrate on cross-departmental working and consequently undermines delivery of PSAs, where a willingness to make trade-offs between departmental interests is a prerequisite for success.

There are good reasons to maintain continuity in the Capability Reviews. But the review framework is currently being updated in any case, so there is an opportunity to strengthen it by [including an assessment of each department's contribution to joint PSAs and other cross-government objectives](#). The assessment would test how far departments have moved from what the Cabinet Secretary has called '100:0:0 working' (100% for the department, zero for other departments and zero for the wider public service: Cabinet Office 2007, p.4). In a similar way, future reviews should take further account of departmental ability to understand and deal with places and local variation.

The capability review model might also be adapted more radically to the cross-cutting logic of the PSA system. [Cross-departmental capability reviews could be held for certain key Public Service Agreements](#), making an assessment of how well-placed is the government as a whole to achieve PSA objectives. For instance, a review might be conducted for the multi-departmental PSA 27 (climate change), which would assess the relevant units not only of the new Department of Energy and Climate Change (as the successor lead department to DEFRA), but also of BERR, CLG, DfT and HMT, all of which play an important role in delivery (HMT 2007e, pp.11-13) and perhaps also of other more marginally involved departments.

10. Give ownership of priority PSAs to cross-cutting ministers

Cross-cutting administrative machinery has been set up around the new PSAs, with a Senior Responsible Officer (SRO) and cross-departmental Delivery Board for each. Ministers remain tied to individual departments, however, meaning that political responsibility for the delivery of each PSA is divided between different parts of Whitehall. This arrangement undermines coordination and accountability.

We therefore advocate the [appointment of ministers \(at Minister of State level\) with cross-departmental portfolios to take responsibility for certain priority PSAs](#). For instance, a Minister for Drugs and Alcohol Strategy (leading on PSA 25) would be part of the DoH and the Home Office. He or she would have an office in the Home Office (as lead department for this PSA) but would work with staff in both departments – and particularly with the SRO and PSA Board – to ensure that activity is coordinated and necessary trade-offs are made. Aligning ministerial and civil service governance arrangements in this way would strengthen the Government's commitment to 'joined-up' delivery, by creating single individuals to be held to account for performance in cross-cutting areas. Cross-cutting ministers would also take on responsibility for managing spend from pooled budgets for PSAs as these are rolled out (see recommendation 11). Other good candidates for cross-departmental ministers include PSA 3 (immigration), PSA 16 (social exclusion), and PSA 27 (climate change).

Although unusual in the Whitehall context, [there are existing precedents for cross-cutting ministerial roles](#). For instance, the Minister for Children in DCSF leads on the department's aim to "make England the best place in the world for children and young people to grow up" (DCSF 2007, p.5). This requires cooperation with, among other departments, the Ministry of Justice on youth justice and the Treasury on child poverty. Similarly, ministers in the Cabinet Office lead on social exclusion policy, which entails coordination of several line departments. In addition, since 2007 the Minister for Trade has been formally appointed as minister in both BERR and DfID, recognising the need for linkage between economic and international development concerns in trade policy. And the nine 'regional ministers' appointed in 2007 also have a connective role, in providing a voice for their region in Whitehall, and a voice for government as a whole in their region.

Other political systems offer lessons in this area too. Our recommendation draws in particular on the Irish model, where various Ministers of State hold portfolios that formally cross the boundaries between departments: the Minister for Children and Youth Affairs, for instance, is appointed to three departments and oversees the work of relevant units in each.⁴² This is seen to work well: the Office of the Minister for Children was recently judged by the OECD to represent an "excellent" model of coordinated governance and an ideal foundation on which "to further develop a systematic approach to networking throughout the Public Service" (OECD 2008, pp.44, 268). And indeed, the model has begun to spread, with similar cross-departmental ministers having been appointed for older people, disability and mental health, and integration.⁴³

We therefore consider our proposal to be highly practicable in the short term. As noted, however, [there are a range of other options for cross-cutting ministers](#). For instance, senior ministers based in the Cabinet Office might be appointed to take responsibility for key PSAs (as for the existing Minister for the Olympics), or groups of PSAs, though this model would expand the size of the Cabinet further, and might lead to tensions with Secretaries of State in line departments. A more radical approach in the long run would be to join up government 'at the head' by creating a slimmed-down Cabinet, with Secretaries of State holding broad strategic portfolios reflecting the

42 The Office of the Minister for Children and Youth Affairs (OMCYA) is located within the Department of Health and Children, but also includes units of the Department of Justice, Equality and Law Reform (the Irish Youth Justice Service) and the Department of Education and Science (the Early Years Education Policy Unit). See: <http://tinyurl.com/5l4az3>.

43 A full list of ministerial responsibilities can be found at: <http://tinyurl.com/6f8l2w>

core objectives of government (as in Scotland since 2007, and Australia between 1987 and 1991 – see Davis *et al* 1999, pp.17-19), while second-tier ministers reporting to them control smaller traditional delivery units. Further work will be conducted at the Institute for Government to assess how this might be implemented in the Whitehall context.⁴⁴

11. Greater aligning and pooling of budgets in Whitehall to support PSA objectives

There is a strong argument for 'carving out' budgets to support specific PSA objectives. Indeed, "using budgets flexibly to promote cross-cutting working, including using more cross-cutting budgets and pooling of resources" was identified by the current Government during its first term as one of six areas where action was needed to improve coordination (PIU 2000, p.5). Joining-up in this way would also set a positive example for local government, where suspicion lingers that "central government can do whatever they want, they don't have to join up, they can have arguments... they don't have to be at anywhere near the level we're expected to be at" (Local Partnerships Manager, IfG interviews 61).

We propose as a vital first step that all departments contributing to a PSA should clearly demarcate spending set aside intended to support that PSA. There should also be regular cross-departmental discussions about the use of these aligned budgets at the relevant PSA Board. Moves towards this are already being pursued for select PSAs but this should become standard practice. To make this a reality, PMDU should set out and enforce a clear timetable (of no more than a year) for this approach to be implemented across the PSA set.

Further to this, we suggest that there would be merit in creating a small pool of funding for particular PSAs, of sufficient size to motivate departments and ministers to work together but excluding core resources and avoiding onerous cost-allocation exercises. For example, there might be a pooled budget to support activity relating to the Drugs and Alcohol PSA, including all funding for pilots and central policy research (people costs). Accountability for this pool, for which there are precedents in the UK and overseas, would be through the PSA Board to the lead department, with the potential to change the lead department in control of resources where performance over the PSA period was felt to be inadequate. If a cross-cutting minister were appointed for that PSA (see Recommendation 10) then he or she would oversee spend of this pool; otherwise this would be a job for a minister in the PSA lead department.

12. Design individual appraisals to reward contribution to the corporate agenda

To better align behaviour in government with the objectives underpinning PSAs and LAAs, contributions to cross-silo working must be recognised and rewarded through performance management arrangements. The Government already recognises contributions to "the effective corporate management and coherence of the department and the civil service as a whole" as one of five elements of the SCS performance management system (HM Government 2007, p.3). But this should be strengthened, with appraisals of all senior officials from permanent secretary level down including an explicit assessment of performance in building cross-departmental relationships and contributing to PSA delivery.

At the local level too, officials should be appraised and rewarded for their contribution to partnership working. CLG should issue guidance on this subject, and the CAA should judge the success of this as part of its commitment to assessing local authorities' effectiveness at "contributing to improving wider community outcomes" (Audit Commission *et al* 2008, p.26).

Appraising the performance of ministers is a trickier area, since the counter-argument can be made that ministers "are ultimately judged by Parliament and the electorate" (HM Government 2007, p.11). However, we agree with the Public Administration Select Committee that "Government does not have to be an entirely HR-free zone" (PASC 2007, p.46) and suggest that the Prime Minister should reward those ministers who perform well at facilitating cross-Whitehall coordination. Departmental select committees should also scrutinise 'their' ministers' performance in this area.

44 A draft paper setting out our initial ideas on this subject can be found on the Institute for Government website: www.instituteforgovernment.org.uk

13. Provide Corporate Board leadership

Our research suggested that senior leadership was a powerful motivator of others. We noted above that cross-cutting ministers and/or a smaller strategic Cabinet could help to provide a sense of corporate political leadership of the Government's agenda. The same applies at the level of officials, where permanent secretaries should be more involved in PSAs as a collective, rather than individually as heads of their respective departments.

We therefore consider that the Permanent Secretaries Management Group (PSMG) should schedule a regular timetable of discussions of PSAs, at which delivery progress, linkages between PSAs, and necessary inter-departmental trade-offs are considered. The objective should be for permanent secretaries to take on collective ownership of the PSA set, and to liaise with the Cabinet on this basis. Given the large size of the PSMG it might be sensible for the smaller ten-person Civil Service Steering Board (CSSB) to play this role. Whether the CSSB – or another similar body – can ultimately evolve into a management board for the government as a whole is a far bigger question.

8.5 An agenda for the next spending review

We believe that the recommendations set out in the above sections can all be implemented during the current PSA and LAA round. All are also designed to reinforce the positive aspects of the new framework, namely the emphasis on joined-up and partnership working, and on light-touch and place-sensitive performance management. While the current framework should be improved in this way, it is not too early to consider how to improve the system in its next iteration. Below we set out our final group of recommendations. These are designed to strengthen the effectiveness of LAAs and PSAs in the next spending round, which means that government should start planning their implementation immediately. They emphasise the need to improve the process by which indicators and targets are designed, to strengthen local ownership of the LAA process, and to refine incentive structures around delivery. However, we are also in favour of a more fundamental break from current practice in the long run, with a gradual phasing out of centrally-set targets as a core performance management mechanism.

14. Use 'tournaments' rather than targets to motivate improvement

A radical way to overcome problems relating to target design and delivery incentives is to create a structure for performance improvement that is not based on fixed outcome targets at all. We recommend a shift towards local areas being rewarded not for absolute performance but for 'value-added' performance, or marginal improvement relative to other similar areas also selecting the indicators in question. Benefits granted to high performers could include extra funds through the Reward Grant ('prizes'), increased spending flexibility, or a reduction in the number of areas where central government can impose its preferences in future LAAs (see recommendation 16). The CAA does to some extent already compel local areas to pay attention to relative performance but without offering positive incentives for good performance.

Our recommended approach reduces dependence on numerical targets, which are not always well set, avoids a 'hit' or 'miss' mentality and motivates continual improvement, even for high performers. Minimum standards would be monitored, as currently, through the CAA process. Assessing relative rather than absolute performance trends also overcomes the problem of exogenous factors affecting indicators, irrespective of actions taken at the local level. The probable negative impact of the current economic downturn on the NEETs indicator (the proportion of 16-18 year olds not in employment, education or training) is a good current example. This approach should also be preferable from a political perspective, since it mitigates the problem of unrealistic expectations, whereby the public often expects all targets to be met (in contrast with the private sector, which typically plans for a two-thirds success rate) (Likierman 2008).

Care would have to be taken to design the rules of the game so that all local areas have a reasonable chance of being rewarded. Local areas at the wrong end of the performance scale might face more supervision from the centre, so they should first of all have the chance to explain their poor results, and should not be punished where specific external factors – such as the closure of a local factory – are to blame. Given these complexities, it may be necessary for performance tournaments to be rolled out gradually, with pilot projects for select indicators introduced in the next Spending Review.

This change would bring efficiency savings since the central-local negotiation process would have to cover only which indicators to include in each LAA rather than the scale of improvement required.

15. Set national targets via a bottom-up process

We recommend that where national government deems that a national PSA target will be the best way of driving performance improvement, these should be negotiated on a 'bottom up' basis, to ensure that they are realistic and achievable. Under the new framework, it has become common for specific quantitative targets to be set at the local level only, while national-level targets commit the government only to moving indicators in a particular direction (or to maintaining certain minimum standards). However, national targets remain in place for some PSAs where delivery takes place partly or principally through local mechanisms. Examples include targets for child poverty (PSA 9), teenage pregnancy rates (PSA 14) and educational indicators in PSAs 10 and 11.

It can be valid – although not always politically helpful – to set national targets for high priority issues such as these, but to have traction they must be set on the basis of evidence collected at the local level about what is achievable. At present national targets can be set for political reasons with local areas then pressured to accept unrealistic targets (see Chapter 5). This can demotivate local partners and undermine the effectiveness of LAAs.

Under our proposal, national government would challenge local areas to be ambitious in setting local targets but would then base national targets on an aggregate of these, with some base level of performance expected (and assessed through the CAA) of areas not prioritising the indicator through the LAA. Evidence-based target-setting in this way should be more effective at raising performance, and should also avoid the creation of uncomfortable albatrosses around the government's neck.



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16. Clarify Whitehall's priorities early in LAA negotiations and eliminate statutory indicators

The new LAA process was intended to strengthen sensitivity to place in the policy delivery process, as seen in the 35 indicator limit for each LAA and the iterative negotiating process by which the LAAs are agreed. However, our interviews suggest that in many cases there was a lack of openness at the outset about Whitehall's priorities for each area. This led to inefficiencies in the operation of LAA negotiations, as discussions did not always focus on the areas where the central trade-offs and compromises needed to be made. Alternatively, some Whitehall departments requested the inclusion of indicators very late in the process, throwing strategic planning off course and leaving a "slight distaste in the mouth" of many local areas (IfG interviews 80). In addition, all LAAs had to include the 16 statutory DCSF indicators which run counter to the non-prescriptive and place-specific rhetoric surrounding LAAs.

We propose that [local ownership of LAAs should be increased next time round](#). First of all, the statutory DCSF indicators should be eliminated, as they do not permit tailoring to local circumstances and priorities. Important though these issues may be, we see no reason for DCSF not to enter into the same process as the rest of Whitehall of negotiating the inclusion of indicators with other departments and with local areas. This would not mean the centre losing control of education policy, since areas that did not select DCSF indicators would still be subject to the CAA (as a monitor of minimum standards), Ofsted inspections, and other statutory requirements.

An additional step that should be taken is to [impose an explicit limit on the number of preferences that Whitehall can require to be included in LAAs](#). Our proposal is that central government should formally outline a small number of priorities specific to each local area at the outset of the negotiating process. The number of these priorities should be clearly limited, for example to five outcome areas per local area, and priorities should be stated at the outcome level, rather than specifying indicators that local areas should select, allowing indicator selection to reflect local strategies. Local areas would then have freedom to design their LAA and community strategies around these five mandated objectives. Changing the negotiating process like this would increase transparency, manage expectations and reduce bureaucracy. It would also enable a more mature and honest discussion between the centre and local areas. An additional benefit would be to force government to think hard about its priorities in a joined-up way at an early stage. Public disclosure of the areas which national government is asking each local area to prioritise would also be valuable.

17. Improve the quality of the indicator set through earlier and better consultation

As we saw in Chapter 5, indicators remain weak despite repeated critiques. For instance, around a quarter of the indicators in the national set are new measures with no baseline data, making the target-setting process more difficult. Others measure complex phenomena which local areas have few levers to influence in a three-year period: all-age all cause mortality rate (NI 120) is such an example. Some perception and satisfaction indicators are also poorly designed, being subject to fluctuation according to uncontrollable factors such as the overall popularity of the government and media coverage (see Page 2008; Duffy *et al* 2008).

We recommend [greater public scrutiny](#), facilitated by the publication of indicator sets in draft at least three months in advance of the next Spending Review, in order to reduce such errors. PASC has also advised that indicators are made available in draft to select committees (PASC 2003). Early publication would further enable early cross-government discussions about key priorities in specific localities, improving the coherence of the LAA-setting process.

Similarly, the government should make an early commitment to [publish in draft the full PSA set next time round](#), allowing time for a public consultation process and parliamentary scrutiny before final versions are agreed. This would help to highlight problems such as unrealistic targets or poorly-designed indicators that may generate perverse outcomes (e.g. the number of houses built, in PSA 20, which could create incentives to build small, cheap buildings). More broadly, a period of open debate could serve to nudge the government towards a streamlined PSA framework that concentrates on core strategic priorities where government actions can make a significant difference. Early parliamentary involvement in the process would also help to highlight problems in accountability arrangements for PSA delivery.

Even before these consultation processes begin, the Government should begin a rethink of the indicator set. Given the problems noted above there will need to be a moderate update next time round to eliminate or strengthen unused or weak indicators. This process should start immediately so that baseline data for replacement indicators is prepared in time for the target-setting phase. Amending the indicator set may generate extra work and confusion in the short term, but the process should lead to streamlined and more effective performance management arrangements in the long run. The emphasis of the review should therefore be on simplifying and rationalising the set: new challenges and changing political priorities may generate new indicators but the overall number of indicators should not increase.

18. Increase incentives for local partnership working

In the context of current local governance and accountability arrangements, there appear to be insufficient incentives on local partners to work towards LAA objectives (see Chapter 6). In particular, local government has few levers to drive coordination. There may therefore be value in [increasing the LAA reward grant to at least double its current size to strengthen the incentives for partners to remain around the table when difficult trade-offs need to be made](#). One way to fund the increase in the Reward Grant could be through rationalising other single indicator rewards. There is also a need to continue aligning professional frameworks and inspection regimes with PSAs and LAAs.

8.6 Implementation

Above we have set out a programme for completing, enhancing and building upon the PSA and LAA frameworks. As we heard from one interviewee, “the language [of the new system] makes sense. The concepts, the ideas, are laudable”, but in implementation these high hopes have not yet been fully realised (IfG interviews 61). Our 18 recommendations are intended to help close the gap between ambition and reality through concrete changes to processes and governance arrangements. They are intended to comprise a practical manifesto for reform, and in Appendix 1 we have set out when and by whom each recommendation should be implemented.

8.7 Challenges for the future

Public service performance is determined by a far wider range of factors than those discussed in this report. Exploring this broader context, and identifying where more radical institutional change is needed, is at the core of the Institute for Government’s mission and future plans.

Balancing central, regional and local government roles

One question this report addresses only obliquely is whether public service performance would be enhanced by granting local government additional powers over service delivery. Our approach was to accept as given the current distribution of power and to seek ways to improve the running of public services within this context. However, [there is a growing cross-party consensus on the need for greater local democratic engagement and control in a range of service areas](#). This is based partly on views that government has become remote and public servants too focused on demands from Westminster and Whitehall rather than looking outward to citizens. It is also based on work in academic and think tank publications, discussing possible reconfiguration of constitutional arrangements (see, for example, Hazell 2008).

Our research revealed considerable ongoing tensions between central and local government that are clearly linked to choices inherent in current constitutional arrangements. Many local government interviewees, and several experts, would like to see local councils given a radically enlarged role and greater autonomy, and they offered a range of options for how this might be done. “The perfect arrangement” said one chief executive, “would be that we get the revenue from income tax, business rates, everything else... and we get to choose how to spend it within a statutory framework” (IfG interviews 41). Interviews also raised debates about the value of mayors (IfG interviews 66); the role of city-regions (IfG interviews 14); and the possibility of a new local government constitution, enshrining rights and responsibilities (IfG interviews 106). Such issues are clearly complex and other interviewees rightly noted the need for central coordination and regulation, in particular to preserve fairness, and the pressure that a centralised media puts on national politicians to respond to local incidents and crises (IfG interviews 51).⁴⁵ At this stage the Institute has no clear blueprint for reform in this area, but it is clearly an area worthy of further investigation. Future research will attempt to build an evidence-driven case for the distribution of powers between the national and local level that can most effectively and efficiently deliver high-quality public services for citizens.

Redefining the political and administrative centre of government

The Institute also has an interest in investigating how best to organise the centre of government. For instance, what should be the respective roles of the Cabinet Office, Delivery Unit and NAO in monitoring performance across government? What role could a small strategic Cabinet or corporate board of senior permanent secretaries play in driving cross-

⁴⁵ This latter point has been very recently borne out by national political debate following the death of 17 month old Baby P in August 2007 (BBC 2008b).

cutting working? What are the appropriate accountability arrangements for permanent secretaries leading government departments and how might these be strengthened? The starting point for these research exercises will be our finding, emphasised above, that current governance arrangements in Whitehall are not fully aligned with the government's stated objectives of restructuring the public sector to tackle "wicked issues" better and to provide services tailored to the needs and preferences of different citizens and communities.

Putting citizens at the centre of public policy

Understanding the roles of central and local government clearly requires a full understanding of how citizens' preferences can best feed into the policy process. Judging by current debates, direct election of local officials (whether mayors or heads of specific public services), innovative deliberative and consultative processes, and market-led mechanisms such as voucher systems may all play a greater role in the future. There will therefore be a pressing need to understand where such approaches are valuable, as well as to find new ways to put citizens at the heart of public management debates.

8.8 Conclusion

Citizens should be at the centre of performance management and politicians and public sector workers must care about it. Even if it seems technical, [performance management is about improving public services and, more than ever, about ensuring government takes wider action to improve society as a whole](#). Hidden within the mechanics are choices about who decides government priorities and how, views on how best to motivate public servants, and assumptions about the citizen's role in influencing services and holding politicians to account. As such, performance management is clearly not just for the 'experts', and this is clear from the public debate about the use of government targets in recent years.

Of course, performance management does not just mean targets. Targets, used wisely, can work but there are broader opportunities to improve performance without 'hit' or 'miss' approaches. Other measurement-based performance management approaches are powerful, for example prizes for exceptional performance, inspection assessments, or peer review. Simply using data well can help policymakers to understand problems, their causes and solutions. [Wider performance improvement mechanisms also have an important role, in particular user choice and democratic accountability](#). Similarly, our research has repeatedly highlighted that relationships and connections are central to any efforts to improve services. Good performance management recognises the power of social relationships and networks, understands what motivates public servants, and fosters a public service ethos.

These factors mean that [performance management is as much an art as a science](#). It is also difficult. It requires a sophisticated understanding of a complex system, an appreciation of the vast variety of different things that government does, and recognition of the role of politics as well knowledge of the practicalities of management.

Recent revisions to government performance frameworks, PSAs and LAAs, represent government's gradual move towards a more sophisticated approach to performance management. [The new arrangements have brought people together in a way that has promoted a better understanding of the challenges public services collectively face](#). They have promoted improved relationships across Whitehall departments and between local public sector bodies. They are also more technically sound than in previous rounds, relying less on targets, imposing fewer priorities on local government, and giving somewhat more freedom for organisations to respond to citizen and community problems in innovative ways.

The self-stated aims of the new frameworks were ambitious. They sought to stop Whitehall's departmental turf wars, to replace suspicion between local organisations with trust, to increase organisational focus on end results and to free a wave of innovation and service improvement. Partly in consequence, [results have fallen short of some people's expectations and tangible change is proving slow to materialise](#). In particular, our research revealed few examples of new or innovative approaches to tackling cross-cutting policy problems and none of the local areas we visited had significantly redistributed funding as a result of the conversations surrounding Local Area Agreements. This is not too surprising: the new arrangements are in their early stages and, to some extent, it is unrealistic to expect performance management tools to achieve such lofty goals.

It is clear that there are challenges which must be met. The new frameworks, though improved, continue to have technical weaknesses. There are ongoing problems of coordination, particularly across Whitehall; relationships between local partners remain fragile; and local politicians feel removed from the priority-setting process, reflecting ongoing tensions between central and local government. Underpinning these problems were a number of more serious obstacles, including:

- Historic underinvestment in building relationships between central and local government and across local public service organisations
- Weak signalling and incentivisation of the importance of working across organisational boundaries, and particularly working across Whitehall departments
- Highly variable performance management capability across government, and over-reliance on target-based approaches
- A lack of transparency and openness that limits political engagement
- Ongoing questions about the respective powers of central and local government

Our recommendations provide practical ways of tackling these underlying problems, although we have not entered into the constitutional debate about central and local government roles. We have focused particularly on building cross-service relationships and incentivising co-operation. This reflects the view that coordination will be crucial for ensuring efficiency in the coming years, and the fact that the most pressing problems of our day are not service delivery problems but those that require coordinated action to promote changing behaviour – for example, obesity, climate change and crime. We also seek to promote increased transparency and data reliability, with the aim of ensuring that performance data feeds into public debate constructively – in turn pushing politicians to focus on delivering public priorities.

Yet we also focus on [enabling a far more nuanced and sophisticated approach to performance management](#), both by building capability across government and suggesting practical ways in which PSA and LAA frameworks can improve. As these skills in motivating and enabling performance improvement across the government system improve, we would expect to see tangible results. After all, performance management is about making government work better – and therefore everyone has an interest in making it work.

Appendices

Appendix 1: Implementation plan for project recommendations

Recommendation	Specific Actions to Take	Who should lead implementation	Proposed timeframe for implementation
1	Create single citizen-friendly website for PSA/LAA data	CLG and PMDU with Direct Gov	February 2009
1	Make sure performance data is independently verified	PM to decide, NAO to implement	January 2008
1	Annual government performance report to Parliament	HMT, PASC and Select Committee to scrutinise	April 2009 (a year after start of new PSAs)
1	Annual local performance report to be sent to voters with council tax bills	CLG to coordinate, councils to implement	April 2009
1	Present performance info alongside international comparative data	IfG to research; PMDU and OECD to implement	Tbc
2	CAA reports should make distinction between LAA indicators and wider set	Audit Commission	From April 2009
3	Complete LAA refreshes in time to impact 2009/10 budget	CLG/GOs	December 2008
3	Align budget timetables of all local partners	HMT/CLG/ line departments e.g. DoH for PCTs	Consultation to start now. Alignment by 2010, if desired
4	Centre to provide cross-government guidance on interdependencies between indicators and policy spheres	Tbc: PMDU and CLG to decide	Ongoing
4	Centre to provide indicator-specific guidance, led by local demand	All departments, CLG to coordinate	Ongoing
4	Create 'gatekeeper' to ensure coordinated messages sent to LAs	Tbc: CLG and PMDU to decide (option to create joint unit)	December 2008
5	Establish Whitehall Performance Management Network.	IfG and others in partnership with PMDU and Cranfield Centre for Performance Management	April 2009
5	Hold networking events for people working in specific areas of policy delivery	IfG in partnership with PMDU/CLG	Ongoing from December 2008
6	All Fast Streamers to complete 6-month secondment in local government	Cabinet Office	Implemented by September 2010 intake
6	Set requirement that officials must spend 1-2 years outside Whitehall before entering the SCS	Cabinet Office	October 2010
7	Project to determine structural barriers to widescale use of cross-sector leadership development	Cabinet Office and leadership colleges, with Cabinet Secretary commission	Started by March 2009
7	Design of joint leadership training offer	Tbc: potential for collaborative venture between leadership colleges or competition	Started by September 2009 and reflecting findings of project above
8	Increase number of negotiating champions to 75	CLG to coordinate, all relevant depts. to nominate champions	November 2009
9	Include explicit cross-cutting assessment in departmental Capability Reviews	Cabinet Office	For next round

Recommendation	Specific Actions to Take	Who should lead implementation	Proposed timeframe for implementation
9	Include assessment of place awareness in departmental Capability Reviews	Cabinet Office	For next round
9	Experiment with cross-departmental Capability Reviews for key PSAs	Cabinet Office	Mid-2009
10	Appoint cross-departmental Ministers of State to take ownership of priority PSAs, as required (e.g. drugs and alcohol)	PM	Spring 2009
10	Move to streamlined strategic Cabinet	IfG to research options	Long-term vision
11	Require all PSA delivery boards to demarcate departmental spending for each PSA (direct project and resource spending only)	Chancellor to commit, HMT/PMDU to lead	By June 2009
11	Pool budgets for specific PSAs	Chancellor to commit, HMT/PMDU to lead	From April 2009
12	Reward PermSecs for contribution to corporate agenda	Cabinet Secretary	Ongoing
12	Design appraisals for all SCS to reward cross-cutting work	All Perm. Secs.	Ongoing
12	Design appraisals for local government officials to reward partnership-building	Local Authorities, IdeA to support	Ongoing
12	Reward ministers for effective cross-departmental working	PM, select committees to scrutinise	Ongoing
13	Perm Secs Management Group and/or Civil Service Steering Board (CSSB) to hold regular meetings on full PSA set	Cabinet Secretary/PSMG	Immediate
13	CSSB to become effective management board for whole government	IfG to research practicalities	Long-term vision
13	Publish indicator set in draft to allow for public consultation, and committee scrutiny.	CLG to coordinate, various committees to conduct scrutiny.	For next spending review
14	Pilot the use of tournaments among similar areas instead of fixed targets	Performance network to research; relevant lead department to implement	By 2010
15	Set national targets by aggregating evidence-based local targets.	PMDU/CLG to investigate	For next spending review
16	Eliminate statutory DCSF indicators.	Secretary of State to announce, DCSF to implement	For next spending review
16	Impose an explicit limit on the number of priorities the centre can impose on LAs	Secretary of State to announce, CLG to coordinate	For next spending review
16	Centre to make up-front statement of its priorities for each area	CLG/GOs to coordinate	For next spending review
17	Publish PSAs in draft to allow for public consultation, and committee scrutiny.	HMT, PASC and Select Committee to coordinate scrutiny.	For next spending review
17	Indicator Set to be reviewed and revised in line with local experience	CLG to coordinate	Starting immediately
17	Baselines developed for new indicators	CLG to coordinate	By April 2009
18	Increase (at least double) the LAA Reward Grant.	HMT/CLG	March 2009 (can be announced in Budget)
18	Align other professional frameworks and inspection regimes with LAAs and PSAs	Departmental responsibility, with PMDU and CLG oversight	For next spending review

Appendix 2: Timeline for implementation of the 2008-11 PSAs and LAAs

26 October 2006	Publication of <i>Strong and Prosperous Communities</i> White Paper, setting out new approach to Local Area Agreements
Late 2006	Local Areas across England develop Sustainable Community Strategies, outlining their story of place and a long-term vision for the future
April 2007	Joint Ministerial Commission visits seven inspectorates to develop and put in place the new Comprehensive Area Assessment (CAA)
May 2007	"Dry run" LAA negotiations are carried out in 17 localities
June 2007	"Road Shows" held around the country to explain the new arrangements and build system-wide understanding of the performance management framework
Summer 2007	All Local Authorities engage their citizens, partners and Government Offices to agree a shadow set of priorities
July 2007	Leadership Coalition of 25 senior leaders from across the system formed to champion the new reforms
Autumn 2007	Expert panel of 100 public sector leaders formed to provide support for the LAA negotiations across the system
September 2007	Guidance on LAA negotiations published, describing how the negotiations can be most effective
9 October 2007	Publication of Comprehensive Spending Review for 2008-11 period including 30 new cross-cutting Public Service Agreements
11 October 2007	Publication of single set of 198 National Indicators for local areas
30 October 2007	Local Government and Public Involvement in Health Act enacted, creating statutory framework for new LAA process
Autumn 2007	Government Office "relationship manager" or "locality manager" appointed for each local area
November 2007	Detailed operational and draft statutory guidance published to accompany the new LAA arrangements
November 2007	Second set of "road shows" held to build understanding of, and engagement with, the new arrangements
November 2007	Inspectorates publish consultation plans for the Comprehensive Area Assessment

Late 2007	Local Authorities, their partners and Government Offices negotiate around 35 priorities for each area
January 2008	A new intervention toolkit is released to provide Government Offices with improved access to information, tools and regional and sectoral resources
Early 2008	Local Authorities, their partners and Government Offices submit first drafts of LAAs to central government
1 April 2008	New set of PSAs and National Indicator Set goes live
April 2008	New Comprehensive Area Assessment intervention approach developed
Spring 2008	Local Authorities, their partners and Government Offices submit 150 draft Local Area Agreements and Multi-Area Agreements to Central Government
June 2008	Government Offices make recommendations on 150 top tier Local Area Agreements and selected Multi-Area Agreements to Ministers
30 June 2008	LAAs signed off for 150 top-tier authorities in England
July 2008	Inspectorates publish for consultation a detailed methodology for the Comprehensive Area Assessment
Autumn 2008	New Places Survey undertaken locally
Autumn 2008	Local Authorities and their partners engage in continued dialogue with Government Offices and local citizens to evaluate where the Local Area Agreement is driving improved community outcomes and where it may need to be refined
December 2008	Comprehensive Area Assessment methodology to be finalised
December 2008	Departmental Autumn Performance Reports to present half-year figures for PSA targets
Winter 2008-09	First annual review of LAAs to be completed
Spring 2009	First set of results from the Places Survey to be published
April 2009	Comprehensive Area Assessment comes into effect
Autumn 2009	First Comprehensive Area Assessment results published

Appendix 3a: PSAs and PSA indicators, by broad subject grouping

Subject grouping	PSA	Name	Indicator 1	Indicator 2	Indicator 3	Indicator 4	Indicator 5	Indicator 6	Indicator 7	Indicator 8
Sustainable growth and prosperity	1	Raise the productivity of the UK economy	Labour productivity (output per hour worked) over the economic cycle	International comparisons of labour productivity (per worker, per hour worked)						
	2	Improve the skills of the population, on the way to ensuring a world-class skills base by 2020	Proportion of people of working age achieving functional literacy and numeracy skills	Proportion of working age adults qualified to at least full Level 2	Proportion of working age adults qualified to at least full Level 3	Proportion of apprentices who complete the full apprentice framework	Proportion of working age adults qualified to Level 4 and above	Higher Education participation rate		
	3	Ensure controlled, fair migration that protects the public and contributes to economic growth	Deliver robust identity management systems at the UK border	Reduce the time to conclusion of asylum applications	Increase the number of removals year on year	Increase the removal of "harm" cases as a proportion of total cases removed	By the effective management of migration, reduce the vacancy rate in shortage occupations			
	4	Promote world-class science and innovation in the UK	The UK percentage share of citations in the leading journals	Amount of income generated by UK Higher Education Institutions and Public Sector Research Establishments through research, consultancy and licensing of intellectual property	The percentage of UK business with 10 or more employees that are "innovation active"	The annual number of UK PhD completers in Science, Technology, Engineering and Mathematics (STEM) subjects	The number of young people in England taking "A" Levels in mathematics, physics, chemistry and biological sciences	Business research and development (R&D) expenditure – the average UK R&D intensity in the six most R&D intensive industries, relative to the US, Japan, France and Germany		
	5	Deliver reliable and efficient transport networks that support economic growth	Journey time on main roads into urban areas	Journey time reliability on the strategic road network, as measured by the average delay experienced in the worst 10 per cent of journeys for each monitored route	Level of capacity and crowding on the rail network	Average benefit cost ratio of investments approved over the CSR07 period				
	6	Deliver the conditions for business success in the UK	UK framework for competition at the level of the best	Effective corporate governance regime	UK labour market flexibility	Maintenance of competitively priced energy markets	Deliver better regulation that works for everyone	Deliver commitments to administrative burdens reduction		
	7	Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	Regional Gross Value Added (GVA) per head growth rates	Regional Gross Domestic Product (GDP) per head levels indexed to the EU15 average	Regional productivity as measured by GVA per hour worked indices	Regional employment rates				

Subject grouping	PSA	Name	Indicator 1	Indicator 2	Indicator 3	Indicator 4	Indicator 5	Indicator 6	Indicator 7	Indicator 8
Fairness and opportunity for all	8	Maximise employment opportunities for all	An increase in the overall employment rate taking account of the economic cycle	A narrowing of the gap between the employment rates of the following disadvantaged groups and the overall rate: disabled people, lone parents, ethnic minorities, people aged over 50, those with no qualifications, those living in the most deprived wards	A reduction in the number of people on working age out-of-work benefits	A reduction in the amount of time people spend on out-of-work benefits				
	9	Halve the number of children in poverty by 2010-11	The number of children in absolute low-income households	The number of children in relative low income households	The number of children in relative low-income households and in material deprivation					
	10	Raise the educational achievement of all children and young people	Early Years Foundation Stage attainment	Proportion achieving Level 4 in both English and mathematics at Key Stage 2	Proportion achieving Level 5 in both English and mathematics at Key Stage 3	Proportion achieving 5 A*-C GCSEs (or equivalent) including GCSEs in both English and mathematics, at Key Stage 4	Proportion of young people achieving Level 2 at age 19	Proportion of young people achieving Level 3 at age 19		
	11	Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers	Achievement gap at Early Years Foundation Stage	Achievement gap between pupils eligible for free school meals (FSM) and their peers achieving the expected level at Key Stages 2 and 4	Proportion of pupils progressing by 2 levels in English and mathematics at each of Key Stages 2, 3 and 4	Proportion of children in care achieving Level 4 in English and Level 4 in mathematics at Key Stage 2	Proportion of children in care achieving 5 A*-C GCSEs (or equivalent) at Key Stage 4	The gap between the initial participation in full time higher education rates for young people aged 18, 19 and 20 from the top 3 and bottom 4 socio-economic classes		
	12	Improve the health and well-being of children and young people	Prevalence of breastfeeding at 6 – 8 weeks	Percentage of pupils who have school lunches	Levels of childhood obesity	Emotional health and wellbeing, and child and adolescent mental health services (CAHMS)	Parents' experience of services for disabled children and the 'core offer'			
	13	Improve children and young people's safety	Percentage of children who have experienced bullying	Percentage of children referred to children's social care who received an initial assessment within 7 working days	Hospital admissions caused by unintentional and deliberate injuries to children and young people	Preventable child deaths as recorded through child death review panel processes				
	14	Increase the number of children and young people on the path to success	Reduce the percentage of 16-18 year olds not in education, employment or training (NEET)	More Participation in Positive Activities	Reduce the proportion of young people frequently using illicit drugs, alcohol or volatile substances	Reduce the under-18 conception rate	Reduce the number of first-time entrants to the Criminal Justice System aged 10-17			
	15	Address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief	Gender gap in hourly pay	Level of choice, control and flexibility to enable independent living	Participation in public life by women, ethnic minorities, disabled people and young people	Discrimination in employment	Fairness of treatment by services			
	16	Increase the proportion of socially excluded adults in settled accommodation and employment, education or training	Proportion of socially excluded adults in settled accommodation (offenders)	Proportion of socially excluded adults in settled accommodation (care leavers)	Proportion of socially excluded adults in settled accommodation (adults in contact with secondary mental health services)	Proportion of socially excluded adults in settled accommodation (Adults with moderate to severe learning disabilities)	Proportion of socially excluded adults in employment, education or training (offenders)	Proportion of socially excluded adults in employment, education or training (care leavers)	Proportion of socially excluded adults in employment, education or training (adults in contact with secondary mental health services)	Proportion of socially excluded adults in employment, education or training (Adults with moderate to severe learning difficulties)

Subject grouping	PSA	Name	Indicator 1	Indicator 2	Indicator 3	Indicator 4	Indicator 5	Indicator 6	Indicator 7	Indicator 8
	17	Tackle poverty and promote greater independence and well-being in later life	The employment rate of those aged 50-69 and difference between this and the overall employment rate	The percentage of pensioners in low income	Healthy life expectancy at age 65	The proportion of people over 65 who are satisfied with their home and their neighbourhood.	The extent to which people over 65 receive the support they need to live independently at home			
Stronger communities and a better quality of life	18	Promote better health and well-being for all	All Age All Cause Mortality (AAACM) rate	Difference in All Age All Cause Mortality (AAACM) between England average and spearhead areas1	Smoking prevalence	Proportion of people supported to live independently (all ages)	Access to psychological therapies			
	19	Ensure better care for all	The self-reported experience of patients / users	NHS-reported referral-to-treatment times for admitted patients	NHS-reported referral-to-treatment times for non-admitted patients	The percentage of women who have seen a midwife or a maternity healthcare professional, for health and social care assessment of needs, risks and choices by 12 completed weeks of pregnancy	proportion of people with a long-term condition who are "supported by people providing health and social care services to be independent and in control of their condition"	For the first year this indicator will measure patient reported experience of access to GP services (5 elements of the patient survey), from 2009-10 this will be broadened to include survey data on responsiveness, equity and patient experience of GP services	Healthcare Associated Infection rates – MRSA	Healthcare Associated Infection rates – Clostridium difficile
	20	Increase long-term housing supply and affordability	Number of net additional homes provided	Trends in affordability: This will be measured using the ratio of lower quartile house prices to lower quartile earnings	Number of affordable homes delivered (gross0	Number of households in temporary accommodation.	Average Energy Efficiency Rating for new homes (SAP).	Local planning authorities to have adopted the necessary Development Plan Documents, in accordance with their Local Development Schemes3.		
	21	Build more cohesive, empowered and active communities	The percentage of people who believe people from different backgrounds get on well together in their local area	The percentage of people who have meaningful interactions with people from different backgrounds	The percentage of people who feel that they belong to their neighbourhood	The percentage of people who feel they can influence decisions in their locality	A thriving third sector	The percentage of people who participate in culture or sport		
	22	Deliver a successful Olympic Games and Paralympic Games with sustainable legacy and get more children and young people taking part in high quality PE and sport	Meet critical milestones for venues and infrastructure up to 2011 within budget and applying effective change control	Plan for improving the physical, economic and social infrastructure of East London developed and agreed with key local authorities and regeneration agencies, and pre Games elements implemented by 2011	Red/Amber/Green (RAG) status of delivery of the Olympic Delivery Authority (ODA) sustainability strategy to 2011	Number of people across the nations and regions of the UK and in other countries taking part in government-supported programmes associated with the 2012 games	Percentage of 5-16 year olds participating in at least 2 hours per week of high-quality PE and sport at school and the percentage of 5-19 year olds participating in at least 3 further hours per week of sporting opportunities.			
	23	Make communities safer	The level of most serious violent crimes	The level of serious acquisitive crimes	Public confidence in local agencies involved in tackling crime and anti-social behaviour (ASB)	The percentage of people perceiving ASB as a problem	The level of proven re-offending by young and adult offenders	The level of serious re-offending		
	24	Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public	Effectiveness and efficiency of the CJS in bringing offences to justice	Public confidence in the fairness and effectiveness of the CJS	Experience of the CJS for victims and witnesses	Understanding and addressing race disproportionality at key stages in the CJS	Recovery of criminal assets			

Subject grouping	PSA	Name	Indicator 1	Indicator 2	Indicator 3	Indicator 4	Indicator 5	Indicator 6	Indicator 7	Indicator 8
	25	Reduce the harm caused by alcohol and drugs	The number of drug users recorded as being in effective treatment	The rate of alcohol-related hospital admissions per 100,000	The rate of drug-related offending	The percentage of the public who perceive drug use or dealing to be a problem in their area	The percentage of the public who perceive drunk or rowdy behaviour to be a problem in their area			
	26	Reduce the risk to the UK and its interests overseas from international terrorism	NOT PUBLISHED – Small number of outcome measures							
A more secure, fair and environmentally sustainable world	27	Lead the global effort to avoid dangerous climate change	Global CO2 emissions to 2050	Proportion of areas with sustainable abstraction1 of water	Size of the global carbon market	National target: Total UK greenhouse gas and CO2 emissions	Greenhouse gas and CO2 intensity of the UK economy	Proportion of emissions reductions from new policies below the Shadow Price of Carbon4		
	28	Secure a healthy natural environment for today and the future	Indicator 1: Water quality as measured by parameters assessed by Environment Agency river water quality monitoring programmes.1	Indicator 2: Biodiversity as indicated by changes in wild breeding bird populations in England, as a proxy for the health of wider biodiversity.	Indicator 3: Air quality – meeting the Air Quality Strategy objectives for 8 air pollutants as illustrated by trends in two of the more important pollutants which affect public health: particles and nitrogen dioxide.2	Indicator 4: Marine health – clean, healthy, safe, productive and biologically diverse oceans and seas as indicated by proxy measurements of fish stocks, sea pollution and plankton status.	Indicator 5: Land management – the contribution of agricultural land management to the natural environment as measured by the positive and negative impacts of farming.			
	29	Reduce poverty in poorer in countries through quicker progress towards the Millennium Development Goals	Proportion of population below US\$1 (PPP) per day	Net enrolment ratio in primary education	Ratio of girls to boys in primary, secondary and tertiary education	Under-five mortality rate	Maternal mortality ratio	HIV prevalence among 15–49 year people	Proportion of population with sustainable access to an improved water source	The value (nominal), and proportion admitted free of duties, of developed country imports (excluding arms and oil) from low income countries
	30	Reduce the impact of conflict through enhanced UK and international efforts	A downward trend in the number of conflicts globally, in particular in sub-Saharan Africa, Europe, Central and South Asia, and the Middle East and North Africa	Reduced impact of conflict in specific countries and regions (Afghanistan, Iraq, Balkans, Middle East, Sierra Leone, Democratic Republic of Congo and the Great Lakes region, Horn of Africa, Nigeria and Sudan	More effective international institutions, better able to prevent, manage and resolve conflict and build peace	More effective UK capability to prevent, manage and resolve conflict and build peace				

Appendix 3b: The National Indicator Set

Subject group	NI No.	NI content	PSA or DSO?
Stronger communities	1	% of people who believe people from different backgrounds get on well together in their local area	PSA 21
	2	% of people who feel that they belong to their neighbourhood	PSA 21
	3	Civic participation in the local area	PSA 15
	4	% of people who feel they can influence decisions in their locality	PSA 21
	5	Overall/general satisfaction with local area	CLG DSO
	6	Participation in regular volunteering	CO DSO
	7	Environment for a thriving third sector	CO DSO
	8	Adult participation in sport	DCMS DSO
	9	Use of public libraries	DCMS DSO
	10	Visits to museums or galleries	DCMS DSO
	11	Engagement in the arts	DCMS DSO
	12	Refused and deferred Houses in Multiple Occupation (HMO) license applications leading to immigration enforcement activity	HO DSO
	13	Migrants English language skills and knowledge	HO DSO
	14	Avoidable contact: The average number of customer contacts per received customer request	
Safer communities	15	Serious violent crime rate	PSA 23
	16	Serious acquisitive crime rate	PSA 23
	17	Perceptions of anti-social behaviour PSA 23	PSA 23
	18	Adult re-offending rates for those under probation supervision PSA 23	PSA 23
	19	Rate of proven re-offending by young offenders PSA 23	PSA 23
	20	Assault with injury crime rate PSA 25	PSA 25
	21	Dealing with local concerns about anti-social behaviour and crime by the local council and police PSA 23	PSA 23
	22	Perceptions of parents taking responsibility for the behaviour of their children in the area	HO DSO
	23	Perceptions that people in the area treat one another with respect and dignity	HO DSO
	24	Satisfaction with the way the police and local council dealt with antisocial behaviour	HO DSO
	25	Satisfaction of different groups with the way the police and local council dealt with anti-social behaviour	HO DSO
	26	Specialist support to victims of a serious sexual offence	PSA 23
	27	NI 27 Understanding of local concerns about anti-social behaviour and crime by the local council and police	HO DSO
	28	Serious knife crime rate	HO DSO
	29	Gun crime rate	PSA 23
	30	Re-offending rate of prolific and priority offenders	HO DSO
	31	Re-offending rate of registered sex offenders	PSA 23
	32	Repeat incidents of domestic violence	PSA 23
	33	Arson incidents	HO DSO

Subject group	NI No.	NI content	PSA or DSO?
	34	Domestic violence – murder	PSA 23
	35	Building resilience to violent extremism	PSA 26
	36	Protection against terrorist attack	PSA 26
	37	Awareness of civil protection arrangements in the local area	CO DSO
	38	Drug-related (Class A) offending rate	PSA 25
	39	Alcohol-harm related hospital admission rates	PSA 25
	40	Drug users in effective treatment	PSA 25
	41	Perceptions of drunk or rowdy behaviour as a problem	PSA 25
	42	Perceptions of drug use or drug dealing as a problem	PSA 25
	43	Young people within the Youth Justice System receiving a conviction in court who are sentenced to custody	MoJ DSO
	44	Ethnic composition of offenders on Youth Justice System disposals	MoJ DSO
	45	Young offenders engagement in suitable education, employment or training	MoJ DSO
	46	Young offenders access to suitable accommodation	MoJ DSO
	47	People killed or seriously injured in road traffic accidents	DfT DSO
	48	Children killed or seriously injured in road traffic accidents	DfT DSO
	49	Number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks	CLG DSO
Children & Young People: be healthy	50	Emotional health of children	PSA 12
	51	Effectiveness of child and adolescent mental health (CAMHs) services	DCSF DSO
	52	Take up of school lunches	PSA 12
	53	Prevalence of breastfeeding at 6 – 8 weeks from birth	PSA 12
	54	Services for disabled children	PSA 12
	55	Obesity among primary school age children in Reception Year	DCSF DSO
	56	Obesity among primary school age children in Year 6	DCSF DSO
	57	Children and young people's participation in high-quality PE and sport	DCSF DSO
	58	Emotional and behavioural health of children in care DCSF DSO	DCSF DSO
Children and Young People: Stay Safe	59	Initial assessments for children's social care carried out within 7 working days of referral	DCSF DSO
	60	Core assessments for children's social care that were carried out within 35 working days of their commencement	DCSF DSO
	61	Stability of looked after children adopted following an agency decision that the child should be placed for adoption	DCSF DSO
	62	Stability of placements of looked after children: number of moves	DCSF DSO
	63	Stability of placements of looked after children: length of placement	DCSF DSO
	64	Child protection plans lasting 2 years or more DCSF DSO	DCSF DSO
	65	Children becoming the subject of a Child Protection Plan for a second or subsequent time	DCSF DSO
	66	Looked after children cases which were reviewed within required timescales	DCSF DSO
	67	Child protection cases which were reviewed within required timescales	DCSF DSO
	68	Referrals to children's social care going on to initial assessment	DCSF DSO
	69	Children who have experienced bullying DCSF DSO	DCSF DSO
	70	Hospital admissions caused by unintentional and deliberate injuries to children and young people	DCSF DSO
	71	Children who have run away from home/care overnight DCSF DSO	DCSF DSO

Subject group	NI No.	NI content	PSA or DSO?
Children and Young People: Enjoy and Achieve	72	Achievement of at least 78 points across the Early Years Foundation Stage with at least 6 in each of the scales in Personal Social and Emotional Development and Communication, Language and Literacy	PSA 10
	73	Achievement at level 4 or above in both English and Maths at Key Stage 2 (Threshold)	PSA 10
	74	Achievement at level 5 or above in both English and Maths at Key Stage 3 (Threshold)	PSA 10
	75	Achievement of 5 or more A*-C grades at GCSE or equivalent including English and Maths (Threshold)	PSA 10
	76	Achievement at level 4 or above in both English and Maths at KS2 (Floor)	DCSF DSO
	77	Achievement at level 5 or above in both English and Maths at KS3 (Floor)	DCSF DSO
	78	Achievement of 5 or more A*-C grades at GCSE and equivalent including GCSEs in English and Maths (Floor)	PSA 10
	79	Achievement of a Level 2 qualification by the age of 19	PSA 10
	80	Achievement of a Level 3 qualification by the age of 19	PSA 10
	81	Inequality gap in the achievement of a Level 3 qualification by the age of 19	DCSF DSO
	82	Inequality gap in the achievement of a Level 2 qualification by the age of 19	DCSF DSO
	83	Achievement at level 5 or above in Science at Key Stage 3	DCSF DSO
	84	Achievement of 2 or more A*-C grades in Science GCSEs or equivalent	DCSF DSO
	85	Post-16 participation in physical sciences (A Level Physics, Chemistry and Maths)	DCSF DSO
	86	Secondary schools judged as having good or outstanding standards of behaviour	DCSF DSO
	87	Secondary school persistent absence rate	DCSF DSO
	88	Number of Extended Schools	DCSF DSO
	89	Number of schools in special measures	DCSF DSO
	90	Take up of 14-19 learning diplomas	DCSF DSO
	91	Participation of 17 year-olds in education or training	PSA 11
	92	Narrowing the gap between the lowest achieving 20% in the Early Years Foundation Stage Profile and the rest	PSA 11
	93	Progression by 2 levels in English between Key Stage 1 and Key Stage 2	PSA 11
	94	Progression by 2 levels in Maths between Key Stage 1 and Key Stage 2	PSA 11
	95	Progression by 2 levels in English between Key Stage 2 and Key Stage 3	PSA 11
	96	Progression by 2 levels in Maths between Key Stage 2 and Key Stage 3	PSA 11
	97	Progression by 2 levels in English between Key Stage 3 and Key Stage 4	PSA 11
	98	Progression by 2 levels in Maths between Key Stage 3 and Key Stage 4	PSA 11
	99	Children in care reaching level 4 in English at Key Stage 2	PSA 11
	100	Children in care reaching level 4 in Maths at Key Stage 2	PSA 11
	101	Children in care achieving 5 A*-C GCSEs (or equivalent) at Key Stage 4 (including English and Maths)	PSA 11
	102	Achievement gap between pupils eligible for free school meals and their peers achieving the expected level at Key Stages 2 and 4	PSA 11
	103	Special Educational Needs – statements issued within 26 weeks	DCSF DSO
	104	The Special Educational Needs (SEN)/non-SEN gap – achieving Key Stage 2 English and Maths threshold	DCSF DSO

Subject group	NI No.	NI content	PSA or DSO?
	105	The Special Educational Needs (SEN)/non-SEN gap – achieving 5 A*-C GCSE inc. English and Maths	DCSF DSO
	106	Young people from low income backgrounds progressing to higher education	PSA 11
	107	Key Stage 2 attainment for Black and minority ethnic groups	DCSF DSO
	108	Key Stage 4 attainment for Black and minority ethnic groups	DCSF DSO
	109	Number of Sure Start Children Centres	DCSF DSO
Children and Young People: Make a positive contribution	110	Young people's participation in positive activities	PSA 14
	111	First time entrants to the Youth Justice System aged 10 – 17	PSA 14
	112	Under 18 conception rate	PSA 14
	113	Prevalence of Chlamydia in under 20 year olds	DCSF DSO
	114	Rate of permanent exclusions from school	DCSF DSO
	115	Substance misuse by young people	PSA 14
Children and Young People: Economic Wellbeing	116	Proportion of children in poverty	PSA 9
	117	16 to 18 year olds who are not in education, training or employment (NEET)	PSA 14
	118	Take up of formal childcare by low-income working families	DWP DSO
Adult health and Wellbeing	119	Self-reported measure of people's overall health and wellbeing	DH DSO
	120	All-age all cause mortality rate	PSA 18
	121	Mortality rate from all circulatory diseases at ages under 75	DH DSO
	122	Mortality from all cancers at ages under 75	DH DSO
	123	16+ current smoking rate prevalence	PSA 18
	124	People with a long-term condition supported to be independent and in control of their condition	DH DSO
	125	Achieving independence for older people through rehabilitation/ intermediate care	PSA 18
	126	Early access for women to maternity services	PSA 19
	127	Self reported experience of social care users	PSA 19
	128	User reported measure of respect and dignity in their treatment	DH DSO
	129	End of life access to palliative care enabling people to choose to die at home	DH DSO
	130	Social Care clients receiving Self Directed Support (Direct Payments and Individual Budgets)	DH DSO
	131	Delayed transfers of care from hospitals	DH DSO
	132	Timeliness of social care assessment	DH DSO
	133	Timeliness of social care packages	DH DSO
	134	The number of emergency bed days per head of weighted population	DH DSO
	135	Carers receiving needs assessment or review and a specific carer's service, or advice and information	DH DSO
	136	People supported to live independently through social services (all ages)	PSA 18
	137	Healthy life expectancy at age 65	PSA 17
	138	Satisfaction of people over 65 with both home and neighbourhood	PSA 17
	139	People over 65 who say that they receive the information, assistance and support needed to exercise choice and control to live independently	PSA 17
Tackling exclusion and promoting equality	140	Fair treatment by local services	PSA 15
	141	Number of vulnerable people achieving independent living	CLG DSO
	142	Number of vulnerable people who are supported to maintain independent living	PSA 17
	143	Offenders under probation supervision living in settled and suitable accommodation at the end of their order or licence	PSA 16
	144	Offenders under probation supervision in employment at the end of their order or licence	PSA 16
	145	Adults with learning disabilities in settled accommodation	PSA 16

Subject group	NI No.	NI content	PSA or DSO?
	146	Adults with learning disabilities in employment	PSA 16
	147	Care leavers in suitable accommodation	PSA 16
	148	Care leavers in employment, education or training	PSA 16
	149	Adults in contact with secondary mental health services in settled accommodation	PSA 16
	150	Adults in contact with secondary mental health services in employment	PSA 16
Local economy	151	Overall employment rate	PSA 8
	152	Working age people on out of work benefits	PSA 8
	153	Working age people claiming out of work benefits in the worst performing neighbourhoods	DWP DSO
	154	Net additional homes provided	PSA 20
	155	Number of affordable homes delivered (gross)	PSA 20
	156	Number of households living in Temporary Accommodation	PSA 20
	157	Processing of planning applications as measured against targets for 'major', 'minor' and 'other' application types	CLG DSO
	158	% decent council homes	CLG DSO
	159	Supply of ready to develop housing sites	CLG DSO
	160	Local Authority tenants' satisfaction with landlord services	CLG DSO
	161	Learners achieving a Level 1 qualification in literacy	PSA 2
	162	Learners achieving an Entry Level 3 qualification in numeracy	PSA 2
	163	Working age population qualified to at least Level 2 or higher	PSA 2
	164	Working age population qualified to at least Level 3 or higher	PSA 2
	165	Working age population qualified to at least Level 4 or higher	PSA 2
	166	Average earnings of employees in the area	BERR DSO
	167	Congestion – average journey time per mile during the morning peak	PSA 5
	168	Principal roads where maintenance should be considered	DfT DSO
	169	Non-principal roads where maintenance should be considered	DfT DSO
	170	Previously developed land that has been vacant or derelict for more than 5 years	CLG DSO
	171	VAT registration rate	BERR DSO
	172	VAT registered businesses in the area showing growth	BERR DSO
	173	People falling out of work and on to incapacity benefits	DWP DSO
	174	Skills gaps in the current workforce reported by employers	DIUS DSO
	175	Access to services and facilities by public transport, walking and cycling	DfT DSO
	176	Working age people with access to employment by public transport (and other specified modes)	DfT DSO
	177	Local bus passenger journeys originating in the authority area	DfT DSO
	178	Bus services running on time	DfT DSO
	179	Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-9 financial year	CLG DSO
	180	Changes in Housing Benefit/ Council Tax Benefit entitlements within the year	DWP DSO
	181	Time taken to process Housing Benefit/Council Tax Benefit new claims and change events	DWP DSO

Subject group	NI No.	NI content	PSA or DSO?
Environmental sustainability	182	Satisfaction of businesses with local authority regulation services	BERR DSO
	183	Impact of local authority regulatory services on the fair trading environment	BERR DSO
	184	Food establishments in the area which are broadly compliant with food hygiene law	food hygiene law
	185	CO2 reduction from Local Authority operations	PSA 27
	186	Per capita CO2 emissions in the LA area	PSA 27
	187	Tackling fuel poverty – people receiving income based benefits living in homes with a low energy efficiency rating	DEFRA DSO
	188	Adapting to climate change	PSA 27
	189	Flood and coastal erosion risk management	DEFRA DSO
	190	Achievement in meeting standards for the control system for animal health	DEFRA DSO
	191	Residual household waste per head	DEFRA DSO
	192	Household waste recycled and composted	DEFRA DSO
	193	Municipal waste land filled	DEFRA DSO
	194	Level of air quality – reduction in NOx and primary PM10 emissions through local authority's estates and operations.	PSA 28
	195	Improved street and environmental cleanliness (levels of graffiti, litter, detritus and fly posting)	DEFRA DSO
	196	Improved street and environmental cleanliness – fly tipping	DEFRA DSO
	197	Improved local biodiversity – active management of local sites	PSA 28
	198	Children travelling to school – mode of travel usually used	DfT DSO

Appendix 3c: Mapping National Indicators onto PSAs*

Subject grouping	PSA	Name	Responsible ministry	Relevant National Indicators
Sustainable growth and prosperity	1	Raise the productivity of the UK economy	BERR	
	2	Improve the skills of the population, on the way to ensuring a world-class skills base by 2020	DIUS	NI 161, NI 162, NI 163, NI 164, NI 165
	3	Ensure controlled, fair migration that protects the public and contributes to economic growth	HO	
	4	Promote world-class science and innovation in the UK	DIUS	
	5	Deliver reliable and efficient transport networks that support economic growth	DfT	
	6	Deliver the conditions for business success in the UK	BERR	
	7	Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions	BERR	
Fairness and opportunity for all	8	Maximise employment opportunities for all	DWP	NI 151, NI 152
	9	Halve the number of children in poverty by 2010-11	HMT	NI 116
	10	Raise the educational achievement of all children and young people	DCSF	NI 72, NI 73, NI 74, NI 75, NI 78, NI 79, NI 80
	11	Narrow the gap in educational achievement between children from low income and disadvantaged backgrounds and their peers	DCSF	NI 92, NI 93, NI 94, NI 95, NI 96, NI 97, NI 98, NI 99, NI 100, NI 101, NI 102, NI 106
	12	Improve the health and well-being of children and young people	DCSF	NI 50, NI 52, NI 53, NI 54
	13	Improve children and young people's safety	DCSF	
	14	Increase the number of children and young people on the path to success	DCSF	NI 110, NI 111, NI 112, NI 115, NI 117
	15	Address the disadvantage that individuals experience because of their gender, race, disability, age, sexual orientation, religion or belief	Government Equalities Office, DWP	NI 3, NI 140
	16	Increase the proportion of socially excluded adults in settled accommodation and employment, education or training	Cabinet Office	NI 143, NI 144, NI 145, NI 146, NI 147, NI 148, NI 149, NI 150
	17	Tackle poverty and promote greater independence and well-being in later life	DWP	NI 137, NI 138, NI 139, NI 142

Subject grouping	PSA	Name	Responsible ministry	Relevant National Indicators
Stronger communities and a better quality of life	18	Promote better health and well-being for all	DH	NI 120, NI 123, NI 125, NI 136
	19	Ensure better care for all	DH	NI 126, NI 127
	20	Increase long-term housing supply and affordability	CLG	NI 154, NI 155, NI 156
	21	Build more cohesive, empowered and active communities	CLG	NI 1, NI 2, NI 4
	22	Deliver a successful Olympic Games and Paralympic Games with sustainable legacy and get more children and young people taking part in high quality PE and sport	DCMS	
	23	Make communities safer	HO	NI 15, NI 16, NI 17, NI 18, NI 19, NI 21, NI 26, NI 29, NI 31, NI 32, NI 34
	24	Deliver a more effective, transparent and responsive Criminal Justice System for victims and the public	MoJ	
	25	Reduce the harm caused by alcohol and drugs	HO	NI 20, NI 38, NI 39, NI 40, NI 41, NI 42
	26	Reduce the risk to the UK and its interests overseas from international terrorism	HO	NI 35, 36
A more secure, fair and environmentally sustainable world	27	Lead the global effort to avoid dangerous climate change	DEFRA	NI 185, NI 186, NI 188
	28	Secure a healthy natural environment for today and the future	DEFRA	NI 194, NI 197
	29	Reduce poverty in poorer in countries through quicker progress towards the Millennium Development Goals	DfID	
	30	Reduce the impact of conflict through enhanced UK and international efforts	FCO	

* Adapted from CLG (2007), *The New Performance Framework for Local Authorities & Local Authority Partnerships: Single Set of National Indicators*, online at <http://www.communities.gov.uk/documents/localgovernment/pdf/505713.pdf> [as of 13th November 2008]

Appendix 3d: Incidence of National Indicators in Local Area Agreements*

NI	Description	Incidence
117	16 to 18 year olds who are not in education, employment or training (NEET)	115
112	Under 18 conception rate	106
154	Net additional homes provided	104
155	Number of affordable homes delivered (gross)	102
186	Per capita reduction in CO2 emissions in the LA area	100
56	Obesity among primary school age children in Year 6	99
16	Serious acquisitive crime rate	98
163	Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 2 or higher	95
123	Stopping smoking	89
1	% of people who believe people from different backgrounds get on well together in their local area	87
120	All-age all cause mortality rate	86
4	% of people who feel they can influence decisions in their locality	85
30	Re-offending rate of prolific and other priority offenders	83
20	Assault with injury crime rate	82
130	Social Care clients receiving Self Directed Support per 100,000 population	81
8	Adult participation in sport and active recreation	80
135	Carers receiving needs assessment or review and a specific carer's service, or advice and information	80
110	Young people's participation in positive activities	77
171	New business registration rate	76
32	Repeat incidents of domestic violence	75
39	Rate of hospital admission per 100,000 for alcohol related harm	75
152	Working age people on out of work benefits	75
40	Number of drug users recorded as being in effective treatment	74
111	First time entrants to the Youth Justice System aged 10 – 17	74
195	Improved street and environmental cleanliness	72
141	Percentage of vulnerable people achieving independent living	70
192	Percentage of household waste sent for reuse, recycling and composting	68
7	Environment for a thriving third sector	61
153	Working age people claiming out of work benefits in the worst performing neighbourhoods	61
17	Perceptions of anti-social behaviour	56
188	Planning to adapt to climate change	56
175	Access to services and facilities by public transport, walking and cycling	54
21	Dealing with local concerns about anti-social behaviour and crime issues by the local council and police	53
15	Serious violent crime rate	49
19	Rate of proven re-offending by young offenders	49
121	Mortality rate from all circulatory diseases at ages under 75	49
47	People killed or seriously injured in road traffic accidents	48
136	People supported to live independently through social services (all adults)	46
116	Proportion of children in poverty	45
5	Overall/general satisfaction with local area	44
6	Participation in regular volunteering	43
51	Effectiveness of child and adolescent mental health (CAMHs) services	43
164	Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 3 or higher	42
125	Achieving independence for older people through rehabilitation/intermediate care	41
187	Tackling fuel poverty – % people receiving income based benefits living in homes with a low energy efficiency rating	40

NI	Description	Incidence
167	Congestion – average journey time per mile during the morning peak	38
191	Residual household waste per household	38
79	Achievement of a Level 2 qualification by the age of 19	36
115	Substance misuse by young people	36
142	Percentage of vulnerable people who are supported to maintain independent living	36
156	Number of households living in Temporary Accommodation	36
185	CO2 reduction from Local Authority operations	35
151	Overall employment rate	34
53	Prevalence of breastfeeding at 6 – 8 weeks from birth	32
193	Percentage of municipal waste landfilled	32
198	Children travelling to school – mode of travel usually used (5-16yrs – car (including vans and taxis))	32
150	Adults in contact with secondary mental health services in employment	30
165	Proportion of population aged 19-64 for males and 19-59 for females qualified to at least Level 4 or higher	30
166	Median earnings of employees in the area	30
63	Stability of placements of looked after children: length of placement	29
146	Adults with learning disabilities in employment	29
55	Obesity among primary school age children in Reception Year	26
172	Percentage of small businesses in the area showing growth	26
197	Improved local biodiversity – proportion of local sites where positive conservation management has been or is being implemented	26
57	Children and young people's participation in high-quality PE and sport	25
11	Engagement in the arts	24
18	Adult re-offending rates for those under probation supervision	24
69	Children who have experienced bullying	24
124	People with a long-term condition supported to be independent and in control of their condition	24
54	Services for disabled children	23
102	Achievement gap between pupils eligible for free school meals and their peers achieving the expected level at Key Stages 2 and 4	23
158	% non-decent council homes	23
80	Achievement of a Level 3 qualification by the age of 19	22
50	Emotional health of children	21
139	The extent to which older people receive the support they need to live independently at home	21
38	Drug-related (Class A) offending rate	20
45	Young offenders engagement in suitable education, employment or training	20
35	Building resilience to violent extremism	19
60	Percentage of core assessments for children's social care that were carried out within 35 working days of their commencement	18
161	Number of Level 1 qualifications in literacy (including ESOL) achieved	17
33	Arson incidents	16
62	Stability of placements of looked after children: number of placements	16
134	The number of emergency bed days per head of weighted population	15
159	Supply of ready to develop housing sites	15
177	Local bus and light rail passenger journeys originating in the authority area	15
59	Percentage of initial assessments for children's social care carried out within 7 working days of referral	14
114	Rate of permanent exclusions from school	14
162	Number of Entry Level qualifications in numeracy achieved	14
49	Number of primary fires and related fatalities and non-fatal casualties, excluding precautionary checks	13
24	Satisfaction with the way the police and local council dealt with antisocial behaviour	12
118	Take up of formal childcare by low-income working families	12
126	Early access for women to maternity services	12
132	Timeliness of social care assessment (all adults)	12
65	Percentage of children becoming the subject of a Child Protection Plan for a second or subsequent time	11
169	Non-principal roads where maintenance should be considered	11
9	Use of public libraries	10
68	Percentage of referrals to children's social care going on to initial assessment	10
119	Self-reported measure of people's overall health and wellbeing	10
131	Delayed transfers of care	10

NI	Description	Incidence
137	Healthy life expectancy at age 65	10
144	Offenders under probation supervision in employment at the end of their order or licence	10
145	Adults with learning disabilities in settled accommodation	10
140	Fair treatment by local services	9
78	Reduction in number of schools where fewer than 30% of pupils achieve 5 or more A*-C grades at GCSE and equivalent including GCSEs in English and Maths	9
106	Young people from low income backgrounds progressing to higher education	9
149	Adults in contact with secondary mental health services in settled accommodation	9
168	Principal roads where maintenance should be considered	9
27	Understanding of local concerns about anti-social behaviour and crime issues by the local council and police	8
41	Perceptions of drunk or rowdy behaviour as a problem	8
91	Participation of 17 year-olds in education or training	8
108	Key Stage 4 attainment for Black and minority ethnic groups	8
148	Care leavers in employment, education or training	8
196	Improved street and environmental cleanliness – fly tipping	8
2	% of people who feel that they belong to their neighbourhood	7
138	Satisfaction of people over 65 with both home and neighbourhood	7
173	Flows on to incapacity benefits	7
179	Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-9 financial year	7
128	User reported measure of respect and dignity in their treatment	6
3	Civic participation in the local area	6
23	Perceptions that people in the area treat one another with respect and consideration	6
113	Prevalence of Chlamydia in under 25 year olds	6
122	Mortality from all cancers at ages under 75	6
181	Time taken to process Housing Benefit/Council Tax Benefit new claims and change events	6
42	Perceptions of drug use or drug dealing as a problem	5
13	Migrants English language skills and knowledge	5
58	Emotional and behavioural health of looked after children	5
64	Child protection plans lasting 2 years or more	5
70	Reduce emergency hospital admissions caused by unintentional and deliberate injuries to children and young people	5
81	Inequality gap in the achievement of a Level 3 qualification by the age of 19	5
90	Take up of 14-19 learning diplomas	5
129	End of life care – access to appropriate care enabling people to be able to choose to die at home	5
178	Bus services running on time	5
189	Flood and coastal erosion risk management	5
26	Specialist support to victims of a serious sexual offence	4
36	Protection against terrorist attack	4
182	Satisfaction of businesses with local authority regulatory services	3
29	Gun crime rate	3
48	Children killed or seriously injured in road traffic accidents	3
66	Looked after children cases which were reviewed within required timescales	3
82	Inequality gap in the achievement of a Level 2 qualification by the age of 19	3
105	The Special Educational Needs (SEN)/non-SEN gap – achieving 5 A*-C GCSE inc. English and Maths	3
170	Previously developed land that has been vacant or derelict for more than 5 years	3
174	Skills gaps in the current workforce reported by employers	3
176	Working age people with access to employment by public transport (and other specified modes)	3
22	Perceptions of parents taking responsibility for the behaviour of their children in the area	2
127	Self reported experience of social care users	2
10	Visits to museums or galleries	2
61	Timeliness of placements of looked after children for adoption following an agency decision that the child should be placed for adoption	2
89	Reduction in number of schools judged as requiring in special measures and time taken to come out of the category	2
133	Timeliness of social care packages following assessment	2
143	Offenders under probation supervision living in settled and suitable accommodation at the end of their order or licence	2

NI	Description	Incidence
157	Processing of planning applications	2
160	Local Authority tenants' satisfaction with landlord services	1
28	Serious knife crime rate	1
44	Ethnic composition of offenders on Youth Justice System disposals	1
52	Take up of school lunches	1
71	Children who have run away from home/care overnight	1
76	Reduction in number of schools where fewer than 65% of pupils achieve level 4 or above in both English and Maths at KS2	1
88	Percentage of schools providing access to extended services	1
104	The Special Educational Needs (SEN)/non-SEN gap – achieving Key Stage 2 English and Maths threshold	1
109	Delivery of Sure Start Children Centres	1
147	Care leavers in suitable accommodation	1
180	The number of changes of circumstances which affect customers' Housing Benefit/ Council Tax Benefit entitlements within the year	1
194	Air quality – % reduction in NOx and primary PM10 emissions through local authority's estate and operations	1
25	Satisfaction of different groups with the way the police and local council dealt with anti-social behaviour	0
37	Awareness of civil protection arrangements in the local area	0
199	Children and young people's satisfaction with parks and play areas	0
12	Refused and deferred Houses in Multiple Occupation (HMO) license applications leading to immigration enforcement activity	0
14	Avoidable contact: The proportion of customer contact that is of low or no value to the customer	0
31	Re-offending rate of registered sex offenders (DELETED)	0
34	Domestic violence – murder	0
43	Young people within the Youth Justice System receiving a conviction in court who are sentenced to custody	0
46	Young offenders access to suitable accommodation	0
67	Percentage of child protection cases which were reviewed within required timescales	0
77	Reduction in number of schools where fewer than 50% of pupils achieve level 5 or above in both English and Maths at KS3	0
84	Achievement of 2 or more A*-C grades in Science GCSEs or equivalent	0
85	Post-16 participation in physical sciences (A Level Physics, Chemistry and Maths)	0
86	Secondary schools judged as having good or outstanding standards of behaviour	0
103	Special Educational Needs – statements issued within 26 weeks	0
107	Key Stage 2 attainment for Black and minority ethnic groups	0
183	Impact of local authority regulatory services on the fair trading environment	0
184	Food establishments in the area which are broadly compliant with food hygiene law	0
190	Achievement in meeting standards for the control system for animal health	0

* This list does not include the 16 statutory DCSF indicators. Source: Innovation and Development Agency for local government (IDeA), at: <http://www.idea.gov.uk/idk/aio/8762092>

Appendix 3e: Public perception indicators

Public perception indicators in the CSR07 PSA Framework

Perception indicators

PSA 15 (Equalities) Differential gap in self-reported choice and control in terms of assistance, equipment, flexible working, and caring arrangements that enable independent living

PSA 15 (Equalities) Differential gap in perception of employment-based discrimination

PSA 15 (Equalities) Differential gap in perception of dignity and respect

PSA 17 (Later life) The extent to which older people receive the support they need to live independently at home

PSA 21 (Cohesive communities) Percentage of people who believe that people from different backgrounds get on well together in their local area

PSA 21 (Cohesive communities) Percentage of people who have meaningful interactions on a regular basis with people from different ethnic or religious backgrounds

PSA 21 (Cohesive communities) Percentage of people who feel that they belong to their neighbourhood

PSA 21 (Cohesive communities) Percentage of people who feel they can influence decisions affecting their local area

PSA 23 (Safer communities) Perception of anti-social behaviour

PSA 25 (Alcohol & drugs) Percentage of the public who perceive drug use or dealing to be a problem in their area

PSA 25 (Alcohol & drugs) Percentage of the public who perceive drunk or rowdy behaviour to be a problem in their area

Satisfaction indicators

PSA 17 (Later life) Proportion of people aged 65 and over who are satisfied with their home and their neighbourhood

PSA 19 (Better care for all) Patient experience of access to primary care

PSA 24 (More effective, transparent, responsive CJS) Experience of the CJS for victims and users

Engagement indicators

PSA 15 (Equalities) Differential gap in participation in civic society (disadvantaged groups vs non-disadvantaged groups)

Experience indicators

PSA 19 (Better care for all) The self-reported experience of patients and users

PSA 19 (Better care for all) People with long-term conditions supported to be independent and in control of their condition

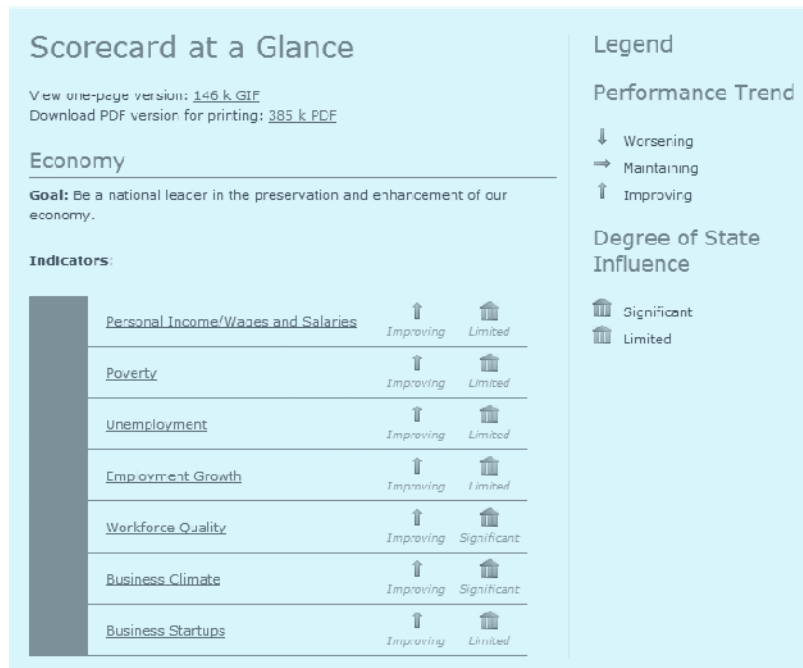
Confidence indicators

PSA 23 (Safer communities) Public confidence in local agencies dealing with anti-social behaviour and crime issues that matter to people in their local area

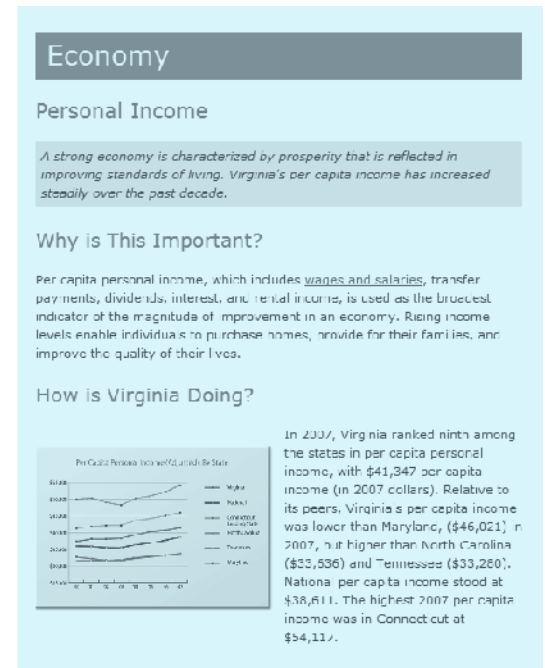
PSA 24 (More effective, transparent, responsive CJS) Public confidence in the fairness and effectiveness of the CJS

Appendix 4: Example of citizen-friendly data publication – ‘Virginia Performs’

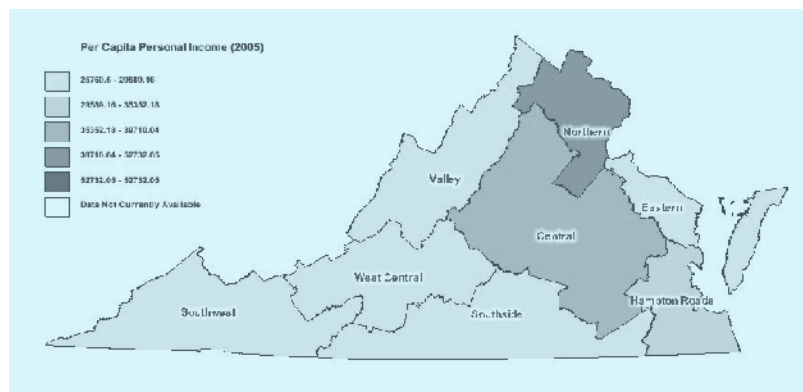
1



2



3



Key

1. 'Scorecard at a glance', which shows headline trends in 46 indicators across eight policy domains.
2. Expanded detail section for the per capita income indicator
3. User-generated map showing variation in this indicator by region

Source: <http://vaperforms.virginia.gov>

Appendix 5: List of attendees at IfG launch seminar

The Institute for Government hosted a seminar on 25 July 2008 to present the initial findings from our research project on performance management in central and local government. The attendees at the seminar included:

Name	Institutional affiliation	Position
Sir Michael Barber	McKinsey and Company	Expert Partner
Adrian Midwood	McKinsey and Company	
Anthony Brand	New Local Government Network	Researcher
Ben Jupp	Prime Minister's Strategy Unit	Director of Public Service Improvement
Chloe Smith	Conservative Party	PPC for Norwich North Member of Conservative Party Implementation Team
David Albury	The Innovation Unit	Member of the Innovation Board
David Walker	The Guardian	Formerly Public Services Editor
Dermot Finch	Centre for Cities	Director
Diane French	National Audit Office	Manager of the Performance Management Practice
Dominic Maxwell	Office of the Rt. Hon. Ed Milliband MP	Speechwriter
Jaee Samant	Police Reform and Resources Directorate	Acting Director
James Blake	Communities and Local Government	Head of Local Agreements and Partnerships
Jamie Cowling	HM Treasury	Productivity and Reform
Merav Dover	Prime Minister's Delivery Unit	Head of Health and Employment
Nick Hope	New Local Government Network	Researcher
Pauline Ngan	Public Administration Select Committee	Committee Specialist
Peter Wilkinson	Audit Commission	Managing Director, Policy Research and Studies
Phillip Colligan	Camden Borough Council	Director of Housing
Ray Shostak	Prime Minister's Delivery Unit	Director and Head of Unit
Roger Gough	Policy Exchange	Research Director
Ros Clayton	Prime Minister's Delivery Unit	Head of Children, Education and Skills
Samir Chhabra	2020 Delivery	Consultant
Sue Richards	National School of Government/Institute for Government	Professor and Head of Sunningdale Institute
Tony Travers	London School of Economics	Director, Greater London Group

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Suggestions for further reading, as well as supporting documents for this report can be found on the Institute for Government website: www.instituteforgovernment.org.uk.

List of Acronyms

ABG	Area Based Grant
CAA	Comprehensive Area Assessment
CDRP	Crime and Disorder Reduction Partnership
CLG	Department of Communities and Local Government
CO	Cabinet Office
CPA	Comprehensive Performance Assessment
CPS	Crown Prosecution Service
CMPO	Centre for Market and Public Organisation
CYPT	Children and Young People's Trust
DCSF	Department for Children, Schools and Families
DfID	Department for International Development
FCO	Foreign and Commonwealth Office
GO	Government Office
HMT	HM Treasury
HO	Home Office
IfG	Institute for Government
LAA	Local Area Agreement
LGA	Local Government Association
LPSA	Local Public Service Agreement
MoD	Ministry of Defence
Moj	Ministry of Justice
NAO	National Audit Office
OECD	Organisation for Economic Co-operation and Development
ONS	Office of National Statistics
PASC	Public Administration Select Committee
PCT	Primary Care Trust
PI	Performance Indicator
PMDU	Prime Minister's Delivery Unit
PMSU	Prime Minister's Strategy Unit
PSA	Public Service Agreement
PSB	Public Service Board
SCS	Sustainable Community Strategy
SI	Sunningdale Institute

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