

LAA Target Setting 2008-11

Negotiations on targets for the new LAAs are now under way. This alert provides a briefing on current developments, and includes key points from a Learning to Deliver workshop on LAAs & Target Setting on 14 February, which was aimed specifically at economic development-related targets.

What does the LAA guidance say on target setting?

- draft LAAs to contain a maximum of 35 designated targets (plus the statutory education targets) for agreement with central government, set out as a three year trajectory
- these should incorporate the indicators which best help LSP partners achieve agreed priorities
 - partners are encouraged to consider disaggregated targets, for (a) small areas and/or (b) groups by age, gender, disability, ethnicity, religion, sexual orientation, vulnerable people, socio-economic classification
- additional targets are ‘purely a local matter’ – and are not to be seen as secondary
 - these may be from the National Set, or locally specified
 - partner organisation(s) responsible for working towards each target must be specified
 - GOWM will expect to see ‘stretching but achievable’ targets, based on robust evidence
- local targets may be based *either* on indicators in the National Indicator Set which are *not* agreed as designated targets with GOWM, or be outside the national set and separately specified
- the guidance also cautions against potential displacement or other adverse effects where the selection of one target leads to poorer performance on other targets

Current concerns expressed by LAA participants

- “We want to use the right measures which fit our local priorities, but often the data is not good enough, or the timescales for achievement lie beyond the three years of the LAA.” This leads local partners to advocate action at national level to increase the sample size at LAA level on several of the survey-based indicators
- “Are we striking the right balance between local priorities and what the government want?” – it feels to some that the balance is too much towards government
- GOWM is felt to be placing pressure on local partners to include certain indicators, which are not felt to reflect local priorities, or may involve data sources which are not robust enough for performance management purposes
- inconsistent views are sometimes being expressed by GO locality managers and policy leads
- major concern on the economic development front is the lack of a Gross Value Added (GVA) indicator (ie, a measure of the output/ productivity of the local economy), and a core indicator for the Regional Economic Strategy
 - BERR advice is that the time lag on GVA is too long (two years in arrears) and that the combined use of the Overall Employment Rate (the proportion of the working age

population in employment or self-employment) and Average Earnings provides an acceptable substitute

- data limitations mean that a number of the targets do not lend themselves to District-level targets in two-tier areas, which may diminish the extent to which District Councils and LSPs see the LAA as relevant to them

What do we now know about LAA reward targets?

CLG and national partners are currently discussing the reward regime for the new LAAs, which has yet to be agreed by ministers. In outline, it is proposed that the new regime should be simpler than its predecessor, and provide an incentive to perform across *all* targets, and reinforce partnership efforts to achieve ambitious cross-cutting aims.

Performance would be judged as an average figure across all targets, not on individual ones. To be eligible for performance reward grant, a partnership would have to achieve a minimum performance score against a specified proportion of its LAA targets and achieve a minimum average performance across all of the targets. The calculation of average performance may allow for ‘over-performance’ on individual targets.

The approach entails a move away from ‘value for money’ as assessed under previous reward target arrangements, allowing agreements to be looked at in the round, rather than focusing on a small number of individual indicators.

Separate arrangements will be made for the Working Neighbourhoods Fund, which has a distinct CLG budget for reward, and will involve payment of performance grant *within* the 2008-11 CSR period (whereas otherwise reward payments on the new LAAs will extend into 2011-14).

It is intended that the proposed system will facilitate stronger cross-theme working, and reduce competition between themes. However, local partners may adopt performance reward regimes of their own, where experience leads them to value such arrangements.

Local targets

A variety of locally specified indicators were proposed in the January LAA submissions. These related, to a number of targets included in *current* LAAs, other performance management regimes, and the new Regional Economic Strategy, or were newly suggested in line with current or emerging Sustainable Community Strategies¹. Examples included measures for:

- flood mitigation
- ‘healthy schools’
- renewable energy
- office and industrial property development

¹ Several LAAs included GVA, reflecting the point above.

- innovation/ research and development

In some cases the proposals relate to sub-areas, such as in seeking to align LAA and City Strategy targets (eg, on achievement of basic and Level 1 qualifications in target wards), and the reduction of CO² emissions in those parts of the LAA area where this offers a feasible three year target.

All are subject to further consideration and negotiation. L2D feedback suggests that many partners suspect that non-designated targets, ie, these not agreed as priorities with the government, will in practice be treated as less important by local partners – diminishing enthusiasm for including such local targets in the LAA.

Target setting

LAA partners may be caught in a situation where there are some indicators which matter in relation to agreed priorities, but which involve datasets which are not robust enough for performance management purposes. This may well apply, eg, to survey-based indicators such as the Annual Survey of Hours and Earnings (ASHE) and the Annual Population Survey (a source of indicators on employment rates and qualifications), and the new Place Survey.

Partners need to satisfy themselves that the indicators in question are:

- relevant
- robust and statistically valid
- reliable over time
- unambiguous in what they measure
- timely for performance management
- logical and plausible, in providing links between partner activities and outcomes
- not prone to generating perverse incentives which lead to undesirable outcomes

It also helps communications and understanding within the partnerships if the indicators are easy to set out in lay terms.

These criteria mean that partners *need to beware*:

- datasets where small sample sizes are small and confidence intervals large – the result being that year-on-year changes may not reflect real improvement or deterioration in key indicators
- a natural tendency for data to fluctuate more at local level than at regional or national level
- major factors lying beyond local control
- time lags in data supply
- discontinuities in datasets (eg, as expected for VAT registrations and for DWP claimant records)
- changes in population denominator, where increases or decreases may have a significant impact of indicators based on rates of population when updated population estimates are released

These factors highlight the need to take a ‘risk management’ approach in setting LAA targets, to ensure that targets are genuinely stretching and achievable. This entails that LSP partners need to:

- consider trend performance and the scope for local partners to affect the future trajectory (this scope typically varying across the range of indicators in the National Set)
- understand the reasons for changes in recent trends
- clarify the main risks to achieving the improved trajectory
- understand the limitations to the data sources being used
- in some cases, review trends in other datasets which provide reassurance (or otherwise) about the robustness of trajectories (eg, in looking at labour market flow data when considering projections for the employment rate)

Comparison of trends with other parts of the region or ‘statistical neighbours’ (areas with common characteristics) can also help provide confidence in specifying targets. (Some of the indicators in the National Set are new and lack baselines and trend data. In these cases, other data sources must be used as proxies in arriving at appropriate targets.)

Care is needed in presenting performance data over time, in that ‘traffic light’ monitoring systems can lead to criticism within partnerships of ‘poor performance’, where there may be straightforward statistical reasons for apparent changes. The onus is on ‘target owners’ (ie, those responsible for reporting on performance) to be able to explain the weaknesses in the data and provide other evidence of progress and action being taken to ensure success. As a good practice, performance charts on individual targets should include error bars which show the range of probable values of the variable being surveyed.

L2D feedback suggests that LSPs may often be resorting to indicators and targets which offer a better basis for performance management and can be influenced within the three years of the LAA, despite the desire to ensure that the set of targets fully reflects priorities in Sustainable Community Strategies. Also a lack of robustness in many indicators at neighbourhood or group level can make LSPs reluctant to include disaggregated targets, which otherwise they may wish to include.

Thinking ahead – partner commitment and delivery planning

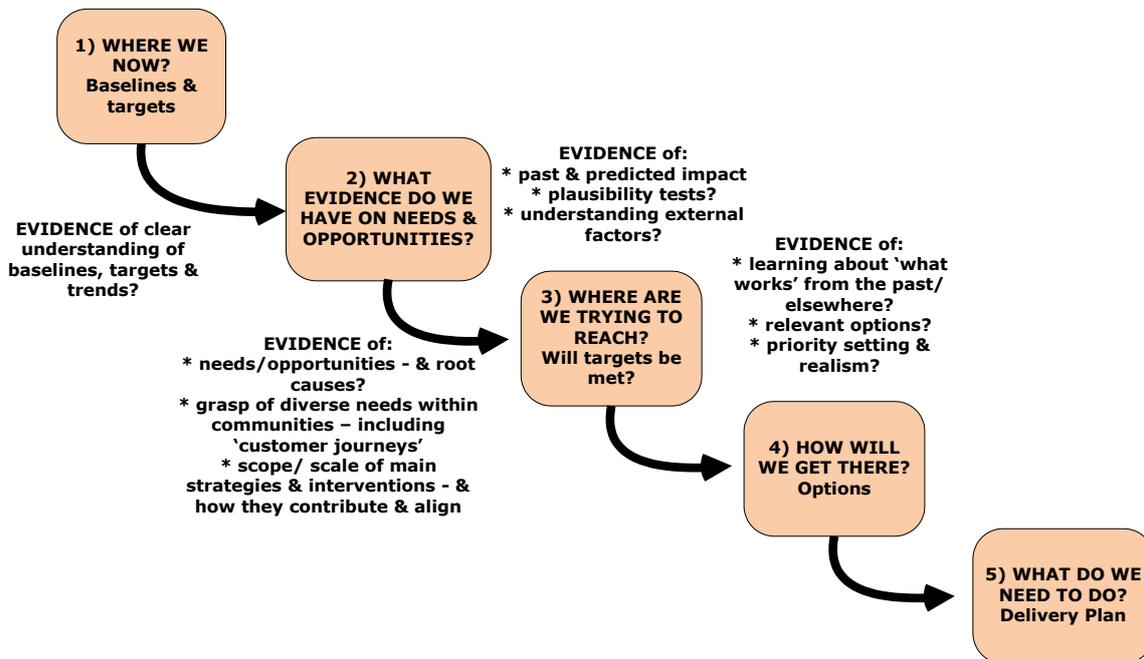
The topic of risk management highlights the need for thinking ahead, not just about the data and analysis that may be needed in target setting, but also for performance management. Target setting provides an opportunity for partners to review together the scale of improvement needed, and strengthen how they work together to deliver this.

It may be timely to consider evidence needs beyond those required in the immediate term for target setting, in taking a fuller look at what will be needed for improving performance. Figure 1 on the next page sets out questions around the evidence requirements typical of each stage of the Learning to Deliver planning model. Other questions to consider include:

- the time and resource commitments that will be demanded by joint planning (and for commissioning, where relevant)

- the approach to policy proofing within the LAA (eg, on equalities, neighbourhood and rural impacts, etc)
- the timetable to ensure that LAA delivery arrangements are in place ahead of the autumn LAA review and completion of action planning in time to influence partner plans and budgets for 2009-10.

Figure 1 Evidence requirements in LAA delivery planning stages



Resources

Papers from the LAA Targets and Delivery Planning workshop (14 February) are available on the Basecamp website. If involved in LAAs in the West Midlands and are not already registered for access to the site, please contact learningtodeliver@wmlga.gov.uk

Floor Targets Interactive (www.fti.communities.gov.uk/fti/)

Revamped site now covers all LAs, and many of the National Indicators, with more to be added in March. Allows range of analyses: comparative trends, charts showing gaps with national and regional rates, histograms showing position relative to other areas, etc

References in the guidance

There are references to priorities and targets in:

LAA Phase 2 Operational Guidance

www.communities.gov.uk/documents/localgovernment/pdf/550738

Creating Strong, Safe and Prosperous Communities (Draft Statutory Guidance)

www.communities.gov.uk/publications/localgovernment/statutoryguidance?version=1

Other material on indicators & targets**Public Services Agreements**

Details for each of the Public Service Agreements for 2008-11, published as part of the Comprehensive Spending Review 2007. Information provided on the vision behind the PSA, measurement, and delivery strategy. www.hm-treasury.gov.uk/pbr_csr/psa/pbr_csr07_psaindex.cfm

IDeA resources on target setting

www.idea.gov.uk/idk/core/page.do?pageId=1174238 Includes a presentation on good target setting

www.idea.gov.uk/idk/aio/985671 and checklist www.idea.gov.uk/idk/aio/985668

The Good Indicators Guide: Understanding how to use and choose indicators (Association of Public Health Observatories) – short, practical resource for anyone responsible for using indicators to monitor and improve performance, systems or outcomes. www.apho.org.uk/resource/item.aspx?RID=44584

PSA Targets - The Devil in the Detail

Statistics Commission report investigating the statistical robustness of the previous round of PSA targets and implications for national statistics. Called for greater attention by government departments to data quality and measurement systems. www.statscom.org.uk/C_467.aspx

On Target: The practice of performance indicators (Audit Commission advice)

www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=ENGLISH^572^SUBJECT^1628^REPORTS-AND-DATA^AC-REPORTS&ProdID=266D51B7-0C33-4b4b-9832-7484511275E6

Targeting Inequalities – NAO review of effective practice in setting targets for reducing inequalities www.nao.org.uk/pn/06-07/0607_pmp.htm