

# THE ROLE OF POLICY AGREEMENTS IN THE RELATIONSHIP BETWEEN THE WELSH ASSEMBLY GOVERNMENT AND LOCAL AUTHORITIES

by

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## **A B S T R A C T**

A key question in the central-local relationship is 'what is the most appropriate performance framework to deliver service improvements?' The role of Policy Agreements in this regard had not previously been explored. Also, when considered with studies on similar organisational pay-for-performance schemes in England, the research could provide evidence as to the drivers of service improvement in different contexts and help maximise the benefits of devolution whilst guarding against the forces of isolationism.

Governments have assumed PRP can be transferred from the individual to the organisational level without any understanding of the implications or knowledge of actual impact. In addition, evidence relating to the effectiveness of individual schemes is inconclusive. Finally, this is an under-researched area and understanding of organisational schemes could be enhanced by considering knowledge relating to individual PRP.

Policy evaluation literature suggests the impact of policies should be considered in relation to their final outcome and by developing a detailed understanding of the implementation process, as the outcome may not have been achieved in the way in which it was conceptualised. An evaluation model was therefore developed based on a review of literature relating to target setting in the public sector, evaluations of similar English schemes and theory and practice relating to individual PRP, in particular its use in the public sector. This unique lens was used to design the research instruments, a postal questionnaire and structured interviews.

The analysis identified that some objectives of Policy Agreements were partially met and some were not met at all, resulting in several lessons for practice. Implications for theory were identified relating to central-local relations and organisational performance management schemes in the public sector. It was concluded that the governmental assumption of the transferability of PRP from the individual to the organisational level is questionable in terms of both robustness and appropriateness.



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## **CHAPTER 1**

### **INTRODUCTION**

In the United Kingdom, successive national governments of different political persuasions have wrestled with the dilemma of central-local relations. The paradigm of central control has arguably fuelled local government policies including; 'nationalisation' of the business rate, compulsory competitive tendering, the right to buy, strict controls over finances such as capping of council tax and hypothecation of funding, a plethora of targets, increased levels of inspection and regulation and Best Value. All have been intended to ensure that local authorities deliver national policies either by direct control or by reducing local power bases and discretion. Whilst the 'localism' paradigm argues this undermines local democracy and saps energy into compliance which could be better employed in improving service delivery.

The key question is, therefore, how does one organisation, in this case central or devolved government, exert the appropriate kind of influence over another, local authorities, to improve performance and ensure its own objectives are delivered, whilst still creating an environment where local democracy can exercise sufficient discretion and, generate creativity and energy for service improvement beyond any impetus which comes with a compliance culture? Wilson (2001) frames this as achieving a balance between diversity and uniformity.

## **Local Government Modernisation**

When the Labour Government came to power in 1997, it began a programme of 'modernising' local government. This was branded as a new dawn for central-local relations – what matters is what works (Benington, 2000). The agenda had three main pillars: revitalising local democracy by means of a series of reforms to the democratic structures of local authorities; championing community leadership; and, the introduction of 'Best Value', a regime to drive the continuous improvement of local authority services (DETR, 1998 and Welsh Office, 1998). This was accompanied by an increased focus on inspection and regulation (Boyne, 2000).

## **Devolved Government in Wales**

In Wales, the local government modernisation agenda was set against the context of devolution. The establishment of the National Assembly in 1999 marked perhaps the greatest ever change in the governance of the country (Patchett, 2000; Laffin and Thomas, 2000). The creation of devolved government meant the nature of the central-local relationship changed, becoming closer and more mutual (Laffin, 2004; Jeffery, 2006). It is perceived as the key relationship in the governance of Wales with an important inter-dependency. The Assembly Government is dependent on local authorities for the delivery of many of its key national policy objectives, whilst local authorities are dependent on the Assembly Government to determine their policy, funding, governance and performance frameworks (Essex, 1998; Andrews and Martin, 2007).

## **Performance Improvement in Local Government in Wales**

The framework which establishes the parameters of the performance management system has two main facets: the Wales Programme for Improvement (WPI) and Policy Agreements. The Best Value regime and the Wales Programme for Improvement had no financial incentives but, in 2000 the UK Government announced the development of Local Public Service Agreements (LPSAs). The first round included a reward element of up to 2.5% of the local authority's revenue budget for hitting 12 targets negotiated with central government. This was followed by the development of Policy Agreements in Wales which had a reward of £40 million to be distributed amongst the 22 Welsh authorities. Both were regimes of participation in target setting with a financial reward.

Policy Agreements set out agreed baselines and service improvement targets to be met at the end of a three-year period. Each of the 22 local authorities had its own Agreement reflecting different baselines. The incentive/reward took the form of Performance Improvement Grant (PIG) to be awarded on the basis of an evaluation protocol collectively agreed by the local authorities. In theory, PIG could have been withheld if performance was not satisfactory.

This performance framework raises the question - 'what is the role of Policy Agreements in the relationship between the Welsh Assembly Government and local authorities?' One of the aims was to improve service delivery but, others have been identified such as culture change, both centrally and locally and, a more coordinated and improved relationship between the Assembly

and local authorities (National Assembly for Wales/Welsh Local Government Association, 2000).

## **Policy Evaluation**

Policy evaluation theory stresses the importance of learning not only from what was done but *how* it was done (Lewis, 2001; Davies, 1999; Blalock, 1999; Chelimsky, 1997, Drakeford, 2006; and Jeffery, 2006). A gap in learning and understanding in relation to this period therefore exists, as no formal evaluation of the effectiveness of Policy Agreements in achieving the desired performance impacts and process outcomes, including their contribution to central-local relations, has ever been commissioned by the Welsh Assembly Government or other stakeholders. The last substantial piece of research in the area was conducted in 2002 (Laffin, Taylor and Thomas, 2002) which did not explore Policy Agreements in depth but, recognised their potential contribution to changing the nature of the central-local relationship. This means that valuable lessons and insights have not been captured and disseminated.

Again with a focus on the 'how', Martin and Andrews (2009) suggest that it is becoming increasingly difficult to compare service performance across devolved administrations because of differences in performance frameworks but, qualitative data could provide evidence to examine the extent and causes of regional variation. Likewise, Downe et al (2007) suggest that contextual research looking for the contingent factors leading to the success or otherwise of performance regimes in different parts of the UK will be important in



establishing an assessment of the differential impact of the different regimes. Laffin (2009) notes that central-local relations in England have been a neglected topic for research in recent years and sets out a future research agenda. Studies which enable comparison with other UK administrations could therefore provide important insight and help mitigate the potentially negative effects of devolution, such as isolationism, identified by Hockridge (2006). He suggests that whilst devolution has led to substantial policy innovation, it could also lead to insularity; studies which look across regimes can therefore provide valuable insight for policy makers across the UK and beyond.

### **The Principles of Improving Performance**

The tension in any performance regime, whether one aimed at improving individual or organisational performance, is that evidence suggests targets are unlikely to be achieved if they are imposed on organisations by superior bodies or imposed on staff by senior executives (Latham and Yukl, 1975; Locke and Latham, 2002; Boyne and Chen, 2006). In contrast, targets are more likely to be achieved if those responsible for doing so are motivated to apply energy and innovation in the right direction (Klein et al, 1999).

Boyne and Chen (2006) suggest there are two main ways of securing motivation: participation in setting targets and financial incentives for achieving them. They continue by identifying that no direct tests of whether participation moderates the relationship between targets and the performance of public organisations has been conducted and, that the role of financial

incentives has not been explored directly in empirical studies of the impacts of targets upon public service performance. In respect of the latter, they suggest that evidence of the effect of financial rewards is provided by studies of employee performance related pay schemes in the private sector, where the effect seems to be positive but, caveat this by identifying that evidence in the public sector is more mixed.

Reiter et al (2006) suggest that pay-for-performance schemes are traditionally used as a means of directing the efforts of individuals and the effects of such schemes on organisational behaviour is an under-researched area. The concept of taking a system 'designed' for individuals and applying it at an organisational level is not new, as Hood (2007) suggests that Taylor's work on scientific management in relation to individuals was adopted by Lenin and became central to soviet management and economics.

However, Reiter et al (2006) note that performance related pay schemes are being used at an organisational level by governments without any real understanding of whether they will elicit the same behaviours as they do or are intended to do at an individual level. They argue that in many cases the 'reward' may never reach those responsible for delivering the performance and, therefore the effect may not be as strong. The development of such schemes in relation to local government in England (Local Public Service Agreements, Local Area Agreements), Scotland (Single Outcome Agreements) and Wales (Policy Agreements, Improvement Agreements) and

in relation to health in England (CIPFA, 2008) means a potentially serious gap in knowledge and understanding is emerging.

As suggested by Boyne and Chen (2006), looking at inter-governmental performance systems through a lens based on theory and evidence in developing and implementing individual systems may provide new insight. For example, Sullivan (2008) states that the language of policy 'levers' and 'drivers' implies an ability to engineer change through their application, but governance systems rely on human interaction, therefore lessons from the ways in which individuals relate to similar drivers and levers may provide valuable insight. Lapsley (2008) also notes the impact of human 'frailties' upon policy implementation. In addition, the 'human' aspects of the governance system may be of particular relevance to smaller countries such as Wales where the relationship between the centre and local is more 'personal' and founded on face to face relationships between politicians and officers (Andrews and Martin, 2007).

Boyne and Chen (2006) suggest that literature on employee based PRP schemes could provide evidence for evaluating the impact of organisational financial incentives on performance. Reiter et al (2006) make a similar comparison between organisational and individual performance related pay schemes. However, all note this does not seem to have been tested either empirically or explored by means of any qualitative study. Therefore, an opportunity exists to explore whether the parameters of individual schemes operate in the same way at the organisational level. In addition, policy

evaluation theory suggests that it is important to identify a 'theory of change' in order to help establish why an intervention is expected to have the anticipated effects (Lewis, 2001; Connell and Kubisch, 1998).

## **Performance Related Pay and Performance Management**

To undertake such a study it is necessary to develop an understanding of the theory and evidence relating to individual motivation, performance management and performance related pay. In light of the literature noted above, these have been identified as the potentially relevant areas to consider the effectiveness or otherwise of organisationally based pay-for-performance schemes such as Policy Agreements which include the negotiation of a performance contract with 'agreed' targets and the attachment of a financial reward.

## **Thesis Aims**

The thesis aims to provide new, original insight and evidence in relation to the following;

- The effectiveness of the first round of Policy Agreements in relation to improving the performance of local authority services and delivering desired process outcomes;
- What worked and what did not in relation to the policy implementation of the first round of Policy Agreements;
- The contribution of the first round of Policy Agreements to the development of central-local relations in Wales during the period 2001-02 to 2003-04;
- Whether using a lens which includes the principles relating to performance management/PRP schemes for individuals, provides new insight into considering inter-governmental 'pay-for-performance' schemes and contributes to the development of theory in this regard, including whether the governmental assumption of transferability is robust and appropriate.

These aims, if achieved, will enable the resulting implications for organisational performance management in the public sector theory and literature to be developed. This will also enable lessons for policy making in Wales to be identified and, provide evidence for comparison with other regimes in the UK thus enabling the benefits of devolution to be maximised whilst at the same time acting as a counterforce to isolationism. The former is becoming especially critical in Wales as the focus in the current stage of devolution is upon service improvement (Andrews and Martin, 2007).

### **Structure of the Thesis**

Chapter 2 explores the pre-devolution nature of central-local relations (Hood, 1991; Stewart, 2000; Walker 2000a and 2000b; Wilson, 2001; Jacobs, 1998; Kirkpatrick et al, 2005) and the local government modernisation agenda (Martin, 1999 and 2000; Benington, 2000; Boyne 1998 and 1999), in particular the development of performance regimes to drive change in the delivery of public services (Haubrich and McClean, 2006; Courty and Marschuke, 2007; Boyne and Law, 2005; Hood, 2007; Lapsley, 2008). This puts devolution in context.

The remainder of the chapter considers the nature of the relationship between central and local government in post-devolution Wales (Laffin and Thomas, 2001; Hanlon, 2000; Griffiths, 1996; Essex, 1998) and identifies there has been a divergence both in the nature of the central-local relationship and policy with England (Laffin, 2004; Jeffery, 2006; Bradbury and Mitchell, 2005; Laffin et al, 2002; Drakeford, 2006; Martin and Webb, 2008). In particular

there has been less reliance in Wales on 'hard' levers such as league tables to drive service improvement (Andrews and Martin, 2007).

It is identified that despite this divergence there has been no formal published evaluation of either the modernisation agenda as a whole or Policy Agreements. It is also identified that this limits the scope for learning both within Wales and between administrations in the UK and could lead to insularity (Downe et al, 2007; Hockridge, 2006; Andrews and Martin, 2009). In addition it is noted that policy evaluation and other literature (Lewis, 2001; Wilson, 2001) highlight the importance of governments learning from and understanding the policy implementation process. In Wales this is given new impetus by the focus of devolution shifting to the delivery of better services (Andrews and Martin, 2007).

Finally, the chapter provides a brief overview of the Welsh local government performance management system, highlighting the potential differences with England (Andrews et al, 2002). The chapter concludes by identifying that public pressure on central governments to be 'seen to be doing something' (Lapsley, 2008) means that despite criticisms and concerns, performance management and the use of targets as a means of driving service improvement in the public sector remain high on the agenda. The evidence from the use of these systems is then drawn together as a pre-cursor to the literature reviews in Chapters 3 and 4.

Chapter 3 considers the development of inter-governmental performance management systems in England and Wales; Local Public Service Agreements (Sullivan and Gillanders, 2005; Boyne and Law, 2005; Young, 2005) and Local Area Agreements (Gillanders and Ahmad, 2007; Brand, 2008) in England and Policy Agreements in Wales (Laffin et al, 2002; Laffin, 2004; Jeffery, 2006). There are no comprehensive, published evaluative studies of the first round of Policy Agreements in Wales, there are however, studies relating to the English system. The detail of the Welsh system was pieced together by review of relevant documentation and observation of key meetings by the researcher. The English studies identified a number of issues such as multiple objectives, differing perceptions amongst stakeholders, the importance of communication and trust and, a focus on outcomes which were also identified as present and/or desirable in the Welsh system. It was noted that this provides the opportunity to consider the impact of these in different contexts.

It was also noted that the English studies consider the impact of the financial incentive/reward on different local participants but again this has not been considered in different contexts or using a lens partially constructed from evidence relating to individual PRP schemes, neither has the robustness and appropriateness of the schemes been questioned (Boyne and Chen, 2006; Reiter et al, 2006). It is noted that this is an under-researched area and that governments are assuming the principles can be transferred from individual to organisational level without any real understanding or evidence as to their impact (Reiter et al, 2006).

Chapter 4 therefore reviews the literature on individual performance management and PRP schemes, including motivation theories such as Expectancy Theory (Vroom, 1964) and Goal Setting Theory (Locke, 1968). In particular, it considers research surrounding the performance management of individuals using performance related pay (McNabb and Whitfield, 2007; Hendry et al, 2000; McCausland et al, 2008; Hammond, 2000). Much of this research is private sector based but, the chapter homes in on research which has been undertaken in the public sector (Waine, 2000; Reilly, 2003) so that factors such as the public sector ethos (Pratchett and Wingfield, 1996) and the role of public sector professions (Mahoney et al, 2004) can be considered.

The Chapter identifies that many of the schemes have objectives of cultural change as well as performance improvement (Clarke, 1995; Procter and Currie, 2004). The evidence as to the effectiveness of PRP schemes in motivating individuals and, whether PRP schemes result in improved organisational performance (however this might be defined) is inconclusive (Oliver, 1996; Purcell et al, 2000; Huselid, 1998). It also emerges that PRP schemes may have a 'darker' side which, from the employees' perspective, may result in work intensification and increased levels of employee stress (Legge, 1998, 2005; Marchington and Grugulis, 2000).

Many common themes emerge with the literature reviewed in Chapters 2 and 3. For example, driving culture change, the importance of communication and participation, the requirement to focus on the delivery of a few key outcomes which are set firmly not only within a coherent system of performance



management but also within a coherent vision/set of strategies which the organisation is aiming to achieve, the creation of a shared vision and the search for mutuality of goals. Also important is consideration of the nature of the targets themselves, those which are too ambitious may have a demotivating effect and/or result in gaming and perverse incentives elsewhere in the 'system'. The construct of the targets in terms of measuring the right things is also a common theme as is ensuring the cost/benefit of the scheme is in proportion. Finally, there is a shared theme relating to 'supportive' management, set in an environment of trust, being more likely to generate the desired results. Also, by comparing and contrasting the schemes at a principle level, it is further confirmed that the linking of performance to rewards is an under-researched area within the literature on organisational performance schemes in the public sector

The main difference is that whilst the use of targets and performance management considered in Chapter 2 mostly relies on the targets themselves to drive performance, individual (and by governmental assumption organisational, Reiter et al, 2006) PRP schemes attach a financial reward to further incentivise the achievement of purpose. PRP schemes are premised on Expectancy Theory which relies on strong links between effort and performance and, performance and rewards. These links may be difficult to establish at an individual level and, thus it may be extrapolated, the difficulties are potentially exacerbated at an organisational level in the public service where multiple individuals will be involved in the pursuit of the targets, other organisations may also be involved and, as noted in Chapter 2, the complexity

of the environment makes the measurement of outcomes challenging. Consideration of the effectiveness of these links adds a new dimension to the evaluation of organisational 'pay-for-performance' schemes in the public sector.

Chapter 5 sets out the methodology and method applied in this thesis. It notes how evidence in respect of both the process and effects of Policy Agreements will provide an original contribution to knowledge and, that both deductive and inductive methods are used to establish this evidence and support each other. The deductive method is a postal questionnaire based on theory and lessons from practice identified from the review of literature in Chapters 2, 3 and 4. The inductive method uses semi-structured interviews to provide 'rich' evidence on the process, to build evidence on the appropriateness and robustness of the governmental assumption of transferability of the principles of individual PRP schemes to organisational ones, and to triangulate and ameliorate deficiencies in the deductive method, such as response rates and the timing of the questionnaire distribution to enable evidence of the impact of Policy Agreements to be collected. To achieve the aims of the thesis the research question is defined as:

***'Have Policy Agreements contributed to culture change and improved performance in the public sector in Wales?'***

Evidence from Chapter 3 suggests the objectives of Policy Agreements were multi-faceted. Performance impacts were desirable but, considering the review of experience with LPSAs and LAAs in England, the development of the Agreements themselves and literature on employee performance agreements, process outcomes such as cultural change, alignment of local

and national planning and priorities and, better relationships between central (devolved) and local government were also desirable. Six 'sub' questions were therefore developed.

**RQ<sub>1</sub>** Have Policy Agreements helped to create a culture of 'self-improvement' in local authorities?

**RQ<sub>2</sub>** Have Policy Agreements helped to change culture in the Welsh Assembly Government?

**RQ<sub>3</sub>** Has the Policy Agreement process 'added value' to the relationship between the Welsh Assembly Government and local authorities?

**RQ<sub>4</sub>** Have Policy Agreements contributed to 'cohesive' strategic planning at national and local levels?

**RQ<sub>5</sub>** Have Policy Agreements contributed to improved service performance in local authorities?

**RQ<sub>6</sub>** Have Policy Agreements provided 'value for money'?

Chapter 6 provides an overview of the postal questionnaire responses including; an analysis of basic descriptive statistics and identification of any statistically significant differences between respondent groups. The chapter also considers the qualitative evidence from respondents, in the form of comments returned with the questionnaires, as part of the analysis. The chapter identifies some areas for further exploration in Chapter 7 and highlights an emerging confusion amongst respondents as to the role of funding in the process.

The analysis of the interview data in Chapter 7 is framed in the context of the literature reviews in Chapters 2, 3 and 4 and the analysis of the responses to the postal questionnaire in Chapter 6. It uses the interview data to undertake a preliminary assessment of whether or not the objectives of the Agreements were met, not met or partially met and identifies some key themes to be developed in the Chapter 9.

Chapter 8 provides further evidence relating to the performance impacts of Policy Agreements by exploring the final performance of those services included in the Agreements. This is based on an analysis of the data collected from National Assembly for Wales Performance Indicators. It identifies that performance has improved, both in those services included in the Policy Agreements and those which are not. Performance has increased to a greater extent in those services included in the Agreements but, the improvement in service performance is 'patchy' across Wales. This analysis contains a number of caveats and limitations as to the robustness of any conclusions which might be drawn from a review of this data.

The Chapter also builds a multiple regression model using actual performance as the dependent variable and baseline performance and, the critical success factors, identified as statistically significant in multiple regression models used to 'sift' the critical success factors, as the independent variables. The limitations of the construction of the model and the interpretation of results are acknowledged. A number of factors were highlighted as significant in the models - the baseline performance, the role of the Assembly Government in constructively helping local authorities to improve performance (both positive) and, adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines (negative). In this model based on questionnaire responses from service managers variables relating to funding were not found to be significant. These findings provide some limited empirical evidence to support similar qualitative findings in the English context.

Chapter 9 draws together the building of the evaluation model and identifies the limitations inherent in the research. The Chapter concludes that none of the objectives of Policy Agreements were met in their entirety. Some objectives were partially met while others were not met at all. Performance against the Policy Agreement baselines did improve but, it is noted it is not possible to conclude whether this was solely as a result of the Policy Agreement intervention as there was no control group and other interventions such as hypothecated grants were in operation during the period. In addition, the implementation process had several limitations which resulted in a shallow impact on process outcomes such as culture change and cohesive strategic planning between local and national government.

This means that the contribution of the Agreements to culture change and improved performance in the public sector in Wales was severely limited and the Agreements did not realise the potential identified for them by Laffin et al (2002). In respect of theory and practice relating to organisational performance schemes in the public sector, it was identified that the concept of allocating reward funding based on differential performance seemed incompatible with the prevailing context of the Welsh central-local relationship at that time. This caused a change to be effected in the allocation of the reward funding which further compounded the implementation failures and tainted the Agreement process.

However, this lack of rationality and politicisation of the process was also evidenced in the English system, as was the lack of significance of the

funding as a motivator and its undesirable impacts and inherent tensions. This applicability of the findings beyond Wales and the Policy Agreement initiative contributes to the development of theory relating to organisational pay-for-performance schemes by identifying the dangers of assuming rationality, the potential for politicisation of the process and the limited potential impact and undesirable effects of reward funding. Previous studies have not considered these issues in relation to organisational pay-for-performance schemes in the public sector.

In terms of practice, senior officers and politicians need to be involved in the process, both locally and nationally, otherwise it will become marginalised and key decisions are taken by junior and middle level officers in corporate centres. The operationalisation and design issues identified with Policy Agreements meant their contribution to the development of central-local relations in Wales was one- rather than multi-dimensional. Relationships did improve between junior and middle level officers in corporate centres but the improvement did not extend beyond this.

Several further implications for theory relating to organisational pay-for-performance schemes were identified relating to the role of the funding and the process itself, for example; the adage from individual PRP schemes that the reward element becomes 'normalised' seems to hold true for organisational schemes; the marginal valance of the reward – small amounts of funding have the potential to elicit small amounts of effort and thus have a limited impact on improving performance or changing culture; recognising that

the depersonalisation of a performance management system to an organisational level does not remove the importance of the quality and effectiveness of the human interactions within the system and, whilst the importance of participation in target setting holds true at both an individual and an organisational level, the importance of choice of targets is amplified in the models relating to central-local relations as this is perceived as a means of mitigating any differences between local and national priorities. Again, these findings were evidenced in the English system and the conclusions are therefore felt to have applicability beyond Wales and Policy Agreements.

It was noted that national level central-local relations in Wales were categorised as 'good' in the literature in Chapter 2 but evidence from Chapters 6 and 7 suggests this did not hold true for all levels and all parts of Wales. Policy Agreements were therefore a missed opportunity to develop these relationships. This has implications for theory relating to central-local relations and it is suggested that this theory should recognise a 'good' national relationship is not likely to be sufficient to mitigate design and operationalisation flaws, and may indeed compound them. Likewise, it was identified that the complexity of the system in England may have been a manifestation of a lack of trust and the 'poor' central-local relationship identified in Chapter 2 which is also a facet of individual PRP systems identified in Chapter 4.

The evaluation model has therefore provided new insight, in particular using a lens including evidence and principles relating to individual PRP schemes

enabled greater understanding of the impact and operation of the rewards linked to outcome element of the scheme to be drawn out and provided more explanation than previous studies of the impact of the reward, for example the role of the public service ethos and budget maximisation. It also enabled the robustness and appropriateness of the governmental assumption of transference of individual PRP schemes to an organisational level to be questioned.

It is concluded therefore that the thesis aims have been met and the evidence generated provides an original contribution to theory relating to both organisational performance schemes, especially those with a 'pay-for-performance' element in the public sector and central-local relations. It also provides important evidence for practice in terms of what worked and what did not. This latter point is currently of magnified importance for Wales as attention turns in the current phase of devolution to improved service delivery.

Finally, the contribution to relevant theory, literature, policy and practice has the potential to be magnified when used, as in this thesis, in conjunction with studies relating to other administrations in the UK to enable understanding to develop as to the drivers of service improvement in different contexts and, enable the benefits of devolution to be maximised and the potential for isolationism to be minimised.



## **CHAPTER 2**

### **THE RELATIONSHIP BETWEEN THE WELSH ASSEMBLY GOVERNMENT AND LOCAL AUTHORITIES**

#### **Introduction**

Firstly, this chapter explores the pre-devolution nature of central-local relations and the local government modernisation agenda, in particular the development of performance management regimes to drive change in the delivery of public services. This puts devolution in context. The remainder of the chapter then considers the nature of the devolution settlement, its impact on central-local relations in Wales and how this provided the context for the development of the Welsh local authority performance system. Finally, the conclusions identify the key lessons for the development of local authority performance frameworks and how these might be considered in the Welsh context.

#### **The Nature of Central-Local Relations**

One of the main tensions in the relationship is the debate between central command/uniformity versus local delivery/subsidiarity (Walker, 2000a and 2000b; Wilson, 2001). Stewart (2000) suggests that the relationship is multifaceted:

“The reality is that no simple metaphor can describe the relationship, ‘partner’, ‘agency’, ‘networks’, ‘hierarchy’, ‘the dual state’ and the ‘dual polity’ all capture aspects of the relationship which can gain greater or lesser prominence at different points in time. Sometimes and in some places, the relationship can be one of ‘conflict’ or one of ‘co-operation’.” (Stewart, 2000, p.90)

Stewart (2000) describes how local government is subject to both forces for uniformity and diversity. Pressures for uniformity include legislation, a shared culture between authorities of what local authorities should do, pressure for uniformity of service delivery and member/officer professional groups, while forces for diversity include the local social, economic, political and demographic situations. He also suggests that whilst legislation and regulations are a force for uniformity, the way in which they are implemented will vary from authority to authority. It is possible to speculate that not only the method of implementation might vary but also the level of enthusiasm.

Finally, he outlines how the structure of local authorities causes issues in terms of a rule bound bureaucracy and departmentalism which lead to problems of co-ordination. Research conducted by the University of Birmingham (1999) and the University of the West of England (1999) supports this analysis but identified different types of local authority cultures including compliance, survival, 'can do' activism and strategic implementation.

Wilson (2003) identifies that central government does not have a 'single' viewpoint when it comes to relations with local government. The attitude and levels of trust vary from department to department and may be different with different local authorities. From the perspective of local government, central government is not 'joined-up'. This is also evidenced by ODPM research relating to LPSAs (ODPM, 2005a). Further to this, Jones and Travers (1996) highlight that one assumption of centralism is that the calibre of members and

officers is low, arguably this leads to a 'mothering' approach from central government in the form of detailed legislation, control and regulation.

### **New Public Management**

The concept of central government regulation over local government is not a new one (Walker, 2000b), although arguably, it was not until the election of 1979 that the relationship between central and local government began to alter radically. The reforms introduced by the Conservatives in their 18 years of power included; the introduction of compulsory competitive tendering, the creation of the Audit Commission, the 'right to buy' for council tenants, the 'opting out' of schools from local authority control and, the abolition of the Greater London Council and other large metropolitan authorities. These were all aimed at what had previously been seen as sacrosanct in the local authority world. The principles behind these reforms (see Table 2.1) were termed 'new public management' or NPM (Hood, 1991).

### **Public Sector Ethos**

Jacobs (1998) argues that during the 1980s and 1990s 'public sector ethos' was evoked as something of a criticism of local authority management. Critics saw it as something used to defend the outmoded working practices of local authorities which were hindering effective decision making. It was seen as the binding factor in rigid bureaucracies which obstructed innovation and creativity.

However, Jacobs continues by arguing that the opposite is true, for many professionals the 'public sector ethos' is seen as the bulwark of local democracy, without which it could not function. The evidence is that local government professionals are not motivated by profit but by wider altruistic objectives such as commitment to community, democracy and personal integrity.

This is supported by Kirkpatrick et al (2005) who cite lack of consultation with public sector professionals and, the strength of their attachment to the public sector ethos as major barriers to central government's managerialist reforms taking route in many parts of the public sector. They argue that it is not the pressure to induce change which will ensure its effectiveness but, the acceptability of the change to professionals. Also, they highlight the sense of vocation that once sustained the delivery of good quality public services at relatively low cost, is slowly being eroded.

Arguably, therefore CCT, markets and managerialism did not lead to improved services but to poor employee morale, the erosion of intrinsic public sector values and, poorly specified contracts and costings (Robinson, 2000).

### **The Third Way**

New Labour's 'Third Way' aimed to recognise this by attempting to reconcile more business-orientated government with the community leadership role. Martin (1999) identifies that the 'Third Way' and the resulting local government modernisation agenda (discussed further below) drew on the

themes of 'Reinventing Government' (Osborne and Gaebler, 1992) and Benington (2000) highlights how Tony Blair presented these reforms as pragmatic and non-ideological 'what matters is what works'. Hirst (2002) writes,

"Unlike the widely reviled CCT regime - with its Thatcherite assumptions about private sector good, public sector bad - Best Value was meant to be value neutral. Who cared whether a private firm or in-house staff emptied the bins or provided the home help? What mattered was what worked." (Hirst, 2002, p.18)

Table 2.1 is based on Jones and Stewart (1999) and presents the development of the central-local relationship. It has been adapted to include New Labour's 'Third Way' (Miliband, 1999).

### **New Localism**

The context of central-local relations in England has shifted over time to a rhetoric of 'new localism' (Stoker, 2001; Corry and Stoker, 2002; Stoker, 2004). This calls for a strategic approach to devolution based on local authorities and communities involving themselves in the decisions affecting their social, economic and environmental well-being. New localism is underpinned by participation and networked local community governance. This perhaps reflects the ever present tension of central control versus local autonomy in the relationship.

<b>First Way- 1920's-1970's- OLD PUBLIC ADMINISTRATION</b>	<b>Second Way- 1980's and most of 1990's- 'THATCHERISM AND NPM'</b>	<b>Third Way-1997 to date- MODERNISATION</b>
<ul style="list-style-type: none"> <li>• Government was not expected to be run like a business.</li> <li>• Governing was routed in and driven by political processes, which in this country is representative democracy.</li> <li>• Civil servants and local officials served their duly elected governments, implementing and advising on policy in a professional and non-partisan manner.</li> <li>• The methods and techniques of the public sector were different from those of the private sector.</li> <li>• The public and private sectors were kept at arms' length to avoid distorting the public interest with private sectoral interests.</li> </ul>	<ul style="list-style-type: none"> <li>• Making government run like a business.</li> <li>• Privatising public functions.</li> <li>• Making functions that had to stay in the public sector the responsibility of bodies acting like business, testing their activities against competitors and operating as if subject to market disciplines.</li> <li>• Civil servants and local officials to copy the methods, techniques, organisation, language and culture of business.</li> <li>• The public and private sectors were closely intertwined in collaborative activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Government may run like a business but it is not one.</li> <li>• There should be no dogma, whether public or private delivery what counts is 'what works'.</li> <li>• Focus on outcomes, not just efficiency and effectiveness. The third way is based on partnership and collaboration.</li> <li>• Public sector does now not just unquestioningly adopt private sector techniques; thought is given to applicability and adaptation.</li> <li>• The collaboration will continue but the basis of the relationship is different.</li> </ul>

**TABLE 2.1: CENTRAL - LOCAL RELATIONS**

## **The Continuous Search for 'Balance'**

Walker (2000b) suggests that the relationship is likely to remain unresolved. He suggests that successive Conservative and Labour Governments and local authorities have preferred to live with this ambiguity. Local authorities like to be neither free from limitation nor entirely bound. Their identity is mixed up with this ambiguity and they are content to live with contradiction and confusion. This is supported by Laffin et al (2002).

Likewise Rhodes (1986) suggests that "it is in the nature of the system that there is no right balance between local and national interests, only a perpetual search to achieve a balance which is unlikely to be permanent" (p.289). Rhodes also suggests that ambiguity is a necessary part of trying to make the system work. ODPM (2005a) suggests that the relationship is constantly being made and remade.

In this complex relationship amending or replacing established 'rules and norms' is difficult and Lowndes (1999) suggests that often old and new will co-exist and potentially compete. This may explain the seemingly competing emphasis between 'top-down' and 'bottom-up' in the relationship but, may also mean that policies which challenge the apparent 'top-down norm' such as LPSAs may be fighting against the tide as Stewart (1985, p.33) puts it, "there is inevitably greater awareness of the restraints upon action than upon the ability to act."

This suggests that research into a policy which sits at the heart of the central-local relationship, such as LPSAs or Policy Agreements will need to be alive to this complexity and ambiguity and, to the competing perceptions not just between central and local, but also between central and central and local and local.

### **The Modernisation Agenda**

'Modern Local Government: In Touch with the People' (DETR, 1998) and the Welsh Office equivalent 'Local Voices: Modernising Local Government in Wales' (Welsh Office, 1998) set out the vision of the Third Way as it applied to local government. The Local Government Acts 1999 and 2000 provided the legal basis for the three 'strands' of the modernisation agenda: community leadership (including the power to promote economic, social and environmental well-being); the new duty for local authorities 'to secure continuous improvement in exercising all of their functions with due regard to economy, efficiency and effectiveness' (or the 'Best Value' regime); and, democratic renewal in the form of new local authority structures and ethical standards.

Benington (2000), Stewart (2000) and Martin (1999) all suggest that like its predecessor, NPM, the New Labour 'Third Way' approach to modernising government was aimed at driving significant improvement in the delivery of public services. However, Baggini (1999) highlights that there were many tensions in the agenda and argues that the UK Government was only paying lip-service to its devolutionist tendencies whilst taking a centralist approach.



Brooks (2000) explains the contradictions in terms of Labour's principles of territorial equity and universalism in service delivery being incompatible with variation in service performance. While Martin (1999) identifies how many Conservative policies were continued under Labour - from CCT to Best Value, PFI continues, from the Citizen's Charter to citizen centred government and Best Value consultations, the continuation and expansion of the 'Audit Society' to include the Best Value and Housing Inspectorates and the creation of more statutory performance indicators. He continues that all of the 'gloss' does not conceal the deep-seated tension in the modernisation agenda between the delivery of national priorities and the creation of local autonomy. This is supported by Brooks (2000), Wilson (2003) and Stewart (2000).

Wilson (2001) suggests a challenge for the new Labour Government in 1997 was that the evidence from the Conservative era suggested change imposed from the centre, without involving or consulting local authorities, was prone to implementation failure and likely to produce unintended consequences. The result was that the 'top-down/bottom-up' tension remained at the heart of New Labour's 'modernisation' programme.

Jones and Stewart (2001) suggest the UK Government's understanding of change management was naive. They argue that effective change is more likely to be achieved by working with councils rather than against them. They suggest that this arises from failure on the part of the Government to consider implementation; as a result it gets frustrated, and takes matters into its own hands by issuing detailed, prescriptive guidance and over inspecting. This is

a 'Catch 22' for authorities; to be trusted they need to perform and they need to be trusted to be able to perform.

Walker (2000a) supports this by suggesting that the Labour Government was falling into the same trap as the previous one by forcing councils to accept its values or run the risk of being by-passed and supplanted. He concludes (2000b) that the basis of the new compact between central and local government was if local government was reinvented on the basis of a centrally designed modernisation agenda then, possibly new autonomies may follow. This was reflected in the concept of 'earned autonomy'.

Benington (2000) identified an important critical success factor as the need to manage continuity and change, 'routine as well as reform'. He suggested that the UK Government's modernisation programme was in danger of faltering because of an inadequate theory and strategy of change. The lack of focus on the 'big picture' may be seen as a failure of all parties to manage high level organisational and cultural change by putting too much focus on procedural change.

Walker (1998), Sanderson (1999, 2001), Boyne (1998, 1999), Martin (1999, 2000) and Hirst (2002) argue the 'Best Value' approach was too consumerist and detail/process focused. Likewise Boyne et al (2001) argue that while the policies imply a rejection of the dogma of market forces, they are still prescriptive as they promote only one model. Boyne (2001) expands this argument, suggesting that the renewed emphasis which Labour placed upon

rational planning, including the introduction of Best Value, in the public sector assumes that this approach to decision making will lead to improvements in performance.

## **Performance Management and Targets**

### **Overview**

Rational planning requires the development of systems to manage and measure performance. It requires adding targets to indicators to convert 'performance monitoring' to 'performance management' by providing a clear objective to be achieved in a specific time (Behn, 2003).

Gore (1993) and Osbourne and Gaebler (1992) believe developing and implementing performance management systems can improve accountability and management. Davies (1999) and Lapsley (2008) identify the use of performance measurement and incentives as being at the heart of new public management (NPM) since the expression was first coined by Hood (1991). Indeed, Hood (1991) places quantification 'centre stage' of NPM because the shift of emphasis within it, from bureaucratic to managerial, in which results are paramount, means that performance measurement of public services has been accentuated.

Hood (2007) suggests that the use of performance indicators as targets to improve performance is not a new phenomenon in public service management. Quantitative target systems were used during the war to manage munitions and other war production and have been used to manage

welfare and job placement bureaucracies for at least half a century. Their use, either now or in the past, is not confined to the UK, for example Soviet Russia (Hood, 2007), Australia, New Zealand, Sweden (Davies, 1999) and the US (Courty and Marschuke, 2007).

### **Target Setting**

In terms of effective target setting, Boyne and Chen (2006) draw on the extensive literature in human resource management (Latham and Yukl, 1975 and Locke and Latham, 2002) to conclude that targets are unlikely to be achieved if they are imposed on staff by senior executives or on organisations by superior bodies. Also drawing on literature relating to individual performance management, motivation and PRP schemes (Klein et al 1999), they identify that targets are most likely to be met if those responsible for achieving them are highly motivated to apply ingenuity in the right direction. Also, the literature on individual motivation suggests that difficult targets lead to greater effort and achievement (Locke and Latham, 2002; Wright, 2004) but that targets which are too difficult become counter-productive (Bandura and Locke, 2003).

Boyne and Gould-Williams (2003) conclude there is a negative relationship between the number of quantified targets in the plans of Welsh local authorities and responsiveness to service needs and service quality and efficiency. This study is limited in that it is based on the perceptions of local authority officers.

Boyne and Law (2005) state it is crucial that outcomes are properly defined and indicators used are 'appropriate'. They suggest that the principles of robust performance indicators are always important but, even more so when there are large financial rewards attached for achieving outcome targets.

They cite criteria developed by the Audit Commission (2000):

- conceptually valid i.e. measures the objective which is trying to be achieved;
- attributable to the efforts of the authority;
- well defined so that progress can be assessed;
- verifiable, with clear documentation;
- timely so that progress can be tracked at appropriate intervals;
- free from perverse incentives i.e. does not encourage unwanted or wasteful behaviour;
- reliable so that an indicator constantly represents what it should;
- unambiguous; and,
- statistically valid - a PI based on a small number of cases may show substantial variations.

They continue by suggesting that as outcomes are difficult to measure (Courtney and Marschuke, 2007), measures in reward based systems must be carefully justified and it is essential to provide evidence that proxy measures of performance link to the desired outcomes. Unless these prerequisites are met then outcome-based reward systems such as LPSAs will not operate effectively. They suggest that using more than one indicator may help to avoid perverse incentives and a basket of indicators may help where an outcome is beyond the control of an organisation operating in isolation.

Lapsley (2008) also identifies that the availability of robust measures can seriously inhibit managers realising any potential benefits from sophisticated performance management systems and Martin (1999) identified that there

was a lack of performance management skills and systems within local authorities when Best Value was first implemented.

A further issue is that most indicators are tin openers rather than dials (Carter et al, 1995). In other words they do not provide answers but prompt investigation and inquiry – the numbers on their own present an incomplete picture.

### **Undesirable Effects**

Hood (2007) suggests that the use of targets may be appropriate in a circumstance where the aim is to increase performance over a limited number of standards. However, even here governments need to be alert to potential down sides such as ratchet and threshold effects. He suggests that trying to avoid ratchet effects will create threshold effects and vice versa, and that these effects will become more serious as time progresses. Boyne and Law (2005) also identify the possibility of perverse incentives if the indicators do not accurately capture what is trying to be achieved.

Bevan and Hood (2006a and 2006b) identify that management by targets in the NHS in England may have improved performance in those areas targeted but, the effect on services excluded from the star ratings is unclear. Some perverse effects were also identified such as a target that all patients should be able to get an appointment with their GP within two days meant that some practices refused to book more than two days ahead.

Bevan and Hood also identified instances of gaming and data manipulation and suggested that systems needed to be put into place to minimise these effects and ensure that targets did not result in unwanted effects elsewhere. A further consequence of gaming being uncovered is potential loss of public confidence in government statistics and systems. Ordonez et al (2009) are also critical and suggest that management by targets has led to unethical behaviour. Caulkin (2009) suggests that the approach has resulted in a loss of focus on service users as the stressed lines of accountability are to Ministers through a 'ballooning of bureaucracy' which means systems become expensive, fragmented and impersonal.

Courty and Marschuke (2007) also identify evidence of gaming in the target based performance management system in the US Federal job training programme. They suggest a gaming cycle develops where the federal government sets targets, the local managers learn how to game them, and the federal government identifies this and then re-sets the targets. They suggest that gaming is in part a function of information asymmetry as the designers of performance measures cannot anticipate all behavioural responses *ex ante*.

Caulkin (2009) suggests that where targets are followed 'religiously' they distort judgement and cause organisations to become 'institutionally witless'. Davies (1999) terms this 'goal displacement' where efforts are directed towards achieving the targets to the detriment of achieving the programme's

overall objectives and *raison d'être*. This tends to be exacerbated when insufficient attention is paid to the implementation process.

Ordóñez et al (2009) conclude that the beneficial effects of goal setting have been overstated while the systematic harm caused has been largely ignored. However, this work has been criticised by Locke and Latham (2009) as being largely based on anecdotal evidence.

### **Inherent Tensions**

Lapsley (2008) suggests that on-going pressure on governments to be effective and efficient will mean they continue to turn to NPM with its emphasis on performance measurement and targets for solutions to public service delivery. This may explain why, despite continual criticism and even ridicule of performance measurement as counterproductive, there has been a proliferation of performance indicators and the emergence of a performance indicator industry (Johnsen, 2005; Lawton, McKevitt and Miller, 2000; Caulkin, 2009 and Elliston, 2000).

Boyne and Law (2005) identify the issue of working in partnership as a tension, working with outcomes almost inevitably means working with other partners such as the police and health and as this joint working increases so the control which the local authority has over the attainment of the target decreases.



Outcomes tend to be associated with the longer-term whilst performance management systems tend to measure the more immediate. Courty and Marschuke (2007) identify this as the trade off between timely and accurate performance measures. Their evidence suggests that measures based on short-term performance are not only unlikely to capture long-term effects but are also especially vulnerable to manipulation.

Another difficulty associated with management by targets identified by Bevan and Hood (2006a and 2006b) and by Davies (1999) is that regulation by targets assumes that the required priority can be targeted, that the part which is measured can stand for the whole and that what is omitted does not matter. Davies calls this 'the assumption of causality'. He continues by also identifying that performance management systems can suffer from 'poor construct validity' - they are implemented quickly, under pressure, can result in the 'difficult to measure' being ignored and are implemented without sufficient consideration.

### **Trust, Fairness and Communication**

Davies (1999) notes that top-down implementation of performance management processes that are not supported by genuine stakeholder 'buy-in' are likely to be detrimental to relevant performance. Credibility of the system and trust between those involved is vital. Davies suggests that this comes from communication and giving due attention to the implementation of the system by agreeing parameters, definitions, setting up an agreed process for review, participation and transparency of process.

## **Role of Financial Incentives**

Boyne and Chen (2006) suggest that including financial rewards for achieving the target is intended to encourage organisations to focus on and deliver outcomes. This is sometimes termed 'managing for results' in the public management literature. Two main methods of securing motivation: participation in the target setting process and financial incentives for achieving them are identified. They suggest that both of these areas are under-explored in the public management literature, in particular the role of financial incentives in improving public service performance has not been explored empirically. This could be explored by considering the evidence on the moderating effects of individual performance related pay in the private and public sectors. They acknowledge that evidence in the public sector on PRP is mixed, also that bureaucrats can be motivated by budget maximisation (Niskanen, 1971) and this should be taken into account.

This is supported by Reiter et al (2006) who explore the types of behavioural changes made by not-for profit hospitals in Michigan in response to a pay-for-performance system. They use agency theory as a framework for this exploration, the principal (the insurer acting on behalf of patients and society) desires to align the efforts of the agent, the provider, with the goal of improving healthcare quality.

Reiter et al suggest the assumption behind the pay-for-performance scheme incentive payments is that the payments will stimulate increases in quality related effort on the part of the providers, leading to improved health

outcomes for patients. It is noted that the policy is proceeding rapidly without any evidence to support this underlying assumption, that these schemes have traditionally been used to direct the efforts of individuals, particularly physicians and that, by contrast, hospitals are complex organisations, dependent on individuals to execute the necessary improvements.

Hospitals also have multiple accountabilities and stakeholders, therefore incentive payments to hospitals may not elicit the same result as if the payments were provided to individuals. Furthermore, the funding may never reach the individuals from whom the extra effort is needed to achieve the targets. Their study explored the behavioural changes at multiple levels within hospitals and found that “like individuals, hospitals generally respond to incentive pay” (p.132). Reiter et al suggest there is a consistent set of organisational characteristics that appear to facilitate increased effort including: structural changes, more involvement by the board of trustees, and, process changes which impacted upon physician behaviour i.e. to align behaviour with the goal of the principal.

They conclude that organisational PRP schemes may be a promising tool for enhancing quality but, the effects may not be universal and, may be dependent upon the organisational characteristics and the nature of the hospital's market. Reiter et al also conclude that this is a seriously under researched area with only two, limited previous studies, as they had considered the impact of the schemes, rather than how and why that impact had been achieved. In addition, the conclusions of Reiter et al (2006) do not

consider the appropriateness of the approach, whether any perverse incentives arose or whether 'gaming' took place.

### **Cost Benefit**

Courty and Marschuke (2007) conclude that designing a performance management system for government is not a one-time challenge and that it is costly both initially and in the longer-term, so much so that it may not be cost effective in some situations. A positive conclusion is that workers in public services do respond to targets, the down-side of this is that both the local gaming and system redesign tend to consume resources which could have been deployed on delivering the programme. While Haubrich and McClean (2006) suggest top-down performance management has reached "unprecedented levels of sophistication, complexity, formal structure, and prescription" (p.271).

### **Performance and Culture Change**

Boyne and Chen (2006) considered whether there is a relationship between target setting and service improvement by studying Local Public Service Agreements. The study is limited, because as the authors themselves identify, it does not explore issues such as equity, value for money, cost-benefit, working in partnership, or the effect on those areas not included in the LPSA, i.e. perverse effects on the performance in other areas may have arisen.

They conclude there is preliminary evidence to suggest that when policy making is participatory and financial incentives provided, targets appear to be

a promising mechanism for achieving public service improvement and that the target setting approach seems to work best, i.e. leads to improved performance, when the number of targets is small.

Performance improvement may be a desired objective for performance management systems but Laffin et al (2002) identify a further possible objective in that some local authority officers saw the potential to use Policy Agreements (see later and Chapter 3 for more detailed explanation) as a performance management system to drive change and establish a 'performance culture'. However, arguably, the more sophisticated the system the more the potential exists for it to become relegated to the leagues of performance specialists, the less elected members will be engaged and the potential for such a system driving culture change and systemic improvement becomes severely limited.

Boyne and Law (2005) identify that focussing on outcomes is intended to create culture change by providing incentive to those involved to seek new and creative ways to improve public welfare. This is supported by Courty and Marschuke (2007).

### **Regulation and Inspection**

A further strand to the modernisation agenda is regulation and inspection. It is part of the performance management system and is intended to provide another 'driver' for continuous improvement. However, Cope and Goodship (1999) argue that the plethora of regulatory agencies may serve to exacerbate

rather than ameliorate the creation of joined-up government. They suggest that the development of policy networks (Kickert et al, 1997) and focusing on steering rather than rowing (Osborne and Gaebler, 1992) has meant that Government has focused its 'managerial surveillance' on the rowing agencies, including local government.

The financial cost of this managerial surveillance is substantial (Hood et al 1998; Haubrich and McClean, 2006) both in terms of the costs of the regulators themselves and, the compliance costs for the 'regulated' organisations. Cope and Goodship (1999) add there are human as well as financial costs in that the Chief Executives they interviewed felt overwhelmed by regulation. They conclude that high levels of regulation undermines joined-up government, fragments governance, means the regulators themselves are not joined-up and its existence suggests non-collaboration and a lack of trust.

Walker (2002) questions the overall value added by inspection and regulation and Andrews et al (2008) identify that an inspection event is inevitably disruptive and destabilises the link between organisational strategy and performance. However, this is not to say that inspection and regulation per se is a 'bad thing', Andrews et al conclude that regulation which is viewed as supportive by service managers is likely to reinforce the effectiveness of a successful strategy and to shift a neutral strategy into a positive position. "In other words if the regulatory regime is seen as helpful, then the impact of local strategies for service improvement is enhanced" (p.198).

Farrell and Morris (1999) suggest that close regulation of professionals has adverse effects. This is because external regulation of professionals, whilst adding cost, may not be effective if they are not consulted and involved in its development. They argue that the success of policy reform is dependent on the attitudes of those involved in the process. This is supported by Lapsley (2008), Boyne and Chen (2006) and Caulkin (2009) who suggest that explicit targets may undermine the autonomy of professional staff who expect to use their own discretion to set goals for public service organisations. This may result in their disenfranchisement and a corrosion of intrinsic motivation (Ordonez et al, 2009).

Power (1997) in 'The Audit Society' also identifies a potential problem with the increased use of audit and inspection. He terms this the 'cost assurance function'- the additional assurance gained from increasing investment in audit and inspection is far from clear. Hood et al (1998) also point out that there is a lack of oversight of the regulators themselves, arguing that there is no single unit in government with any overall responsibility for or capacity to review the regulatory 'industry'.

Martin (2000) suggests part of achieving continuous improvement is innovation and to achieve this not only does the national framework of regulation need to be relaxed but, the framework needs to actively encourage, resource and reward those councils that are prepared to take risks and be innovative and develop new models of service delivery. This is supported by Hale (2000), University of Birmingham (1999), University of West of England

(1999) and Brooks (2000). Martin continues by highlighting that a commitment to innovation and learning requires a high level of trust, a culture of openness and, a more supportive and less punitive framework.

Boyne (2000) sums up these arguments between external regulation and systems of self-improvement by writing “regulation can only be justified if it delivers better service standards above and beyond those that the local authorities would have achieved anyway” (p.12).

### **Capacity and Culture**

Martin (1999) noted the capacity of local government to deliver the modernisation reforms was likely to be a significant factor, and that there was a need for a fundamental restructuring of both central and local government. He argued that ‘success’ would be dependent not only on new ways of working for local authorities themselves, but also on new ways of working for central government and a new kind of relationship. This is supported by Benington (2000).

Brooks (2000) and Keenan (2000) identify that commitment and the way in which the improvement process is implemented would be crucial to success. Evidence from Hirst (2002) supports the conclusion that a lack of cultural change has been an important contributory factor in the apparent inability of Best Value up to that point to deliver continuous improvement. This is supported by Martin (1999) who also identified communication as a crucial factor.



## **Devolution in Wales**

The design of the National Assembly was an experiment in government on a scale not previously seen in the UK (Patchett, 2000; Laffin and Thomas, 2000 and 2001). Funding flows from Westminster and is determined by the Barnett formula. However, once funding reaches Wales the Assembly has complete discretion over how the Welsh block is spent (Laffin et al 2000).

Unlike Scotland, Wales has never enjoyed a separate legal system and, as Bogdanor (2001) points out, Wales does not have the same crucial memory of independent statehood. He states:

'Wales, having lost the opportunity of establishing an all-Wales body in the 1960's would have to wait thirty years for the establishment of an assembly; and when it came, it did so with a narrow and half-hearted mandate given by a bare majority of the 50% of Welsh electors who had taken the trouble to vote.' (Bogdanor, 2001, p.165)

Bradbury (2003) and Andrews and Martin (2007) suggest the case for devolution was made, not on the basis of national identity, but on the need to develop distinctive Welsh policies which reflected the social, economic and political context of the country – 'the democratic deficit'.

Laffin (2001) suggests that the initial fragile support created a continuing crisis of identity for the Assembly. Politicians were therefore driven by the need to demonstrate the legitimacy of the Assembly and, civil servants were driven by their professional pride, both were determined that the Assembly should 'work'. (Laffin and Thomas, 2001; Laffin et al, 2002; National Assembly for Wales, 2001 and Betts, 2000). As a result, Laffin and Thomas (2001), Laffin et al (2002) and Drakeford (2006) describe a 'policy-making deficit' and, that it

was arguably a key factor in the relationships which the Assembly formed with other players in the governance of Wales such as local authorities.

The early days of the Assembly were politically turbulent; Labour did not gain an overall majority in the first Assembly and 'lost' its first leader in the form of Alun Michael. Bradbury (2003) suggests that the Assembly was seen as 'overworked' and 'unloved' and, it was not until Rhodri Morgan's Lib-Lab coalition that a medium term strategy was established which underlined the now famous 'Devolution is a process. It is not an event' (Davies 1999, p.15).

Politically it suited Welsh Labour to distance itself from Whitehall and this has reinforced both the demand and the desire to create distinctive Welsh policies. The 'clear red water' (Morgan, 2002) has manifested itself in the abolition of major QUANGOs, including the Welsh Development Agency, the Wales Tourist Board and Education and Learning Wales, distinctive policies in health and education that have stressed public as opposed to private sector provision, reorganising the health service along different principles to England and abolishing the internal market, free eye tests for the under 25s, free NHS prescriptions, not introducing specialist comprehensive schools, the ending of league tables, free student tuition fees, the introduction of children's and older people's commissioners, free bus travel for the over 60s, free school breakfasts and the abolition of hospital car parking charges. The guiding principles of public service reform in Wales are 'voice' not 'choice' and 'collaboration' not 'competition'. Finally, there is a different performance framework for local government based on a more consensual rather than a

top-down approach and less hypothecation of local authority funding. (Bradbury and Mitchell, 2005; Laffin et al, 2002; Laffin, 2004; Jeffery, 2006; CIPFA, 2008; Drakeford, 2006; Martin, 2008; Martin and Webb, 2009; Martin and Andrews, 2009 and Brand, 2007).

Andrews and Martin (2007) identify that the latest debate relating to the extension of powers to the National Assembly, as outlined in the report of the Richard Commission (2005), moved on from distinctive policy and was made on the basis that it would produce practical benefits such as better services and more effective governance. This suggests that effective systems to deliver improvement in local authority services will become ever more crucial.

### **Central-Local Relations in Wales**

In 1996 local government was reorganised into 22 unitary local authorities. They range in nature; urban, rural, south Wales valleys, Welsh speaking, some are very small with populations of less than 100,000, and wards on average of less than 1,500. The relationship between local authorities and the Assembly was seen as the key one in the governance of Wales (Essex, 1998). This is reflected in the Government of Wales Acts which place a statutory duty on the Welsh Assembly Government 'to promote local government' and create a Partnership Council to act as a forum for joint development of policy and a voice for local government in the Assembly. However, Essex (1998) suggests this 'partnership' is not automatic as one partner holds the purse strings, but the Assembly will be dependent upon local government delivering at ground level.

When the Assembly was created in 1999 local authorities were concerned about two issues; money and discretion (Laffin et al, 2002). There were stark warnings that any centralist tendencies would be strongly resisted by local government and if this were to be the case support for the Assembly would rapidly dissipate (Griffiths, 1996).

The early days of the relationship were difficult. Hanlon (2000) reported that the WLGA conference had discussed how the relationship between the Welsh Assembly and local government was 'light years away from working as an effective system of government.' Meanwhile, Laffin et al (2002) identified a key question on the creation of the Assembly was whether it would lead to a more crowded governance system resulting in reduced local government discretion. Their study for the Joseph Rowntree Foundation concluded that at that time it had not but, as noted above, the question was symptomatic of fears and suspicions circulating in local government at that time.

Laffin et al (2002) identify that the 'policy deficit' enabled others, in particular local government through the WLGA, to input and influence the very early stages of policy making. They note that this was in striking contrast to central-local relations in England at that time, where local government was more remote from the centre and Labour Ministers did not see local government as an important constituency. This is supported by Laffin (2004) and Jeffery (2006). Laffin (2004) also concludes that 'regional-centralism' is not inevitable and that the Welsh Assembly allows local authorities considerable policy

influence whilst exercising looser direct control than Whitehall departments, thus resulting in a different style of central-local relations emerging in Wales.

Early Assembly documents such as 'A Plan for Wales' (National Assembly for Wales, 2001a) recognise the major role which local government has to play in the delivery of Assembly Government policies and, one of its first actions was to initiate a review of Standard Spending Assessments (SSAs). This was aimed at ameliorating local authority concerns over money (Laffin et al, 2002) and supports the premise that funding is a crucial part of the relationship and could be a potentially powerful lever if used as an incentive or reward.

Laffin et al (2002) state that local authorities felt the Assembly was a great improvement on the old Welsh Office in terms of accessibility, openness and susceptibility of influence. But, Laffin and Thomas (2001) identify that there were tensions between the delivery of local and Assembly priorities. Local government felt overburdened by new initiatives, consultations and the process of Best Value and, it was felt that both sides should take more risks (Glamorgan Conference, 2001).

Laffin (2004) suggests that Welsh Ministers have placed considerable trust in Welsh local authorities' ability to improve themselves but central to this was the relationship between Edwina Hart AM (then Minister for Local Government) and Sir Harry Jones (then leader of the WLGA). Laffin continues by suggesting that this relationship reflects both the scale of Wales and the

different power dependency of the Assembly-local government relationship compared to Whitehall.

Wilson (2003) also notes that post devolution central-local relations in Scotland, Wales and Northern Ireland are less polarised than in England. Jeffery (2006) suggests that local authorities in Wales and Scotland have realised a close relationship with devolved government and, that this relationship is an improvement on the previous one with Whitehall.

### **Local Government Policy in Wales**

'Freedom and Responsibility in Local Government' (Welsh Assembly Government, 2002) was the first paper to set out the Assembly Government's vision for local government. It was developed in a way reflective of a new consensual working relationship with the WLGA (Jeffery, 2006) and, also encapsulated diverging policy on Best Value, re-branded as the Wales Programme for Improvement (WPI), itself a product of this new working relationship (Laffin et al, 2002; Martin and Andrews, 2009). It suggested that the Assembly-local government relationship should be 'one of mutual trust and respect.' (Welsh Assembly Government, 2002, pp.25-26)

'Freedom and Responsibility' pre-dated published thinking on public service reform in Wales but 'Making the Connections' (Welsh Assembly Government, 2004, 2005) set out an approach based on citizen-focused services, delivered through collaboration not competition and 'voice' not 'choice' as the driver for improvement. Also, unlike England, the efficiency agenda came under this

umbrella, as did workforce development and planning (Downe et al, 2007; Martin and Webb, 2009; Martin, 2008). The role of local government in Wales was then set against the wider canvas of the principles of public service reform and its contribution to this agenda.

In Wales, 'new localism' does not seem to have entered the public service vocabulary. The latest policy statement on local government 'A Shared Responsibility' (Welsh Assembly Government, 2007) does not have a rhetoric based in new localism. It develops the role of local government as community leader, in the context of public service collaboration, to deliver the 'Beyond Boundaries' vision set out in the Beecham report (Beecham et al, 2006). In Wales, it seems that whilst the relationship has its tensions the principle of localism has never been so much in doubt that it needs to be resurrected.

Despite this policy divergence, there were no formal policy evaluations commissioned by the Welsh Assembly Government, either of the public service reform agenda as a whole or of the Welsh approach to local government performance and reward management. In addition, most of the recent academic literature on the nature of British local government is Anglo centric, for example Stoker and Wilson (2006) includes no reference to Wales.

This limits the possibilities for learning between administrations in the UK and could lead to insularity (Downe et al, 2007; Hockridge, 2006; Laffin, 2009 and Martin and Andrews, 2009). In addition, policy evaluation literature stresses the importance of learning from the 'how' as well as the 'what' (Lewis, 2001;

Davies, 1999; Blalock, 1999; Chelimsky, 1997; Drakeford, 2006 and Jeffery, 2006). Likewise, Wilson (2001) and Jones and Stewart (2001) highlighted the importance of Government understanding the implementation process as part of taking forward its modernisation agenda. There seems, therefore, to be a gap in knowledge of the impact of Welsh policy at this time, which given the new emphasis in the devolution settlement on delivery of better services (Andrews and Martin, 2007), could be potentially important in understanding and developing future performance management systems for local government in Wales.

### **Performance Management in Wales**

Haubrich and McClean (2006) suggest that since devolution Wales has embarked on a different route to the improvement of local authority services, and, this route is much less prescriptive, less intrusive, more reliant on self-assessment and more based on the fact that the country is small enough for all senior managers to know one another. Andrews and Martin (2007) agree, stating that Welsh policy makers have turned their backs on many of the tools used by their English counterparts - league tables and earned autonomy do not feature in the Welsh model. They argue that the small policy space means Ministers in Wales can have meaningful relationships with public service leaders and, therefore, do not need the same levers, suggesting that informal pressure can be as effective in a country the size of Wales. This is supported by Laffin et al (2002).



Neither 'Freedom and Responsibility' nor 'A Shared Responsibility' had any categorisation of authorities and awarding of stars or earned autonomy. Laffin et al (2002) suggested that both the then Minister for Local Government and the WLGA accepted there was substantial scope for improvement in local authority performance, but a 'naming and shaming' approach would not work in Wales and an approach based on improvement being 'owned' by local authorities was preferable and more likely to succeed. This is supported by Andrews and Martin (2007 and 2009). In her speech at the launch of 'Freedom and Responsibility' Edwina Hart AM stated:

"Underlying it all is the need to work together to deliver the quality public services which the people of Wales need and deserve...In England the relationship between central and local government is between half a dozen Whitehall departments and over 400 local authorities. The approach to improvement being developed in England probably fits the scale of England. As I understand it, Ministers in England rely on auditors and inspectors to provide a classification of authorities into the good, the bad and the indifferent, and are prepared to provide incentives for improvement to those which are successful according to the evidence.

If I tried this approach in Wales, I should fail. The closeness of our relationship is such that if I discriminated between authorities in such a systematic way, all the effort that should go into improving public services would go into recriminations. Authorities would go to war with each other to an even greater extent than they would go to war with me - the public and the Assembly and local authorities would suffer.

My approach is to use the small scale of Wales to advantage, ensuring that we work together to support each other in the collective drive to improving public services across the whole of Wales."

(Edwina Hart MBE AM, Speech at Launch Event of Freedom and Responsibility in Local Government, City and County of Swansea, County Hall, March 1<sup>st</sup>, 2002)

These words convey an important message about the Welsh system, suggesting that the principle of equity of treatment between local authorities was valued. They also acknowledge that the Assembly and local government

in Wales must work together effectively as the public will not make any distinction when it comes to any failures in the public services of Wales (Essex, 1998):

“In reality a marriage of convenience is likely to emerge between the Assembly and local government, perhaps a marriage of necessity. Both partners have a vested interest in making the marriage work, not least because the public will not thank either side for a quarrelsome relationship...If co-operation does not happen, the public is not likely to discriminate between the two. It will blame them both.” (Essex, 1998 p.306)

The evidence suggests that both ‘sides’ perceived the ‘close relationship’ as a strength upon which to build. This was recognised in the Beecham Review (Beecham et al 2006) in its theme of small country governance.

Haubrich and McClean (2006) suggest that this is something also perceived as desirable in the English system. Their interviewees believed that changing Government perceptions about an authority’s performance was not solely a function of the Comprehensive Performance Assessment but, that Chief Executives and Leaders had to take every opportunity to network with Government and portray their authority as one with which Government could do business. Haubrich and McClean continue by identifying that some interviewees felt this was the reason why promised rewards in the form of lighter touch inspection and regulation had not materialised despite improved performance – Government’s views of local authority performance are influenced not only by actual performance but also by its perceptions of the authority and its performance.

Likewise in Scotland, Haubrich and McClean (2006) identified that the smaller scale allowed for a more intimate relationship. The suggestion being that it was physically possible to gather all the chief executives into a room to discuss strategy and issues, an option which was unavailable in England. As in Wales, league tables were rejected and instead the assessment framework is marked by a partnership approach between auditors and auditees with a commitment of the latter to not only audit but to support improvement.

It was in this context that 'Freedom and Responsibility' recognised that the Best Value model was becoming increasingly incompatible with the new governance arrangements for Wales (Andrews et al, 2002). The view was that a prescriptive, closely supervised approach to improving local services was not likely to work in Wales and, that an approach based on self-improvement was more likely to succeed.

The Audit Commission (2001b) suggested that Welsh councils were "experiencing particular problems delivering improvement" (p.12). This is consistent with a view previously expressed by the Commission (2001c) which suggested that local authorities in Wales were struggling "to collect robust performance information, and to develop performance management systems that are capable of continuous improvement" (p.16). This paints a very different cultural picture to that of Griffiths (2000) who suggests that Welsh authorities were leading on the modernisation agenda.

This apparent gulf between external and internal perception was explored by Andrews et al (2002). They identified that the performance of Welsh local authorities, based on Best Value Inspection reports for 2000-2001 and Audit Commission PIs for 1999/2000, was in fact better than their English counterparts. The authors suggest that difference in perception is a result of disagreement as to the process of achievement.

“Adverse judgements on Welsh local government seem to reflect perceptions of their management processes and methods of service provision rather than their substantive achievements. This may in turn be symptomatic of UK central government’s assumption that public service improvement cannot be achieved unless organisations follow the specific model of ‘managerial modernisation’ that it is currently promoting.” (Andrews et al, 2002, p.2)

Andrews et al (2002) continue by highlighting that a major issue for Welsh local authorities was that Best Value inspectors labelled them as ‘unlikely to improve’. The authors suggest that was the product of a ‘metropolitan myth’, they note that interviewees in Welsh local government expressed dissatisfaction with the style and culture of the Best Value Inspectorate and a lack of confidence in its inspectors.

From April 2002, the Best Value framework diverged from England (Downe et al, 2007) with the introduction of the ‘Wales Programme for Improvement’. WPI was premised on the assumption that ownership of continuous improvement began with the authority’s acknowledgement of its own strengths and weaknesses (Laffin, 2004; Martin and Webb, 2009). Welsh Ministers therefore placed trust in local authorities’ ability to drive their own improvement (Laffin, 2004).

Downey et al (2007) suggest that the Comprehensive Performance Assessment (CPA) in England provided an explicit model to be avoided in Wales because of aversion to the “muscular centralism and top-down performance management of local government in England, but also connected to the small number (22) of unitary authorities in Wales and the strong partnership ethos between the Welsh Assembly and local authorities” (p.12).

However, the WPI (or Best Value or the CPA) does not specifically address the issue of ‘goal alignment’ and how the Welsh Assembly Government might ‘incentivise’ the pursuit of national as well as local priorities by local authorities. Policy Agreements (and Local Public Service Agreements in England) were ‘pay-for-performance’ schemes created to address this issue.

This was an interesting development as a ‘pay-for-performance’ scheme implies the necessity for differentiation between performance and a payment based on level of attainment, so that the higher performers receive more funding. This seems at odds with the principle of equal treatment of authorities and, the ‘high dependency’, close relationship between local authorities and the Welsh Assembly Government which existed at that time (for a more detailed discussion on Policy Agreements and LPSAs see Chapter 3).

## **Conclusions**

This Chapter has identified that at the crux of the central-local relationship are tensions between central control and local autonomy, uniformity and diversity, external regulation and self-improvement, and the delivery of national and local priorities. The relationship is multifaceted, ambiguous and culturally contextual, both in terms of different Government departments and different local authorities. This leads to varying levels of trust, commitment and understanding as to the process of policy implementation.

Research on the modernisation agenda in England has suggested that it should not only be about cultural change in local government but also central government and that the focus on outcomes in performance management should be a way of fostering local innovation and ameliorating of the tension between 'top-down' and 'bottom-up'. However, evidence suggests that while this may be the rhetoric the reality is different. This is because there has been too much emphasis on process and not enough on organisational and cultural change, a failure to consult and involve local authorities and professionals in the development of the approach resulting in a lack of commitment and an imbalance between external regulation and inspection and self-improvement.

Also, public pressure on central government to be 'seen to be doing something' (Lapsley, 2008) means that, despite criticisms and concerns, performance management and the use of targets as a means of driving the improvement of public services remain high on the agenda. Evidence from

the use of these systems suggests the following issues need to be considered:

- **Target Setting** – small numbers of targets seem to work best but care needs to be taken in design to ensure that overall programme aims are not undermined; targets need to be stretching but realistic – difficult targets are counter productive; the quality and availability of suitable measures can be a limiting factor; indicators are tin openers rather than dials, the numbers may present an incomplete picture.
- **Undesirable Effects** – overall performance may suffer as a result of the ‘blind’ pursuit of specified targets, i.e. ‘goal displacement’; targets can create undesired ratchet and threshold effects; targets can create undesired gaming and data manipulation effects which in turn can lead to unethical behaviour and loss of public confidence in the system.
- **Inherent Tensions** – the pressure for governments to be effective and efficient means performance management systems are appealing, the danger is they become all-pervasive; there is a trade off between timely and accurate measures; a focus on specific targets may act as a counter force to partnership working amongst public service organisations, as loss of control over attainment of the target increases; outcomes are long term while performance management systems tend to measure the more immediate; outcomes are difficult to measure, proxy measures require the assumption of causality, many systems therefore suffer from ‘poor construct validity’.
- **Trust, Fairness and Communication** – systems work best where there is consultation and communication, imposed systems can be counterproductive and fail to generate commitment; credibility of the system and trust between those involved is vital.
- **The Role of Financial Incentives** – financial incentives are intended to encourage organisations to focus on and deliver outcomes, as it is assumed they stimulate increases in effort in the same way as individual PRP schemes are intended to but, organisations are complex and the funding may not reach those responsible for the improvement. This is an under-researched area.
- **Cost Benefit** – constructing and operating the systems, including dealing with the perverse effects takes time and resources, in some cases these may outweigh the potential benefits.
- **Performance and Culture Change** – the system may have dual purposes of performance improvement and culture change; focusing on outcomes rather than process or inputs is aimed at driving innovation by providing incentive to those involved to seek new and creative ways to improve public welfare.

The tensions in the central-local relationship are also present in post-devolution Wales, but, the relationship has become more consensual, less polarised, more mutual and seemingly more trust based. This together with a

political and civil service will to 'make devolution work' has resulted in differing policies and approaches to implementation, including local government performance management. The development of the WPI reflected the trust placed in local government by Welsh Ministers and was based on self-evaluation. Policy Agreements were designed as a way to complement the WPI by addressing goal alignment between the delivery of local and national priorities but, as a 'pay-for-performance' system were potentially at odds with the mutuality of the central-local relationship and the principle of equal treatment between local authorities.

It was noted that whilst research evidence exists in relation to the local authority performance management system in England, no extensive published research exists relating to the system in Wales. This potentially limits the benefits of devolution and could lead to isolationism. It also means that future Welsh policy in this area could be made on an uninformed basis and, in light of the current devolution debate being framed around improvement of services, understanding what works in this regard has renewed importance.

The next chapter will, therefore, consider in more detail research and other evidence relating to performance management systems in England and Wales which use targets and financial incentives, keeping in mind the use and impact of the latter has been identified as an under-researched area, against the contextual evidence and principles identified above to contribute to the development of an evaluation model for Policy Agreements.



## **CHAPTER 3**

### **CENTRAL- LOCAL PERFORMANCE AGREEMENTS**

#### **Introduction**

The previous chapter identified that since devolution there has been a divergence in local government performance systems policy in England and Wales. However, both countries have developed 'pay-for-performance' agreements which have the aim of identifying and clarifying areas of shared priority. In England this has been captured in Local Public Service Agreements (LPSAs) and Local Area Agreements (LAAs), in Wales by Policy Agreements.

The inclusion of a financial reward and the formalisation of an individual relationship between central government and a local authority makes them akin to individual PRP schemes (Boyne and Chen, 2006; Reiter et al, 2006), and there may be lessons from this area of literature which could be applied in the evaluation of such agreements. But, prior to considering this, the current chapter explores and analyses the development of these agreements in both countries, reflecting on the contexts and principles identified in Chapter 2.

#### **England**

##### **Local Public Service Agreements and Local Area Agreements**

#### **Overview**

Boyne and Law (2005) describe LPSAs as an important element of the modernisation agenda in England. Their purpose was to 'stretch' service outcomes beyond the level which would otherwise have been delivered. The

agreements were intended to focus on the outcomes of service delivery, rather than the processes, inputs or outputs (ODPM, 2003). Boyne and Chen (2006) described them as quasi contracts and an unprecedented experiment in payment by results in the UK public sector.

Underpinning LPSAs were three key assumptions: central and local government are mutually dependent on each other to achieve their priorities; in order to achieve significant improvement both local and central government had to change; and, that this change was most likely to be secured if the ownership was shared (ODPM, 2005c).

LAAs are intended to deliver improved outcomes through better co-ordination between central government, local authorities and their partners (ODPM, 2004). There is also a reward grant for achieving specified outcome targets. Secondary objectives were improving central-local relations, enhancing efficiency, strengthening partnership working, and offering a framework within which local authorities can enhance their community leadership role.

### **Target Setting**

Reminiscent of issues identified in Chapter 2, ODPM (2005b) and Entwistle and Enticott (2007) note that practical issues bedevilled the setting of targets and baselines for LPSAs, as often the data was simply not available and/or not robust, and a lack of time meant that the process was not sufficiently inclusive with a knock on impact on implementation, where indicators did not exist cost was a prohibitive factor in establishing them. The process was also

seen as a distraction from getting on with the business of delivering a better service. 'Rushed' implementation was also identified as an issue in the previous chapter. Brand (2008) identified similar issues with LAA implementation including; a lack of evolved performance management as opposed to performance monitoring systems.

### **Undesirable Effects**

Entwistle and Enticott (2007) and ODPM (2005b) found that the LPSA process had the unintended effect of allocating resources to projects which were easily defined, measured and delivered but which were not the main issues of local concern as suggested by local consultation. There was also a focus by central government on the methodological rigour of the targets at the expense of pursuing other more appropriate but more difficult to measure outcomes, resulting in the LPSA model being constraining rather than enabling.

Local negotiators were drawn to safe, well established issues and indicators as these offered the best opportunity to maximise the pot – if a local authority could agree a target likely to be achieved in the normal course of business then the pump priming grant and reward grant were 'bunce'. By contrast those which required additional time and effort were a risk as the resource could be committed without the reward. These findings seem to fit with the issue of gaming identified in the previous chapter, also goal displacement, perverse incentives and the difficulties of measuring outcomes.

Entwistle and Enticott (2007) also found reluctance amongst Government officials to channel funding into areas which Ministers did not express as priorities - local interviewees complained bitterly of being steered towards national priorities as part of the negotiation process. This combined to create 'a narrowly defined agenda of politically acceptable issues'. They conclude that having very technical parameters for selection of targets and indicators results in a narrowing of the social agenda which may be tackled as part of the LPSA process and means that agendas may not reflect public concerns in a particular locality.

Brand (2008) notes the LAA process suffers from a lack of systemic approach to sharing learning and innovation, limited culture change in Whitehall and, whilst the link with community strategies has been enhanced, the link with other areas of the local government modernisation agenda remains unclear.

Russell (2008) identifies that LAAs were less ambitious than they might have been because they were not influencing the mainstream. In terms of reward grant, Russell suggests it could have unintended consequences related to skewing activity towards the short term, possibly less important and the attainable rather than the interventions which might be more effective in the longer term.

### **Inherent Tensions**

As part of their LPSA evaluation, Sullivan and Gillanders (2005) found different expectations amongst central and local stakeholders – whilst there

was consensus that LPSAs were an opportunity to improve local outcomes, there were differing views about the wider ambitions of more joined up government and improved central-local relations. Sometimes there were differing views locally between those charged with delivery and the organisational leaders.

Government departments saw LPSAs as a means of achieving departmental priorities. Their significance depended upon the other policy levers available to deliver these priorities and the amount of added value seen in the LPSA. Stakeholders in central government close to the policy saw more joined up government and policy making as an aim which did not seem to be shared with their colleagues in other departments.

Gillanders and Ahmad (2007) describe how more ambitious areas sought to use their LAA to exact a shift in power between central and local and at the same time realise a significant reduction in the burden of performance management. They also found differing views about the scope and focus of LAAs – for some they were about ‘everything’, setting out a comprehensive agreement to improve an area and a fundamentally new way of doing business. For others, they were about how a few select partners could do things differently around cross cutting issues.

Gillanders and Ahmad (2007) identified that localities tended to see LAAs as a dialogue while central departments viewed them increasingly as a contract, with government offices caught in the middle. Many localities failed to engage

local politicians in what was perceived as 'boring bureaucracy' and added to this was the ambiguous role of the Government Office – process facilitator, critical friend, broker and advocate. The first two were generally more successful. They conclude that while LAAs have contributed to an improved central-local relationship there is still an unanswered question as to the right balance between 'top-down' and 'bottom-up' priorities and the extent to which local differentiation is desirable and feasible. Russell (2008) also identifies concerns as to whether LAAs have or can deliver a sea change in central-local relations, stating the credibility of the approach is still not proven in the eyes of many local stakeholders.

### **Trust, Fairness and Communication**

Young (2005) suggests that LPSAs imply a relationship of acceptance and trust between central and local government based on agreed outcomes. Echoing themes from Chapter 2, it was suggested that the chances of 'success' would be improved if the LPSA system was 'owned' by organisational stakeholders rather than 'imposed' from above (ODPM, 2005a).

Sullivan and Gillanders (2005) suggest that the negotiation process should enable both 'sides' to gain a better understanding of each other in terms of context and concerns. However, the reality seemed mixed, in some cases a shared understanding developed and the process of discussing the target helped to clarify the nature of the problem and possible solutions, but others found the process frustrating, bureaucratic, long and tortuous. It was often felt

not to be a negotiation but central government 'telling local government what to do'.

Gillanders and Ahmad (2007) suggest that improving outcomes through LAAs is based on both the establishment of a more mature relationship between central and local government, and improvements in local partnership working.

### **Role of Financial Incentives**

Entwistle and Enticott (2007) found that LPSAs were perceived as a means of increasing the visibility of services but this focus was on the money, or lack of it. Their interviewees felt that the LPSA pot was not sufficient to tackle the significant challenges of the rural agenda and that their own authorities were reluctant to supplement this pot. For a significant proportion of their interviewees the LPSA process was seen as a means of extracting additional resources from central government rather than as a means of addressing pressing social problems.

Sullivan and Gillanders (2005) suggest that at a corporate level the LPSA reward grant was seen as a powerful incentive, particularly amongst politicians. In service departments the emphasis was more on delivering a better service for local people with a strong commitment to achieving sustained improvement. Interestingly the owners of individual targets were less likely to emphasise the importance of financial resources and financial rewards than were co-ordinators, but were more likely to suggest that the staff

responsible for delivering the target and central government policy had a positive influence (DCLG, 2008b).

Sullivan and Gillanders (2005) suggest that the implicit assumption underlying LPSAs within central government was that the real barrier to local government improvement is 'will' and that incentives will succeed where exhortation has failed. However, evaluation suggests that it was pump priming grant, combined with a limited number of objectives which were the most significant in enabling improvement.

Sullivan (2008a) and Russell (2008) both suggest that in relation to LAAs the most important driver of change seemed to be a determination amongst local players to improve outcomes and that funding levers were not stressed amongst either local or national stakeholders.

### **Cost Benefit**

Young (2005) suggested the LPSA reward grant represented a small proportion of total local authority spend and that the administrative cost of the scheme was likely to be high. This raises questions as to the value for money aspect which may only be achieved if improvements are mainstreamed.

### **Performance and Culture Change**

Sullivan and Gillanders (2005) suggest the association of a changed relationship between central and local government with improved outcomes was unique to LPSAs and, unlike other modernisation agenda policies, LPSAs



emerged from a dialogue between the Treasury, Department for the Environment, Transport and the Regions (DETR) and the Local Government Association (LGA). However, they also note that the multiplicity of the central-local relationship means that a 'one size fits all' policy such as LPSAs is likely to generate multiple reactions, but the 'maximum' model would generate change at both local and national levels leading to better policy and regulation and contributing to the achievement of joined up government.

Achieving the organisational change would require more than the adoption of targets and performance indicators, it would also require attention to people and culture at all levels of local (and central) government (ODPM, 2005a). ODPM (2005b, 2005c, 2005d and 2005e), Young (2005) and DCLG (2008b) suggest that LPSAs have contributed to the delivery of a number of local process outcomes including: the development of increased capacity; better understanding of the barriers to improvement; contribution to sustainable systemic change; driven local innovation; a focus on corporate performance management; clearer strategic thinking; a positive impact on inter-departmental working; and improved local partnership working. (This seems contrary to the evidence in Chapter 2 which suggested that such agreements might act as a limiting factor in relation to partnership working.) In terms of central government and central local relations, LPSAs have challenged entrenched views, developed an awareness of the importance of local context, developed new routes for consultation and changes to policy planning, and necessitated closer working between central departments.

Gillanders and Ahmad (2007) identify that LAAs also demanded a radically new way of working within central government – cutting across systems and processes and necessitating a culture change that many in government found difficult. The Department for Communities and Local Government acted as ‘cheerleader’ trying to generate wide ownership across government for the principles underpinning the LAA. For local partners LAAs seem to have a strong symbolic value as a framework to galvanise action and the benefits have perhaps been greatest where partnership working had previously been weak.

Sullivan and Gillanders (2005) and Boyne and Law (2005) suggest that the service improvement attributable to LPSAs is not clear cut. This is because the link between actions and outcomes is imperfectly understood and other national policies are already pushing in the same direction or outcomes are strongly influenced by external factors. It will therefore be difficult to demonstrate additionality. Although there are some targets where little was happening before LPSAs and there are clear links between LPSA activities and improvements.

In terms of improved performance DCLG (2008a and 2008b) suggest that LPSAs have been successful in driving service improvement on the targeted indicators but that a higher level of ‘stretch’ does not necessarily enhance the impact of LPSAs on targeted performance. This fits with parameters identified in relation to target setting in Chapter 2.

## **Observations**

The literature on LPSAs and LAAs evaluates the process and identifies some of the key drivers of improved performance, noting that reward grant does not seem to be one of the strongest. However, it does not comprehensively explore why funding is not a significant driver, nor does it fundamentally question, in light of this and the other inherent difficulties identified with short term funding, the effectiveness or appropriateness of this aspect of the performance agreements.

## **Scotland**

The Scottish Government and COSLA (Convention of Scottish Local Authorities) signed a concordat in November 2007 which included the agreement that every Scottish local authority would produce a Single Outcome Agreement (SOA) which in 2008-09 covers all local authority service provision. SOAs contain a section which enables local authorities to raise the issues which they consider the Scottish Government needs to address in order for SOAs to be delivered successfully. Locally generated indicators account for over two thirds of the indicators contained within the 32 SOAs but the Agreements are intended to be outcome not output focussed (Scottish Parliament, 2008).

However, Midwinter (2009) criticises the agreements as being input and output focussed and as removing the discretion of local authorities over policy because of the sign up to the delivery of national outcomes as part of the

Concordat. He also claims that the agreements have cut the link between needs assessment and funding for the same reason.

## **Wales**

### **Policy Agreements**

There has been no previous, comprehensive analysis or evaluation of Policy Agreements<sup>1</sup>, therefore the following section is by necessity partly descriptive but has not previously been documented in detail. Limited academic references were found relating to the process and these have been included at appropriate junctures.

### **The Concept of Policy Agreements**

The Welsh Local Government Association (WLGA) proposed Policy Agreements in 2000 (Laffin, 2004) as a way of delivering the Assembly Government's aspirations for a more strategic approach to policy making in Wales. The aim was to address tensions in central-local priorities by focusing on signing up to an agreed policy agenda, but recognising that this agenda could be delivered locally in ways relevant to local people. Laffin et al (2002) and Jeffery (2006) confirm that Policy Agreements were co-determined by local authorities and the Welsh Assembly Government.

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<sup>1</sup> This section of the Chapter was developed using the written reports and other documents as referred to and, the observation of three of the Policy Agreement evaluation meetings and a Policy Agreement review meeting between officials of the Welsh Assembly Government and the WLGA.

For local government, the reasoning was to focus on outcomes and, thus act as a counterweight to the perceived increased concentration on inputs, hypothecation and ring-fencing of the annual revenue settlement as the main lever to drive local authorities to deliver Assembly Government priority areas (Laffin et al, 2002; National Assembly for Wales, 1999).

The Agreements also had attractions for the Assembly Government in that they emphasised a 'partnership' approach to the governance of Wales and gave credibility to the Assembly as the strategic body (Laffin et al, 2002; Jeffery, 2006; Bradbury, 2003; Bradbury and Mitchell, 2005). They provided a clear link between the Assembly Government's strategic objectives and those which authorities would be developing with local partners and communities as part of their new responsibilities for community leadership (Laffin et al, 2002). The Agreements were, therefore, jointly 'billed' as a "radical undertaking with no parallel elsewhere in the UK" (National Assembly for Wales/WLGA, February 7<sup>th</sup>, 2000).

Laffin et al (2002) suggest that Policy Agreements were seen as important in developing the Assembly-local government relationship and offered a compromise between the demands for local autonomy and hypothecation. However, as reflected in the evidence from the LPSA evaluation, they noted a potential difference in perception in that the Assembly tended to see the Agreements as 'directive' policy instruments, while local authorities tended to see them as 'coordinative', i.e. more strongly reflective of local priorities. This is supported by Jeffery (2006) who suggests that Policy Agreements were

criticised for setting uniform targets and hypothecating funding rather than leaving greater discretion within and across programmes at a local level. On the latter point, hypothecation may have been quoted as a misconception or fear as the funding was not 'top-sliced' or hypothecated (Laffin et al, 2002).

The joint paper (i.e. prepared by the Assembly Government and the WLGA) which introduced the concept of Policy Agreements to the Partnership Council on 7 February, 2000 made no mention of attaching financial incentives to the Agreements. At the meeting, questions were asked as to what motivation did authorities of different political control have for signing up to an agreement with a Labour dominated Assembly. It was stressed that the development of the Agreements could serve to reinforce a new approach to politics based on consensus and what was best for the people of Wales, rather than the old focus on party politics. The focus, at this stage, was on mutual goal alignment.

### **The Development of Policy Agreements**

A joint task and finish group (Assembly/local government) presented a framework based on 'BetterWales' (National Assembly for Wales, 2000) to the Partnership Council on 10 July, 2000. Key aspects were: targets to be challenging but deliverable; a three year time frame; no external assessment and, the Assembly Government to review progress with local authorities.

The minutes of the Partnership Council on July 10th re-surfaced the question of funding. "If local authorities were to agree to sign up to the Policy

Agreements the Assembly should consider what it was going to offer in return - such as an increase in local government's revenue allocation by 2%, to enable them to deliver agreed priorities." (Partnership Council Minutes, July 10<sup>th</sup>, 2000).

This response from the WLGA may have been driven by the timing of the announcement in England of the LPSA pilot scheme which included an element of financial reward, tapered based on service performance. However, a paper on Policy Agreements put to the WLGA Co-ordinating Committee on June 29<sup>th</sup>, 2001 argued that this approach would not be appropriate for Wales and that the Association should press for a corporate payment of grant which it believed would ensure full effort across all areas of the Policy Agreement, maximise grant levels and lift 'whole' authority performance.

Following consultation in October 2000, changes were made to the framework agreement, which was now to include a Performance Incentive Grant. The final version, implemented in 2001-02 is included in Appendix A. Laffin et al (2002) criticise Policy Agreements for not including housing measures, despite the publication of a major new housing strategy at around the same time. They argue this was a missed opportunity for joining up the social care and housing policy silos. Martin and Davies (2002) also identified this as a potentially missed opportunity for the original Best Value regime in England. The rationale behind the inclusion of the financial reward and its operation will be further explored in Chapters 6 and 7, but at this stage it seems to reflect

the close nature of the relationship between the Assembly Government and local authorities and their mutual dependency identified in Chapter 2.

## **Policy Agreements Process**

### **Setting and Measuring Objectives**

Despite a target date for implementation of April, in June 2001 negotiation of social services and other targets and baselines was still ongoing. Much of the explanation for this was the lack of a performance management framework for social services prior to the start up of the Policy Agreement process. The discussions at individual local authority level were an iterative process - both targets and baselines were mutually agreed based on the national basket of indicators agreed by the WLGA on behalf of its members. This took considerable time as illustrated in Table 3.1.

**TABLE 3.1: POLICY AGREEMENT DATES**

<b>Authority</b>	<b>Date</b>
Blaenau Gwent	27 February, 2002
Bridgend	12 November, 2001
Caerphilly	8 March, 2002
Cardiff	7 December, 2001
Carmarthenshire	8 November, 2001
Ceredigion	26 February, 2002
Conwy	26 November, 2001
Denbighshire	30 January, 2002
Flintshire	28 February, 2002
Gwynedd	19 February, 2002
Isle of Anglesey	29 January, 2002
Merthyr Tydfil	25 January, 2002
Monmouthshire	13 November, 2001
Neath Port Talbot	16 November, 2001
Newport	11 February, 2002
Pembrokeshire	7 December 2001
Powys	12 November, 2001
Rhondda Cynon Taff	18 March, 2002
Swansea	5 December, 2001
Torfaen	14 November, 2001
Vale of Glamorgan	12 November, 2001
Wrexham	27 November, 2001



The final baselines and targets for all 22 local authorities across the range of the agreed indicators and measures are included in Appendix B.

### **Feedback of Results**

When funding was attached to the Agreements the need emerged for evaluation to be put on a more formal footing. This pressure came from the WLGA by advising its members that it would not be sensible to sign up to the Agreements unless there was a clear process for evaluation of performance and determination of reward.

The evaluation protocol was developed as a result of a brief consultation exercise between the Assembly Government and local authorities through the WLGA. It states that the intention is to award PIG in full wherever 'best endeavours' have been made towards achieving the targets. Any decisions on abatement were to be made by Assembly Government Ministers based on direct dialogue between the Assembly Government and local authorities. Regulatory agencies were excluded from both the dialogue and decisions on the allocation of reward funding (see Appendix C).

The nature of the protocol may have been an attempted reconciliation of the tension between having to differentiate between the performance of local authorities in a relationship where equity of treatment seemed to be valued (see Chapter 2). It may also give an indication of where the power lay in the relationship at that time. It will be interesting to explore whether the limited consultation period, and thus implied limited communication and engagement

with key stakeholders, enabled the intentions of this 'change of heart' to be effectively communicated and understood. These were identified as important 'success' factors in Chapter 2.

### **Rewards linked to Outcomes**

As discussed above, the attachment of a financial incentive to Policy Agreements was not part of the original concept, but a product of ongoing discussions between the Assembly Government and local authorities. Once raised at the Partnership Council there was little room for manoeuvre on the part of the Assembly Government as it seemed clear that unless a financial incentive was attached local authorities would not be signing up. There was also support for including a financial incentive in the Agreements on the Assembly Government 'side'. There was not consensus on this point; some felt that attaching finance to the Agreements undermined their main purpose in promoting a partnership approach focusing on joint working and political consensus (National Assembly for Wales/WLGA, 2000).

However, the majority view carried the day and £40m was allocated as the financial incentive/reward. This was 'new' funding (as opposed to 'top-sliced' off the general revenue settlement) to be made available over the duration of the Agreements. In the financial year 2001-02, £10m was made available as an incentive for signing and to assist with initial costs. The balance was paid in 2003-04 on completion of the Agreements and, in theory, dependent on performance. 'Performance Incentive Grant' (PIG), both instalments, was unhypothecated. Authorities were able to add it to their general revenue

allocations and budget at a local level to determine how best to achieve the Policy Agreement targets whilst taking into account other local priorities.

The funding was allocated in proportion to total Standard Spending Assessment (SSA) (excluding capital charges) (Table 3.2). The fact that this was the agreed allocation method reflects the principle identified in Chapter 2 of equitable treatment between authorities, all authorities must be seen to be receiving their 'fair share' of any available additional funding - whether performance related or not.

**TABLE 3.2: PAYMENT OF PERFORMANCE INCENTIVE GRANT TO LOCAL AUTHORITIES**

<b>Authority</b>	<b>Payment 2001-2002 £000</b>	<b>Payment 2003-2004 £000</b>	<b>Total £000</b>
Blaenau Gwent	251	753	1,006
Bridgend	435	1,305	1,740
Caerphilly	600	1,800	2,400
Cardiff	1,012	3,037	4,048
Carmarthenshire	602	1,806	2,408
Ceredigion	256	768	1,024
Conwy	382	1,146	1,528
Denbighshire	327	981	1,308
Flintshire	474	1,422	1,896
Gwynedd	428	1,284	1,712
Isle of Anglesey	244	732	976
Merthyr Tydfil	216	648	864
Monmouthshire	266	798	1,064
Neath Port Talbot	474	1,422	1,896
Newport	467	1,401	1,868
Pembrokeshire	414	1,242	1,656
Powys	455	1,365	1,820
Rhondda Cynon Taff	841	2,524	3,365
Swansea	748	2,245	2,993
Torfaen	315	945	1,260
Vale of Glamorgan	393	1,179	1,572
Wrexham	399	1,197	1,596
<b>Total</b>	<b>10,000</b>	<b>30,000</b>	<b>40,000</b>

It could be argued that the additional funding is a small percentage of total local authority revenue funding both at an aggregate and at an individual authority level (Young, 2005). However, authorities tend to operate on the

basis of incremental budgeting (CIPFA, 2000) and, therefore, any funding at the margins which is not hypothecated is arguably a potentially powerful incentive.

### **Amendments to Objectives and Activities**

A series of progress review meetings were held between November 2002 and January 2003. The discussions were led for the Assembly Government by the then Local Government Modernisation Division. The approach to these meetings by local authorities was very mixed. Some had prepared reports, involved both members and officers and used the meetings to review progress against the targets in the Agreements in detail. These types of meeting included a post mortem of why targets had not been met and where baselines had been over or under estimated (usually in the social services area because of on-going system development).

Other authorities took a more broad brush approach to the meetings and involved only the Chief Executive or the Chief Executive and a number of key chief officers. At these meetings the Agreements were discussed at a more general level with anecdotal evidence as to progress or otherwise towards the targets. The reasons for these differences of approach and their impacts are explored in Chapter 7.

These interim meetings highlighted that local authority officers were aware of and felt strongly that the purpose of Policy Agreements was not simply to improve local authority performance by the use of a financial incentive/reward,

although most felt that the attachment of a financial incentive would prove to be a significant motivator. However, local authority officers also felt that the linking of strategic planning between the Assembly Government and local authorities, the process of working together, changing cultures and attitudes in both the Assembly Government and local authorities and, the shift to focusing on outcomes were important. These discussions also highlighted the importance of thinking about and delivering Policy Agreements within the wider modernisation agenda and linking all of the component parts together as a cohesive whole. In particular, it was felt that the links between the Wales Programme for Improvement, the community planning framework and Policy Agreements should be strengthened. This reflects themes identified in Chapter 2.

Generally, authorities felt that the numbers and types of indicators were appropriate, but the view was expressed that difficulties had been encountered with the social services indicators in terms of agreeing definitions and identifying the appropriate information for the baselines. Concern was also expressed that the indicator on modal shift (a means of tracking the flow of passengers from cars to public transport) was too vague and exceeded the time horizon of the Policy Agreements. This was later abandoned as unworkable.

Some authorities indicated that attempts had been made to integrate the Policy Agreement targets with their own strategic planning process in the context of the Assembly Government's own strategic plans. However, others

appeared to be treating the Policy Agreement targets as a 'separate exercise'. Both these issues will be further explored in Chapters 6 and 7.

### **Emerging Concerns**

In a WLGA Co-ordinating Committee Paper (June 29<sup>th</sup>, 2001) possible tensions in the future development of Policy Agreements were highlighted. These included the aspiration that longer term Policy Agreements should be better integrated into the community planning process. It was stressed that the targets and indicators in Policy Agreements should not be top-down otherwise local authorities merely become agents of the Assembly. Concern was also expressed that nationally set frameworks do not reflect the major and diverse policy priorities at a local level.

Laffin et al (2002) identified that most of the local authority cabinet members interviewed for their study had not heard of Policy Agreements or were unable to discuss them in detail. Council Leaders tended to be sceptical and wondered whether this was hypothecation by the back door. In particular they were concerned about punishment for not meeting the targets and that local priorities were being skewed in favour of national ones.

Chief officers were also concerned that the targets and indicators were too constraining and focussed on the national with little accommodation of local conditions. However, they tended to be more positive, especially where they were already keen to move towards performance management systems and inculcate a performance management culture. In these cases Policy

Agreements were seized upon as a vehicle for taking these ambitions forward. Again, these issues will be further explored in Chapters 6 and 7.

### **The Second Round of Policy Agreements**

Haubrich and McClean (2006) conducted a limited piece of research comparing performance agreements in England, Wales and Scotland. The second round of Policy Agreements (2004-2007) provided authorities with some limited additional unhypothecated funds, between 0.5% and 1.5% of an authority's revenue budget for service improvement, if they met specified indicators measuring progress towards national strategic objectives.

Haubrich and McClean (2006) suggest that, unlike England, staff in Wales are not incentivised by good performance categories or less ring fencing of grants, the main motivational drivers to do well appear to be the work ethos of staff, political pressure by members of the council, and the threat of more audits if a bad assessment report is produced. They also identify that the consensus approach adopted in Wales means that developing and implementing ideas agreeable to all takes an extraordinary amount of time.

### **Conclusions**

The key themes which have emerged in relation to LPSAs, LAAs and Policy Agreements are as follows:

- **Target Setting** – a higher level of stretch target not necessarily leading to higher performance; practical issues bedevilling the process such as lack of time for implementation, difficulties in establishing robust targets and baselines and underdeveloped performance management systems.

- **Undesirable Effects** – game playing was identified; some potentially perverse impacts were developing, including a lack of citizen focus in the selection of issues to be taken forward and a loss of ambition through the skewing of resources towards the short-term, easily identified and defined and the politically acceptable; a focus on robust measurement resulting in the exclusion of the difficult to measure became a constraining rather than an enabling factor; and, hijacking of agendas to raise the profile of services. For LAAs better integration with community strategies but not other parts of the modernisation agenda and a lack of systematic learning. It will be interesting to explore whether the differing context of 'small country governance' in Wales mitigates or magnifies these difficulties.
- **Inherent Tensions** – differing perceptions between central and local government players and differing perceptions between those leading on LPSAs and LAAs and other departments in central government and between the corporate centre in local government and those charged with delivering the improved services; Government interest levels amongst departments potentially being dependent on the other 'levers' available; striking the right balance between top-down and bottom-up remained illusive. Some early evidence suggested similar issues in Wales, again it will be interesting to identify whether these differences in perception and other difficulties translate to a different context.
- **Trust, Fairness and Communication** – greater levels of trust were felt to exist; the Agreements were felt to have strengthened central-local relations and been more mutual but the reality was mixed, different perceptions existed between different stakeholders.
- **The Role of Financial incentives** – LPSAs are a payment by results scheme, both pump priming grant and performance reward grant were factors in progressing towards the targets. However, the funding may motivate corporate centres more than service managers and pump priming grant may be a more powerful enabler of improvement than reward grant. LPSAs were seen as a way of extracting more funding from central government rather than as a means of addressing pressing social problems. For LAAs funding levers were not identified as significant drivers. For service managers a stronger driver for improvement was the desire to improve outcomes for citizens. It was identified that Policy Agreements were partly modelled on LPSAs and were also intended as a payment by results scheme.
- **Cost Benefit** – Concern was expressed over the administrative cost of the LPSA scheme, the relatively small amount of total local authority funding involved and thus overall value for money. Chapter 2 identified this as an issue for organisational performance management systems and Chapter 4 will identify that value for money is also an issue for individual PRP schemes; this therefore provides corroborating evidence for this issue to be considered as part of the evaluation model for Policy Agreements.
- **Performance and Culture Change** – culture change 'benefits' were identified as: the release of local innovation; improved dialogue and communication; more joining up at both central and local levels; the development of a local authority performance culture; focus on



outcomes and a shared agenda. These were also identified as objectives for Policy Agreements in Wales. It will be interesting to explore the impact or otherwise of Policy Agreements on these process outcomes, what factors may have impacted upon them and whether these factors are different to the English experience. It was also identified that it would be impossible to isolate the impact of LPSAs from the impact of other performance improvement policies and, that the definition of outcomes and selection of measures was difficult but could be mitigated by sticking to a limited number of desirables, using clear criteria and baskets of indicators. This is likely to be the same in the Welsh context and these limitations will need to be taken into account when considering the impact of Policy Agreements on actual service improvement performance.

These themes reflect the evidence in Chapter 2 relating to the use of performance management systems and targets in the public sector as a driver for improvement. However, there has been no exploration of whether these themes are universal or contingent in the context of devolution in the UK, which limits opportunities for learning and understanding the drivers of improved service performance in different contexts (Martin and Andrews, 2009). It also potentially limits the benefits of devolution and could result in isolationism (Downe et al, 2007, Laffin, 2009 and Hockridge, 2006).

Sullivan (2008) recognises that human interaction is a key aspect of governance systems and Chapter 2 identified that this may be highly relevant in respect of Wales, given the nature of the central-local relationship (Andrews and Martin, 2007). This provides further evidence to suggest that a contextual understanding is important. This is also of great relevance for the evaluation of policy, as knowledge of how a policy was implemented is important in establishing its success or otherwise (Lewis, 2001; Davies, 1999; Blalock, 1999; Chelimsky, 1997; Drakeford, 2006; and Jeffery, 2006). In addition, whilst the LPSA and LAA evaluation evidence considers the impact of

financial incentives on service managers and local authority corporate centres, there is limited explanation of why these impacts occur and limited work on the impact of financial incentives in different contexts. Also, the evidence has not been related to theories on individual PRP which Boyne and Chen (2006) and Reiter et al (2006) suggest Governments are relying on in assuming the robustness and appropriateness of their transference to organisational levels.

Boyne and Chen (2006) suggest that evidence of the effectiveness of organisational pay for performance schemes can be considered with reference to the literature on individual motivation, performance management and PRP. Reiter et al (2006) note that these schemes are usually applied in the individual context and their impact at an organisational level is under-researched.

In light of this, the literature relating to individual motivation, performance management and PRP schemes will be explored in the next chapter to determine whether there is an additional dimension which this evidence could add to the literature previously reviewed on targets and performance management in the public sector in Chapter 2 and the lessons from the English LPSA and LAA experiences in Chapter 3, to develop an evaluation framework for Policy Agreements.

## **CHAPTER 4**

### **PERFORMANCE RELATED PAY AND PERFORMANCE MANAGEMENT**

#### **Introduction**

Chapters 2 and 3 have identified themes, issues and critical success factors surrounding the development and implementation of inter-governmental performance management systems. However, the use and effect of financial incentives in these systems is an under-researched area, and it has been suggested that research on individual PRP schemes could provide insight and facilitate a better understanding of how organisational schemes work (or not) (Reiter et al, 2006; Boyne and Chen, 2006). Likewise, Hood (2007) argues that translating from the individual to the organisational is not a new concept in public management as Taylor's work on scientific management was embraced by Lenin in 1918 to manage the Soviet economy.

It might also be possible to use a framework based on strategic management theory, for example the balanced score card. However, these tend not to contain an element of organisational payment by results, rather managers are individually rewarded based on the performance of their organisations and, such schemes also tend to have a strong focus on financial performance, including rate of return on capital employed which is not the case with Policy Agreements. Other areas of strategic management, such as organisational strategy, and their relationship to improved performance have already been researched (Boyne and Walker, 2004; Andrews et al, 2008) but, again these studies do not focus on the use and effect of organisational financial incentives.

This Chapter, therefore, critically reviews the literature on individual performance management and performance related pay schemes. In conclusion, it compares the issues identified to those highlighted in Chapters 2 and 3 and, looks for gaps and any added value which might be provided by synthesis of the two evidence sets.

## **Performance Related Pay and Performance Management**

### **Overall Aims**

PRP has been identified as having a number of overall aims (Hammond, 2000; McNabb and Whitfield, 2007 and Schaubroek et al, 2008):

- introduced as part of a package of measures which aim to increase the quantitative and qualitative input of workers into the production process;
- remains the most popular monetary incentive plan to motivate individuals to perform better and help organise their strategic goals;
- means for employers to express the value they place upon their employees' contribution towards achieving business goals and,
- means for employees to create favourable social comparisons with others and indicating higher levels of power and control within the organisation.

PRP has also been used extensively in the public sector, Reilly (2003) and Waine (2000) identify that governments striving for a more efficient, performance orientated public sector have homed in on PRP as a means of achieving this aim. The emphasis on targets in the approach reflects the central critique of both Conservative and Labour administrations: public services lacked specific objectives and, thus, a means of evaluating whether service goals were being attained (see also Chapter 2).

For example, Waine (2000) notes that the introduction of the Citizen's Charter was accompanied by a Government announcement that PRP would be pursued vigorously (Prime Minister's Office, 1991). This interest continued under Labour (Burgess and Ratto, 2003) and became an important element of the modernisation agenda.

## **Motivation Theories**

Developing and implementing a PRP scheme requires an understanding of what motivates individuals. 'Content' theories focus on fundamental needs (Taylor, 1947; Mayo, 1933; Maslow, 1943; McGregor 1960, 1966; Schein, 1965; Herzberg, 1966) and assume that human beings have a package of motives which they pursue and, a set of needs or desired outcomes. 'Process' theories are based on social psychology, Expectancy and Goal Setting Theories explore how outcomes become desirable and are pursued by individuals. They assume that people are capable of selecting goals and choosing the path towards them by a process of conscious or unconscious calculation. It is the latter which underpin the design of PRP schemes.

Goal Setting Theory was developed by Edwin Locke in 1968 and Mento et al (1987). It argues that the goals pursued by employees can play an important role in motivating superior performance. This is because in pursuing these goals people examine the consequences of their behaviour. If they feel that their goals will not be attained by following their current path they will either modify their behaviour or chose more achievable goals. The aim of performance management systems is to link these individual goals and

behaviour of employees to the goals of the organisation. If the employer can establish with the employee that the organisation's goals are worthwhile, they can harness a source of motivation by creating goal alignment.

Expectancy Theory was conceived by Vroom (1964) and further developed by Galbraith and Cummins (1967). It hypothesises that it is the anticipated satisfaction of valued goals which causes individuals to behave in certain ways by adjusting their behaviour to the way which is most likely to lead to attainment. Nadler and Lawler (1979) suggest that unlike previous theories, Expectancy Theory does not assume that all employees and all situations are alike. The theory implies that low motivation will be the product of jobs where there is little worker control.

### **PRP Design Principles**

PRP is predicated on money as a motivator and Expectancy Theory is therefore the principal framework which should be used to analyse the motivational effects of PRP. However, as Goal Setting Theory emphasises intrinsic rewards in the form of achieving performance goals, it can be used in a complementary way. Table 4.1 uses these theories, together with lessons from academic research in this field, to set out the key design principles for PRP schemes. These are compared with those identified for central-local government performance agreements in Chapters 2 and 3. It is identified that, in particular, the issue of rewards linked to outcomes is a potentially under-researched area in the central-local context.

**TABLE 4.1: THE PERFORMANCE RELATED PAY CYCLE**

Stage	Aims	Desiderata	Dangers	Themes from Central-Local Performance Management Schemes
<b>Setting Performance Objectives</b>	<p>Look at the wider strategic goals, 'overall vision' of the organisation and translate them into goals for smaller groups or individuals.</p> <p>Means of engaging employees in the search for mutual gain and continuous improvement.</p> <p>Performance management and PRP schemes should be part of a coherent set of practices aimed at improving organisational effectiveness and performance.</p> <p>Set within the context of being a 'learning organisation', focussed on continuous improvement.</p>	<p>Few, relatively concrete goals.</p> <p>Engagement, communication and participation in goal and target setting.</p> <p>Performance management scheme is set both within a coherent set of HRM policies and a clear organisational vision.</p> <p>Need to link efforts of individuals with business goals by goal alignment.</p>	<ul style="list-style-type: none"> <li>- Organisations may be unable to clearly identify and articulate their strategic objectives.</li> <li>- Objectives may be diverse and numerous.</li> <li>- Strategic goals of the organisation may be inherently unstable.</li> <li>- Goals may be contradictory or competing.</li> <li>- This may leave the organisation unable to identify the behaviours which are most likely to achieve its strategic goals.</li> <li>- Temptation might be to take 'bite-sized' chunks, risk that it does not work as individuals focus on those elements of performance which have been selected and highlighted by the organisation. The results, therefore, may not be desirable: a pre-existing pride in skill and work may be replaced by a contractual focus on the rules.</li> <li>- Activity and goals become misaligned.</li> </ul>	<ul style="list-style-type: none"> <li>- Best Value was criticised for leading to a focus on rules and process rather than outcomes (Walker, 1998; Sanderson, 1999, 2001; Boyne, 1998, 1999, 2001).</li> <li>- Too many goals can be confusing and lead to contradictions - public policy is complex, therefore clear prioritisation of goals, within the wider context, is essential (Boyne and Gould-Williams, 2003; Sullivan and Gillanders, 2005).</li> <li>- Engagement and participation in the process of target setting is more likely to lead to motivation (Courty and Marschuke, 2008; Boyne and Chen, 2006).</li> <li>- LAA links with the rest modernisation agenda remain unclear (Brand, 2008)</li> <li>- Some innovation resulted but a danger of becoming a boundary rather than an enabler (Entwistle and Enticott, 2007; Ordonez et al, 2009).</li> </ul>

Stage	Aims	Desiderata	Dangers	Themes from Central-Local Performance Management Schemes
<b>Measuring Outcomes</b>	<p>The measure is appropriate, i.e. not simply the most easily measured.</p> <p>Context is retained, the 'big picture' remains clear and a performance culture develops.</p>	<ul style="list-style-type: none"> <li>• The measure should be free from 'noise', i.e. the influence of outside factors.</li> <li>• It should not be capable of manipulation by insiders.</li> <li>• It should be straightforward to understand.</li> <li>• It should be inexpensive to collect.</li> <li>• It should be relevant in the sense that it reports on the dimension of performance required.</li> <li>• Targets should be demanding but achievable.</li> </ul>	<ul style="list-style-type: none"> <li>- Many activities are difficult to measure e.g. increased levels of customer satisfaction.</li> <li>- Perverse incentives may creep in if the package is not carefully constructed.</li> <li>- Targets will be 'gamed' and/or data manipulated.</li> <li>- Complicated systems run into a negative cost benefit.</li> <li>- Goal displacement may occur.</li> </ul>	<ul style="list-style-type: none"> <li>- Measures need to be carefully selected and capable of objective measurement (Davies, 1999; Carter et al, 1995; Lapsley, 2008).</li> <li>- They must be within the control of local authorities to deliver (Courty and Marschuke, 2008; Boyne and Law, 2005).</li> <li>- Schemes must be carefully constructed to be demanding but achievable and avoid gaming, perverse incentives, goal displacement and data manipulation (Boyne and Chen, 2006; Davies, 1999; Bevan and Hood, 2006a and 2006b; Entwistle and Enticott, 2007; Boyne and Law, 2005; Ordonez et al, 2009).</li> <li>Cost benefit is questionable (Young, 2005).</li> </ul>



Stage	Aims	Desiderata	Dangers	Themes from Central-Local Performance Management Schemes
<b>Feedback of Results</b>	Objective discussion to consolidate/improve good performance and address issues such as training which could further improve or raise poor performance.	<ul style="list-style-type: none"> <li>• Discussion should focus on delivery of the performance objective.</li> <li>• Good communication is essential.</li> <li>• The process must be perceived as 'fair' and objective.</li> </ul>	<ul style="list-style-type: none"> <li>- Can be distorted by subjectivity introduced by the assessor.</li> <li>- Assessor may feel social pressure to give ratings better than those deserved.</li> <li>- Appraisers can use the appraisal process to consolidate their power over the appraisee.</li> <li>- Appraisees may have raised expectations, and are therefore surprised when the rating given is lower than anticipated. This may lead to demotivation.</li> <li>- Appraisal process can become overly bureaucratic - contradictory to the ideas of delegation, empowerment, teamwork and devolution of previously centralised policies.</li> </ul>	<ul style="list-style-type: none"> <li>- Credibility of the system with those involved is vital (Davies, 1999).</li> <li>- Communication and attention to implementation are vital (Davies, 1999).</li> <li>- 'Supportive' regulation is more likely to have a positive impact on local strategies for service improvement (Andrews et al, 2008).</li> <li>- Process can be perceived as bureaucratic and technical (Sullivan and Gillanders, 2005).</li> <li>- LPSA process was perceived by some local authority officials as being completely 'top-down' and an exercise in central government 'telling us what to do' (Sullivan and Gillanders, 2005).</li> </ul>

Stage	Aims	Desiderata	Dangers	Themes from Central-Local Performance Management Schemes
<b>Rewards linked to outcomes</b>	<ul style="list-style-type: none"> <li>Expectancy Theory highlights the need to tie performance outcomes to rewards which are valued by employees.</li> <li>Goal Setting Theory places emphasis on the acceptance by the employee of the goals per se and that motivation is more intrinsically based.</li> <li>Expectancy Theory suggests there should be strong linkages between the elements of the system if it is to work effectively.</li> <li><i>Effort and performance</i> - This is a key link, if employees are to adjust their behaviour to achieve specific goals leading to rewards then they must be confident that they will be able to affect the performance measure. If this entails the use of new skills or equipment then appropriate training must be supplied by the employer.</li> </ul>	<ul style="list-style-type: none"> <li>Expectancy Theory is premised on knowing what rewards are valued by the employee. This is because valence suggests that successful performance will only result to the extent to which the rewards on offer are valued by the employee. Consultation needed to determine the value of goals. Trivial rewards will result in trivial amounts of effort and thus trivial improvements in performance.</li> <li>The following rewards may be of value to employees: money, power, autonomy, praise, status and fringe benefits.</li> <li>Distinction between intrinsic and extrinsic rewards. Extrinsic rewards are added e.g. cash, whereas intrinsic rewards arise from within the system e.g. satisfaction from meeting targets.</li> <li>Needs a high level of trust between employer and employee.</li> </ul>	<ul style="list-style-type: none"> <li>P.R.P. can be part of the performance management system, but it should not necessarily be assumed that performance is entirely driven by money. Need to consider the 'whole' system.</li> <li>Goal Setting Theory can be used to compliment Expectancy Theory as this places emphasis on intrinsic motivation associated with achieving targets. The difficulty lies in finding the right cocktail of goals and rewards that will be valued by employees.</li> <li>A potentially important difficulty is that, even in well designed systems, there may be a 'perception problem' as socially determined environments may mean that people's perceptions may not be objective pictures of reality.</li> <li>Individual PRP may militate against team working.</li> </ul>	<ul style="list-style-type: none"> <li>Different local authority officers (corporate and service) may be motivated by different things in the context of performance agreements (Boyne and Law, 2005; Sullivan and Gillanders, 2005).</li> <li>Pump priming grant and the clarification of objectives were potentially more powerful enablers of improvement than reward grant in relation to LPSAs (Sullivan and Gillanders, 2005).</li> <li>Financial levers were not cited as significant drivers in relation to LAAs (Russell, 2008; Sullivan, 2008).</li> <li>The use of financial incentives in intergovernmental performance schemes is an under-researched area (Boyne and Chen, 2006 and Reiter et al, 2006).</li> </ul>



<b>Rewards linked to outcomes (continued)</b>	<ul style="list-style-type: none"> <li>• <i>Performance and rewards</i> - there are two broad approaches to this, formal and informal. The advantage of the formal approach is that it may be defended, as being more objective, while the other option provides more flexibility, it may be perceived as subjective, thus weakening the link between performance and rewards. The principal independent variable in this system is likely to be the level of trust between the appraiser and the appraisee.</li> </ul>	<ul style="list-style-type: none"> <li>• Promised rewards must materialise - employees may be sceptical of such schemes if in the past they have been 'victims' of reward systems which failed to deliver the promised rewards after targets had been met.</li> </ul>	<ul style="list-style-type: none"> <li>- Potential interference from noise - even the best system may not be able to avoid this, for example, interference from macro economic conditions. A contingency approach to performance measurement might be able to alleviate this problem without weakening the perceived link.</li> </ul>	<ul style="list-style-type: none"> <li>- Identified conflict between delivering on LPSA targets and partnership working (Gillanders and Ahmad, 2007).</li> </ul>
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Stage	Aims	Desiderata	Dangers	Themes from Central-Local Performance Management Schemes
<b>Amendments to objectives and activities</b>	This element of the system consists of feedback and discussion of performance in order to assist with continuous improvement, and a review of the functioning of the system as a whole.	<ul style="list-style-type: none"> <li>• Good communication is essential.</li> <li>• Discussions must allow for consideration of coaching to improve performance and testing of career aspirations.</li> <li>• Important to review the process as a whole, goals may have changed and these are complex systems so that reflexivity is fundamental to the strategic role of performance management.</li> <li>• Process must be supportively managed.</li> </ul>	<ul style="list-style-type: none"> <li>- Determination of rewards may be in conflict with the coaching role. Purposes of appraisal conflict e.g. improve current performance, provide feedback, increase motivation, identify training needs and, identify potential rewards. Appraiser can develop conflicting roles of 'coach' and 'cop'.</li> <li>- Process can become administratively burdensome.</li> <li>- Distortion effects of appraisal process such as halo effects.</li> </ul>	<ul style="list-style-type: none"> <li>- The LPSA process did not always feel like a negotiation (Sullivan and Gillanders, 2005)</li> <li>- Agreements can become a process burden rather than a force for improvement.</li> <li>- This facet of the central-local performance agreement process seems to be under-developed in relation to the quality of the discussions, the conflicting roles and the skills of those involved.</li> </ul>

**Source:** adapted from Mabey and Salaman (1998), Purcell et al (2000), Fowler (1990), Torrington and Hall (1998), Plachy and Plachy (1993), Hendry et al (2000), Bolman and Deal (1997), Grint (1998), Roche (1999), Boselie et al (2005), Audit Commission (2001a), Gould-Williams (2002, 2003), Buckingham (2001), Redman and Wilkinson (2001), Connock (1992), Blyton and Turnbull (1992), Cannell and Wood (1992), Lloyd (1986), Armstrong and Murlis (1995), Brown (2001), Reilly (2003), Smith (1998), Pearce (1987), Lewis (2001), Thurley (1982), Bartol and Locke, 2000, Lincoln and Kalleberg (1990), Delbridge and Turnbull (1992), Lawler (1971), LeBlanc and Mulvey (1998), Snape et al (1996), Pfeffer (1994), Homer (2002), Park (2002), Zingheim and Schuster (2002), Landy et al (1992) and Marchington and Wilkinson (2000)

## **Critique**

### **Rationality and Ethics**

Lewis (2001), Mabey et al (1998), Storey and Sisson (1998) and Waine (2000) suggest the model makes a number of assumptions;

- business strategy is a rational top-down process rather than something which emerges over time;
- a unitarist approach assumes a single set of top-down goals defined for the organisation as a whole which those outside the management grades should not challenge;
- employees will endorse the strategy and wish to demonstrate the behaviours it implies;
- an effective reward strategy will have a beneficial effect on the performance of the organisation. This is difficult to test empirically and masks the complexities of organisational life. Managers introduce incentive schemes in the belief that they should work without any evidence that the method proposed will work in that situation;
- rationality is assumed, but in reality choices are driven by political or ideological processes which acquire a symbolic value to particular interests. It is then the message rather than the process and its outcomes which become important;
- a universalist view of these theories ignores contextualist factors which determine whether people think in the way which is assumed.

Mabey et al (1998) and Hendry et al (2000) suggest that from a Foucauldian perspective, performance appraisals are simply another example of how employees are subject to managerial monitoring, surveillance and control. Research tends to consider the use of these practices from the employers perspective, as opposed to what it feels like to be on the receiving end as an employee (Boselie et al, 2005). For example, Bone's (2006) study, conducted in the direct selling industry, identifies the enormous pressure which individuals feel when exposed to a culture which purports to be based on self-reliance and individualism but, which feels from the employee's perspective to be exploitative and highly pressured.

Many authors have questioned the overall ethics of practices which they see as manipulation of employees for overall financial gain. This 'darker' side is outlined by Farnham and Horton (1996); Ackers (2001); Keenoy (1990); Lewis (2001) and Keenoy and Anthony (1992). It reflects 'inherent contradictions' in approach as set out by Legge (1995, 2005): commitment versus flexibility; individual versus teamwork; and, strong culture versus adaptability. Marchington and Grugulis (2000) suggest that some practices actually result in stress, work intensification and insidious control through targets - the approach offers 'nice' rhetoric but 'harsh' realities. For example, Marsden and French (1998) identify how staff in the Employment Service felt 'pressurised into accepting management's targets.'

### **Target Setting**

Hendry et al (2000) suggest it is often forgotten that performance management is about improving performance and, for the purposes of performance management the focus should be on a few key activities which make a difference. In addition, PRP measures are usually 'top-down' and as they are cascaded people lose sight of the 'big-picture', ending up following targets blindly. Therefore, the amount of measurement should be limited (this does not mean neglecting the fact that success in general means getting a lot of things right all the time, but this should be part of the normal management task and routine of systems, not of a performance management system).

For all PRP schemes the selection of appropriate performance measures is an issue but Waine (2000) sets out the particular issues associated with this in

the public sector. Firstly, there are definitional problems, for example targets on pupil attendance can be affected by post registration truancy and differing perceptions between schools as to what represents an authorised absence. Secondly, the measures might not be within the control of the individual, for example, GP immunisation targets can be affected by the location of the practice. Thirdly, though not exclusively a public sector issue, targets can be open to manipulation, for example, selective entry of pupils into examinations. All of these were also identified as issues for organisational target setting schemes in the public sector in Chapters 2 and 3.

Hendry et al (2000) suggest that performance management should be goal rather than measurement driven. The clarification and communication of objectives that flow from this is the key activity. It may not be necessary, therefore, to attach specific rewards to the achievement of objectives. In other words, improved performance may result from the clarification of goals rather than the attachment of a reward.

### **Undesirable Effects**

McCausland et al (2006) suggest that an unintended effect of PRP schemes is effort being diverted to achieving those activities which are directly rewarded to the detriment of all else. They suggest that subjective performance appraisal has been heralded as a potential way of mitigating this effect but, this is not without its own difficulties and controversies.

Smith (1998) argues that PRP schemes for managers could reinforce short termism and, therefore set back overall organisational effectiveness. Storey and Sisson (1998) argue that there are signs in many organisations that the introduction of individual PRP caused major problems. Firstly, implementation was handled badly and, secondly an obsession with individual PRP resulted in all other features of performance management being ignored or given inadequate attention.

There are also question marks as to the incentivisation effects of PRP, for example, would PRP encourage the police to catch more criminals. Then, how this would be operationalised? Would the public welcome over enthusiastic police or customs and excise officials? Would there be a resultant increase in complaints? Also, incentive schemes may distort behaviour, for example where quantitative targets are met at the expense of quality (Burgess and Metcalf, 1999). Again, these were identified as issues for organisational schemes in Chapters 2 and 3.

Kohn (1993a) suggests that financial incentives are likely to undermine collaboration and team work, emphasise the power asymmetry between management and workforce, and reduce risk-taking, creativity and innovation. For example, Marsden and Richardson (1991, 1994) and Marsden and French (1998) identify dysfunctions such as jealousy and the undermining of team working in the Inland Revenue. This is supported by Procter and Currie (2004) who identify that team performance in the Inland Revenue was driven



more by outcome interdependence, a shared goal, rather than reward, as this remained primarily at the level of the individual.

### **Inherent Tensions**

The design of schemes needs to be carefully considered as there are inherent tensions between intrinsic and extrinsic motivation. Deci (1971, 1975) and Leper et al (1973) suggest that extrinsic incentives may erode intrinsic motivation and satisfaction which will ultimately have counterproductive effects on productivity and profitability. This assumes that rational individuals may receive an intrinsic satisfaction from their jobs and the introduction of an extrinsic intervention may trigger a response which will alter the individual's 'utility' from this work. This may be heightened in the public sector when the 'public service ethos' is added to the mix (see later).

Hendry et al (2000) suggest that the misuse of appraisal stems from the fact that employees are viewed as 'human resources' rather than as 'resourceful humans' which highlights the battle between the opposed sets of 'motivation/development' and 'control'. Kohn states,

'The failure of any given incentive programme is due less to any given glitch in that programme than to the inadequacy of the psychological assumptions that ground all such plans.' (Kohn, 1993, p.54)

He continues that incentive schemes must fail and the way to motivate people is to give them a good job in the first place. Hackman and Oldman's (1976) theory supports this, suggesting that intrinsic motivation comes from the design of the job.

McCausland et al (2006) and Marsden et al (2000) support these theories and suggest that if individuals perceive incentives as supportive they will facilitate autonomy, self-esteem and enlarge self-determination. In other words intrinsic motivation is 'crowded in'. However, rewards which are perceived as controlling or as intended to coax the individual into performing an activity, are likely to shift the locus of control from an internal to an external source and thus 'crowd out' the utility which the employee derives from the work itself. For example, in the case of teachers, Mahoney et al (2004) conclude that PRP seems not to have pushed the right buttons in terms of professional cultures. This is supported by Schneider (2004) in his study of performance management systems for judges.

Wragg et al (2003) identify how head teachers who were positive about PRP were positive about it on the grounds that it benefited teachers financially, as opposed to its possible impact on improving pupil performance. In other words, the teachers were doing their best for the children anyway, so some additional recognition for this was welcome. This seems to reinforce the 'jumping through hoops' perception of the teachers in the study and their view that PRP did not make them work harder or better as they were doing that in any case.

### **Role of the Line Manager and Training**

Wilkinson (2001) suggests that the new role for middle managers is a move from 'cops' to 'coaches'. This is difficult as managers feel threatened at the removal of expert power (Marchington et al, 1992; Denham et al, 1997).

Other managers view the proposition as a 'soft' option and a recipe for chaos which can result from implementation without the proper training. Storey and Sisson (1998), Brown (2001) and Marchington and Wilkinson (2000) identify that the inherent tensions in PRP schemes can be exacerbated as employers fail to think through the introduction of PRP in a coherent manner and, fail to invest in the training of managers carrying out appraisals and in the administrative procedures for monitoring processes. This leads to a stifling of communication as employees become reticent about discussing performance and future training needs with their managers, as they feel it will adversely affect their level of pay.

Likewise individuals may be unwilling to make decisions if they feel they are still under a watchful eye (Currie and Procter, 1999). Power (1997) also gives some support to this premise by suggesting that constant supervision undermines the role of professional judgement. Wilkinson (2001) suggests that workers welcome the removal of close supervision and the opportunity to address problems at source, but research suggests they are not trained sufficiently to deal with this.

Boselie et al (2005) identify that much research fails to distinguish between policies and practice. In other words, it is not just what you do it is the way that you do it. Individuals have to perceive and believe in the operationalisation of the policy for it to begin to be effective and, the role of the immediate line manager or supervisor in the enactment of this is an underdeveloped area of research. For example, supervisors may be lenient

to avoid conflict, workers may 'creep' with their supervisors, supervisors may have favourites and so on. Mabey and Salaman (1998) suggest that research in this area has found assessments tend to reflect social and political influences, rather than any objective notion of performance even if this existed.

Reilly (2003) identifies that staff fear their managers do not have the skills to exercise judgement in a fair and consistent way and that judgements will be clouded by favouritism. A further concern is lack of knowledge as to how staff actually perform. Linking the PRP system with these aspects can exacerbate the social and political difficulties which surround the appraisal process. This is supported by Reilly (2003) who calls for an improvement in the people management skills of line managers. So far the public sector does not seem to have a good record in this regard. Wragg et al (2003) state how head teachers were 'vitriolic in their condemnation of the two days training they had received'.

Likewise Currie and Procter (2003) identify how the selection, training and development of team leaders capable of acting as coaches rather than cops is crucial to the successful implementation of team working. A command and control style led to dysfunctions in implementation while a more facilitative style was perceived as enabling higher performance.

## **Trust, Fairness and Communication**

Hill (1995) argues that employees are not 'cultural dopes' - they do not simply buy into the rhetoric in an unconditional way. The support of employees is dependent upon trust in management and the perceived benefits to themselves. Gould-Williams (2002) agrees suggesting its absence can create dysfunctions such as cynicism amongst employees, poor motivation, and lack of confidence in the organisation. Critical to this is the issue that promises must not be made which cannot or will not be kept.

Schaubroek et al (2008) suggest that emphasis should be placed upon managing expectations within the system. They identify that employees with high expectations are particularly likely to perceive a lower than anticipated reward as an indication of deceit and a breakdown in trust follows.

Torrington and Hall (1998) and Mabey and Salaman (1998) suggest that the main drawback of a system of selective individual rewards is that it can be divisive if it is perceived to be unfair by the majority of participants. Likewise, Brown (2001) identifies that where employees are unhappy with the distributive justice of the current system they will try to restore their perceptions of equity by supporting merit pay. However, employees who are dissatisfied with procedural justice within the current system will be less inclined to support merit pay. Low levels of distributive justice may therefore help to build support for merit pay, but have other negative effects such as low morale.

Mahoney (2004) identify how the introduction of PRP for teachers, into what was already perceived as a low trust/high surveillance environment, served to further reinforce low morale and, in many cases, led to an exit from the profession. Further potentially demotivating aspects identified by the study are a dislike of 'selling oneself', the stress associated with the process and, the potential for divisiveness, both within the organisation amongst peers and between assessors and appraisees.

### **The Role of Financial Incentives**

One of the key design issues is ensuring a clear link between effort and performance and performance and rewards but, Hendry et al (2000) argue as bonuses for chief executives in the private sector are becoming increasingly divorced from the reality of organisational performance, it does not help those lower down the performance tree to make the links between PRP and performance.

McCausland et al (2005) offer an interesting perspective on the controversy surrounding executive bonuses. Their findings suggest that PRP exerts a positive effect on the mean job satisfaction of highly paid workers because they perceive it as a utility benefit from what they view as supportive reward schemes. However, lower paid workers are more likely to perceive PRP schemes as controlling and, therefore, the impact on mean job satisfaction for these workers is on average lower.

However, the Institute of Manpower Studies (1992) concluded that PRP does not serve to motivate employees and, may even act as a demotivator. It found there was little evidence to suggest that PRP helps to retain high performers and, no evidence to suggest that it encourages poor performers to leave. Finally, this research also concluded that employees are negative or neutral about its impact on organisational culture (see later).

Lewis (2001) argues that, at best, what could be said is that money may motivate some people to behave in particular ways sometimes and in some circumstances. He continues by arguing a clear relationship between pay and motivation cannot be assumed and an over-reliance on pay to secure the motivation of employees may be at the cost of more powerful motivators such as meaningful work and a high trust, friendly environment.

Marsden et al (2000) suggest public sector organisations learned from the early mistakes and, there was a modification of the emphasis on PRP as a financial incentive distinct from an essential part of effective employee management and goal setting. This was because much of the early debate on PRP in the public sector was dominated by the appealing but questionable suggestion that employees will work better for better pay and vice versa. In public sector organisations this failed to recognise that identifying fine gradations of performance is difficult and, thus, performance rewards can seem arbitrary and unfair, and damage rather than improve performance.

Research undertaken by the Public Management Foundation is discussed by Steele (1999) who draws the conclusion that public sector managers are primarily driven by a commitment to serve the community which makes the implementation of PRP at an individual level problematic. This is supported by Perry (1996). It suggests, however, a better alignment of the goals of the organisation and the goals of the individual than in the private sector. Managers were found to be driven by a desire to produce public value (Moore, 1995) and be of service to their communities. The authors suggest that more could be done to harness this public service 'ethos' as despite this goal congruence between employer and employee there is little or no 'joining up'.

Pratchett and Wingfield (1996) identify public sector ethos as being a common denominator between various organisational and professional groups that populate local government. Key features are: accountability, bureaucratic behaviour, public interest, motivation primarily altruistic rather than financial and, loyalty. They found that the ethos had been resistant to external pressures for change and should be thought of in terms of 'new institutionalism'. They conclude that for public sector reform to be successful it should take into account the interdependent relationship between the public sector ethos and other political institutions.

Lapsley (2008) suggests that payment by result or PRP schemes in the public sector are seen in the context of NPM as a way of aligning managers' actions and the wider interests of the organisation. However, he suggests that there are limits to this as the reward systems of many public sector professionals



have been traditionally aligned with professional values, commitments and ideologies. He suggests, therefore, that PRP schemes may impact upon managers but not upon the 'caring professions', citing plans to introduce financial incentives to stimulate greater activity from doctors as limited and misguided.

These findings are supported by Reilly (2003) who questions whether policy makers really understand what attracts, retains and motivates staff in the public sector and that this might be different in different public service organisations. He quotes the Public Services Productivity Review Panel 2002 which reported that staff in the public sector rarely mentioned pay as a motivator and that performance pay was inconsistent with the concept of public service and professional judgement. The Panel concluded that motivation in the public sector is significantly affected by 'soft' management issues which are at least as important, if not more so than pay. Mahoney et al (2004) found evidence to support this in the case of teachers. They concluded that, leaving pay aside, a performance management system focused on development and linked to opportunities for further professional learning was welcomed by both teachers and managers.

### **Cost Benefit of the System and the 'Normalisation' of PRP**

Torrington and Hall (1998) suggest that incentive thinking is dominated by the issue of control and the avoidance of costs getting out of hand. This is because employers do not trust employees not take advantage of any incentive system put in place. They also identify that these very costly forms

of remuneration are seldom managed in a positive way, suggesting that complex incentive schemes usually represent a working relationship which is of mutual mistrust and little common interest.

However, the reverse of this is that costs can easily spiral (Marchington and Wilkinson, 2000; Oliver, 1996) because the element of PRP becomes consolidated or 'normalised' into the individual's pay and is 'expected' to be paid at the highest available level unless there are exceptional reasons not to do so. So that instead of rewarding excellent or exceptional performance PRP becomes the norm. This may be a result of the unwillingness of managers to make strong differentiations in performance ratings because such distinctions may anger employees (Lawler and Jenkins, 1992). For example, Wragg et al (2003) identify how the success rate amongst teachers applying to cross the performance threshold was 97%. They suggest that the main impact of the PRP scheme was to improve record keeping, but the cost/benefit of this is questionable as both teachers and head teachers resented the amount of time spent form filling. This is supported by Mahoney et al (2004).

Mitra et al (1997) suggest that the amounts of money involved are often simply too small to make a difference to performance. However, despite the potentially small amounts involved from the perspective of the individual, the overall cost to the organisation may be high, both in terms of the total cost and the administrative cost (Schaubroeck et al, 2008). Smith (1998) suggests that there has been a focus on keeping costs down, rather than on improving the

value of rewards to employees and, it is questionable whether motivation has been increased as a result.

Costs may also be high in terms of lost management credibility, decline in worker morale, and lower performance levels (Gerhart and Rynes, 2003). McNabb and Whitfield (2007) also note that PRP schemes are costly for employers and, whilst they may help increase the input of employees, whether this yields better overall organisational financial performance depends on the relative magnitudes of the costs and benefits.

### **Performance and Culture Change**

Identifying the contribution of these schemes to improved organisational performance is not straightforward (Huselid, 1998; Fleetwood and Hesketh, 2006). Purcell et al (2000) call this the 'black box' problem: how are the inputs converted into results in the form of increased productivity, profits, employee well-being and/or customer satisfaction? They suggest the presence of performance management/PRP schemes themselves is not enough to drive organisational performance. Boselie et al (2005) argue that understanding how to secure a mutual employee-employer fit is therefore the enduring challenge. The system needs to be seen as a totality in terms of its employee-employer fit and the effectiveness of implementation must be part of this.

Oliver (1996) states that "No-one can prove performance related pay improves performance. But then no one has proved that it doesn't either" (p.55). She continues by suggesting that while the proportion of an

individual's pay which is determined by PRP remains relatively small, at between 1 and 4% of annual salary, organisational faith in PRP remains high.

Local Authorities Conditions of Service Advisory Body (LACSAB) (1989) suggests that few organisations can say unequivocally that PRP on its own has created improvement. This is because it is rarely possible to distinguish exactly what factors led to higher performance. However, those organisations which have had performance orientated PRP schemes in place for some time report improved business results and, that PRP encourages an improvement in management generally.

Marsden et al (2000) suggest that PRP in the public sector does improve performance but, that this improved performance may not be in itself a result of the financial incentive. They suggest that the reason for success is that it works through the appraisal system by forcing line managers to clarify work goals for their staff and that employees then work harder because they know exactly what it is management want them to do. They also highlight how contextual change, such as the devolution of management decisions to business units for which performance indicators were established, led to a new focus on delivery, skills, experience and continuous improvement, provided the context for the development of PRP schemes.

Waine (2000), Storey and Sisson (1998), Lewis (2001), LACSAB (1990) and Clark (1995) suggest that in light of the lack of clear evidence as to whether PRP does or does not improve the performance of an organisation, research

has consistently pointed out that a major reason for its introduction is the facilitation of a change in organisational culture. Lawler (1984) suggests that PRP can influence the extent to which corporate culture is human resource orientated, entrepreneurial, innovative, competence based and participative. Reward systems that give benefits to long serving staff are likely to shape a culture of loyalty, whereas a system which rewards innovative behaviour is likely to create a culture of innovation. Examples of PRP schemes introduced for these reasons include: banks and building societies (Mabey and Salaman, 1998); and, the Royal National Lifeboat Institution (Arkin, 2000).

This may be viewed from both a negative and a positive perspective, as Hofstede (1980) argues that first changing the behaviour of individuals, such as by forcing them to take part in a PRP system, is one of the most effective ways of changing value systems, which are in turn a principal component of organisational culture (Schein, 1984). It is the 'forcing' element which may cause ethical objections. However, it should be noted that Chapter 3 identifies culture and process change objectives as also being important in the implementation of Policy Agreements, LPSAs and LAAs.

## **Conclusions**

PRP fits well with the NPM 'management by targets' tenet and it is therefore perhaps understandable that governments' belief in PRP for individuals identified earlier was translated into organisational level schemes. However, the area is under-researched and this development has taken place without

due consideration of applicability or transferability (Reiter et al, 2006) using theory relating to individual schemes.

Evidence from Chapters 2 and 3 suggests that whilst the public management literature on managing by targets has much to offer in respect to the development of an evaluation framework, it does not provide much explanatory evidence of the specific effects of the inclusion of a financial reward in performance management schemes (Boyne and Chen, 2006; Reiter et al, 2006). In particular, it provides little evidence in relation to the key stage of linking rewards to the delivery of outcomes (Table 4.1). This aspect has been researched in the literature relating to individual PRP and performance management and, therefore, it may have insight to offer in the development of an evaluation framework for organisational schemes.

Many common themes emerged with the literature reviewed in Chapters 2 and 3;

- **Target Setting** – the need to measure the right things, this can prove challenging in the public sector; measurement should be limited.
- **Undesirable Effects** – consideration of the nature of the targets themselves, those which are too ambitious may have a demotivating effect and/or result in gaming and perverse incentives elsewhere in the 'system'; the danger of a mechanistic concentration on pursuing targets leading to a loss of focus on the 'big picture'; PRP tends to undermine team work and reduce creativity and innovation; PRP can reinforce short-termism and become an obsession at the expense of the other features of performance management.
- **Inherent Tensions** – different perceptions between employers and employees (most research reflects the employers' perspective; difficult to get the balance right between 'top down' and 'bottom up');
- **Trust, Fairness and Communication** – achieving a 'balance' between 'top-down' and 'bottom-up' is difficult and so the importance of communication and participation is also a recurring theme; the importance of the creation of a shared vision and the search for

mutuality of goals; 'supportive' management of the scheme, set in an environment of trust, being more likely to generate the desired results.

- **The Role of Financial Incentives** – financial incentives are intended to provide additional and complementary motivation to target setting.
- **Cost Benefit and the 'Normalisation' of PRP** – ensuring the cost/benefit of the scheme is in proportion.
- **Performance and Culture Change** – schemes are introduced not only to drive improvements in performance, but also to drive more systemic changes in culture and attitude; identifying their contribution to performance and culture change can be challenging.

In other words, these schemes should be about more than 'mechanics', how they are operationalised by the individuals concerned plays an important role in whether they are effective. In evaluation terms, it is not just what is done but how; governance systems in organisations are still reliant on human interaction to operate (Sullivan, 2008).

The main difference is that whilst the use of targets and performance management considered in Chapter 2 mostly relies on the targets themselves to drive performance, PRP schemes attach a financial reward to 'further' incentivise. So at an organisational level, in Chapter 3, Sullivan and Gillanders (2005) suggest that LPSAs were premised on financially incentivising improved performance, but identify it was pump priming grant and having a limited number of objectives which were more significant in enabling improvement. However, they noted different attitudes amongst local authority officers to the reward grant. The reasons behind these reactions and impacts need further exploration and discussion as the popularity of organisational pay-for-performance schemes in the public sector expands with only a limited understanding of whether and how they work.

PRP schemes are premised on Expectancy Theory which relies on strong links between effort and performance and performance and rewards. These links may be difficult to establish at an individual level, especially in the public sector and, thus it may be extrapolated, potentially exacerbated at an organisational level. The complexity of issues relating to defining organisational targets was discussed in Chapters 2 and 3. A further issue is that other organisations may also have to be involved in delivering the targets and this further weakens the links between effort and performance and performance and reward.

This is compounded by the issue that the literature on individual PRP schemes is inconclusive as to their success, in particular in the public sector, partly because of the role of professionalism and the public service ethos. This was also identified as an important factor in Chapter 2, under-estimating their impact can lead to misalignment of goals, disenfranchisement and, loss of trust and credibility of the scheme. This suggests that any potential impact of a financial reward may not be as powerful as those creating the schemes might believe. The balance between intrinsic and extrinsic motivation and the possibility of self reinforcement seems to be thrown out of kilter in the public sector because intrinsic motivation, driven by professionalism and the public service ethos, is dominant. Extrinsic motivators may even erode this intrinsic motivation.

Where performance has improved it may be as a result of the process of clarifying objectives as opposed to the presence of a financial reward. There



is also a moral and ethical question mark over their appropriateness. However, governments in the UK and across the world continue to develop organisational pay-for-performance schemes without any evaluation of the specific impact of the financial reward element based on the available theory and evidence from individual schemes.

This literature review has identified further areas from research on individual PRP schemes which may provide some 'added value' if considered in conjunction with the evidence from Chapters 2 and 3. These include:

- **Rationality and Ethics** – the system is not rational either in terms of the operation of business strategy or the choices which individuals make within the system, the latter may be driven by political and ideological stances; PRP is deterministic – it is assumed schemes will lead to better performance; context is important, a universalist approach tends not to be successful; the rhetoric and the reality of PRP schemes may be oceans apart – they can be perceived as tools of management control and may lead to stress and work intensification.
- **Target Setting** – focusing on the delivery of a few key outcomes which are set firmly, not only within a coherent system of performance management, but also within a coherent vision/set of strategies which the organisation is aiming to achieve; the importance of understanding motivation and using motivation theories, especially Expectancy and Goal Setting Theories, to inform the design of the scheme.
- **Undesirable Effects** – whilst the existence of any positive impacts from individual PRP schemes is questionable, the existence of undesirable effects seems well evidenced and documented – Chapters 2 and 3 identified similar effects in organisational level schemes.
- **Inherent Tensions** – the inherent tension between intrinsic and extrinsic motivation, this may be especially relevant in the public service because of the public service ethos.
- **Role of the Line Manager and Training** – to be effective in retaining trust and credibility, discussion of performance and rewards needs to be high quality, the skills and training of those undertaking the appraisal process therefore need to be considered; the social pressures which might be at work during the determination of the reward level need to be considered and managed through effective training and skills development, the conflicting roles within the system of performance improvement (coaches) and reward determination (cops).
- **Trust and Fairness** – promises should not be made which cannot or will not be kept; expectations within the system need to be carefully

managed; levels of satisfaction with the distributive justice of the whole system will impact on perceptions of and willingness to accept the PRP element.

- **The Role of Financial Incentives** – the importance of clear links between effort and performance and performance and rewards; any improvement in performance is difficult to attribute specifically to the financial incentive, especially in the public sector because of the role of the public service ethos; improvements in performance may well accumulate from the clarification of objectives rather than the existence of a financial incentive.
- **Cost benefit and PRP 'Normalisation'** – the importance of managing expectations, in particular there is a danger PRP becomes 'expected' and 'normalised' into baseline pay, instead of rewarding excellent performance PRP becomes the 'norm'; the amounts involved can be small and unlikely therefore to stimulate higher performance but the administrative burden can be high.
- **Performance and Culture Change** – the evidence relating to the impact of PRP schemes on organisational performance is inconclusive.

The next chapter will, therefore, consider the evidence from Chapters 2, 3 and 4 to develop an evaluation model for the Policy Agreement process in Wales. The aim of the approach is to consider all the 'critical success factors' identified in the evidence, including an original element, based on the above analysis, relating to developing a better understanding of the impact of financial incentives and rewards in public sector organisational pay-for-performance schemes.

## **CHAPTER 5**

### **METHODOLOGY**

#### **Introduction**

Earlier chapters traced the development of central-local relations, including the new context of this relationship in light of devolution in Wales. One of the key issues was highlighted as performance management, and in Wales, the core of this was the Wales Programme for Improvement and Policy Agreements. Devolution seems to have fostered a more symbiotic relationship with increased levels of mutual dependency between local and devolved government (Essex, 1998). In light of this, Wales relies less on 'formal' levers and more on self evaluation and partnership (Andrews and Martin, 2007). This was the rhetoric but, there is no formal published policy evaluation of this period in Welsh local government policy making, either in respect of the process or the outcome of Policy Agreements, and little published research. This also limits the potential benefits of devolution through comparative analysis and could lead to insularity (Downe et al, 2007; Hockridge, 2006; Laffin, 2009).

#### **Policy Evaluation**

Policy evaluation literature (Lewis, 2001; Davies, 1999) and other academic work (Drakeford, 2006; Jeffery, 2006) suggest that it is important for policy makers to learn and understand not only what was done but how and why. Evaluation theory suggests that contribution to knowledge comes not only from evaluating the impact of a policy and its resulting change (if any) but also

from understanding the process of implementation and what worked and what did not (Chelimsky, 1997).

Lewis (2001) suggests that the objectives of many Government policies are laudable but the way in which they are being implemented will mean they will not succeed. Likewise, Blalock (1999) suggests that the emphasis on performance management and the outcomes and results of programmes, in the absence of information about why and how these results occurred, will lead to the development of flawed social policies and misguided judgements about the effectiveness or otherwise of programmes. She suggests that where the purpose of the evaluation is to learn about process that methods such as self-evaluation, descriptive monitoring and other qualitative methods will be appropriate, whereas if the purpose of the evaluation is learning about the effects, experimental or quasi-experimental designs will be appropriate. In this study evidence relating to both the process and the effects has been identified as potentially providing an original contribution to knowledge.

In addition, Martin and Andrews (2009) suggest that as quantitative analysis of service performance between countries in the UK becomes more difficult because of changes in performance frameworks, qualitative evidence could provide some explanation as to the extent and causes of variation. Likewise, Downe et al (2007) suggest that contextual research looking for the contingent factors leading to the success or otherwise of performance regimes in different parts of the UK will be important in establishing an assessment of the differential impact of the regimes. Also, Hockridge (2006)

suggests whilst devolution has led to substantial policy innovation, it could also lead to insularity; studies enabling comparison can therefore provide valuable insight for policy makers in the UK and beyond.

In terms of developing an evaluation model or 'theory of change' (Connell and Kubisch, 1998), it is possible to identify objectives for Policy Agreements from published papers and relevant meetings (see Chapter 3). It is also possible to identify some key themes for 'success' from Chapters 2 and 3. Boyne and Chen (2006) state, it should also be possible to draw on literature relating to individual PRP schemes and performance management to help develop an evaluation framework (Chapter 4).

Likewise Reiter et al (2006) suggest that pay-for-performance schemes are traditionally used as a means of directing the efforts of individuals and the effects of such schemes on organisational behaviour is under researched. There is growing urgency for research in this area in light of the adoption of such schemes across the UK in respect of local government (Local Public Service Agreements, Local Area Agreements, Outcome Agreements, Policy Agreements, Improvement Agreements) and in health, both in the UK and the US. Reiter et al continue by suggesting that pay-for-performance schemes are being put to use at an organisational level without any real understanding of their potential impacts which, because in many cases those responsible for performance do not receive the reward, may be very different from those associated with schemes for individuals.

This is not a new concept, Hood (2007) suggests that Taylor's work on scientific management in relation to individuals was adopted by Lenin and became central to soviet management and economics. However, Reiter et al (2006) argue there has been little research to test whether the assumption of transferability from individual to organisational is valid and point out that the relationship between effort and reward may not be as strong as for individual schemes. Potential exists, therefore, for a study to explore whether these assumptions hold true.

Looking at inter-governmental performance systems through a lens partially based on theory and evidence from developing and implementing individual systems may provide new insight. For example, Sullivan (2008) states that the language of policy 'levers' and 'drivers' implies an ability to engineer change through their application, but governance systems rely on human interaction, therefore, lessons from the ways in which individuals relate to these drivers and levers may provide valuable insight. Lapsley (2008) also notes the importance of considering the effects of 'human frailties' on policy implementation.

In addition, the 'human' aspects of the governance system may be of particular relevance to smaller countries such as Wales where the relationship between the centre and local is more 'personal' and founded on face to face relationships between politicians and officers (Andrews and Martin, 2007). For example, as identified in Chapter 3, a key difference to the process in England was that direct, face to face negotiation took place between central and local

government - there was no intermediary in the form of a Government Regional Office. This absence of an intermediary may make the relevance of lessons from individual performance arrangements even more pertinent.

### **Performance Management and PRP**

Chapter 4 identified several factors which were found in academic studies to be important in the implementation of these schemes. These included: trust, communication, joint development and employee involvement and, clear links between effort and performance and performance and reward. With the exception of the latter, these were important themes for organisational, target-based performance management schemes as identified in Chapters 2 and 3.

Difficulties associated with the development and implementation of individual performance management systems and related PRP include:

- the assumption of rationality;
- Foucauldian perspective, i.e. systems are based on surveillance not trust;
- contextualist view is ignored;
- rhetoric is concerned with empowerment and commitment but, the reality may be control, stress and work intensification;
- top-down approach;
- the employee perspective is often ignored;
- the assumption that employees will comply, i.e. ignoring the issue that there is a difference between a behavioural and an attitudinal response; and,
- inability to conclusively identify whether and, if so what contribution these practices might make to overall organisational performance – ‘the black box’.

It was also identified that, in many cases, it is the symbolism and the process of performance management and PRP which have been important. Often, the aim of introducing such systems has not been only to improve performance per se but to change overall organisational culture. On these occasions, in

particular, rational choices may not always be made and, the main drivers of the system may well be political and ideological ones. If this is the case, then the success of the implementation cannot be judged solely on whether improved performance has resulted but should also be judged on whether the introduction of the system has changed attitudes and culture.

The literature review in Chapters 3 and 4 identified that Policy Agreements have many 'surface' similarities to individual performance agreements and PRP schemes – a search for mutual gain and a shared agenda, incentivisation and reward for delivering specified outcomes, with how to achieve the outcomes determined by the individual/local authority.

### **The Objectives of Policy Agreements**

This study therefore looks for 'success' based on both process outcomes and performance impacts. Process outcomes relate to those matters other than improved performance which were identified as objectives for the Policy Agreement process in Chapter 3:

- creating a culture of self-improvement in local authorities in terms of thinking about improvement and ways of improving proactively and focusing on outcomes;
- changing culture within the Welsh Assembly Government in terms of focusing on empowering local authorities rather than focusing on control;
- improved relations and greater understanding between the Welsh Assembly Government and local authorities; and,
- focusing attention on the desirability of having some form of agreed strategic plan for Wales, i.e. agreed between local authorities and the Assembly Government.

Performance impacts relate to evidenced improvements in performance in those service areas included in the Agreements. This evidence was provided



by the final performance, as per the Policy Agreement indicators assessed against the targets and baselines (published in 2004-05). They also relate to efficiency of delivery in terms of 'value for money' from the Policy Agreement process.

### **Research Methodology and Method**

Before developing a specific research methodology to test the effectiveness of the Policy Agreement process, it is important to consider some of the key aspects to approaching any form of research. The first is to note that there is a distinction between method and methodology. Method refers to the means by which data is collected e.g. interviews, surveys, experiments, observation, whereas methodology refers to the design of the research project at a more philosophical level.

Oppenheim (2000) suggests that it is important research design makes it possible to draw valid inferences from the data collected in terms of generalisation, association and causality. Blaxter et al (1998) define generalisability or representativeness as being whether findings are likely to have broader applicability beyond the focus of the particular study.

There are two ends to the research spectrum - deductive and inductive. Gill and Johnson (1997) describe the former as the development of a conceptual and theoretical structure which is then tested through empirical observation. In this method, the logic of deduction is important, as is the operationalisation of the process and its consequent testing through empirical methods. This

approach is partially suitable to be applied to the evaluation of Policy Agreements in Wales. This is because the process outcomes and performance impacts identified above may be thought of in terms of dependent variables. Their impact is determined by the behaviour of independent variables in the form of key aspects or critical success factors for performance management and PRP systems, identified in Chapters 2, 3 and 4. In other words this is policy evaluation in respect of the effects of policy (Lewis, 2001).

This approach relies upon measurement and it is important to remember that no measurement will be 100% accurate and that any numerical value which is assigned to a particular variable is equal to the true value plus the error (Ryan, Scapens and Theobald, 1992; Oppenheim, 2000). However, there are limitations to designing a deductive study in social sciences as measurement will relate to the perceptions of individuals. This limitation is noted as is the further limitation of same source bias, i.e. perceptions of the critical success factors and objectives of Policy Agreements were gathered from the same source. This was unavoidable due to the size of the available sampling frame.

However, the main issue with using deductive methods in the social sciences is the assumption that the social world is rational and can be observed in the same fashion as the natural sciences (Gill and Johnson, 1997). There is a fundamental ontological difference between the nature of people and the nature of things (Ryan et al, 1992) and social scientists have developed

approaches to the study of human behaviour which are based on 'understanding' or 'verstehen'. The alternative to deduction, therefore, is induction. An inductive research method involves the construction of explanations and theories about what has been observed, i.e. theory is the outcome of observation (Gill and Johnson, 1997). The most extreme inductive method is grounded theory (Morgan, 1983; Burrell and Morgan, 1992).

Likewise an inductive research approach was determined not to be solely appropriate for this study, as a concept or theory relating to individual performance management systems with PRP has been identified as the basis for testing the relationship between outcomes of a policy and its design. However, arguably, this is a form of 'quasi-grounded theory' in that the transferability of concepts relating to individual systems to those relating to inter-governmental ones has not previously been tested. The literature review has identified suggestions that there may be transferability (Boyne and Chen, 2006; Hood, 2007) and the review and comparison of the literature in Chapters 2 and 3 provides evidence to support this but, the governmental assumption of transferability of principle has not been explored or evaluated for robustness or appropriateness. The consideration of results will therefore also need to draw conclusions about the relevance and elasticity of this potential transferability, as well as providing evidence relating to the actual process outcomes and performance impacts of the Agreements and evaluation evidence relating to the implementation process (Lewis, 2001).

## **Reliability and Validity**

Research may be taken as the quest for reliable and valid data which contributes to the overall understanding of an issue. Bell (1997) provides definitions as follows:

“Reliability is the extent to which a test or procedure produces similar results under constant conditions on all occasions.

Validity is whether an item measures or describes what it is supposed to measure or describe.” (Bell, 1997, pp.64-65)

Gill and Johnson (1997) further categorise validity into external and internal. Internal validity is the relationship between cause and effect, while external validity relates to population validity, i.e. whether it is possible to generalise from the sample, and ecological validity - whether it is possible to generalise from the social context of the research to other settings. They continue by suggesting that methods used by social scientists are a trade off between reliability and validity and their appropriateness to the research topic. Also, Morgan (1983) and Beattie (2000) suggest that it is becoming increasingly acceptable to mix methodologies and methods.

## **The Research Design**

Chapters 2, 3 and 4 identified that the objectives of Policy Agreements included both process outcomes and performance impacts. This means, as well as considering evidence to establish whether and how the Policy Agreement process has resulted in improved performance, considering evidence of issues such as; focusing on outcomes, focusing attention on the desirability of having some form of cohesive strategic plan for Wales, changed cultures and attitudes within the Assembly Government and local authorities,

and improved central-local relations. The main research question was therefore framed as follows:

***'Have Policy Agreements contributed to culture change and improved performance in the public sector in Wales?'***

There is both a deductive and an inductive element to this study. The first combines evidence from Chapters 2, 3 and 4 to design a deductive research tool. The second uses both the results from this deductive study and an inductive tool to identify whether the assumptions made by Governments about the transferability of individual PRP type schemes to inter-governmental ones are robust and appropriate. There is an element of bottom-up theory to this approach as transferability has not previously been tested. The inductive evidence is also used to triangulate and support potential deficiencies in the deductive evidence, e.g. levels of questionnaire responses and same source bias and, to provide 'rich' evidence on the process relating to the implementation of Policy Agreements (Lewis, 2001). Inductive and deductive are therefore used to support, reinforce and triangulate each other.

**Facets of the Main Research Question**

The aims of performance systems, whether individual or inter-governmental have been identified as at least two fold – changing culture and improving performance. The main research question can, therefore, be deconstructed into a set of 'sub' research questions (RQs) as follows:

## **PROCESS OUTCOMES**

**RQ<sub>1</sub>** Have Policy Agreements helped to create a culture of 'self-improvement' in local authorities? A culture of self-improvement is defined as local authorities focusing on outcomes rather than inputs, proactively seeking continuous improvement rather than acting on external stimuli such as inspection and regulation.

**RQ<sub>2</sub>** Have Policy Agreements helped to change culture in the Welsh Assembly Government? A change of culture in the Welsh Assembly Government is defined as demonstration of the Assembly Government focusing on results and outcomes rather than inputs, i.e. greater discretion for local authorities to determine where to deploy resources, fewer requirements for local authorities to produce strategies and plans.

**RQ<sub>3</sub>** Has the Policy Agreement process 'added value' to the relationship between the Welsh Assembly Government and local authorities? 'Added value' is defined as a greater understanding between the parties and more effective communication.

**RQ<sub>4</sub>** Have Policy Agreements contributed to 'cohesive' strategic planning at national and local levels? 'Cohesive' strategic planning is defined as 'joined-up' strategic planning between local authorities and the Welsh Assembly Government based on shared and agreed priorities.

## **PERFORMANCE IMPACTS**

**RQ<sub>5</sub>** Have Policy Agreements contributed to improved service performance in local authorities? Improved service performance is defined as a shift towards meeting or exceeding the targets set out in the Policy Agreements.

**RQ<sub>6</sub>** Have Policy Agreements provided 'value for money'? 'Value for money' is defined as increased efficiency in service delivery outweighing the 'costs' of Policy Agreements where cost equals Performance Incentive Grant plus administration costs.

## **Method**

The research design will involve collecting data to establish whether a number of critical success factors have been perceived to contribute to achieving the process outcomes and performance impacts. A partially deductive methodology has been identified as appropriate because theory exists, drawn from evidence in Chapters 2, 3 and 4. This, in turn, lends itself to an empirical methodology: collecting data to establish the perceived presence of these

factors by key players in the process and, establishing the extent of the relationship between their perceived presence and the outcomes (dependent variables).

A difficulty with this study is the timing of the research. The first stage took place before the completion of the first round of Policy Agreements (2001/02 to 2003/04) in the summer of 2003. Earlier chapters have noted that some Agreements were not completed until virtually the end of the first year, in February and March 2002. The summer of 2003 was, therefore, still very early days in the life of the Agreements.

At this stage in the study, therefore, respondents were asked to agree or disagree as to the objectives of Policy Agreements. It was felt that if respondents were asked about outcomes at this point the response would have been that it was too early to tell. Using objectives, therefore, simply enables the identification of key critical success factors from a large possible number using multiple regression models to 'filter' critical success factors (see Appendix S for explanation and details). It is these critical success factors, not the data relating to objectives, which are used to explore the relationship between baseline performance, implementation and actual performance (based on performance indicator information – see Chapter 8). This also provides the means to 'narrow down' the scope of structured interviews by providing a method of filtering significant variables to explore with interviewees (Chapter 7). Interviewees were then asked whether the objectives of the Policy Agreement process were achieved i.e. impact. The

inductive element of the study, together with actual performance data, therefore provides the evidence of impact which is used to explore whether or not the objectives were met (Chapter 9).

The deductive research method was, therefore, a structured postal questionnaire targeted at key players in the Policy Agreement process. This method was chosen as the most efficient, for a single researcher with no access to funding, of collecting data from a large number of individuals to provide structured data for initial evaluation against the research questions.

### **Advantages**

- Low cost of data collection.
- Low cost of processing.
- Avoidance of interviewer bias (although this can enter into the equation in the way in which the questionnaire is designed).
- Ability to reach respondents who live at widely dispersed addresses.
- Respondents have time to reflect on the questions so that they can give more considered responses.

### **Disadvantages**

- Generally low response rates and consequent biases i.e. the likelihood that those who respond are likely to feel more strongly or more positively about an issue than 'average'.
- Unsuitability for respondents with poor literacy.
- No opportunity to correct misunderstandings or to probe.
- No control over the order in which questions are answered, no check on incomplete responses, incomplete questionnaires or on the passing on of questionnaires to others.
- No opportunity to collect ratings or assessments based on observation.
- Reliance placed on the respondents to complete the questionnaires, aided only by written instructions.
- Only an introductory letter to motivate people to complete the questionnaire and return it.
- Ordering is important as respondents can read through the whole of the questionnaire prior to completing it.

**Based on Hoinville et al (1989, pp.125-127) and Oppenheim (2000, p.102)**



However, awareness of these strengths and weaknesses allows them to be planned for as part of the research design and evaluation of data. In respect of this project, it is felt that the cost advantages are suited to a lone researcher with no research funding. Also, given that respondents are middle to senior managers and politicians, the use of a questionnaire is beneficial as respondents can complete this at their own convenience.

In terms of the disadvantages, non-response bias can be planned for (see below) and positive action can also be taken to increase response rates through the careful design of the questionnaire (see below). The anticipated low response rate can be mitigated by triangulation with the inductive method (in this case structured interviews, also see below). On this occasion it is not anticipated that the level of literacy amongst respondents will be an issue. In addition, at an overall level, there was evidence from the progress visits being undertaken by Assembly officials to local authorities (a sample of which were observed by the researcher, see Chapter 3) which provided a qualitative assessment of general attitudes towards Policy Agreements and their strengths and weaknesses (see Chapter 3).

However, as noted above, it is recognised that within the research topic the perceptions of individuals are the basis of the questionnaire evidence and the research design assumes rationality in the responses. This can be addressed by triangulating findings with documentary and observation evidence such as that gathered in Chapter 3 (e.g. Partnership Council papers and minutes), testing the responses of groups of respondents against each other and,

qualitative comments provided by questionnaire respondents and structured interview data (Chapters 6 and 7).

### **Designing the Questionnaire**

Designing the questionnaire included giving consideration to ensuring that it was as 'user friendly' as possible without unintentionally biasing the responses and, to the layout and overall design to ensure that its 'look' was attractive and not confusing to respondents. This is important, as if a questionnaire 'looks' complex and/or confusing it is more likely to be put aside by respondents. Careful consideration was also given to ensuring that the instructions were unambiguous, clear and polite and that the overall flow, structure and length of the questionnaire would keep the interest of the respondents (Hoinville et al, 1989).

Hoinville et al (1989) suggest that while a self-completion questionnaire of eight to ten sides of A4 will tend to act as a deterrent to much of the population, this is not necessarily the case where the intended recipients have a high degree of interest in the subject and/or a high degree of literacy. They conclude that the empirical evidence does not confirm a short questionnaire will automatically generate a higher response rate. In fact, if the audience is a specialist one it may feel that a short questionnaire is insulting or superficial.

To establish the strength of respondent perceptions requires the use of interval type variables capable of measurement, i.e. quantitative integers such as scale scores (Oppenheim, 2000). This dictates the nature of the questions

to be included in the questionnaire, and therefore, questions were designed on the basis of an attitude scale. Oppenheim (2000) suggests that the Likert scale is the most relevant scale to employ if the purpose of the research is to study attitude patterning or to explore theories of attitudes. Oppenheim (ibid) continues by stating that reliability in Likert scales is good and that they will effectively separate people from within the same group.

The Likert scale is a linear interval scale which permits the scores to be treated as integers so that they may be analysed by means of statistical techniques. Hoinville et al (1989) suggest that a seven-point scale is useful as it provides the benefit of more positions and thus discriminates more finely.

Therefore, a seven point, Likert scale was used in the questionnaire. However, Hoinville et al (Ibid) continue by warning that a rating scale is not an absolute measure of attitude. It must be remembered that it is a way of placing respondents in relative positions to one another. Therefore, the main aim when using scales should be to find the one which discriminates most effectively between respondents. This is supported by Oppenheim (2000). It must also be remembered that equal score intervals do not permit assertions to be made about the equality of underlying attitude differences and that identical scores may have very different meanings. However, Oppenheim (2000) states that Likert scales perform well in terms of providing a rough, reliable ordering of individuals with a particular attitude.

Oppenheim (2000) suggests that personal data should be collected at the end of the questionnaire and the collection of this data should be undertaken in a sensitive fashion. For example, 'Would you mind telling us how old you are?' with a selection of boxes for the respondent to tick. On this occasion it was determined that the age and sex of the respondents would not be variables of any great relevance to the analysis. However, it would be important to establish whether direct involvement in the Policy Agreement process, as opposed to peripheral involvement, resulted in any significant differences in perception, and whether there were differences in the views of politicians and officers. These questions were felt not to be sensitive to the respondents and therefore were asked at the beginning of the questionnaire.

During the design of the questionnaire, it was recognised that some questions would not be of relevance to all of the respondents at which it was aimed. Where these instances were identified 'filter' questions were used to direct the respondent to the next relevant set of questions. Oppenheim (2000) identifies that ensuring the respondent's interest is retained in the questionnaire is an important factor in improving response rates (see below).

### **Piloting the Questionnaire**

It is important to pilot data gathering instruments to ensure the length of time taken to complete them does not impose an unacceptable burden on the recipients, that the questions and instructions are clear and, to enable questions to be removed which do not provide any usable data (Bell, 1997). It is also important to ensure that the questions are not putting ideas into the

minds of the respondents or suggesting that they should have opinions when they have none (Oppenheim, 2000) and that wording, ordering and layout can be refined (Hoinville et al, 1989).

The questionnaire was therefore piloted on three Assembly and three local government officials with knowledge of the Policy Agreement process. Recipients of the pilot questionnaire were asked to also complete the following questions (taken from Bell, 1997, p.85):

1. How long did it take you to complete?
2. Were the instructions clear?
3. Were any of the questions unclear or ambiguous? If so, which and why?
4. Did you object to answering any of the questions?
5. In your opinion, has any major topic been omitted?
6. Was the layout of the questionnaire clear/attractive?
7. Any comments?

The average time for completion of the questionnaire by the pilot respondents was 20 minutes. This was considered to be an acceptable period of time. One pilot respondent took longer than 25 minutes but admitted to having spent much time going through the questionnaire looking for repeated questions rather than completing the questionnaire itself. This respondent stated that the outcome of this exercise was that no questions were repeated.

All respondents stated that the layout and instructions of the questionnaire were clear and could identify no major omissions from the question sequence. Respondents also felt that the majority of the questions were worded appropriately, but as a result of suggestions made by the respondents, the

following amendments were considered to improve the clarity of the questions concerned:

- Question 41 was rephrased to clarify that it was intended to elicit views as to whether the ease of measurement had been the main driver in selecting the Policy Agreement indicators.
- Questions 55 and 57 were made positive to reflect the tone of the other questions in the questionnaire.
- The use of the word 'unhypothesized' in question 67 was changed to 'non-ringing fenced' as pilot respondents felt that this word might not be familiar to all of the intended recipients of the questionnaire.

The pilot respondents also made some suggestions as to the layout at the beginning of the questionnaire as follows:

- The number of sections in the questionnaire should be included in the introduction.
- A category for 'Other' should be included in the box on page 1.
- A space should be provided for the respondent to outline their individual circumstances in respect of Policy Agreements. This should be optional if the respondent felt this information to be pertinent to the context of their answers.

These suggestions were felt to be useful additions to the personal information section of the questionnaire. This is because it would be important not to discourage respondents at the start of the questionnaire, as if the respondent felt that he/she did not fit into any of the available categories or needed to provide additional information to put their responses in context they might not proceed any further.

## **Population**

The population for the questionnaire was identified by means of a review of local authority internet sites, contact lists provided by Local Government Modernisation Division of the Welsh Assembly Government and the Welsh Assembly Government/National Assembly internal directories:

**TABLE 5.1: POLICY AGREEMENT QUESTIONNAIRE POPULATION**

	<b>Assembly</b>	<b>Local Authorities</b>	<b>Total</b>
<b>Politicians</b>	30	379	409
<b>Officials</b>	73	313	386
<b>Total</b>	103	692	795

Four types of questionnaire were designed to be targeted at these particular key groupings. Within each of the main groupings, two sub-groupings were identified in the form of those who had a specific area of responsibility within the Policy Agreement, i.e. a direct service delivery responsibility and therefore a 'performance involvement' and, those with a general involvement in the Policy Agreement process, i.e. those who had been involved with the overall setting up, negotiation and monitoring of Agreements and therefore those with a 'process involvement'. These groupings may be expressed as follows:

**TABLE 5.2: POLICY AGREEMENT QUESTIONNAIRE - CATEGORIES OF RESPONDENT**

	<b>Process Involvement</b>	<b>Performance Involvement</b>
<b>Local Authority Members (Questionnaire 1- Appendix D)</b>	Leaders, non-relevant service cabinet members and members of scrutiny committees.	Cabinet members with service responsibility for those services in the Agreements.
<b>Local Authority Officials (Questionnaire 2- Appendix E)*</b>	Chief Executives, directors of finance, policy and corporate officers.	Heads of service for those services in the Agreements, managers with responsibility for delivering the service improvements.
<b>Assembly Members (Questionnaire 3- Appendix F)*</b>	Members of Cabinet without service responsibility for the services in the Agreement and members of the relevant subject committees.	Ministers with responsibility for those services in the Agreement.
<b>Assembly Government Officials (Questionnaire 4- Appendix G)*</b>	Relevant officials in Local Government Group.	Group directors, heads of division and policy leads of the services contained in the Agreement.

\*The same questions were asked of all respondents but the coversheet was designed differently for each of the groups. Appendices D to G contain different cover sheets only.

The segregation of the main groups was determined to be important as the literature review identified that sometimes the failure of PRP and performance management systems resulted from a difference of perception between the employer and the employee. Also a weakness in the body of literature was identified as employer bias, i.e. most research conducted from the perspective of the employer. Therefore, it was felt to be important to establish whether there were any major differences in perception between these key groups. Policy evaluation work relating to inter-governmental performance systems in England also sought the views of similar groupings of officers and politicians in local and central government.

It was also felt to be important to establish whether there were any differences of perception between those 'on the ground' and those involved with the process in general. This is because the literature established that one of the main reasons that organisations introduced PRP and performance management schemes was not solely to improve performance but also to change culture. It was felt likely to be useful, therefore, to gain an understanding of whether those involved with specific areas of the Policy Agreements also had an understanding of the 'bigger picture'.

The particular nature of the political arena within Wales was identified in earlier chapters as being an important contextual consideration for the Assembly Government when designing and implementing any policy. Politics



could affect responses and therefore, it was felt to be important to separately identify the views of officials and politicians.

### **Question Rationale**

The literature review in Chapters 2, 3 and 4 resulted in the identification of a number of key stages and 'success factors' which should be considered when introducing, developing, implementing and evaluating PRP and performance management schemes. This literature also recognises the importance of considering contextual factors during all aspects of the process. The main aspects in the process were identified as:

- Setting objectives
- Measuring outcomes
- Feedback of results
- Rewards linked to outcomes
- Amendments to objectives and activities

Each section of the questionnaire was based on a stage in the process. The respondent was asked for opinions on statements structured around issues which the literature reviews identified as being critical to overall 'success'. This approach is suggested by Oppenheim (2000) who writes that analytical questionnaires should be structured on the basis of a 'pool' or 'module' of questions linked to a single variable. These modules should then be ordered in the most appropriate fashion. In this study, it seemed logical to follow the 'stages' in the performance management process which also reflect the sequence of events with respect to Policy Agreements and other inter-governmental performance management systems. In addition, the questions relate to complex attitudes, therefore they should be explored from many different angles by the use of multiple questions (Oppenheim, 2000).

Therefore, the first section of the questionnaire (see below) was designed to gain an overall perspective from the respondent on key issues potentially relating to and affecting the process as a whole. The next stage was to devise a series of questions for each 'module' within the Policy Agreement process capable of generating appropriate data for the analysis stage, and to enable conclusions to be drawn about the research questions. The necessity to use a scaling factor to generate the type of data needed for analysis required the use of 'closed' questions, i.e. the respondent is offered a choice of alternative replies (Oppenheim, 2000). In this case agree, disagree etc. on the basis of a seven point scale for the reasons identified above. There are advantages and disadvantages in the use of closed and open questions as follows:

**TABLE 5.3: ADVANTAGES AND DISADVANTAGES OF OPEN AND CLOSED QUESTIONS**

<b>Open Questions</b>	
<b>Advantages</b>	<b>Disadvantages</b>
• Freedom and spontaneity of the answers	• Time-consuming
• Opportunity to probe	• In interviews: costly of interviewer time
• Useful for testing hypotheses about ideas of awareness	• Coding: very costly and slow to process, and may be unreliable
	• Demand more effort from respondents
<b>Closed Questions</b>	
<b>Advantages</b>	<b>Disadvantages</b>
• Require little time	• Loss of spontaneous responses
• No extended writing	• Bias in answer categories
• Low costs	• Sometimes too crude
• Easy to process	• May irritate respondents
• Make group comparisons easy	
• Useful for testing specific hypotheses	
• Less interviewer training	

**Based on Oppenheim (2000, p.115)**

The disadvantages of closed questions have been acknowledged. Efforts have been made to overcome them by using 'pools' of questions in respect of each independent variable, and by paying careful attention to the wording and overall design of the questionnaire.

In addition, at the end of the questionnaire space was provided for respondents to write free form comments in respect of individual questions, to comment on Policy Agreements in general or to raise any important points which they felt had been omitted from the questionnaire. Again, the provision of this space within the questionnaire for free form response is an opportunity to partially overcome the deficiencies of the research method identified above. However, any responses made in this fashion must be given careful consideration and the possibility of response bias must be taken into account. The deductive findings were also supplemented by structured interviews to address deficiencies in the method and timing identified above (see later).

In terms of the questions, Hoinville et al (1989) suggest that a good question has to be designed to specifically suit the aims of the study and the nature of its respondents.

"It needs to have some of the same properties as a good law: to be clear, unambiguous and uniformly workable. Its design must minimise potential errors from respondents...." (Hoinville et al, 1989, p.27)

Therefore, each question was considered in light of the following criteria (Based on Hoinville et al, 1989, pp.28-33 and Oppenheim, 2000, pp.121-130):

- motivation to the respondent to continue to co-operate;
- the length of the questions was not a deterrent factor in light of the respondents 'interest' in the subject;
- the question had the correct focus;
- the wording was not ambiguous;
- to ensure no double-barrelled questions were included;
- to ensure the language was clear in the sense of no acronyms, abbreviations, jargon, proverbs, technical terms which were not clearly explained;
- to ensure no questions could be leading; and,
- to ensure that data could be easily analysed.

In addition to the seven point scale, boxes were also included in the questionnaire for 'Don't Know' and 'Not Applicable'. Oppenheim (2000) suggests that it is important to allow for the occasion where a respondent does not know the answer to a question or where it is not applicable or else they might feel obliged to give a response which is not valid. The questionnaire explains that 'Don't Know' is different from the 'Undecided' category on the seven point scale in an effort to ensure that respondents do not use this box as an 'opt out'. This has to be handled carefully as Oppenheim (2000) suggests that respondents do not like to admit a lack of knowledge, so a fine balance has to be struck to ensure that respondents do not feel uncomfortable in this situation.

Oppenheim (2000) suggests that each question should be thought of in terms of being a measure; therefore for each question and groups of questions it is important to consider their **reliability** and **validity**. He continues by suggesting that, in respect of attitudinal questions, sets of questions are more reliable than single opinion items. This is because vagaries in question wording may be cancelled out and thus any potential bias eliminated, and the stable components of the response are maximised and the instabilities

minimised. However, this assumes that there is such a thing as a 'true' attitude. The **validity** of an attitude question is more difficult to assess, as there is a lack of criterion against which to assess it. In addition, there is no clear link between attitude and behaviour, e.g. we may not like a law but we will obey it. In light of this, where an issue is complex in the sense that it is potentially multi-faceted or capable of differing interpretation, 'pools' of questions were designed to test for the presence of these variables, e.g. trust and communication. These pools were both within sections of the questionnaire and spread throughout it. Other issues are not complex in this sense and, therefore, in these instances it was determined that one, carefully worded, unambiguous question would be sufficient to test for their presence, e.g. whether the targets are demanding but achievable (see Appendix D).

The following table sets out the relationship between the critical success factors (CSFs), the individual questions and their expected relationship with the process outcomes and performance impacts.

**TABLE 5.4: STRUCTURE OF POLICY AGREEMENT QUESTIONNAIRE**

<b>Critical Success Factor</b>	<b>Question (s) (see Appendix D)</b>	<b>PO or PI</b>
<b>Overall Process</b>		
<b>CSFO01</b> Integration of the performance management system within a clear organisational strategic framework.	<b>Qs</b> 1. My authority has linked its Policy Agreement to the development of its Community Plan. 2. My authority has linked its Policy Agreement to the development of its Improvement Plan. 3. My authority has linked its Policy Agreement to the development of its own strategic plan. 4. My authority has linked its Policy Agreement to the development of its budget strategy.	RQ <sub>4</sub>
<b>CSFO02</b> Awareness of stakeholders of the system (in this case defined as including members of the public).	<b>Qs</b> 7. My authority has made public its Policy Agreement. (e.g. on internet, local newsletter etc.) 8. My authority has plans to publish the results of the Policy Agreement in 2004. (e.g. on internet, local newsletter etc.)	RQ <sub>3</sub>
<b>CSFO03</b> Effective communication throughout the process.	<b>Qs</b> 9. I am aware that the Assembly has made commitments in the Agreements to review plans and remove other impediments to continuous improvement of local authority services. 10. I am aware of Assembly progress towards meeting these commitments.	RQ <sub>3</sub>
<b>CSFO04</b> There must be a relationship of trust.	<b>Qs</b> 11. The nature of the funding in the Agreements reflects a mature relationship between local authorities and the National Assembly. 12. There is a high level of trust between local authorities and the National Assembly.	RQ <sub>3</sub>
<b>CSFO05</b> There must be commitment to the process.	<b>Qs</b> 18. The Policy Agreement funding could have been better used in other ways to help build capacity for improvement in local authorities. 19. If you have any suggestions as to how the Performance Incentive Grant (PIG) funding might be better employed, please outline them below.	RQ <sub>1</sub> and RQ <sub>2</sub>
<b>CSFO06</b> The Agreement must be seen as mutual and not imposed as if the scheme is perceived as being about control it may not be adding any value at all to the relationship.	<b>Qs</b> 13. Policy Agreements have added value to the relationship between local authorities and the National Assembly. 14. The processes involved in developing Policy Agreements are as important as the funding.	RQ <sub>1</sub> and RQ <sub>2</sub>
<b>CSFO07</b> The overall cost of the system (including administration) must be perceived as proportionate to the benefits.	<b>Q</b> 15. The existence of Policy Agreements will help to demonstrate to stakeholders that local authorities are providing value for money.	RQ <sub>6</sub>

Critical Success Factor	Question (s) (see Appendix D)	PO or PI
<b>CSFO08</b> The performance management scheme must sit within a coherent framework of performance management policies.	<b>Qs</b> 17. There is a clear link between Assembly policy as articulated through Policy Agreements and other aspects of Assembly policy in respect of local government. 5. The National Assembly has integrated Policy Agreements with the other local authority performance initiatives. 6. The National Assembly has integrated Policy Agreements with other local authority finance policies.	RQ <sub>2</sub> (i.e. links with NAW policies on plans, Wales Programme for Improvement, hypothecation etc.)
<b>CSFO09</b> Clear links between effort and performance and performance and reward must exist.	<b>Q</b> 16. The Policy Agreements clearly indicate to local authorities what is expected of them and what is on offer in return.	RQ <sub>5</sub>
<b>Setting Objectives</b>		
<b>CSFS01</b> Setting a few clear objectives which are free from 'noise'.	<b>Qs</b> 24. The indicators are specific enough to make it clear what is to be aimed for. 25. The achievement of the targets can be influenced by factors outside the control of this authority. 28. The numbers of indicators are about right.	RQ <sub>4</sub>
<b>CSFS02</b> The need for targets to be demanding but achievable.	<b>Qs</b> 26. The targets are demanding but achievable. 27. The agreed targets serve to motivate rather than demotivate.	RQ <sub>4</sub>
<b>CSFS03</b> The need for a clear organisational strategic framework.	<b>Qs</b> 20. The objectives in the Policy Agreements have been framed within a clear overall strategic vision for Wales. 21. There is a clear link between the chosen indicators in the Agreement and my authority's own strategic plan. 22. The Agreements have created a link between local and national goals.	RQ <sub>4</sub>
<b>CSFS04</b> The need for effective communication.	<b>Qs</b> 34. I was involved in discussions in respect of setting baselines and targets which relate to me. 35. There was effective communication between authorities and the Assembly during the period when the baselines and targets were set. 36. The purpose of Policy Agreements was clearly communicated to me.	RQ <sub>3</sub>
<b>CSFS05</b> The need for mutually agreed objectives.	<b>Qs</b> 37. Local authorities played a significant part in determining the services and targets to be included in the Agreements. 38. The Agreements have been mutually agreed between local authorities and the National Assembly. 23. The Agreements reflect the right balance between local and national goals.	RQ <sub>4</sub>
<b>CSFS06</b> The need for clear links between effort and performance and performance and reward.	<b>Qs</b> 39. The targets have made the link between the effort an authority makes and its performance clear. 40. The targets have made the link between an authority's performance in terms of service delivery and the financial reward clear.	RQ <sub>5</sub>
<b>CSFS07</b> The need for support in terms of training, skills and resources to enable the targets to be met.	<b>Qs</b> 32. Local authorities have the skills to make a reasonable attempt at achieving the targets. 33. Local authorities have the resources (including access to training, facilities and staff) to enable them to make a reasonable attempt at achieving the targets.	RQ <sub>1</sub>

Critical Success Factor	Question (s) (see Appendix D)	PO or PI
<b>CSFS08</b> The need for there to be no conflict between the objectives in the agreement and any other organisational objectives.	<b>Qs</b> 29. There is no conflict between any of the indicators. 30. There is no conflict between working towards the Policy Agreement targets and achieving the other strategic service priorities of this authority. 31. Focusing on specific service areas in this way has created a focus on these areas at the expense of others.	RQ <sub>2</sub>
<b>Measuring Objectives</b>		
<b>CSFM01</b> The Agreement should be based on outcomes with actions being self-determined.	<b>Qs</b> 45. This authority must work with other organisations to achieve some of the targets. 46. This authority has the freedom to determine how to achieve improvements its own performance.	RQ <sub>1</sub> and RQ <sub>2</sub>
<b>CSFM02</b> The costs involved in data collection must be 'reasonable'.	<b>Q</b> 47. The cost of collecting information to measure progress towards targets does not outweigh the benefits it provides.	RQ <sub>6</sub>
<b>CSFM03</b> The data must not be capable of manipulation.	<b>Q</b> 49. None of the data collected in measuring performance could be subject to manipulation.	RQ <sub>5</sub>
<b>CSFM04</b> The need for clear links between effort and performance and performance and reward.	<b>Qs</b> 43. There is a clear link between the effort this authority makes towards achieving the Policy Agreement targets and the performance measures in the Policy Agreements. 44. There is a clear link between local authority performance and the amount of funding received.	RQ <sub>5</sub>
<b>CSFM05</b> The need for indicators to measure outcomes not activity.	<b>Q</b> 48. The indicators are measuring the outcome of this authority's activity, rather than that activity itself.	RQ <sub>5</sub>
<b>CSFM06</b> The need for indicators to be chosen because they are appropriate not because they are a proxy which is easy to measure.	<b>Qs</b> 41. Ease of measurement was not the prime consideration in choosing the Policy Agreement indicators. 42. The indicators used are the most suitable to measure achievement of the objectives set out in the Policy Agreements.	RQ <sub>5</sub>
<b>CSFM07</b> The means of assessing subjective performance measures must be agreed in advance.	<b>Q</b> 50. Some outcomes are not measured by specific indicators (e.g. working with the voluntary sector) but I am satisfied that it will be possible to measure progress against these broader themes.	RQ <sub>5</sub>
<b>Feedback</b>		
<b>CSFF01</b> There needs to be supportive management of the scheme.	<b>Qs</b> 58. Policy Agreements are a way for local authorities and the Assembly to work together to improve services. 60. The main role of the Assembly, in the context of Policy Agreements, is not to determine the level of financial reward to be paid in 2004.	RQ <sub>3</sub>
<b>CSFF02</b> Only the outcome should be specified not the means of achieving it.	<b>Q</b> 59. Local authorities have been able to determine how to achieve the targets.	RQ <sub>1</sub> and RQ <sub>2</sub>
<b>CSFF03</b> Evaluation of performance should be free from social pressures.	<b>Q</b> 55. The Assembly has not been punitive when monitoring performance.	RQ <sub>2</sub>



Critical Success Factor	Question (s) (see Appendix D)	PO or PI
<b>CSFF04</b> The need for clear links between effort and performance and performance and reward.	<b>Qs</b> 54. Other organisations which contribute to the achievement of targets are included in the appraisal process. 57. The Policy Agreement process has raised expectations in terms of improved performance which can be met.	RQ <sub>5</sub>
<b>CSFF05</b> Trust plays an important part in the effective implementation and operation of the systems, especially if there is subjectivity involved in determining whether or not targets have been achieved - the more complex the system the more likely that there is a lack of trust.	<b>Qs</b> 51. I am satisfied with the feedback process with my manager in respect of tracking progress towards achieving the Policy Agreement targets. 52. I am content with the feedback process with politicians in respect of tracking progress towards achieving the targets. 53. I am content with the feedback process with representatives from the National Assembly in respect of tracking progress towards achieving the targets. 56. The process of appraising performance against targets in the context of Policy Agreements is too bureaucratic.	RQ <sub>3</sub>
<b>CSFF06</b> The administrative cost of the system should be minimised.	<b>Q</b> 62. The cost of monitoring the Policy Agreements does not outweigh the potential benefits.	RQ <sub>6</sub>
<b>CSFF07</b> The need for effective communication.	<b>Q</b> 61. There has been effective communication of feedback between the Assembly and local authorities.	RQ <sub>3</sub>
<b>Rewards</b>		
<b>CSFR01</b> The overall cost of the system.	<b>Q</b> 77. The cost of the Policy Agreement process, including the available funding, is in proportion to the benefits.	RQ <sub>6</sub>
<b>CSFR02</b> The rewards on offer must be valued.	<b>Qs</b> 68. Those with service responsibilities would have been more motivated to work towards achievement of the targets if the funding was linked to specific targets. 69. Managers would have worked towards achieving the targets in the agreements without the attachment of funding to the agreements.	RQ <sub>1</sub>
<b>CSFR03</b> The perceived 'fairness' of the system is crucial to success.	<b>Qs</b> 70. I have read the evaluation protocol. (Filter question) 71. The evaluation protocol is 'fair'. 72. The nature of the evaluation protocol supports the concept of relating funding to performance. 78. I am aware of the agreed distribution method for the funding attached to Policy Agreements. (Filter question) 79. The distribution method for Performance Incentive Grant (PIG) is 'fair'.	RQ <sub>1</sub> and RQ <sub>2</sub>
<b>CSFR04</b> The promised rewards must materialise or else the system will be self-defeating in terms that it will demotivate not motivate.	<b>Qs</b> 75. The promised funding will 'materialise'. 76. Local authorities will 'expect' this funding in the future regardless of performance.	RQ <sub>2</sub>

Critical Success Factor	Question (s) (see Appendix D)	PO or PI
<b>CSFR05</b> The need for clear links between effort and performance and performance and reward.	<b>Qs</b> 63. I know there is funding attached to the Policy Agreements. 65. The attachment of funding to the Policy Agreements has motivated this authority towards achieving the targets. 66. There is a strong link between the Authority achieving the targets and receiving the funding. 67. The attachment of non-ring fenced revenue funding to the Policy Agreement is appropriate. 82. The funding linked to these Agreements is a reward i.e. to reward performance after the event. 83. The funding linked to these Agreements is an incentive i.e. to stimulate performance.	RQ <sub>5</sub>
<b>CSFR06</b> Schemes must recognise that different motivators may be more effective at different times.	<b>Qs</b> 73. Managers would have been more motivated by the inclusion of non financial incentives and rewards in the Agreements such as greater autonomy, recognition etc. 74. Authorities should be able to choose a 'reward package' if Policy Agreements enter a second phase.	RQ <sub>4</sub>
<b>CSFR07</b> The marginal valance of money as a motivator.	<b>Qs</b> 64. This funding is significant.	RQ <sub>1</sub>
<b>CSFR08</b> Schemes must be managed in a positive way otherwise they become expensive and ineffective.	<b>Qs</b> 80. The Policy Agreement process has been handled in a positive way by local authorities. 81. The Policy Agreement process has been handled in a positive way by the Assembly.	RQ <sub>3</sub>
<b>Amendments to Objectives</b>		
<b>CSFA01</b> Emphasis on 'coaching' rather than 'policing'.	<b>Q</b> 86. The role of the Assembly during review sessions has been to help local authorities constructively improve performance.	RQ <sub>1</sub> and RQ <sub>2</sub>
<b>CSFA02</b> There must be good communication.	<b>Q</b> 87. There has been effective communication between the Assembly and local authorities at the review stage.	RQ <sub>3</sub>
<b>CSFA03</b> Avoid conflict between discussions on improving performance and gaining the promised reward.	<b>Q</b> 85. Most of the discussion during the review sessions has focused on Performance Improvement Grant.	RQ <sub>1</sub> and RQ <sub>2</sub>
<b>CSFA04</b> Important at this stage to reflect on the process as a whole not just the agreed indicators and targets.	<b>Q</b> 84. There has been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines.	RQ <sub>6</sub>

### Key

Q = Question number as per Policy Agreement questionnaire (see Appendix D)

RQ = Research Question

PO = Process Outcome

PI = Performance Impact

The questionnaire (Appendix D) is divided into the stages of the performance management cycle, the first section contains questions about themes which the literature reviews in Chapters 2, 3 and 4 identified relating to the operationalisation of performance management schemes (referred to as Group 0 above). These themes, whilst separately identified in some of the sections were felt to be of such fundamental importance that the inclusion of these questions acts as a means of gathering overall perceptions of these aspects as part of the Policy Agreement process.

The final section in the questionnaire was included to determine the perception of respondents as to the objectives in terms of process outcomes and performance impacts of the Policy Agreements. As noted earlier, this was necessitated by the timing of this stage of the research. This data is not used anywhere in the analysis as a proxy for the impact of the policy. Interviewees were asked to give their perceptions of impacts (see later and Chapter 7). However, the data on objectives enables a 'filter' mechanism, based on multiple regression to be developed. This is used to identify potentially statistically significant critical success factors i.e. facets of the implementation process not its objectives, to use in the design of semi-structured interviews and a statistical model to identify the potential impact of aspects of the implementation process on service performance using actual performance and baseline data (Chapters 7 and 8).

It is noted that this approach has the potential to introduce same-source bias into the evaluation. However, as identified above, the available population for

the questionnaire is in effect the sample and, to segregate it further might lead to levels of questionnaire return too small for statistical analysis to be undertaken. In the case of the performance impacts, efforts will be made to mitigate potential same-source bias by using actual performance data relating to the Policy Agreement indicators (published in October 2004) in a multiple regression model to explore the possible effect of the critical success factors (Chapter 8).

### **Distribution and Return of Questionnaires**

As the sample was 795 it was not practical for a single researcher to distribute each questionnaire individually. Therefore, postal distribution, whilst not ideal, was the only viable alternative. However, positive steps as suggested by Oppenheim (2000) and Hoinville et al (1989) were taken in an effort to maximise the response rate.

Therefore, in addition to an explanation of the aim of the research and an introduction to the researcher, the covering letter (Appendix H) and distribution were written and undertaken on the following basis:

- explanation as to why the respondent had been selected;
- explanation of the meaning of confidentiality in the context of the research study; and,
- all addressed as university post graduate student to underline the independence of the research process (see section on reflexivity).

In this case, confidentiality meant that no individual response would be identifiable from the published results. The letter also set out how to return the questionnaire and a deadline for return.

The questionnaires were distributed using two postal systems. For respondents in the National Assembly/Welsh Assembly Government, the internal mail system was used. The letter and questionnaire were sent in hard copy as opposed to e-mail as it was felt that this would facilitate a higher response rate. For local authority respondents, the questionnaires were distributed using the UK postal system, the same arguments applying to electronic distribution as above. A stamped addressed envelope was included with these questionnaires as evidence suggests that this can also increase response rates (Oppenheim, 2000). This was to be returned to the University to underline the independence of the research process.

### **Non-Responses**

Evidence suggests that follow up letters can improve response rates and that these should be targeted at non-respondents (Oppenheim, 2000; Hoinville et al 1989). Therefore, it was determined to send one reminder letter and further copy of the questionnaire one week after the return deadline.

### **Development of the Inductive Method**

It was noted above, that using a purely deductive methodology and a single deductive tool would not be entirely appropriate as there are deficiencies with both in relation to this study. Firstly, the deductive methodology relies on the identification of a theory for testing, one was identified in the shape of performance management systems relating to individuals which include an element of PRP, however, the transferability of this to inter-governmental systems in itself, whilst suggested as a possibility, had not previously been

tested. This implies the need to also build bottom-up from the evidence using an inductive methodology and method. This could provide evidence to support the 'leap' from individual to inter-governmental systems. Also, it was identified from policy evaluation theory that evidence in respect of process can make an important contribution to understanding the effectiveness of policy implementation and that qualitative methods are most appropriate to provide this evidence.

Secondly, large scale surveys and the deductive method of the postal questionnaire have some inherent deficiencies, such as response rates and failing to pick up on nuances and intonations. Inductive methods such as interviews can help to overcome these deficiencies (Bell, 1998). It was noted in earlier chapters that the Welsh inter-governmental performance system is 'human' reliant in terms of relationships and interactions and, it was felt that the level of insight interviews could provide was important in achieving the aims of the project, as the complexities and subtleties of the systems including the human interactions could have been lost in a large-scale survey.

### **The Qualitative Method**

To support the data from the postal questionnaires it was felt appropriate to conduct a series of semi-structured interviews with a sample of key participants in the Policy Agreement process. The first aim was to provide evidence to fill the gap in the findings of the postal questionnaires in respect of the impacts of Policy Agreements. The postal questionnaire data was collected before the end of the first Policy Agreement cycle. It, was, therefore

too early for respondents to make informed judgements as to the attainment or otherwise of the desired process outcomes and performance impacts.

The second aim was to triangulate some of the key findings from the review of the questionnaire returns. The third aim was, in light of emerging evidence from England, to establish whether participants felt there was a difference of approach in Wales and, finally, to build from the bottom up evidence relating to the assumption by Governments of transferability or otherwise of the principles from individual PRP schemes to organisational ones.

Miles and Huberman (1993) suggest that validity from qualitative data can be promoted by triangulation (in this case with data from postal questionnaires), a balanced assessment and an awareness of the respondents' 'interests' in the research. It is also important to note that it might be appropriate to weight the evidence provided by some informants over and above that provided by others because of the informant's knowledge etc. Finally, they state that it is important not to move too quickly from the particular to the general when evaluating the data. This is supported by Yin (1994).

Burrell and Morgan (1992) suggest that reliability in the interpretative paradigm can be maximised by recording accurately what is observed and making use of established data collection techniques. Therefore it is important to pay close attention not only to the research design but also to its conduct by making efforts to mitigate reflexivity (see later) and also ensure proper recording of data.

## **Semi-Structured Interviews**

Semi-structured interviews were chosen as the best method of identifying and understanding the nuances and subtleties involved in the process, including how it 'felt' for participants, e.g. top-down or bottom-up?, like a PRP system? Open-ended postal questionnaires might provide some indication of the subtleties involved but, it was felt that face-to-face contact would provide the opportunity for perceptions to be explored in more depth, whilst at the same time providing evidence to support (or not) the desired impacts of Policy Agreements.

Bell (1997) states a major advantage of interviews is that they are adaptable because they allow follow up questions to probe responses and investigate motives and feelings in a way that postal questionnaires cannot. Another important aspect of the interview is the way in which the response is made, such as tone of voice or use of body language; this may provide important evidence at the evaluation stage. However, it is important that the researcher remains as objective as possible. As the researcher was known to all the interviewees, each interview began with an explanation that the researcher was conducting the interview as part of an independent piece of research and not as part of work for the Welsh Assembly Government.

It is important to use interview time to best effect, therefore a short list of questions (Appendix T - Interview Schedule) was used as the basis for the interviews. These were used as prompts to ensure some structure and also to aid in the evaluation stage. They also had the advantage of not stifling the interviewee in terms of offering opportunity for introducing their own



perceptions and experiences. Bell (1997) terms this a 'focused' interview. The advantage of this approach is that it provides a framework but still allows the interviewees freedom to give their own views.

Notes were taken during the interview rather than making use of recording. This was chosen for two reasons. Firstly, the time and resources were not available for transcription and secondly, due to the close working relationship between the researcher and the interviewees some of the participants may have felt it was not appropriate. In light of this, the aim was to put the participants at ease and the formality of recording could have put this in jeopardy.

The main danger with interviews is that bias can creep into the process, but Bell (1997) states that it is probably easier to acknowledge this than attempt to eliminate it all together and, the researcher should exercise awareness and self control. The process of supervision also serves to mitigate against this.

## **Development of the Interview Schedule**

**Section 1 of the Schedule** - Earlier chapters identified that Policy Agreements were intended to achieve both process outcomes and performance impacts. The interview schedule was, therefore, designed to test whether or not interviewees felt these had been achieved and, thus, to fill in the gap from the postal questionnaire findings which, due to timing, related to the objectives themselves as opposed to their achievement. It was also designed to collect further data on key aspects identified from statistical

analysis of the postal questionnaires (Chapter 6 and multiple regression analyses contained in Appendix S).

**Section 2 of the Schedule** – Section 2 was designed to provide evidence on the overall Policy Agreement process and thus triangulate findings from the more specific questions in Section 1. Earlier chapters also identified what seemed to be a greater emphasis in Wales than in England on the relationships and ‘human’ aspects of the system and a more ‘co-produced’ feel rather than ‘top-down’ one. Questions were therefore also included to test these aspects. Finally, earlier chapters also noted a governmental assumption of the transferability of PRP schemes from the individual to the organisational and so questions were included to test perceptions of the appropriateness and robustness of this assumption (see Appendix T).

### **Pilot of Interview Questions**

The open ended questions constructed for the interviews were piloted on colleagues prior to undertaking the research, in order to ensure that ambiguity and bias were minimised. No changes were made as a result of this piloting.

### **Selection of Interviewees**

Interviews are time consuming both for the interviewee and the researcher. It is therefore important to carefully select those to be interviewed so as to maximise the added value to the research process. It was estimated that each interview would take between 60 and 90 minutes to complete and, as

each would provide a large amount of rich data, it was determined that a maximum of 10 interviews should be undertaken.

Interviewees were selected from across the categories identified as relevant for the postal questionnaire. In the case of local authorities, interviewees were selected as the contact in the relevant organisation who led on the development and implementation of Policy Agreements in the 'corporate centre'. Typically these individuals were middle to senior level officers responsible for leading the negotiation of the Policy Agreement with the Welsh Assembly Government and the related progress meetings, explaining and discussing the Agreements with senior officers, including the Chief Executive, and service managers, and reporting to elected members. These individuals were selected on the basis of being in the best position to provide the most holistic perspective of the Policy Agreement process within their authorities. The local authorities were selected as follows:

Authority A Large, urban, south Wales

Authority B Medium, semi-rural, north Wales, Welsh speaking

Authority C Small, rural, south west Wales

Authority D Medium, deprived, industrial, urban, south Wales

Authority E Large, urban, post industrial, south Wales valleys

Authority F Small, semi-rural, affluent, south east Wales

(Small, medium or large refers to the population of the authorities relative to other authorities in Wales)

To collect evidence on the local political perspective the most senior officer who led on the Agreements both nationally and in convening local discussions for the WLGA was interviewed. To gain an understanding of the national politicians' perspective the Welsh Assembly Government special advisor who led on the development of Policy Agreements was interviewed (this advisor was one of those responsible for advising the relevant Cabinet Minister and First Minister on local government policy).

The Assembly Government officials' perspective was collected by interviewing the senior and middle level officials in Local Government Modernisation/Policy Division who led on the design, development and implementation of Policy Agreements between 2000 and 2004. This Division was responsible for the development and design of all policies relating to local government performance, improvement, democratic structures and community leadership.

The interviews conducted were therefore as follows:

- Local Authority Officials - 6 (Interviewees A, B, C, D, E and F)
- WLGA - 1 (Interviewee G)
- Welsh Assembly Government Special Advisor - 1 (Interviewee H)
- Welsh Assembly Government Officials - 2 (Interviewees I and J)

As time had elapsed since the first round of Policy Agreements, the beginning of the interview was spent clarifying the relevant time period, explaining the purpose of the interview and, explaining the researcher's role, given her position as a current Assembly Government official.

It is acknowledged that the time elapse might have caused issues of recall for interviewees, but the gap has the advantage of removing interviewees from

the currency of events and enabling them to provide a dispassionate and objective perspective of the implementation process and the perceived impact of Policy Agreements. It also had the advantage of enabling reflection on and comparison with the second round of Policy Agreements (2004/05 to 2006/07). Interviewees had good recall of events and were clear as to their views and opinions. The interviews lasted between 60 and 90 minutes.

### **Analysis of Data**

Miles and Huberman (1993) suggest that one method of analysing qualitative data is to use a matrix to attempt to identify themes and patterns which arise from the data collected. These can then be used to start to build explanations about the data. Yin (1994) suggests the analysis should show that it relied on all the relevant evidence, looked for as much evidence as possible and, the analysis should include all major rival interpretations. A matrix was therefore constructed and used in the analysis.

### **Ethics and Reflexivity**

In terms of the conduct of the research key ethical criteria are honesty and professionalism. It is important to be open and honest with questionnaire respondents and interviewees, so that, for example, if confidentiality and anonymity are promised they are delivered. In this case both were promised as this was felt to be important, in particular, in overcoming the close working relationship between the researcher and the interviewees. The research has been written up in such a way as to ensure that individual names and organisations cannot be inferred from the final report. Information should be provided from those involved in the research on an informed basis and

therefore, interviewees and questionnaire respondents were informed that the organisation and the responses were to be anonymised. These are important issues for the researcher as the outcome of the research is dependent on gaining the trust and confidence of those involved. It would be unethical to betray confidences at a later stage.

This research was undertaken by an Assembly Government official who throughout the research period worked in local government policy and finance and in public service reform. This provided some advantage in terms of prior knowledge of the process and key players in the system and insight into the workings of the Welsh Assembly Government. This could mean the introduction of bias into the research so that independence must be guarded by means of self-checking and the process of supervision.

Also, as Wales is a small policy space, it is likely that the researcher's name was recognised by many of the questionnaire respondents. This could have lead to bias in the responses - efforts were made to guard against this by using the University as the return address for questionnaires, and by explaining the capacity of the researcher, as a student, in the introductory information provided to interviewees participating in the structured interviews.

## **Conclusions**

This Chapter has explained that policy evaluation theory identifies an understanding of how policy is implemented, in terms of what works and what does not, can provide an important contribution to knowledge and, that

qualitative methods are the most appropriate means of providing this evidence. Likewise evaluation related to the effects of a policy may be best undertaken by means of quasi-experimental methods. Both are set against a context of developing a 'theory of change' in order to work out why the intervention is expected to have the anticipated effects (Lewis, 2001; Davies, 1999; Blalock, 1999; Chelimsky, 1997; Connell and Kubisch, 1998).

The theoretical framework relating to the design and implementation of performance and reward management systems, identified from the review of relevant literature on target setting in the public sector and performance management and PRP systems, can be adapted to provide a deductive research method to evaluate whether Policy Agreements have contributed to culture change and improved performance in the public sector in Wales, i.e. the effects of policy implementation.

This is based on evidence from earlier chapters which identified the possibility of transferability of the lessons learnt from the design and implementation of performance and reward systems for individuals to inter-governmental ones (Boyne and Chen, 2006; Reiter et al, 2006; Hood, 2007; Sullivan 2008). In addition, the importance placed on individual relationships in the Welsh system (Andrews and Martin, 2007) suggests this is an area worth exploring. However, the timing of the deductive method and inherent limitations in its application mean that the findings were triangulated with an inductive methodology in the form of semi-structured interviews. In addition, these provided 'rich' evidence as to the process of implementation which could not

be gleaned from questionnaires. Combined, these also provide evidence to maximise the potential benefits of devolution and limit its potential for insularity (Downe et al, 2007; Hockridge, 2006).

The next chapter contains descriptive statistical analysis and discussion of the questionnaire data, including consideration of whether there are any statistically significant differences between the opinions of different groupings of respondents, for example, between local authority members and officers. Following chapters will then explore the interview and actual performance data to consider whether Policy Agreements have delivered the desired process outcomes and performance impacts.



## CHAPTER 6

### POLICY AGREEMENT QUESTIONNAIRES – STATISTICAL ANALYSIS OF QUESTIONNAIRE RETURNS

#### Introduction

In Chapter 5 the questionnaire was designed to test for respondents' perceptions of the presence or otherwise of the critical success factors (CSFs) in the Policy Agreement process. These CSFs were identified from the literature reviews in Chapters 2, 3 and 4. In Chapter 3 a series of process outcomes and performance impacts for Policy Agreements were identified as being desirable by both local authorities and the Assembly Government. Both placed some value on the potential process outcome elements of Policy Agreements, as well as the expected performance impacts. The main research question to be considered, at an all Wales level, was therefore determined as:

***'Have Policy Agreements contributed to culture change and improved performance in the public sector in Wales?'***

This is a complex and multifaceted concept and, was thus broken down into 6 'sub' research questions relating to both performance impacts and process outcomes. Evidence relating to the outcomes and impacts of Policy Agreements was provided by the data generated by the interviews and, research questions relating to performance impacts were also supported by an analysis of the final results of the Policy Agreement process, i.e. in the form of the performance indicator information submitted by the 22 authorities, in Chapter 8.

## Questionnaire Returns

### Local Authorities - Response Numbers and Rates

Table 6.1 sets out the questionnaires sent to local authorities. The first despatch of questionnaires generated 118 returns. Reminders generated a further 40 returns making a total of 158 returns (61 from members and 97 from officers). In light of this, it was determined that a further despatch would be unlikely to significantly increase the total number of responses or response rate. It is acknowledged that 22.8% is not a particularly high response rate overall, but the rate amongst officers is higher and politicians can be difficult to elicit questionnaire responses from, for example, several intimated that it was not their 'policy' to complete questionnaires. Also, the questionnaire data was supplemented with interview data.

**TABLE 6.1: POLICY AGREEMENT QUESTIONNAIRES - LOCAL  
AUTHORITY RETURNS AND RESPONSE RATES**

	<b>Sent</b>	<b>1<sup>st</sup> Returns</b>	<b>Reminders</b>	<b>Total</b>	<b>Response Rate</b>
<b>Councillors</b>	385	45	16	61	15.8%
<b>Officers</b>	307	73	24	97	31.6%
<b>Total</b>	<b>692</b>	<b>118</b>	<b>40</b>	<b>158</b>	<b>22.8%</b>

From Table 6.1 it may be seen that there was a higher level of both returns and response rate amongst officers. However, the number of responses from members was sufficient to undertake statistical analysis, and so it was possible to explore whether the views of members and officers differed significantly.

## **National Assembly for Wales/Welsh Assembly Government - Response Rates and Numbers**

Questionnaires were also sent to Assembly Members and Welsh Assembly Government officials. 102 questionnaires were sent and 24 returned. A reminder was sent after the period for the first distribution had lapsed, on the same basis as with local authority respondents, but this generated no further responses.

**TABLE 6.2: POLICY AGREEMENT QUESTIONNAIRES - NATIONAL ASSEMBLY FOR WALES/WELSH ASSEMBLY GOVERNMENT RETURNS AND RESPONSE RATES**

	<b>Sent</b>	<b>1<sup>st</sup> Returns</b>	<b>Reminders</b>	<b>Total</b>	<b>Response Rate</b>
<b>Assembly Members</b>	30	6	0	6	20%
<b>Assembly Officials</b>	72	18	0	18	25%
<b>Total</b>	<b>102</b>	<b>24</b>	<b>0</b>	<b>24</b>	<b>24%</b>

The overall number of responses, both to the initial distribution and reminder was disappointing and implies a general lack of interest, knowledge and understanding of Policy Agreements at all levels. In the case of Assembly Members (AMs) the number of returns is not sufficient to make any statistical analysis robust. One AM returned the questionnaire uncompleted with a letter stating that it was his policy not to complete questionnaires as he received so many. This may explain some of the non-responses, but not all, and implies a low level of knowledge/interest in the Agreements.

Several e-mails (13) were received from Assembly Government officials indicating that in many cases they would have liked to help by responding to

the questionnaire, but that this was either the first time they had come into contact with Policy Agreements or that they were vaguely aware of them but did not have enough knowledge to complete the questionnaire. One Assembly official after offering apologies at being unable to assist because of a lack of knowledge of Policy Agreements exclaimed 'Read into this what you will!'

This suggests that some policy divisions across the Assembly Government perceived the Agreements as an 'add on' or a 'chore' and did not mainstream them into their every day policy development or, did not see them as a sufficiently robust tool in which to invest staff involvement.

The possible limitations of the response rate are acknowledged and the statistical analysis in this chapter is supplemented by the qualitative comments returned with the questionnaires and the interview data in the next chapter. However, the numbers of returns are still sufficient to enable this Chapter to explore, by means of descriptive statistical analysis, whether the questionnaire respondents perceived any, some or all of the CSFs to be present in the Policy Agreement process. The analysis will consider total responses and responses by respondent category. The respondent groups are as follows:

**Group 1-** Local authority elected members, n=61

**Group 2-** Local authority officers, n=97

**Group 3-** National Assembly for Wales/Welsh Assembly Government, n=24\*

\* The Assembly group has been combined (18 Assembly Government officials and 6 AMs) because the AM group is too small to provide any statistically significant results. The AMs have been combined with the Assembly officials rather than the local authority elected members, as it is their commonality of purpose with the Assembly officials which is felt to be most relevant for the analysis. In addition, both groups were asked to respond to identical questions. All questionnaires were sent and returned during the summer of 2003.

### **Overview of the Analysis**

**Appendices I to L** contain qualitative comments made by the questionnaire respondents. These will be referred to as appropriate throughout the remainder of the Chapter where it is felt that they add context and/or understanding to the statistical analysis. **Appendices M to R** group responses by sub research question for each of the respondent groups and total responses. For each question, basic measures of central tendency and dispersion, i.e. the mean (sum of the scores divided by the total number of scores), the median (the central point), the mode (most frequently occurring score), the standard deviation (indicates how much, on average, the scores in a distribution differ from a central point), the kurtosis (which indicates the 'lumpiness' of the data), and the value of the minimum and maximum scores are shown.

Tables in the following sections contain percentage data derived from the 7 point Likert scales. The scores from the top 3 categories have been aggregated (7= agree strongly, 6 and 5). Where the data indicates an unusual

response pattern such as a bi-modal distribution or a marked positive or negative skew, this is also indicated.

These tables show the percentage responses for all of the respondent groups and total respondents. Where the result of the ANOVA test (analysis of the variance in responses between respondent groups) was significant at 99% (0.01), a post hoc Scheffe test has been undertaken to identify statistically significant differences between groups. Therefore, unless otherwise stated there are no statistically significant differences in the responses between respondent groups.

**Review of Process Outcomes Data**

**RESEARCH QUESTION 1**

**RQ<sub>1</sub>** Have Policy Agreements helped to create a culture of 'self-improvement' in local authorities? A culture of self-improvement is defined as local authorities focusing on outcomes rather than inputs, proactively seeking continuous improvement rather than acting on external stimuli such as inspection and regulation.

The following table provides a question by question analysis of research question 1, critical success factors and the objectives of Policy Agreements, on the basis set out above.

**TABLE 6.3: RESEARCH QUESTION 1 - PERCENTAGE OF RESPONDENTS BY GROUP AGREEING WITH QUESTION**

<b>Question Narrative</b>	<b>Q</b>	<b>CSF</b>	<b>CSF Explanation</b>	<b>% EMs</b>	<b>% LAOs</b>	<b>% NAW</b>	<b>% Total</b>	<b>ANOVA Sig.</b>	<b>Scheffe Sig.</b>
The Policy Agreement funding could have been used in other ways to help build capacity for improvement in local authorities.	18	CSFO 05	There must be commitment to the process.	79.2	52.9	38.9	60.1	.000	EMs and LAOs
Policy Agreements have added value to the relationship between local authorities and the National Assembly.	13	CSFO 06	The Agreement must be seen as mutual and not imposed, as if the scheme is perceived as being about control it may not be adding any value at all to the relationship.	63.8	52.1	77.3	59.1	.276	
The processes involved in developing Policy Agreements are as important as the funding.	14	CSFO 06	The Agreement must be seen as mutual and not imposed, as if the scheme is perceived as being about control it may not be adding any value at all to the relationship.	76.2	76.8	86.9	78	.757	
Local authorities have the skills to make a reasonable attempt at achieving the targets.	32	CSFS 07	The need for support in terms of training, skills and resources to enable the targets to be met.	93.1	87.6	76.2	88.1	.022	
Local authorities have the resources (including access to training, facilities and staff) to enable them to make a reasonable attempt at achieving the targets.	33	CSFS 07	The need for support in terms of training, skills and resources to enable the targets to be met.	45.9	48.4	71.5	50.3	.105	
This authority must work with other organisations to achieve some of the targets.	45	CSFM 01	The Agreement is based on outcomes with actions being self-determined.	93.1	91.6	95.5	92.6	.961	
This authority has the freedom to determine how to achieve improvements in its own performance.	46	CSFM 01	The Agreement is based on outcomes with actions being self-determined.	63.3	74.5	85.6	72	.086	

Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
Local authorities have been able to determine how to achieve the targets.	59	CSFF 02	Only the outcome should be specified and not the means of achieving it.	71.9	85	81	80.2	.099	
Those with service responsibilities would have been more motivated to work towards achievement of the targets if the funding was linked to specific targets.	68	CSFR 02	The rewards on offer must be valued.	72.7	65.6	80	69.7	.751	
Managers would have worked towards achieving the targets in the agreements without the attachment of funding to the Agreements.	69	CSFR 02	The rewards on offer must be valued.	53.5	64.9	42.9	58.4	.234	
I have read the evaluation protocol.	70	CSFR 03	The perceived 'fairness' of the system is crucial to success.	28.3	20.9	10.5	22.1	.278	
The evaluation protocol is 'fair'.	71	CSFR 03	The perceived 'fairness' of the system is crucial to success.	52.6	79	100	68.3	.139	
The nature of the evaluation protocol supports the concept of relating funding to performance.	72	CSFR 03	The perceived 'fairness' of the system is crucial to success.	63.2	66.6	50	64.4	.935	
I am aware of the agreed distribution method for the funding attached to Policy Agreements. (If 'No', please go straight to Question 80.)	78	CSFR 03	The perceived 'fairness' of the system is crucial to success.	54.1	47.9	42.1	51.2	.271	
The distribution method for Performance Incentive Grant (PIG) is 'fair'.	79	CSFR 03	The perceived 'fairness' of the system is crucial to success.	48.6	48	71.5	50	.078	
This funding is significant.	64	CSFR 07	The marginal valance of the money as a motivator.	29.1	61.9	63.2	51.3	.003	EMs and LAOs
The role of the Assembly during review sessions has been to help local authorities constructively improve performance.	86	CSFA 01	Emphasis on 'coaching' rather than 'policing'.	51	46.1	58.8	49.6	.547	



Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
Most of the discussion during the review sessions has focused on Performance Improvement Grant.	85	CSFA 03	Avoid conflict between discussions on improving performance and gaining the promised reward.	59.6	43.3	25	48.2	.077	
One of the objectives of Policy Agreements is to focus on local authority results and outcomes rather than inputs.	88	H1		84.5	89.4	100	88.9	.133	
One of the objectives of Policy Agreements is to create a culture of self-improvement.	94	H1		83	78.5	95	82	.267	
One of the objectives of Policy agreements is to demonstrate that there is no requirement for externally driven improvement by inspection and audit.	96	H1		36.4	28.7	16.7	30.1	.360	

## Key

Significance tested at the 0.01 level for both ANOVA and post hoc Scheffe

EMs = Elected Members

LAOs= Local Authority officers

NAW= the National Assembly group (AMs and officers)

Q= Question number as per questionnaire

CSF= Critical Success Factor

%= Percentage of respondents in agreement with the statement

The following sections contain an analysis by critical success factor (CSF) of the data contained in **Table 6.3** and **Appendix M**.

### CSFO05 - There must be commitment to the process.

**Question 18** was designed to test the presence or otherwise of commitment to the overall process by questioning the respondent's attitude to the way in which funding had been attached to the Policy Agreements. An initial review of the descriptive statistics suggests that, in total, respondents who answered this question were, at the time of questioning, undecided or in agreement with

the premise that the funding could have been used more effectively in other ways. This is supported by the comments made by respondents (See Appendices I to L).

“Too much officer time is taken up by producing Policy Agreements rather than providing a good service. Produces too much stress and demotivates the staff. Too much bureaucracy and not enough real understanding at Assembly level.” (Appendix I, Elected Members, Quote 4)

This, may, therefore, imply some overall ambivalence to the whole of the Policy Agreement process by all respondents with a mean, median and mode all greater than 4. It also supports evidence in Chapters 3 and 4 that the effect of finance as a motivator may not be as powerful as those designing organisational systems seem to have assumed. It may even be a demotivator.

Whilst the mode for both elected members and local authority officers is 6, the mean and the median for elected members are both greater than for the officers (5.55 vs. 4.43 for the mean and 6 vs. 5 for the median) suggesting that elected members felt more strongly that the funding could have been better deployed elsewhere. The ANOVA and post hoc Scheffe results indicate a significant difference at the 0.01 level between the elected members and the local authority officer group supporting the analysis that the former feel more strongly than the latter that the funding could have been better used elsewhere.

In contrast, those respondents from the National Assembly were more ambivalent about alternative uses of the funding with a mean, median and mode of 4 suggesting that this group was still undecided.

**CSFO06 - The Agreement must be seen as mutual and not imposed, as if the scheme is perceived as being about control it may not be adding any value at all to the relationship.**

Responses to **Question 14** are more positive than those to **Question 13**, perhaps suggesting that respondents recognise the importance of the process, but are less convinced as to the current process's effectiveness. Qualitative comments in Appendices I to L also suggest measured support for the process, but scepticism amongst some as to the Assembly Government's motivation.

"Policy Agreements tend, in my opinion, to reflect the views of the Assembly and not those of the local authority who may have other priorities. Assembly holding the purse strings can therefore influence decision making." (Appendix I, Elected Members, Quote 5)

This could also explain the marginally negative response to **CSFO04** relating to questions on a mature relationship of trust (see analysis of research question 3 later). However, these responses may not necessarily be at odds with each other, and it may be that whilst 'Nirvana' had not yet been achieved, the Policy Agreement process had been perceived as a step in the right direction.

"The whole area of Policy Agreements is a complex one, and recently subject to consultation on their future scope. Whilst they are a generally welcome addition to the policy and strategy-making arena, recent consultation suggests that definitions have become rather blurred and as such have raised some questions, not least, for 2003/4 the PIG monies attached to the Policy Agreements were embedded in the general settlement which was helpful and enabled this authority to allocate resources based on robust needs assessment, service user consultation and in line with specific priorities. However, plans to allocate the PIG

according to ring-fenced areas of activity is at odds with the freedoms and responsibilities promised under the Wales Programme for Improvement (WPI) and the maturing relationship between WAG and local authorities.” (Appendix I, Elected Members, Quote 17)

**CSFS07 - The need for support in terms of training, skills and resources to enable the targets to be met.**

**Questions 32 and 33** relate to ensuring that support, skills and training are considered as part of the equation to drive forward achievement of the objectives. Responses to Question 32 (skills) were positive, while responses to Question 33 (resources) were less so. There was much greater variation around the mean showing perhaps that there is less consensus among respondents on this issue, perhaps another sign of confusion amongst respondents over the role of PIG (Performance Incentive Grant).

**CSFM01 - The Agreement is based on outcomes with actions being self-determined.**

A review of the descriptive statistics suggests that responses to **Question 45** are very much more positive than those to **Question 46**. However, Question 45 relates to the necessity of working with others to achieve the Policy Agreement targets, and it may be inferred, thus lessens the ability of the authority to influence the outcomes.

The responses to Question 46 are also positive which might indicate the beginnings of a perception of less ‘micro-management’ by the Assembly Government, but there is a greater variation around the mean. However, no significant differences were found between respondent groups.

**CSFF02 - Only the outcome should be specified not the means of achieving it.**

In relation to **Question 59** respondents were positive with a mean, median and mode of around 5. Initial review suggests there is some evidence to support the perceived existence of this CSF. This is consistent with Q46 and again perhaps indication of a feeling of less micro-management beginning to take root.

**CSFR02 - The rewards on offer must be valued.**

**Questions 68 and 69** are based on Expectancy Theory and the valance of rewards. Initial review suggests that respondents do not value the rewards on offer. Respondents felt that service managers would have been more motivated if the rewards had been linked to specific service improvements in the Agreements as opposed to being unhypothecated. Respondents also indicate that they feel marginally positive that authorities would have worked towards performance improvements without the funding being attached.

The National Assembly/Welsh Assembly responses were undecided to negative with a mode of 3 suggesting that this group was sceptical about the prospect. These results are reflected in the comments made by respondents (see Appendices I to L).

“My knowledge of Policy Agreements is scant, though I am aware that the authority has signed up and that municipal waste recycling and composting standards are enshrined in the national waste strategy. I am not aware of the amount of funding available through the PIG scheme. My department is not aware that it will receive any funding at all on achievement of targets and so it provides very little incentive. Our drive to meet targets is based on professional pride and is extremely wholehearted considering the remarkable lack of resource available.”  
Appendix J, Local Authority Officers, Quote 17)

These results seem almost contradictory; one set of results seems to favour the funding being hypothecated while the other suggests that the funding is not the main motivator. The conclusion which might be drawn from this is that unhypothecated funding is the worst of all worlds. However, it may also be that responses to Question 69 are an embodiment of the 'public service ethos', i.e. a statement by professionals that what is important is doing a good job and improving services and, that this would be an objective regardless of any financial incentive or reward.

**CSFR03 - The perceived 'fairness' of the system is crucial to success.**

**Questions 70, 71, 72, 78 and 79** were designed to collect evidence as to respondents' perceptions of the fairness of the evaluation protocol and the distribution of Performance Incentive Grant (PIG). Not all respondents had read the evaluation protocol (Q70) but those who had were positive that it was fair (Q71). Those respondents who had read the protocol were positive that it supported the concept of relating funding to performance (Q72). However, there was a wider distribution of opinion, with a greater spread of scores and a higher standard deviation. This seems contradictory to earlier evidence, therefore the interview data was used to further explore this area. It also seems contradictory to the qualitative comments provided by respondents;

"Most authorities expect to obtain the funding whether or not they have achieved the targets. This makes a mockery of incentive rewards." (Appendix J, Local Authority Officers, Quote 10)

"The fact that every council got the money regardless of performance tended to make a mockery of the process. What has been achieved for all the extra time and effort?" (Appendix I, Elected Members, Quote 10)

Again, not all of the respondents were aware of the method of distribution of PIG, but those who were appeared to be split equally between the negatives and 'undecideds' (cumulative responses of 50%) and those who responded positively. In this case, it was the local authority officer group which was the most negative with 52% of this group being negative or undecided. It was in respect of PIG that local authority officers made the most qualitative comments, for example;

"Funding needs to be sustainable to be of value not a moveable feast of here today and gone tomorrow. It is difficult to recruit to permanent established posts and nigh on impossible to get good standard recruits to temporary fixed term posts."

"In respect of PIG - better used as part of general LA funding whilst still retaining Policy Agreements for key areas. There is no need for the financial stick or carrot if we are to establish true partnership between the Assembly and LAs." (Appendix J, Local Authority Officers, Quotes 16 and 18)

#### **CSFR07 - The marginal valance of money as a motivator.**

Expectancy Theory suggests that for financial incentives to be effective, recipients must perceive them to have a high marginal valance. In terms of **Question 64**, respondents felt marginally positive that the funding was significant. However, this hides a wide variation around the mean with a large standard deviation of 2.18.

Examining the responses by group provides some insight. The elected member group was extremely negative in its responses with a mode of 1 and 60% of respondents scoring this question 3 or less.

However, local authority officers took a completely opposite perspective with a mode of 6 and only 32.2% of respondents scoring this question 3 or less. The National Assembly/Welsh Assembly Government group was more 'middle of the road' in its response with a mode of 5. The variation between the elected members and the local authority officers was significant at the 0.01 level. This builds further evidence as to the emerging confusion over the role of Performance Incentive Grant (PIG).

#### **CSFA01- Emphasis on 'coaching' rather than 'policing'.**

**Question 86** relates to the importance of emphasis in the review stage being upon coaching as opposed to policing. Respondents were undecided to slightly positive as to their perception of the existence of this CSF. It may have been too early in the process for respondents to form a view on this issue and so the interview data was used to provide additional evidence in this regard.

#### **CSFA03 - Avoid conflict between discussions on improving performance and gaining the promised reward.**

**Question 85** approaches this from a negative perspective by seeking the views of respondents as to whether the main focus of discussions has been PIG. Respondents were slightly negative. This suggests that discussions have been more holistic performance reviews as opposed to a pure focus on PIG. However, the same issue as above applies and so this will be further explored in Chapter 7.



## **Research Question 1**

### **Objectives of Policy Agreements (Table 6.3 and Appendix M)**

**Question 88** seeks views on whether one of the objectives of Policy Agreements was to focus on local authority results and outcomes as opposed to inputs. Respondents agreed with this statement (median and mode=6, mean=5.48). This is borne out by the frequencies with only 11.1% of respondents answering negatively or undecided.

**Question 94** seeks views as to whether one of the objectives of Policy Agreements was to create a culture of self-improvement. Responses are positive (mode and median=6, mean=5.39). However, there is a slightly higher standard deviation, and a greater percentage of respondents (18%) were negative or undecided.

**Question 96** sought views on whether one of the objectives of Policy Agreements was to demonstrate there was no requirement for externally driven improvement by means of audit and inspection. Respondents did not agree with this statement. There were multiple modes, but the lowest was 2 and the median and mean were around 3. However, a significant percentage of respondents (30.1%) did agree with the statement. This might indicate a feeling that a complete elimination of audit and inspection is neither practicable nor desirable, but that Policy Agreements might help to support a reduction in this area.

The impact of Policy Agreements in relation to achieving or otherwise these objectives will be explored in Chapter 7.

## RESEARCH QUESTION 2

**RQ<sub>2</sub>** Have Policy Agreements helped to change culture in the Welsh Assembly Government? A change of culture in the Welsh Assembly Government is defined as demonstration of the Assembly Government focusing on results and outcomes rather than inputs, i.e. greater discretion for local authorities to determine where to deploy resources, fewer requirements for local authorities to produce strategies and plans.

The following table provides a question by question analysis of research question 2, critical success factors and the objectives of Policy Agreements, on the basis of the percentage of respondents agreeing with the question.

**TABLE 6.4: RESEARCH QUESTION 2 - PERCENTAGE OF RESPONDENTS BY GROUP AGREEING WITH QUESTION**

Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
The Policy Agreement funding could have been used in other ways to help build capacity for improvement in local authorities.	18	CSFO 05*	There must be commitment to the process.	79.2	52.9	38.9	60.1	0.000	EMs to LAOS
Policy Agreements have added value to the relationship between local authorities and the National Assembly.	13	CSFO 06*	The Agreement must be seen as mutual and not imposed, as if the scheme is perceived as being about control it may not be adding any value at all to the relationship.	63.8	52.1	77.3	59.1	0.276	
The processes involved in developing Policy Agreements are as important as the funding.	14	CSFO 06*		75.9	76.8	65.2	78	0.757	
There is a clear link between Assembly policy as articulated through Policy Agreements and other aspects of Assembly policy in respect of local government.	17	CSFO 08	The performance management scheme must sit within a coherent framework of performance management policies.	45.6	39.6	61.2	44	0.12	
The National Assembly has integrated Policy Agreements with the other local authority performance initiatives.	5	CSFO 08		71.5	48.9	73.3	57.8	0.033	

Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
The National Assembly has integrated Policy Agreements with other local authority finance policies.	6	CSFO 08		77.5	33.9	53	48.9	0.000	EMs to LAOs
There is no conflict between any of the indicators.	29	CSFS 08	The need for there to be no conflict between the objectives in the Agreement and any other organisational objectives.	28.3	52.8	29.4	42.1	0.2	
There is no conflict between working towards the Policy Agreement targets and achieving other strategic service priorities.	30	CSFS 08		32.2	47.9	36.9	41.4	0.188	
Focusing on specific service areas in this way has created a focus on these areas at the expense of others.	31	CSFS 08		64.3	61.3	44.5	60.5	0.329	
This authority must work with other organisations to achieve some of the targets.	45	CSFM 01*	The Agreement is based on outcomes with actions being self-determined.	93.1	91.6	95.5	92.6	0.961	
This authority has the freedom to determine how to achieve improvements in its own performance.	46	CSFM 01*		63.3	74.5	85.6	72	0.86	
Local authorities have been able to determine how to achieve the targets.	59	CSFF 02*	Only the outcome should be specified and not the means of achieving it.	71.9	85	81	80.2	0.099	
The Assembly has not been punitive when monitoring performance.	55	CSFF 03	Evaluation of performance should be free from social pressures.	58.3	76	81.3	70.5	0.005	No Scheffe sig
I have read the evaluation protocol.	70	CSFR 03*	The perceived 'fairness' of the system is crucial to success.	28.3	20.9	10.5	22.1	0.278	
The evaluation protocol is 'fair'.	71	CSFR 03*		52.6	79	100	68.3	0.139	
The nature of the evaluation protocol supports the concept of relating funding to performance.	72	CSFR 03*		63.2	66.6	50	64.4	0.935	
I am aware of the agreed distribution method for the funding attached to Policy Agreements.	78	CSFR 03*		60	47.9	42.1	51.2	0.271	

				%	%	%	%		
Question Narrative	Q	CSF	CSF Explanation	EMs	LAOs	NAW	Total	ANOVA Sig.	Scheffe Sig.
The distribution method for Performance Incentive Grant (PIG) is 'fair'.	79	CSFR 03*		48.6	48	71.5	50	0.078	
The promised funding will 'materialise'.	75	CSFR 04	The promised rewards must materialise or else the system will be self-defeating in terms that it will demotivate not motivate.	50.9	61.2	62.6	57.8	0.381	
Local authorities will 'expect' this funding in the future regardless of performance.	76	CSFR 04		52.9	63.3	60	54	0.275	
The role of the Assembly during review sessions has been to help local authorities constructively improve performance.	86	CSFA 01*	Emphasis on 'coaching' and not 'policing'.	51	46.1	58.8	49.6	0.547	
Most of the discussion during the review sessions has focused on Performance Improvement Grant.	85	CSFA 03*	Avoid conflict between discussions on improving performance and gaining the promised reward	59.6	43.3	25	48.2	0.077	
One of the objectives of Policy Agreements is to provide discretion for local authorities to determine where to deploy their resources.	89	2		67.8	56.5	81	63.5	0.35	
One of the objectives of Policy Agreements is to minimise the requirements on local authorities to produce strategies and plans.	90	2		36.7	30	70	37.1	0.008	NAW and LAOs

## Key

Significance tested at the 0.01 level for both ANOVA and post hoc Scheffe

EMs = Elected Members

LAOs= Local Authority officers

NAW= the National Assembly group (AMs and officers)

Q= Question number as per questionnaire

CSF= Critical Success Factor

%= Percentage of respondents in agreement with the statement

The following sections contain an analysis by critical success factor (CSF) of the data contained in **Table 6.4** and **Appendix N**. (A number of the critical success factors relating to this research question are common to research question one (marked above with\*) the previous analysis is not repeated.)

**CSFO08 - The performance management scheme must sit within a coherent framework of performance management policies.**

**Question 17** translates this requirement into the necessity for a clear link between Policy Agreements and other aspects of Assembly policy relating to local government. 56% of respondents were either undecided or felt negatively about this relationship and, there is a considerable spread of responses around the mean. This suggests some dissonance between Policy Agreements and the overall context of local government policy. Comments reflected this result, for example:

“There needs to be a better understanding of the role of PAs vis a vis other ‘tools’ of the WAG in driving up performance in key areas of mutual concern.” (Appendix J, Local Authority Officers, Quote 3)

“There are too many specific grants and controls which creates the perception that NAW officials and (some) AMs do not trust local government.” (Appendix I, Elected Members, Quote 10)

**Questions 5 and 6** seek to establish links between the Policy Agreement process and other performance and finance initiatives. Total responses to Question 5 were marginally positive or undecided. The respondents were less positive and more undecided in respect of Question 6 and the relationship with other aspects of local government finance policy (mean and median=4), but once again the mode was 5 with the highest percentage of respondents (31.4%) rating this question 5. When the responses are considered by respondent group, it is the elected members who seem to be

the most positive with mean, median and modal scores of 5. The local authority officers were more negative: these differences were statistically significant in the case of Q6. This may suggest an implementation issue as elected members may have perceived a 'theoretical' integration at a policy level which officers were finding difficult to operationalise at an implementation level. This will be further explored in Chapter 7.

**CSFS08 - The need for there to be no conflict between the objectives in the Agreement and any other organisational objectives.**

Responses to **Q29** suggest that respondents perceived conflict to be present between the indicators. There was a spread of responses across the scores and a significant proportion (58%) responded negatively or were undecided. The elected member group was more negative about this question (mean, median and mode= 3) while the local authority officers were more positive (median and mode=5). The National Assembly group was undecided.

Total responses to **Q30** were more negative with a mode of 3. However, a significant percentage of respondents (21.9%) answered this question with a score of 5 resulting in two peaks. Examination by group indicates that the elected members had a mean, median and a mode of 3 suggesting that a conflict was strongly perceived by this group.

Finally in this basket, responses to **Q31** (phrased negatively) suggest that respondents agreed with the statement with a mean, median and mode of 5. This suggests some possible negative impacts on performance in areas not included in the Policy Agreement process. This provides some evidence to

support the issues identified from the literature reviews in Chapters 2, 3 and 4 relating to goal displacement and loss of line of sight to the 'big picture'.

"We should still drive for continuous improvement but the PI and PA regime is a blunt instrument for achieving improvement." (Appendix J, Local Authority Officers, Quote 2)

These issues will be further explored in Chapter 8 which considers performance against those indicators not included in Policy Agreements against those which were.

**CSFF03 - Evaluation of performance should be free from social pressures.**

**Question 55** explores this from the perspective of whether or not the Assembly Government has been punitive when considering performance against targets (negative question). Total responses suggest that there was agreement with this statement (mean, median and mode=5). 70.5% of respondents agreed, but the ANOVA test suggested there might be a difference in opinion between the respondent groups. However, the post-hoc Scheffe test indicated that this difference was not statistically significant.

**CSFR04 - The promised rewards must materialise or else the system will be self-defeating in terms that it will de-motivate not motivate.**

**Question Q75** responses suggest a positive to undecided response.

**Question 76** seeks views as to whether local authorities expect the funding regardless of performance. This is an important factor, as Expectancy Theory suggests there should be a strong and clear link between performance and rewards. Chapter 4 identified that in many systems the reward was expected regardless of performance and has become 'normalised' into an individual's

pay. The responses to this question suggest that respondents expected the funding to be made available, regardless of performance, with the largest number of respondents scoring 5 in respect of this question. However, in their qualitative comments a number of respondents indicated that this undermined the 'rewards' process.

"There is considerable scepticism about the funding linked to PAs in local government. The message coming from the Assembly is that councils will receive the funding whether or not they achieve their targets." (Appendix I, Elected Members, Quote 19)

The rhetoric around PIG may therefore have served to reinforce this aspect of financial incentives identified in Chapter 4 and undermined any potentially positive motivational impact. This will be further explored in Chapter 7.

## **Research Question 2**

### **Objectives of Policy Agreements (Table 6.4 and Appendix N)**

**Questions 89 and 90** seek respondents' views on whether objectives of the Policy Agreement process are to provide discretion for local authorities to determine where to deploy their resources and to minimise the requirement for local authorities to produce strategies and plans.

Total responses to Q89 are positive, with 63.5% responding positively. Responses to Question 90 are juxtaposed to this, with the majority of respondents answering negatively (56% answering 3 or below). It is worth noting that a significant number of respondents (24 and 29) scored this question as 5 and 6 respectively indicating some disagreement among respondents about this objective. However, comments in Appendices I and J indicate a perception amongst local authority respondents that Policy



Agreements are a further tool of top-down control from the Welsh Assembly Government.

“Policy Agreements tend, in my opinion, to reflect the views of the Assembly and not those of the local authority who may have other priorities. Assembly holding the purse strings can therefore influence decision making.” (Appendix I, Elected Members, Quote 5)

It is the National Assembly group which is more positive in respect of this objective than the other groups with a median and a mode of 5. The other groups both scored this question in such a way as to result in a mean and median of 3 and a mode of 1 (multiple modes existed for the local authority officer group - this is the lowest). Further analysis indicated that the difference in the opinion of the NAW group and the local authority officer group was statistically significant. Whether these objectives were met, partially met or not met will be explored further in Chapter 7 using the interview data.

### **RESEARCH QUESTION 3**

**RQ<sub>3</sub>** Has the Policy Agreement process ‘added value’ to the relationship between the Welsh Assembly Government and local authorities? ‘Added value’ is defined as a greater understanding between the parties and more effective communication.

The following table provides a question by question analysis of ‘sub’ research question 3, critical success factors and objectives of the Policy Agreement process, on the basis of the percentage of respondents agreeing with the question.

**TABLE 6.5: RESEARCH QUESTION 3 - PERCENTAGE OF RESPONDENTS BY GROUP AGREEING WITH QUESTION**

Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
My authority has made public its Policy Agreement. (e.g. on internet, local newsletter etc.)	7	CSFO 02	Awareness of stakeholders of the system (in this case defined as including members of the public).	86.5	58.9	100	75	0.000	EMs and LAOs
My authority has plans to publish the results of the Policy Agreement in 2004. (e.g. on internet, local newsletter etc.)	8	CSFO 02		87	72.7	100	82.2	0.005	LAOs and NAW
I am aware that the Assembly has made commitments in the Agreements to review plans and remove other impediments to continuous improvement of local authority services.	9	CSFO 03	Effective communication throughout the process.	75.9	73.6	69.6	73.8	0.845	
I am aware of Assembly progress towards meeting these commitments.	10	CSFO 03		59	40.6	58.8	48.8	0.115	
The nature of the funding in the Agreements reflects a mature relationship between local authorities and the National Assembly.	11	CSFO 04	There must be a relationship of trust.	44.6	50.6	59.1	49.7	0.969	
There is a high level of trust between local authorities and the National Assembly.	12	CSFO 04		43.3	45.2	34.8	43.2	0.961	
I was involved in discussions in respect of setting baselines and targets which relate to me.	34	CSFS 04	The need for effective communication.	59.3	65.2	50	61.5	0.468	
There was effective communication between authorities and the Assembly during the period when the baselines and targets were set.	35	CSFS 04		46.9	47.4	57.1	48.2	0.745	
The purpose of Policy Agreements was clearly communicated to me.	36	CSFS 04		58.3	80	73.4	71.7	0.003	EMs and LAOs
Policy Agreements are a way for local authorities and the Assembly to work together to improve services.	58	CSFF 01	There needs to be supportive management of the scheme.	66.6	78.7	95.4	76.7	0.193	

				%	%	%	%		
<b>Question Narrative</b>	<b>Q</b>	<b>CSF</b>	<b>CSF Explanation</b>	<b>EMs</b>	<b>LAOs</b>	<b>NAW</b>	<b>Total</b>	<b>ANOVA Sig.</b>	<b>Scheffe Sig.</b>
The main role of the Assembly, in the context of Policy Agreements, is not to determine the level of financial reward to be paid in 2004.	60	CSFF 01		46.1	51.4	56.3	49.9	0.383	
I am satisfied with the feedback process with my officials in respect of tracking progress towards achieving the Policy Agreement targets.	51	CSFF 05	Trust plays an important part in the effective implementation and operation of the systems, especially if there is subjectivity involved in determining whether or not targets have been achieved- the more complex the system the more likely there is to be a lack of trust.	71.7	71.2	45.5	69.4	0.698	
I am content with the feedback process with other politicians in respect of tracking progress towards achieving the targets.	52	CSFF 05		66.1	55.4	30.8	57.4	0.151	
I am content with the feedback process with representatives from the National Assembly in respect of tracking progress towards achieving the targets.	53	CSFF 05		40.7	45.7	35.6	42.9	0.717	
The process of appraising performance against targets in the context of Policy Agreements is too bureaucratic.	56	CSFF 05		70.7	41.2	20	50	0.001	EMs and LAOs
There has been effective communication of feedback between the Assembly and local authorities.	61	CSFF 07	The need for effective communication.	46.2	47.3	44.5	46.6	0.887	
The Policy Agreement process has been handled in a positive way by local authorities.	80	CSFR 08	Schemes must be managed in a positive way otherwise they become expensive and ineffective.	76.4	80.3	15.8	77.6	0.576	
The Policy Agreement process has been handled in a positive way by the Assembly.	81	CSFR 08		62.9	75.6	50	72	0.307	

				%	%	%	%		
Question Narrative	Q	CSF	CSF Explanation	EMs	LAOs	NAW	Total	ANOVA Sig.	Scheffe Sig.
There has been effective communication between the Assembly and local authorities at the review stage.	87	CSFA 02	There must be good communication.	54.9	49.1	53.4	51.9	0.957	
One of the objectives of Policy Agreements is to improve the relationship between local authorities and the National Assembly for Wales.	92	3		59.1	62.9	90.5	64.9	0.031	

## Key

Significance tested at the 0.01 level for both ANOVA and post hoc Scheffe

EMs = Elected Members

LAOs= Local Authority officers

NAW= the National Assembly group (AMs and officers)

Q= Question number as per questionnaire

CSF= Critical Success Factor

%= Percentage of respondents in agreement with the statement

The following sections contain an analysis by critical success factor (CSF) of the data contained in **Table 6.5** and **Appendix O**.

**CSFO02 - Awareness of stakeholders of the system (in this case defined as including members of the public).**

**Questions 7 and 8** were on a 'Yes' or 'No' basis as opposed to a scale and established the extent to which Policy Agreement information was, or intended to be, in the public domain. This relates to the issue of public confidence in the system, identified as a potential issue in Chapter 2 where performance regimes including targets can become discredited.

Total responses to both questions were positive (75% and 82.2% respectively). This suggests that respondents felt awareness of the system by

stakeholders was important. However, there were some statistically significant differences between the groups (Elected members and local authority officers for Q7 and local authority officers and NAW for Q8), but these difference relate to one group being more positive than another, not a difference in perception between groups.

### **CSFO03 - Effective communication throughout the process.**

**Questions 9 and 10** were again based on a simple 'Yes' or 'No'. The majority of respondents (73.8%) were aware that the Assembly had made commitments as part of its 'side of the bargain' (i.e. to review plan making requirements), but were more vague, with a significant number of blank returns, when it came to knowing what progress had been made towards meeting these commitments (48.8%). This suggests that effective communication in this area was lacking. It is also consistent with the responses to Q90, suggesting that poor communication of the commitment may be the reason for the negative responses identified above. One respondent commented in Appendix J that there had been no communication since the signing of the Agreement two years previously.

### **CSFO04 - There must be a relationship of trust.**

Responses to **Questions 11 and 12** are in reverse to the mainly positive trend to earlier questions. The analysis indicates that the majority of respondents (50.3%) were either undecided or disagreed with the premise that there is a mature relationship of trust between the Welsh Assembly Government and local authorities (although the mode for question 11 is 5).

The results for Q12 are slightly more negative with only 43.2% of total respondents agreeing with the statement, however, the mode is again 5. Appendices I to L also indicate an underlying perception of a lack of trust.

“The Policy Agreement regime is fundamentally at odds with a local authority’s wish to determine its own priorities and be accountable to the public through the ballot box. The proliferation of specific WAG grants and performance rewards conflicts with that basic aim.” (Appendix J, Local Authority Officers, Quote 40)

This is at odds with the evidence from Chapter 2 which suggested a more ‘trusting’ and consensual relationship existed in Wales. These responses may indicate that whilst this may be evident at the national level, i.e. WLGA and Assembly Government, it does not seem to have permeated to all facets of the local level. This will be further explored in Chapter 7.

#### **CSFS04 - The need for effective communication.**

Total responses to **Q34** suggest the majority of respondents were involved (61.5%). However, when this is broken down by respondent group some interesting differences emerge. For the local authority officer group and elected member groups, the mode response to this question were 7 and 6 respectively as opposed to the Assembly group where the mode was 1.

Responses to **Questions 35** and **36** suggest that respondents were split as to whether effective communication took place when the targets and baselines were set (with 51.8% replying negatively or undecided). However, only 28.3% were undecided or responded negatively to Q36 about the purpose of Policy Agreements being clearly communicated. This suggests that communication at the very beginning of the process of setting objectives might have been

more effective than throughout the remainder of this stage in the performance management process. This may also partially explain the apparent confusion over the role of funding, as Chapter 3 identified that its inclusion and the basis of its operation changed at late stages in the development process. The ANOVA and post-hoc Scheffe tests indicate there is a statistically significant difference between elected members and local authority officers in respect of Q36. In this case both groups have responded positively with officers being more positive than members.

**CSFF01 - There needs to be supportive management of the scheme.**

**Questions 58 and 60** relate to managing the potential tension between policing the system and using it to support improvement. Responses to Q58 suggest that 76.7% of total respondents were in agreement with the statement. Respondents were less positive in their responses to Q60 with only 49.9% of total respondents agreeing with the statement, again perhaps suggesting some confusion as to the role of funding in the process and underlying tension in the relationship. This issue will be further explored in Chapter 7.

**CSFF05 - Trust plays an important part in the effective implementation and operation of the system, especially if there is subjectivity involved in determining whether or not targets have been achieved - the more complex the system the more likely that there is a lack of trust.**

Responses to both **Qs 51 and 52** were positive with only 30.6% of respondents replying negatively or being undecided in respect of Question 51 and 42.6% responding in the same way to Question 52. Whilst respondents seemed content with processes within authorities, there seemed to be a lower level of satisfaction in respect of feedback processes with the Assembly. The

mean and the median were lower for **Q53** but the mode was 5. However, only 42.9% of respondents were positive about this matter. The National Assembly/Welsh Assembly Government group was the most negative in its responses (mode=3). This perhaps echoes the earlier comments about lack of communication with Assembly officials or the timing of response in that it may have been too early for much communication to have taken place. This will be further explored in Chapter 7.

**Q56** asked respondents to consider whether the process was too bureaucratic. The median and the mean for this question are around 4 while the mode is 3. The frequency distribution suggests that respondents were split on this issue with 50% answering positively. Analysis by respondent group indicates some disagreement, with the elected members being particularly negative (mode=7) (this is a reverse question), again echoing earlier comments, while the local authority officers were undecided (mode=4). On the other hand, the National Assembly/Welsh Assembly Government group seemed to disagree (mode=3). The difference between elected members and local authority officers was statistically significant. The strength of feeling amongst local authority respondents, in particular elected members is borne out by the qualitative comments in Appendix I. The feelings of bureaucracy may also be reflective of the 'lack of trust' issues identified by responses to Questions 11 and 12. These issues will be further explored in Chapter 7.



**CSFF07- The need for effective communication (feedback stage).**

**Question 61** is consistent with earlier results; the majority (53.4%) of respondents were negative or undecided. Again it may have been too early in the process for respondents to have formed a view and so this issue is further explored in Chapter 7.

**CSFR08 - Schemes must be managed in a positive way otherwise they become expensive and ineffective.**

Responses to **Q80** suggest that respondents felt the process had been handled positively by local authorities (mean, median and mode=5). The frequency distribution for all respondents shows only 22.4% of respondents answering negatively or being undecided. The responses to **Q81** are also positive (mean, median and mode=5) and the frequency distribution illustrates that only 28% of respondents answered this question negatively or were undecided. These results suggest that the respondents perceive the process has been handled positively by both local authorities and the Assembly Government, despite concerns relating to communication, trust, funding and overall purpose – it is almost as if perceptions relate to ‘making the most of a bad job’.

**CSFA02 - There must be good communication.**

The mean for **Q87** was 4.33, but both the median and the mode were 5, and the frequency distribution suggests respondents were marginally positive with 51.9% answering positively. Again it may have been too early in the process for respondents to have formed a view on this issue, but this is consistent with

the positivity identified above. The detail of these relationships and discussions will be considered in Chapter 7.

### Research Question 3

#### Objectives of Policy Agreements (Table 6.5 and Appendix O)

**Question 92** asked respondents whether one of the objectives of the Policy Agreement process was to improve the relationship between the Assembly and local authorities. Responses were positive with a mean of 4.73 and a median and a mode of 5. Chapter 7 will explore whether this objective was met, partially met or not met by analysis of the interview data.

### RESEARCH QUESTION 4

**RQ<sub>4</sub>** Have Policy Agreements contributed to 'cohesive' strategic planning at national and local levels? 'Cohesive' strategic planning is defined as 'joined-up' strategic planning between local authorities and the Welsh Assembly Government based on shared and agreed priorities.

The following table provides a question by question analysis of 'sub' research question 4, critical success factors and the objectives of Policy Agreements, on the basis of the percentage of respondents agreeing with the question.

**TABLE 6.6: RESEARCH QUESTION 4 - PERCENTAGE OF RESPONDENTS BY GROUP AGREEING WITH QUESTION**

Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
My authority has linked its Policy Agreement to the development of its Community Plan.	1	CSFO 01	Integration of the performance management system within a clear organisational strategic framework.	93.3	67.2	69.2	77.6	0.000	EMs and LAOs
My authority has linked its Policy Agreement to the development of its Improvement Plan.	2	CSFO 01		96.5	86.3	75	88.9	0.001	No Scheffe sig

Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
My authority has linked its Policy Agreement to the development of its own strategic plan.	3	CSFO 01		92.8	77.4	93.8	84.7	0.001	EMs and LAOs
My authority has linked its Policy Agreement to the development of its budget strategy.	4	CSFO 01		91.1	69.4	73.3	77.3	0.001	EMs and LAOs
The indicators are specific enough to make it clear what is to be aimed for.	24	CSFS 01	Setting a few clear objectives which are free from 'noise'.	67.3	60.4	65	63.2	0.576	
The achievement of the targets can be influenced by factors outside the control of this authority.	25	CSFS 01		91.4	86.5	85.7	88.1	0.232	
The numbers of indicators are about right.	28	CSFS 01		44.6	62.7	61.1	56.5	0.044	
The targets are demanding but achievable.	26	CSFS 02	The need for targets to be demanding but achievable	76.2	76.6	58.8	74.6	0.352	
The agreed targets serve to motivate rather than demotivate.	27	CSFS 02		67.2	60.8	77.2	64.9	0.524	
The objectives in the Policy Agreements have been framed within a clear overall strategic vision for Wales.	20	CSFS 03	The need for a clear organisational strategic framework.	51.8	58.1	47.6	54.7	0.786	
There is a clear link between the chosen indicators in the Agreement and my authority's own strategic plan.	21	CSFS 03		71.5	65.5	56.3	66.7	0.18	
The Agreements have created a link between local and national goals.	22	CSFS 03		66.8	72.1	85.8	71.9	0.535	
Local authorities played a significant part in determining the services and targets to be included in the Agreements.	37	CSFS 05	The need for mutual agreed objectives.	45.4	61.1	56.3	54.8	0.683	
The Agreements have been mutually agreed between local authorities and the National Assembly.	38	CSFS 05		50.9	74.4	84.2	67.7	0.005	No Scheffe sig
The Agreements reflect the right balance between local and national goals.	23	CSFS 05		51.7	34.5	47.4	41.7	0.193	
Managers would have been more motivated by non-financial incentives and rewards in the Agreements such as greater autonomy etc.	73	CSFR 06	Must recognise that different motivators may be more effective at different times.	58.2	40.2	21.1	44	0.044	

				%	%	%	%		
Question Narrative	Q	CSF	CSF Explanation	EMs	LAOs	NAW	Total	ANOVA Sig.	Scheffe Sig.
Authorities should be able to choose a 'reward package' if Policy Agreements enter a second phase.	74	CSFR 06		70.6	75.8	47.6	70.5	0.005	EMs and NAW
One of the objectives of Policy Agreements is to generate greater coherence between local and national priorities.	91	4		68.9	77.1	63.6	76.1	0.048	

## Key

Significance tested at the 0.01 level for both ANOVA and post hoc Scheffe

EMs = Elected Members

LAOs= Local Authority officers

NAW= the National Assembly group (AMs and officers)

Q= Question number as per questionnaire

CSF= Critical Success Factor

%= Percentage of respondents in agreement with the statement

The following sections contain an analysis by critical success factor (CSF) of the data contained in **Table 6.6** and **Appendix P**.

### **CSFO01 - Integration of the performance management system within a clear organisational strategic framework.**

Respondents were positive about **Q1** (mean, median and mode=5). The frequency table supports this with only 22.4% of respondents answering negatively or being undecided. The ANOVA and post hoc Scheffe test indicates there is a statistically significant difference between the responses of elected members and local authority officers, with members being more positive than their officers.

Responses to **Q2** were also positive with a mean of 5.76 and a median and mode of 6. The frequency distribution supports this with only 11.1% of

respondents answering negatively or being undecided. **Q3** sought views on the level of integration with the authority's own strategic plan. Responses to this question were again very positive with a mean of 5.59 and a median and mode of 6, only 15.3% of respondents responding negatively or being undecided. Once again, the elected member group was more positive in its responses than the officer group with a mean and a median of 6 and a mode of 7. This difference was statistically significant between the elected members and their officers.

Finally, **Q4** asked respondents to consider the level of integration with the authority's budget strategy. Responses were again positive with a mean of 5.26 and a median and mode of 6. The frequency table supports this with only 22.7% of respondents answering negatively or being undecided. There was a statistically significant difference between local authority members and officers with the former being more positive. This set of results contrasts to responses relating to integration with local government policy, although as previously noted elected members were more positive about this. These responses suggest that local authorities were trying to integrate systems locally despite perceiving the national system as lacking coherence. It may also reflect a level of optimism at earlier stages in the process which evidence from Chapter 7 suggests was not played out in practice.

**CSFS01 - Setting a few clear objectives which are free from 'noise', where 'noise free' relates to objectives which cannot be influenced by external factors.**

**Q24** asks whether the indicators are specific enough to be clear and whilst the mean to this question is 4.61, the median and mode are both 5. The analysis

indicates that the majority of respondents felt that this was the case with 63.2% responding positively. **Q25** (negative phrasing) had a mean of 5.9 and the median and mode were 6 and 7 respectively. The frequencies indicate that 88.1% of respondents agreed with this statement. This suggests respondents perceived considerable 'noise' in the system and supports evidence from RQs 1 and 2 (Q45).

However, this is contradictory to evidence in Chapter 7 which suggests that authorities deliberately did not involve their partners in the delivery of the targets in practice. These responses therefore may reflect a perception, rather than a reality. The rhetoric of the Agreements was about working with others but, the reality seems to have been that the focus was on achieving the targets (and by implication keeping and not sharing the funding) and nothing else. This supports evidence from Chapters 2 and 3 that these kinds of agreements may undermine partnership working.

For **Q28** the mean was 4.57 and the median and mode were 5 and 6 respectively, suggesting that there was a slight positive skew to the responses in this case, with 56.5% answering positively to the numbers of indicators being about right.

#### **CSFS02 - The need for targets to be demanding but achievable.**

The mean for **Q26** was 4.57 but the median and mode were 5 and 6 respectively. Only 25.4% of total respondents scored this question negatively or were undecided. **Q27** invited respondents to agree or disagree with the

statement that the agreed targets motivate rather than demotivate. The mean was 4.68 and both the median and mode were 5. The frequency distribution suggests that total respondents were overall positive with only 35.1% responding negatively or being undecided.

### **CSFS03 - The need for a clear organisational framework.**

**Q20** asked whether Policy Agreement objectives had been clearly framed within an overall strategic vision for Wales. The mean for this question was 4.37 with a median and mode of 5. The result indicates that total respondents were still positive but not to the same level as the previous set of questions relating to local integration with 45.3% of respondents answering negatively or being undecided. This was reflected in interview evidence analysed in Chapter 7; national interviewees felt this was the case while local interviewees were less positive.

**Q21** sought views as to whether a clear link exists between the Policy Agreement indicators and the authority's strategic plan. The mean for this question was 4.72 with the median and mode again being 5. Responses were slightly more positive than for the previous question with only 33.3% of respondents answering negatively or being undecided. Finally, **Q22** asked respondents to consider whether there was a clear link between local and national goals. The mean for this question was 4.92 with the median and mode again being 5. Only 28.1% of total respondents answered negatively or were undecided about the link. This, however, is at odds with some of the comments in Appendices I and J, perhaps suggesting agreement with the

principle but a failure of operationalisation. The responses to the next basket of questions support this.

“Policy Agreements tend, in my opinion to reflect the views of the Assembly and not those of the local authority who may have other priorities. Assembly holding the purse strings can therefore influence decision making.” (Appendix I, Elected Members, Quote 5)

### **CSFS05 - The need for mutually agreed objectives.**

**Q37** sought the views of respondents as to whether local authorities had played a significant part in determining the services and targets to be included in the Agreements. The mean for this question was 4.42 while the median was 5 and the mode 6 (with 26.4% of respondents scoring 6). However, the frequencies show that 45.2% of total respondents answered this question negatively or were undecided. Again this perhaps reflects that whilst nationally the Agreements were co-designed (see Chapter 3), this did not filter down to a local level resulting in a feeling of disenfranchisement. This is supported by the interview data in Chapter 7.

**Q38** seeks views as to whether the Agreements were mutual between local authorities and the Assembly. The mean for this question was 4.89 with a median and mode of 5. The frequencies suggest a positive attitude among total respondents with only 32.3% of respondents answering negatively or being undecided. Therefore, whilst respondents felt less positive about the design being mutual, they felt more involved in the process of setting and negotiating the targets. This is also supported by the interview data in Chapter 7.



**Q23** asked respondents to consider whether the Agreements reflected the right balance between local and national goals. The mean for this question was 4.08 with a median of 4 and a mode of 5. However, the frequencies for this question indicate that the majority of total respondents felt negatively or were undecided that this was the case. Whilst 5 was the mode with 23.5% of total respondents scoring 5, the next most popular responses were 3 and 4 with 21.8% scoring them. This perhaps reflects earlier concerns that the Agreements tended to be 'top-down'. So whilst there seems to have been a perception of mutuality surrounding the operationalisation of the process as a whole, the content and design seem to be perceived as less mutual by local authorities.

**CSFR06 - Must recognise that different motivators may be more effective at different times.**

The mean for **Q73** was 4.11 with a median of 4 and mode of 5. The results for this question (total responses) suggest that whilst the mode was 5 the majority of respondents (56%) were either undecided or felt that this was not the case. This highlights the possible perceived importance of money as a potential motivator but, is at odds with earlier responses indicating that the funding would have been better deployed elsewhere and the lack of clear links being perceived between effort and performance and performance and rewards. This may reflect the position of this question in the questionnaire. Earlier questions related to the overall process while this question was located in the rewards linked to outcomes section.

The responses to **Q74** provide some contradictory evidence. The mean for this question is 5.13 with a median and a mode of 5. The analysis indicates that only 29.5% of total respondents were undecided or responded negatively to this question. This suggests that, given the choice, authorities might wish to receive other kinds of rewards, but perhaps not at the expense of funding. There was a statistically significant difference between the elected member and the National Assembly/Welsh Assembly Government group, of which only 47.6% was in favour of this statement.

**Research Question 4**  
**Objectives of Policy Agreements (Table 6.6 and Appendix O)**

**Question 91** sought views as to whether one of the objectives of Policy Agreements was to generate greater coherence between local and national priorities. The mean was 5.10 and both the median and mode were 5. The frequencies suggest a positive attitude amongst respondents with only 23.9% responding negatively or being undecided. The impact of Policy Agreements in this regard will be explored in Chapter 7.

**Review of Performance Impacts Data**

**RESEARCH QUESTION 5**

**RQ<sub>5</sub>** Have Policy Agreements contributed to improved service performance in local authorities? Improved service performance is defined as a shift towards meeting or exceeding the targets set out in the Policy Agreements.

The following table provides a question by question analysis of ‘sub’ research question 5, critical success factors and the objectives of Policy Agreements, on the basis of the percentage of respondents agreeing with the question.

**TABLE 6.7: RESEARCH QUESTION 5 - PERCENTAGE OF RESPONDENTS BY GROUP AGREEING WITH QUESTION**

				%	%	%	%		
Question Narrative	Q	CSF	CSF Explanation	EMs	LAOs	NAW	Total	ANOVA Sig.	Scheffe Sig.
The Policy Agreements clearly indicate to local authorities what is expected of them and what is on offer in return.	16	CSFO 09	Clear links between effort and performance and performance and rewards.	84.5	66.7	76.2	73.7	0.014	
The targets have made the link between the effort an authority makes and its performance clear.	39	CSFS 06	Need for clear links - effort and performance and performance and rewards.	45.9	42.2	55	45.1	0.257	
The targets have made the link between an authority's performance in terms of service delivery and the financial reward clear.	40	CSFS 06		66	52.6	47.6	56.6	0.153	
None of the data collected in measuring performance could be subject to manipulation.	49	CSFM 03	The data must not be capable of manipulation.	30.6	23.5	0	22.9	0.108	
There is a clear link between the effort this authority makes towards achieving the Policy Agreement targets and the performance measures in the Policy Agreement.	43	CSFM 04	The need for clear links between effort and performance and performance and rewards	69.5	56.4	61.1	61.4	0.035	
There is a clear link between local authority performance and the amount of funding received.	44	CSFM 04		60.7	42.4	31.7	47.4	0.012	
The indicators are measuring the outcome of this authority's activity, rather than that activity itself.	48	CSFM 05	The need for indicators to measure outcomes and not activity.	57.2	54.4	55	55.4	0.386	
Ease of measurement was not the prime consideration in choosing the Policy Agreement indicators.	41	CSFM 06	The need for indicators to be chosen because they are appropriate not because they are a proxy of what is easy to measure.	68.6	72.6	73.7	71.3	0.757	
The indicators used are the most suitable to measure achievement of the objectives set out in the Policy Agreements.	42	CSFM 06		50	40.7	57.9	45.9	0.025	

				%	%	%	%		
Question Narrative	Q	CSF	CSF Explanation	EMs	LAOs	NAW	Total	ANOVA Sig.	Scheffe Sig.
Some outcomes are not measured by specific indicators (e.g. working with the voluntary sector) but I am satisfied that it will be possible to measure progress against these broader themes.	50	CSFM 07	The means of assessing subjective performance measures must be agreed in advance.	58.2	44.7	41.2	49	0.369	
Other organisations which contribute to the achievement of targets are included in the appraisal process.	54	CSFF 04	The need for clear links between effort and performance and performance and rewards.	52	36.7	23.1	41.3	0.218	
The Policy Agreement process has raised expectations in terms of improved performance which can be met.	57	CSFF 04		64.4	62.9	76.2	65.1	0.142	
I know there is funding attached to the Policy Agreements.	63	CSFR 05	The need for clear links between effort and performance and performance and rewards.	88.1	100	95.5	95.4	0.003	EMs and LAOs
The attachment of funding to the Policy Agreements has motivated this authority towards achieving the targets.	65	CSFR 05		49.1	66.7	65	60.3	0.13	
There is a strong link between this authority achieving the targets and receiving the funding.	66	CSFR 05		46.5	59.4	45	51.6	0.112	
The attachment of non-ring fenced revenue funding to the Policy Agreement is appropriate.	67	CSFR 05		72	62.5	72.7	67.2	0.714	
The funding linked to these Agreements is a reward i.e. to reward performance after the event.	82	CSFR 05		58.2	67	60	68.1	0.137	
The funding linked to these Agreements is an incentive i.e. to stimulate performance.	83	CSFR 05		58.2	71.5	80	73	0.504	
One of the objectives of Policy Agreements is to improve local authority performance.	93	5		85	93.7	68.2	91.6	0.512	

## Key

Significance tested at the 0.01 level for both ANOVA and post hoc Scheffe

EMs = Elected Members

LAOs= Local Authority officers

NAW= the National Assembly group (AMs and officers)

Q= Question number as per questionnaire

CSF= Critical Success Factor

%= Percentage of respondents in agreement with the statement

The following sections contain an analysis by critical success factor (CSF) of the data contained in **Table 6.7** and **Appendix Q**.

### **CSFO09 - Clear links between effort and performance and performance and reward must exist.**

The mean response for total respondents for **Q16** is 5.12 while the median and mode are both 6. The analysis suggests that the majority of total respondents can see how this link is intended to be made in the Policy Agreement process with only 26.3% answering this question negatively or being undecided. This supports earlier evidence that there was reasonable communication at the start of the process.

### **CSFS06 - The need for clear links between effort and performance and performance and reward.**

**Question 39** seeks views as to whether there is a clear link in the targets between effort and performance while **Question 40** asks the same in respect of the link between performance and rewards. The scores for these questions are lower than in the previous section of the questionnaire relating to the overall process.

For **Q39** the mean for total responses is 3.99 while the median and mode are 4 and 5 respectively. The results identify that only 45.1% of respondents answered positively. Respondents were therefore more positive about the perceived link between performance and rewards. The mean in respect of total responses for **Q40** was 4.4 while both the median and the mode were 5. The frequencies indicate 56.6% of respondents answered positively. These results may reflect the perception of having to work with others distorting the link between effort and performance, but they conflict with those in the next section where the results are reversed. This will be further explored in Chapter 7.

**CSFM03 - The data must not be capable of manipulation.**

Only 22.9% of respondents agreed with **Q49** which was negatively phrased.

The following might provide some explanation:

- “The Policy Agreement work has fallen into disrepute as:
- Indicator sets are not well defined
  - Because of this they have become too woolly in their application
  - The incentive/disincentive of tying them to financial reward/penalty has not been fulfilled
  - Next steps have to be seen to be real and actioned.”
- (Appendix J, Local Authority Officers, Quote 4)

This provides some support for the potential negative effects of performance schemes, such as gaming, identified in Chapters 2, 3 and 4.

**CSFM04 - The need for clear links between effort and performance and performance and reward.**

The mean for **Q43** (total responses) is 4.61 while the median is 5 and mode is 6. The results here suggest that respondents do see a link between the effort

put into achieving the targets and the performance measures with only 38.6% of respondents answering this question negatively or being undecided.

However, responses to **Q44** were less positive with a mean of 3.99 and a median and a mode of 4 and 5 respectively. This indicates that the link between performance and rewards was perceived to be less clear, therefore, in Expectancy Theory terms, calling into question the motivational effect of the reward.

Interestingly, these results are more positive as to the link between effort and performance than those for similar questions in the setting objectives section of the questionnaire. Perhaps the operationalisation of the process highlights these links for those participating more than the theoretical objective setting stage. However, the reverse seems to be true of the link between performance and reward.

#### **CSFM05 - The need for indicators to measure outcomes not activity.**

The mean for **Q48** is 4.51 for total respondents with a median and mode of 5 and 6 respectively. The frequencies suggest that respondents were marginally positive with 44.6% answering negatively or being undecided.

#### **CSFM06 - The need for indicators to be chosen because they are appropriate not because they are a proxy which is easy to measure.**

The mean, median and mode for **Q41** (total responses) are all 5 suggesting that respondents felt ease of measurement was not a prime consideration.

This is supported by the analysis which suggests that only 28.7% of respondents disagreed or were undecided about this statement.

However, this was not reflected in the responses to **Q42** (mean=3.84, median=4 and mode=5). There was more disagreement with the suitability of the indicators with 54.2% of respondents disagreeing or being undecided about this issue (see earlier quote from Appendix J).

**CSFM07 - The means of assessing subjective performance measures must be agreed in advance.**

Total responses to **Q50** suggest that respondents were undecided (mean and median=4, mode=5). The frequencies indicate 51% disagreeing or being undecided. Chapter 7 identifies that this aspect of Policy Agreements was not followed through, arguably a lost opportunity for a wider improvement based dialogue which might also have included partners.

**CSFF04 - The need for clear links between effort and performance and performance and reward.**

Only 41.3% of total respondents agreed with **Q54**. So whilst there was a perception of having to work with other organisations to deliver on the targets, this was not reflected in progress discussions. This is further explored in Chapter 7.

Respondents appear to be optimistic that improved performance would be delivered (**Q57**, 65.1% agree). Evidence from Chapters 2, 3 and 4 suggests that targets need to be perceived as achievable, otherwise they may serve to



de-motivate, and this evidence suggests that there is a degree of optimism about achieving the targets.

**CSFR05 - The need for clear links between effort and performance and performance and reward.**

**Q63** was a Yes/No question to identify whether the respondent had knowledge of the funding, 95.4% of total respondents were aware. There was a statistically significant difference between elected members and local authority officers, with more awareness amongst the latter than the former, but still high awareness in both groups. The mean for **Q65** was 4.4 while the median and mode were both 5. The frequencies suggest that only 39.7% of respondents felt that the funding did not act as a motivator. However, there was a large standard deviation of 1.956. This supports earlier evidence as to the potential of money as a motivator. (CSFR07, Q64)

**Q66** followed on from the previous question and probed the perceived link amongst respondents between achieving the targets and receiving the funding (it should be noted that the questionnaire was distributed and returned prior to the distribution of PIG). The mean was 4.08 with a median and mode of 5. The frequencies suggest that, by a small margin, respondents agreed that there was a strong link with 48.4% disagreeing or being undecided. The large standard deviation of 2.13 is noted, as is the significant number of respondents who strongly disagreed with the premise that a strong link existed. This is reflected in the comments made by elected members and local authority officers in Appendices I and J. Again perhaps reflecting that in

practice as implementation unfurled, this originally perceived link was weakened.

**Q67**'s mean and the median were 5 with a mode of 6 (multiple modes existed, this is the lowest). The frequencies suggest that the majority of respondents were in agreement with the premise, with only 32.1% of respondents disagreeing with or being undecided. This is an interesting result, as despite the apparent confusion over the role of the funding, the majority of respondents felt that unhypothecated funding was 'right'. However, this question did not get underneath the skin of whether this was felt to undermine the role of funding as a potential motivator, so this will be further explored in Chapter 7.

The mean for **Q82** for total respondents was 4.69 with a median and mode of 5. The analysis suggests that only 31.9% of respondents disagreed that the funding was a reward. The mean for **Q83** is 4.93 while the median and mode are both 5. The frequencies suggest that only 27% of total respondents disagreed or were undecided that the funding was an incentive. The role of PIG will be further explored in Chapter 7.

#### **Research Question 5** **Objectives of Policy Agreements (Table 6.7 and Appendix O)**

**Question 93** sought views as to whether one of the objectives of Policy Agreements was to improve local authority performance. The mean was 5 (total respondents) with a median and mode of 6. The results suggest that total respondents felt very positively with only 8.4% disagreeing or being

undecided. The actual impact of Policy Agreements on service performance will be discussed in Chapters 7 and 8.

## RESEARCH QUESTION 6

**RQ<sub>6</sub>** Have Policy Agreements provided 'value for money'? 'Value for money' is defined as increased efficiency in service delivery outweighing the 'costs' of Policy Agreements where cost equals Performance Incentive Grant plus administration costs.

The following table provides a question by question analysis of 'sub' research question 6, critical success factors and objectives of Policy Agreements, on the basis of the percentage of respondents agreeing with the question.

**TABLE 6.8: RESEARCH QUESTION 6 - PERCENTAGE OF RESPONDENTS BY GROUP AGREEING WITH QUESTION**

Question Narrative	Q	CSF	CSF Explanation	% EMs	% LAOs	% NAW	% Total	ANOVA Sig.	Scheffe Sig.
The existence of Policy Agreements will help to demonstrate to stakeholders that local authorities are providing value for money.	15	CSFO 07	The overall cost of the system (including administration) must be perceived as proportionate to the benefits.	68.4	49.6	57.1	56.9	0.001	EMs and LAOs
The cost of collecting information to measure progress towards targets does not outweigh the benefits it provides.	47	CSFM 02	The costs involved in data collection must be reasonable	41.4	55.8	68.5	52.3	0.005	No Scheffe sig
The cost of monitoring the Policy Agreements does not outweigh the potential benefits.	62	CSFF 06	The administrative cost of the system should be minimised.	50	63.9	57.9	58	0.056	
The cost of the process, including the available funding, is in proportion to the benefits.	77	CSFR 01	The overall cost of the system.	32.7	50.7	66.7	45.9	0.046	
There has been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines.	84	CSFA 04	Important at this stage to reflect on the process as a whole not just the agreed indicators and targets.	64.9	46.3	11.8	49	0.004	EMs and NAW
One of the objectives of Policy Agreements is to provide 'top-up' funding to local authorities.	95	6		50.8	44.8	26.3	44.7	0.009	No Scheffe Sig

## Key

Significance tested at the 0.01 level for both ANOVA and post hoc Scheffe

EMs = Elected Members

LAOs= Local Authority officers

NAW= the National Assembly group (AMs and officers)

Q= Question number as per questionnaire

CSF= Critical Success Factor

%= Percentage of respondents in agreement with the statement

The following sections contain an analysis by critical success factor (CSF) of the data contained in **Table 6.8** and **Appendix R**.

**CSFO07 - The overall cost of the system (including administration) must be perceived as proportionate to the benefits.**

**Question 15** asked respondents to assess whether the Policy Agreement process would help to demonstrate value for money to stakeholders. The mean was 4.43 with median and mode of 5. The results suggest that responses were positive with 43.1% responding negatively or undecided. However, there was a statistically significant difference between the opinion of elected members and their officers with the former being positive and the latter negative. This perhaps reflected the more detailed involvement of local authority officers in the process (see Chapter 7).

**CSFM02 - The costs involved in data collection must be 'reasonable'.**

**Question 47** sought the views of respondents as to whether the costs of collecting data to assess performance did not outweigh the benefits of the Agreements. The mean was 4.41 and both the median and mode were 5.

**CSFF06 - The administrative cost of the system should be minimised.**

**Question 62** sought views as to whether the costs of monitoring the system do not outweigh the benefits. The mean was 4.62 with a median of 5 and a mode of 6. The analysis suggests that total respondents were slightly more positive about this aspect with 58% responding positively.

**CSFR01 - The overall cost of the system should not outweigh the potential benefits.**

**Question 77** looks at value for money by seeking the views of respondents as to whether the cost of the process, including the funding, is in proportion to the benefits. The mean for this question is 4.24 with a median and mode of 4. The results show only 45.9% of respondents answered positively. This distribution of responses perhaps reflects the earlier scepticism around whether the promised rewards would materialise, the significance of the funding in terms of amount, and the timing of the distribution of the questionnaire prior to the completion of the whole process. It also reflects the qualitative comments made by local authority elected members in Appendix I. So, whilst the cost of collecting data might have been perceived as 'reasonable' when funding was added to the equation, this tipped the balance of perception the other way. This may seem perverse but may reflect the value placed on the process and discussions (see Q14 and Chapter 7). It may also reflect the emerging sense of confusion as to the role and application of funding within the process.

**CSFA04 - Important at this stage to reflect on the process as a whole not just the agreed indicators and targets.**

**Question 84** asks respondents whether there has been adequate consideration of the whole process throughout. The mean is 4.21 with a median of 4 and a mode of 5. However, despite a mode of 5, the frequency distribution shows that, overall, the majority of total respondents (51%) are negative or undecided. There was a statistically significant difference between the elected member groups and the National Assembly/Welsh Assembly Government group. The former being positive in their responses and the latter negative. This perhaps reflects earlier concerns relating to communication, integration of the process with other policies and perception of design having a 'top-down' tinge. It may also reflect the timing of the distribution of the questionnaires and so this aspect will be further considered in Chapter 7.

#### **Research Question 6**

##### **Objectives of Policy Agreements (Table 6.8 and Appendix R)**

The dependent variable in this case is value for money. **Question 95** sought the views of respondents as to whether one of the objectives of Policy Agreements was to provide 'top-up' funding to local authorities. This is a negatively phrased question - agreement implies that Performance Incentive Grant is 'top-up' funding then it is not therefore directly related to improving performance standards or increasing efficiency.

The mean for this question was 4.03 with a median of 4 and a mode of 5. The frequency table suggests that the majority of respondents (55.3%) were either

undecided or responded negatively to this question, suggesting that despite concerns they felt there should be more to the process than just a vehicle to provide additional funding to local authorities. The 'actual' value for money of the process will be discussed in Chapter 7.

## **Conclusions**

This Chapter has calculated and reviewed the descriptive statistics relating to total responses to each question on the Policy Agreement questionnaire (subdivided into six research questions). It has also considered and identified statistically significant differences in the opinions between respondent groups. This initial analysis suggests that respondents have perceived many of the critical success factors, identified from the literature in Chapters 2, 3 and 4 to be present in the Policy Agreement process.

In respect of the first research question, creating a culture of self-improvement, the responses indicate that this is perceived as an objective for Policy Agreements. Aspects of this objective relating to focusing on local authority outcomes and self-improvement were strongly supported by respondents. However, the aspect relating to the removal of the requirement for inspection and regulation was not, perhaps because some external stimulus was felt to be important.

In terms of the critical success factors, the funding related to the Agreements caused some debate, but overall the process was felt to have added value to the relationship between the Assembly Government and local authorities, with

the majority agreeing that the process was as important as the funding. However, there seemed to be some emerging confusion over the role of the funding and some evidence to suggest that unhypothecated funding, allocated on 'best endeavours' might be the worst of all worlds.

Respondents also strongly supported the premise that local authorities had been able to choose how to achieve delivery of the targets in the Agreements. Some evidence presented itself in respect of the public service ethos, where a sizeable number of respondents felt that they would have worked towards achieving the targets without the attachment of funding – however, a larger number felt that the funding should have been specifically attached to the targets. A slim majority felt that the funding was significant. Overall, most respondents perceived the process as 'fair', but responses to other questions indicated a level of suspicion that Policy Agreements were bordering on a 'top-down' approach to performance management.

In terms of the second research question relating to changing culture in the Welsh Assembly Government, the respondents were concerned that Policy Agreements were not clearly articulated in the context of national local government policy, there was more positivity about local government performance policy, but less about local government finance policy.

Elected members were more positive than their officers, suggesting a 'theoretical' fit at policy level but dissonance at the implementation level. This highlights some issues about policy integration in theory versus policy



integration in practice and the need for policy makers to understand both. As respondents were having some difficulty in 'making sense' of Policy Agreements in the national context, this might explain the cautious responses to other questions relating to trust and whether the promised funding would materialise.

In terms of the objectives, there was agreement that one of the objectives of Policy Agreements was to allow local authorities discretion over the deployment of resources, but not in the case of minimising requirements in respect of the production of strategies and plans. This was despite a high awareness amongst respondents of this commitment being made (see Question 9) by the Assembly Government.

In respect of research question 3, adding value to the relationship between the Welsh Assembly Government and local authorities, there were some very positive results relating to communication of purpose, working together to improve services, and the positive handling of the process by both the Assembly Government and local authorities. This suggests that despite concerns over integration and 'top-down' design, some officers were endeavouring to 'make the most of it' and valued the process for itself. This will be further explored in Chapter 7. However, this must be set in the context of the results relating to trust which were not so positive. There are maybe two issues here - it cannot be assumed that the 'good' relationship' identified in Chapter 2 at a national level permeates to all levels of the system and, it seems possible for officers to have positive relationships and still perceive

overall that the central-local relationship lacks trust. This will be explored further in Chapter 7, in particular its relationship to any perceived disjointedness of the Welsh Assembly Government.

Results relating to communication at the feedback and review stages were less positive, suggesting that some attention should be paid to this part of the process – especially as evidence from Chapters 2, 3 and 4 suggests these could be the most sensitive and subjective stages of the process. This may also reflect the timing of the questionnaire and will be further explored in Chapter 7. There was agreement that one of the objectives of Policy Agreements was to improve the central-local relationship.

The results for research question 4, 'joining-up' between the Assembly Government and local authorities showed some positive results in respect of local joining-up with issues such as the community plan, but not such positive results in terms of being framed in a clear strategic vision for Wales. The former results are at odds with interview data (see Chapter 7) suggesting perhaps an optimism that this would be achieved which was not borne out in practice.

However, there was strong support for the premise that Policy Agreements had created a link between local and national goals and that they had been mutually agreed. But despite this there was concern that the Agreements did not reflect the right balance between local and national goals. There was a high level of agreement that one of the objectives of Policy Agreements was

to generate greater coherence between local and national priorities. These results suggest a desire for a mechanism for integration but that Policy Agreements may not have delivered this in practice. This may reflect that whilst targets were mutually agreed, the Agreements themselves were co-designed nationally, with limited consultation (see Chapter 3), resulting in local officers feeling disenfranchised. This will be further considered in Chapter 7.

Moving on to the performance impact related research questions, these initial results suggest that some of the elements of Expectancy Theory were being achieved by the Policy Agreement framework, in that links were being perceived between effort and performance, although these seem to have been clouded by concerns over the involvement of other organisations and, performance and reward. The latter however seems more illusive. It also seems that the implementation process may have reinforced the perceived links between effort and performance whilst weakening those between performance and reward.

There were mixed messages as to the role of funding in the process. The funding attached to the Agreements seems to be perceived as a motivating factor and as just about significant, yet responses also indicate the presence of a public service ethos of working to improve services where no reward is attached. The funding was perceived as both an incentive and a reward, and there was some support for being able to choose a package of rewards as per goal setting theory (Q74). The result that respondents did not agree that one of the objectives of Policy Agreements was to provide local authorities with

'top-up' funding suggests that they did perceive them as having broader objectives.

This may mean that the compromise of unhypothecated funding, allocated on the basis of 'best endeavours' could be the worst of all worlds, as respondents seem unsure as to its purpose. The targets in the Agreements were perceived as motivating (Q26) – therefore, the presence of funding may not have added anything other than confusion and complexity. However, it was identified in Chapter 3 that some authorities would not have signed up to the Agreements if it were not for the funding.

The next Chapter will explore these perceptions in greater detail by means of semi-structured interviews with key participants in the Policy Agreement process. It will be particularly interesting, in light of the mixed messages identified in this Chapter, to explore the role of Performance Incentive Grant in the process. Also, this Chapter has identified a level of agreement as to the objectives of Policy Agreements and their potential role in meshing local and national priorities and activities, but some disillusionment over the operationalisation of the process. The interviews conducted after completion of the Agreements will provide the opportunity to explore this in more detail, generate new evidence as to the effectiveness of the implementation of the process and whether the objectives were met.

## **CHAPTER 7**

### **ANALYSIS OF INTERVIEW DATA**

#### **Introduction**

In the previous chapter data from the postal questionnaires returned in the summer of 2003 was analysed. Chapter 5 identified that this meant respondents were unable to provide their perceptions on whether Policy Agreements had achieved their objectives, either in terms of cultural change or service performance, as this was before the end of the Agreement period.

Instead, the questionnaire asked respondents to give their views on the objectives of Policy Agreements which were identified from a review of relevant documentation and observation of a series of Policy Agreement review meetings described and analysed in Chapter 3. This represented the smaller proportion of the questionnaire (9 questions – Appendix D, Questions 88 to 96) whilst in the larger section of the questionnaire (87 questions – Appendix D, Questions 1 to 87) respondents were asked to give their views on whether or not critical success factors identified from the literature reviews in Chapters 2, 3 and 4 were present in the design and implementation of the Policy Agreement process.

The responses established that respondents agreed the objectives of Policy Agreements were multi-faceted i.e. that they had both performance and culture change intentions. This was not intended as a proxy for establishing the outcome of the policy as clearly this does not establish either service performance or cultural change impact. Hence this chapter analyses data

from interviews (January to March 2009) which were designed to enable interviewees to give their views on the perceived impact of Policy Agreements in relation to the established objectives (i.e. interviewees were asked to give their views on whether the objectives of Policy Agreements had been achieved – e.g. ‘Did Policy Agreements focus on local authority results and outcomes rather than inputs?’- see Appendix T), and to triangulate findings and further explore issues raised by the analysis of the questionnaire data relating to the critical success factors of implementation. They were also designed to enable the collection of evidence as to the robustness of governmental assumptions that the principles of individual PRP schemes can be applied at an organisational level (Boyne and Chen, 2006; Reiter et al, 2006). Further evidence on the impact of Policy Agreements on actual performance is provided in Chapter 8.

Another reason for complementing the questionnaires with a series of interviews is to provide evidence on the detailed nature of the implementation process which could not be collected using a structured questionnaire. The policy evaluation (Lewis, 2001; Davies, 1999) and other academic literature (Drakeford, 2006; Jeffery, 2006) suggests that an understanding of how a policy was implemented is important to the evaluation of its impact, indeed evaluation suggests that its impact may not be fully understood without consideration of the ‘how’, which includes an understanding of the human interactions within the system (Sullivan, 2008).

In the case of Policy Agreements, both process outcomes and performance impacts have been identified as desirable objectives (see Chapters 3, 5 and 6). Therefore, as noted above, this analysis will explore the extent to which interviewees perceive the objectives have been met i.e. impact and actual performance, and consider not only whether the targets motivated in their achievement or otherwise, but also whether the inclusion of funding has provided 'additional' motivation in the way in which PRP schemes are intended to by emphasising links between effort and performance and performance and reward. This will be tackled by triangulating key questionnaire data identified in Chapter 6, relating to the design and implementation critical success factors, with the perceptions of the interviewees.

Evidence from Chapter 6 suggests the assumption which has been made by governments in designing these schemes (Reiter et al, 2006) that these concepts are transferable to an organisational level in the public service may have some grounding in principle but, that the implementation in this case seems to have 'clouded the water' and caused complexity and confusion. This analysis of the interview data in this chapter will further explore these issues.

Chapter 5 noted the time elapsed between the end of the Policy Agreement period and the interviews. To mitigate this each interview commenced with a process of scene setting and it was noted that each interviewee had good recall of the process and events. An advantage of the time elapse was that it

enabled interviewees to take a more objective position and facilitated reflection on and comparison with the second round of the Agreements (2004/05 to 2006/07). These reflections will be referred to as appropriate during the following analysis (see Appendix T for the interview questions).

Throughout the chapter comparisons are made between the interview and questionnaire responses, in some cases there are contrasting views. This may be explained by the following:

- I. The difference in timing between the survey and the interviews i.e. the survey was undertaken before the end of the process while the interviews were undertaken five years after the process had concluded. Perceptions may have changed in light of the completion of the process as new information became available to the interviewees on its final impact.
- II. The survey results represent a snapshot in time, whereas the interview responses reflect the totality of the interviewees' experience of the Policy Agreement process which as noted earlier includes the benefit of several years hindsight.
- III. The survey results refer to all respondents while the interview data relates to a particular grouping of officers who had the most detailed and constant involvement with Policy Agreements (see Chapter 5). Chapter 6 identifies that there were on occasions statistically significant differences between the questionnaire respondent groups.
- IV. It is possible for an interviewee to agree, for example, that one of the objectives of Policy Agreements was to focus on local authority outcomes rather than inputs but not to perceive that this was achieved.

Where differences in perception are identified in the following analysis of the interview data, efforts will be made to explain the possible rationale based on the above. The analysis is undertaken on the basis of the key themes identified in Chapters 2, 3 and 4.



## **Analysis of Interview Data**

### **Rationality and Ethics**

In relation to the influence of the political context on the design and implementation of Policy Agreements, Interviewee J stated “the political decision to have a protocol based on best endeavours meant that local authorities’ own pride drove the improvement but there was no incentive to maximise this improvement”. Interviewees noted that the ‘best endeavours’ clause was negotiated at a political level between the Welsh Assembly Government and the WLGA and was perceived as a political bi-product of its time in that ‘best endeavours’ was about fostering relationships, being fair and equitable, being trusting not hard-edged.

This was also embodied in the ‘non-involvement’ of any inspectorates or the Audit Commission in Wales in the process. Nonetheless, there was a feeling amongst interviewees that this had whipped the rug out from underneath the progress discussions and meant they lacked ‘bite’. This implementation failure also seemed to have created a poor impression from which the second round of Policy Agreements did not escape. Despite the inclusion of local indicators, a slightly more rigorous evaluation protocol and an increase in funding, the stigma of the first round was carried forward.

Interviewee H described the funding element as the “politicians’ dilemma” – some local authorities may have bad managers which resulted in bad services, how would not giving them funding help this situation? Chapter 2 identified equity was an important principle in the Welsh system and Chapter

3 noted the agreed distribution method for PIG was SSA or 'need', therefore not allocating the funding on the basis of performance presented the politicians with a moral dilemma. How appropriate was it to withhold a needs based funding allocation on the basis of the competency of the organisation's managers? Interviewee F described this as Policy Agreements being constrained by the relationship between funding and performance.

This highlights the importance of considering context in the design of inter-organisational performance agreements in the public sector. Chapter 2 identified the apparent prevailing mood of the Welsh central-local relationship was closeness, equity and trust and, when it came down to implementing a 'hard-edged' pay-for-performance agreement, whilst earlier chapters noted trust as a critical success factor, in the case of Policy Agreements when combined with closeness and equity it seems to have operated in reverse, politically mitigating against the 'full blown' operationalisation of a pay-for-performance scheme.

Interviewee A noted that in Wales, unlike England, it was not possible to identify where good managers were making a difference to service delivery as no comparative performance information was published. This seemed to be a factor undermining professional pride in doing a good job. However, given the contradictions inherent in the politicians' dilemma, there remains a question mark as to whether an organisational pay-for-performance scheme is the most appropriate method of rewarding managers for delivering good service performance. Perhaps other mechanisms should exist for supporting

improved performance and dealing with managers not contributing effectively to this, rather than the withholding of needs based funding.

Interviewees with knowledge of the development of the equivalent English system felt the Welsh approach was very different and 'design' appropriate for Wales. This was because of the scale and nature of the Welsh central-local relationship. There were confessions about being "glad to come home to Wales" (Interviewee G) and of the fact that the Welsh approach was focusing on dialogue. The English system was perceived as "very top-down, mechanistic and questionable in terms of delivering systemic change" (Interviewee G). However, Interviewee A who had personal experience of the English system at a local level liked the rigour which it demanded and the public transparency it fostered over performance, commenting "the Welsh case sounded compelling but my experience is that it is not credible".

As another interviewee suggested, it was "mutually beneficial to be different to England as it helped Ministers demonstrate policy divergence and local government remained comfortable and unchallenged" (Interviewee J). Others reinforced this by describing a prevailing principle for the development of Welsh policy at the time as being "it had to be different to England" (Interviewee F) and "distinctiveness was an essential political requirement, both locally and nationally" (Interviewee H). This supports evidence in Chapters 2 and 3 about the divergence of policy between the two countries in this area and the reasons for it. However, this seems to have resulted in a number of design flaws and, perhaps unintentional, operationalisation failures

such as an absence of citizen focus (see later) as a consequence of the vagaries of the implementation process.

There were mixed responses from interviewees as to whether Policy Agreements felt like a performance related pay scheme. One commented “expectation was that it would be but the nature of the relationship between the Welsh Assembly Government and local authorities prevented it” (Interviewee J). This reflects earlier comments on the ‘politicians’ dilemma’ and the difficulties, perhaps exacerbated in a small country with devolved government, of being seen to penalise citizens in an area for the potential incompetence or recalcitrance of their council managers.

It also again reflects the nature of the relationship identified in Chapter 2 between the Welsh Assembly Government and local authorities. This was identified as being ‘close’, reliant on personal relationships and more mutual than the relationship in England. The reality of the situation seems to be that in PRP terms discussed in Chapter 4, ‘social pressures’ weighed in and prevented the operation of the scheme in the way in which it was originally intended. Pressures of context prevailed and a ‘full blown’ PRP scheme was rejected on political grounds in practice, even though it had been conceptualised and advertised as such. The analysis below shows that in some areas this was of limited significance and motivation came from participation in the target setting process and a drive for self-improvement but in others it added complexity and blurred the purpose of the Agreements.

## **Target Setting**

Reflecting concerns expressed by the questionnaire respondents (Q42, Table 6.7), interviewees expressed concern over the performance indicators being process based and not outcome focussed, although some also recognised that this was a limitation of the performance management system at the time and that without Policy Agreements, performance management systems in some of the service areas would have taken much longer to develop. This latter point supports evidence in Chapters 2 and 3 relating to the quality and nature of performance management systems at the beginning of the Best Value regime and the development of LPSAs and LAAs.

There was agreement that authorities had been able to determine their own route to achieving the agreed targets, thus in Expectancy Theory terms a link was being made between effort and performance, but local authority respondents felt that this was only a part of the picture. They perceived the indicators as being national priorities, chosen nationally and imposed. Therefore, whilst welcoming the opportunity to choose how to achieve the targets, interviewees considered this was undermined by the prevailing question of whether these were the right issues on which to be focussing locally, hence the development of an initial lack of commitment to the process. A number felt that this meant the Policy Agreements lacked the ability to provide serious local direction for improvement and may explain other comments about their incompatibility with the Wales Programme for Improvement with its focus on self-evaluation as a driver for continuous improvement.

The strength of feeling at the lack of local indicators is reflected in the questionnaire responses with only 41.7% of respondents feeling they reflected the right balance between local and national priorities (Q23), despite agreeing (71.9%) that Policy Agreements had created a link between local and national goals. There seems to be a perception that Policy Agreements could have been the right vehicle to create an alignment between the local and the national but, the implementation was found to be wanting.

However, interviewees noted that where local indicators had been included in the second round this had not made a significant impression upon the level of local enthusiasm and commitment to the process, even though the amount of funding was increased. They suggested that this was because the implementation process did not change and the poor perceptions from the first round were carried over into the second.

In response to the question whether Policy Agreements were framed within a clear overall strategic vision for Wales, the majority of interviewees felt they were in the sense that the 'baskets' were aligned with 'Wales: A Better Country' (National Assembly for Wales, 2002) and national interviewees felt that Policy Agreements were part of a coherent approach based on developing trust and streamlining the central-local 'toolbox'. However, local interviewees felt this coherence was superficial due to a lack of alignment of Policy Agreements with other planning cycles, the individualistic behaviour of Welsh Assembly Government departments and Ministers, and the failure to develop strategic outcomes.

There was marginal agreement amongst questionnaire respondents (54.7%) on this point, and this response seems to be explained by the interview data. This was identified as a critical success factor in Chapters 2, 3 and 4 and is perhaps a missed opportunity of implementation, as there seemed to be appetite and support for alignment and coherence but a failure of operationalisation.

In terms of the design, 76.1% of questionnaire respondents felt that an objective of Policy Agreements was to generate greater coherence between local and national priorities. Interviewees felt that there had been some positive impacts related to this objective manifested in the Policy Agreement implementation process, as there was recognition that the local contribution to delivery of national priorities was essential. However, others felt that this perceived mismatch was always overstated and, that in reality, there was significant alignment of local and national priorities.

However, other interviewees felt because the priorities were entirely national the Agreements' contribution was towards building a coherent performance framework rather than creating coherence between priorities. The differing levels of enthusiasm between local authorities in the implementation was also mentioned as a limiting factor in creating coherence as the 'change of behaviours' was patchy.

Interviewee H felt that Policy Agreements were "born in a cupboard in Local Government Policy Division" and their impact was rather less about coherence than driving specific improvements. This was compared to the

'accidental' effect of 'Wales: A Better Country' (National Assembly for Wales, 2002) in providing a framework for the development of the first round of local community plans. Others felt that whilst the Agreements had not created coherence they had provided clarity and mutual understanding on national priorities.

These responses may be linked to those relating to whether there was a clear link between Assembly Government policy as articulated through Policy Agreements and other aspects of Assembly policy in respect of local government. Only 44% of questionnaire respondents felt that this was the case and this was borne out by the responses given by the interviewees. There was a feeling amongst the interviewees (as with the questionnaire respondents) that some links were being made in the area of local government policy per se but in relation to wider areas such as education these links were weak or absent. For example, Interviewee H commented "service departments went off and did their own thing".

In terms of linking with local plans, despite 77.6% of questionnaire respondents stating that authorities had linked Policy Agreements to the development of their community plan, there were mixed responses amongst the interviewees. Some perceived them as 'apples and pears', one about holistic well-being, the other about specific improvements (Interviewee C), while others saw framing the specific improvements within the 'bigger picture' of the community strategy as vitally important to keep coherence and alignment with the pursuit of that same bigger picture (Interviewee D).



However, other authorities who took the Agreements seriously did not make the link to community strategies because “at the time they were woolly” (Interviewee E) and saw the Agreements as a contributory factor to kick starting their organisation’s performance management culture, rather than as a significant means of demonstrating progress on delivering outcomes with partners. The treatment of PIG may also have been a contributory factor (see later). This is interesting as Chapters 2, 3 and 4 suggest that one of the critical success factors for performance management tools is integration and coherence with other tools and corporate policies. These results suggest this could be dependent on context rather than a universal tenet.

Questionnaire respondents were slightly sceptical that there had been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines (Q84, 49%). Interviewees felt that at a local level the focus had been on reviewing the targets and progress against them and, resentment about the inability to drop targets which they felt were not relevant came through again in responses to this question. Likewise, concern about the process of review being bureaucratic in the sense of limited to discussion about numbers, low level and lessons not being pulled together at an all-Wales level were expressed. At a national level, respondents felt there had been some efforts to review the overall process, further signs perhaps of a disconnect in perceptions and a breaking down of communication.

## **Undesirable Effects**

Interviewee J described a “focus on performance” rather than outcomes because all of the indicators were process or output focussed. Reflecting one of the limitations of target driven performance management schemes identified in Chapter 2, this was further described as a focus on outputs leading to possible perverse incentives and a lack of focus on the ‘big picture’. This was balanced by local authority interviewees feeling the information needed for the Policy Agreements should have been collected anyway and, it was ‘a good thing’ Policy Agreements forced the development of information systems in some areas such as social services.

However, interviewees felt “conversations were about the internal management of services rather than a focus on making things better for citizens” (Interviewee J), reflecting a difficulty in connecting the process with a key aspect of the public service reform programme, that of becoming ‘citizen-centred’. Policy Agreements included no satisfaction or perception indicators or other qualitative measures of ‘citizen-focus’, thus the discussions had a technical, narrow focus as opposed to a citizen one, “we rarely mentioned service users” (Interviewee J). This supports evidence from Chapter 2 that managing by targets can create vertical accountability to Ministers at the expense of accountability to citizens.

Interviewee D felt that because the indicators were national and PIG unhypothecated, local authorities had to skew resources away from pursuing local priorities to meet the targets and maximise the opportunity of being

awarded FIG. “Backdoor hypothecation” seemed to generate a feeling of resentment and further exacerbated the narrow focus of Policy Agreements and the scope for perverse incentives. These responses reflect questionnaire returns suggesting that Policy Agreements may have resulted in a distortion of local priorities (Questions 29, 30 and 31).

However, others felt that Policy Agreements were so marginal that they had not affected local authority budgets in any way and, the lack of direction meant “we were only playing at performance management, it impinged relatively little on my life. Once a year I would send a return in and have a chat with someone from Local Government Policy” (Interviewee F). Another ironically identified how this had resulted in a “non-bureaucratic process which created a bureaucracy” (Interviewee J).

Interviewee D commented that the marginal and short term nature of the grant further reinforced the marginal nature of the Agreements because the funding was not enough to enable radical innovation and change and, was therefore used to ‘prop up’ existing budgets. This reflects evidence from the implementation of LPSAs and LAAs in Chapter 3.

In light of this, interviewees suggested the focus on outputs and getting the funding had meant “playing around with what we could achieve as opposed to what we should be achieving” and “playing a game to get the funding” (Interviewee F). In addition, lack of integration with the WPI meant they were not an impetus for continuous improvement. Interviewees also noted a lack of

political ownership, both nationally and locally which meant the Agreements were marginalised and that the ambition to have a performance system owned by relevant managers was not realised. The lack of national political commitment was also blamed for a lack of cross-departmental integration in the Assembly Government.

There was a perception amongst questionnaire respondents that the performance indicator data could be subject to manipulation (Q49 - 77.1%) and when combined with the signs of 'game playing' suggested by the interviewees not only was the potential contribution of Policy Agreements to the desired process outcomes and performance impacts limited but, when combined with the unwillingness to be ambitious and involve partners because of a fear of losing the money (see below), it exposes some serious and difficult challenges for policy makers. It appears that once funding is attached to an agreement there is a tendency for it to become "all about the funding" and game playing kicks in to maximise the amount of funding to be received. This reflects evidence from Chapters 3 and 4.

What emerged in the interviews was the strong role local authority directors of finance had played in ensuring PIG was unhypothecated and that it was locked into council tax calculations. This put finance directors in a strong bargaining position, as if the Assembly Government had not paid out there would have been an impact on Council Tax. It also put them in a strong bargaining position with their own chief executives and service directors as, because they elicited the guarantee that PIG was unhypothecated, they could

‘ignore’ the demands of service directors that the funding be used to improve performance in their specific areas and treat it as part of the ‘general pot’.

This suggests that it was not just interactions between service managers and corporate policy leads which were at play locally but also finance directors. The behaviour of the finance directors may have inadvertently reinforced the view of the performance specialists that the process was becoming a ‘mockery’ by denying them access to the funding which they felt they had been working to achieve – thus, again undermining the link between performance and reward.

From these responses what seems to be missing is a direct mechanism for feeding the local experience into national learning and vice versa. Local interviewees seemed frustrated that they did not have the opportunity to influence the process or change the scheme through the review meetings, again perhaps a reflection of the junior level of officials involved. There was a juxtaposition of the value placed upon these discussions by most of the interviewees (see later) and frustration at a lack of national perspective and the non-involvement of service experts limiting the nature of the discussion and, therefore, the opportunity for learning.

National level interviewees identified the fact that the focus was on performance indicators ‘in the raw’ as a limiting factor in efforts to interest politicians who wanted to hear about overall achievements, not a set of process indicators. These perspectives reflect evidence from Chapters 2, 3

and 4 about the tensions between keeping agreements focused, focusing on the 'right' things and linking these to overall performance and strategy. They also reflect similar tensions to those identified in Chapter 4 in relation to individual PRP schemes regarding tensions inherent between discussions on supporting and improving performance and the allocation of reward (see later).

Policy evaluation literature highlights the importance of learning from the 'how' as well as the measurable impact of a policy. It seems there was a missed opportunity for learning in the case of the first round of Policy Agreements which could have strengthened later rounds and similar schemes operating elsewhere in the public services. Evidence from the interviews suggests that some issues such as the introduction of local indicators were addressed but there was no widespread learning or communication of lessons learnt. Likewise, the literature considered in Chapters 2, 3 and 4 highlights the importance of shared reflection of the process as important in generating ownership and commitment to delivering the agreed outcomes, whilst other factors may have still created a sense of ownership in some areas, this commitment was 'patchy', the perceived absence of this element may have contributed to this patchiness. The absence of a national approach to learning also has cost/benefit implications as it does not address the issue of potential duplication of effort across authorities or identify opportunities for authorities to join forces and become more efficient.

## **Inherent Tensions**

In discussions linked to Question 45 (The authority must work with other organisations to achieve some of the targets) Interviewee G suggested that local authorities had backed away from more sophisticated measurement and a true outcome focus because of reluctance to work with other parties. This not being reluctance in principle but, reluctance based on a desire to maximise the pot and utilise it in the local authority, the implication being that there was no desire to share the pot with partners. This was despite a 92.6% response to the questionnaire that authorities must work with other organisations to achieve the targets. This suggests that at the outset expectations existed that partnership working would be required to deliver the objectives of Policy Agreements but the realities of implementation meant this expectation seemed not to have been realised. For example, Interviewee G concluded that “Policy Agreements did not promote partnership”.

This may be a result of the PIG being included in calculations to give effect to levels of council tax, therefore, any PIG not included in the local authority budget would mean either higher council tax, a cut in expenditure or more income to be generated elsewhere. However, this raises an interesting dilemma for policy makers in Wales, and elsewhere, in that collaboration is a strong theme of the public service reform agenda, the assumption being that better outcomes for citizens are reliant on organisations working together. Therefore, performance frameworks and agreements such as Policy Agreements need to incentivise and support this. Arguably, Policy Agreements did not because of the ‘ruling out’ of areas which would involve

partners, but then in relation to target setting and PRP principles discussed in Chapters 2, 3 and 4 they were successful in hitting the button relating to the criteria of being able to influence performance. However, it is questionable whether this was entirely desirable if it disincentivised partnership, limited scope and ambition and, prevented an outcome and thus, by implication, citizen focus.

However, Authority E seemed able to reconcile using the Policy Agreement process as a means of developing relationships with its NHS Trust and independent sector partners to tackle delayed transfers of care, whilst also using it to drive a performance culture as part of wider implementation of the Wales Programme for Improvement. This was partly because of a recognition that it was starting from a very low base identified in several external reports but also perhaps because of a more pragmatic and opportunist approach by managers and elected members in this authority that, if this was something that had to be done then better to make it something that worked for them, than simply a form filling exercise for the Assembly Government.

However, despite this single example of pragmatism, the balance of the evidence suggests that 'silo' performance agreements with funding attached may be counter intuitive to partnership working and developing a public value approach to service delivery. Clearly, there are some services which local authorities can deliver (whether directly or by contracting out) where partnership is not required, for example waste collection, street lighting or highways maintenance. However, these services all relate to wider, citizen-



focused, partnership issues such as environmental quality and community safety so that a 'silo' approach to performance management, 'complicated' by using funding as a driver, seems increasingly at odds with securing progress on achieving outcome focused public services.

This could be countered by having a 'pot' attached to a partnership agreement like LAAs but, arguably, this still means a potential focus on a technical discussion around performance indicators, and does not eliminate 'game playing' or the danger that discussions become about the funding rather than real improvement for citizens. Evidence from Chapter 3 suggests there are still question marks over how ambitious and innovative LAAs are and whether the short term nature of the funding inhibits the pursuit of interventions which might be more effective in the longer term.

In relation to citizen focus and collaboration, Chapter 2 identifies that public sector reform policy in Wales was crystalised in the final year of the Policy Agreement process. However, it recognises that this policy was based on Welsh values and practice, so the lack of citizen focus and support for collaboration in the Agreements is not explained by this. Also, the Local Government Act 2000 clearly put a focus on community leadership and, integral to this, was partnership with other public and private sector organisations and developing a 'new' relationship with citizens and communities. The implication is that the addition of funding narrowed the scope of the Agreements to a technical exercise about numbers, this may have helped develop relationships 'corporate centre to corporate centre' but

did not foster a wider perspective either in terms of service improvement or the wider aims of partnership, collaboration and citizen focus.

Local interviewees gave a resounding 'top-down' when asked whether the process felt 'top-down' or 'bottom-up', but there were two categories of top-down response. The first category (A, C and F) had resulted in Policy Agreements being marginalised by the corporate centres of the authorities as it had not fitted with their agendas and, they had failed to see any coherence with other policies such as the WPI and community planning. These interviewees perceived the process as a 'managerial exercise' and a technical process to get the money. They were not entirely persuaded of its usefulness or relevance.

The second category of local respondent (B, D and E) similarly resented the perceived imposition of national targets but, had been more pragmatic in their approach to implementation. These authorities recognised an opportunity in the creation of dialogue with the Welsh Assembly Government and valued it, whilst at the same time saw the opportunity to use Policy Agreements to align with their own agendas of creating a performance culture and making service managers more accountable for their performance. These authorities created widespread ownership of the Policy Agreement targets by engaging Cabinets and elected members through the scrutiny process and making the targets part of the WPI Improvement Plan.

These are interesting results as the literature reviews in Chapters 2, 3 and 4 suggest where schemes are perceived as top-down and imposed they will at best generate compliance rather than ownership of the process and its related objectives. These responses suggest this is not universally true in relation to organisational schemes set in the context of central-local relations. Despite feeling the scheme was imposed and resenting its lack of focus on local priorities, some authorities took the 'tool', committed to it and used it to drive improvement as part of a wider agenda.

These authorities may have had a strong self-improvement and professional pride ethic which provided a counter-weight to the top-down perception. Authorities which marginalised Policy Agreements may have failed to see their potential for a variety of reasons - they felt they already had improvement systems in place and therefore no need for a shared corporate agenda, or they did not value the opportunity to develop a relationship with the Welsh Assembly Government. This highlights a difference in perception and, therefore, perhaps a failure in effective communication of concept and purpose.

National interviewees responded that Policy Agreements were somewhere in the middle and perhaps even a little to the bottom-up side. They stressed the process of co-design and the links to 'Wales: A Better Country' (National Assembly for Wales, 2002) as evidence of mutuality of objectives. If this had been better communicated to those operating locally there may have been less marginalisation of the process in the 'Category 1' authorities above. This

evidence correlates with the critical success factors relating to communication, participation and consultation identified in Chapters 2, 3 and 4 (also see below).

All interviewees commented on the differential impact of Policy Agreements between authorities, between elected members and officers and, between corporate centres and service managers. The local profile seems to have been very much locally driven; in Category 1 authorities elected members were not engaged, “members wouldn’t have known they existed” (Interviewee F), whilst Category 2 authorities had employed various techniques including Ministerial visits to raise the Policy Agreement profile and generate widespread ownership (Interviewee E).

Some of this may reflect the vicious circle of lack of national profile with the Cabinet and senior management of the Welsh Assembly Government so that lack of profile in Category 1 authorities became a self-fulfilling prophecy. This suggests a lesson for future implementation in that there may be a correlation between high national profile and local adoption, however, this needs to be considered in the context of strong local drivers such as professional pride. Also, part of the rationale for the different approach to improvement in Wales was making the most of the small scale of the country. In this case it does not seem to have paid dividends in that potentially strong levers such as Ministerial engagement, identified in Chapter 2, were not effectively or consistently deployed.

### **Role of the 'Line Manager' and Training**

Only 49.6% of questionnaire respondents felt that the role of the Welsh Assembly Government during review sessions had been to help local authorities constructively improve performance. This was supported by the interview data. Interviewees were at pains to point out that their comments were not a criticism of the individual officers concerned but, a key issue during the discussions had been the lack of seniority of those officers. Local authority interviewees felt that discussions had been about the indicators and whether or not to pay the PIG rather than performance, for the latter they needed a certain level of engagement to generate credible, robust and meaningful discussions with decision makers in the Welsh Assembly Government.

Interviewee A valued the opportunity to build relationships with officials in the Local Government Policy Division but, described the sessions as “an uninformed conversation in the middle, it came down to who was best briefed.” Those officers involved in the feedback discussions on both ‘sides’ felt the relationship could only be about the numbers, as they did not have the wherewithal to have discussions on service improvement. They, therefore, focused on safe and neutral ground.

Interviewees felt the common ground in the discussions between local authority corporate centres and Local Government Policy Division had been on the development of systems to drive improvement. This was confirmed by comments from one national interviewee who stated “we didn’t see ourselves

as improvement agents, we saw ourselves as administering a process which was about improvement. We assumed improvement would happen through discussions in service areas” (Interviewee J). These comments help to explain the value placed on these discussions by both ‘sides’ - a common interest in systems of improvement. However, it reinforces earlier identified limitations about a lack of ‘big picture’ and citizen focus.

There are also a number of underlying issues, firstly the lack of seniority of the Assembly Government officials implies a lack of commitment to the implementation process (or it could mean a lack of resources) but, this coupled with comments that the service departments were not involved in the discussions highlights comments made by national interviewees that the Assembly Government had difficulty mobilising commitment from policy departments outside of Local Government Policy. Interviewee I suggested the process opened lines of communication between Local Government Policy and other areas such as education and social services but, this does not seem to have extended to a ‘de-siloed’ outward perspective.

Interviewees commented that the WLGA did “a lot of work behind the scenes” in terms of helping local authorities to improve their performance, the Assembly Government was aware of this work and was perhaps content for it to be done in this way. However, this does not seem to have generated a perception amongst local authorities that there was supportive management of the scheme. It seems instead to have reinforced their perception that this

was a process to be managed rather than a serious attempt at delivering process outcomes and performance impacts.

Interviewee D identified a further limitation of this was the desire to build and improve relationships meant the challenge was lost, as was the focus on improvement. This reflects tensions in the relationship identified in Chapter 4 between improving performance and allocating reward.

### **Trust, Fairness and Communication**

64.9% of respondents to the questionnaire were in agreement that one of the objectives of Policy Agreements was to improve the relationship between the Welsh Assembly Government and local authorities and 59.1% felt Policy Agreements had added value to the relationship between the Welsh Assembly Government. However, there were mixed views amongst local interviewees as to whether the relationship improved and a complex picture unfolded. Category 1 interviewees felt that it was not a genuine dialogue and placed limited value on discussions with the Welsh Assembly Government. They felt the dialogue was superficial and questioned the added value. For these authorities the opportunity to build corporate relationships did not compensate for the lack of senior involvement from the Assembly Government and the lack of service involvement, “they carried on their own sweet way”. The relationship was not perceived as unhelpful, the response was one of bemusement at the perceived lack of gravitas attached to the discussions by the Welsh Assembly Government.

Category 2 interviewees valued the discussions, felt they were genuine and that they had led to a better understanding. They valued the relationship, felt it had developed, that it was a shared dialogue, that it was as important as the funding, and perceived the relationship as supportive and important in developing trust. They acknowledged there was a missed opportunity because the discussions were mainly between middle and junior level corporate centres and, service managers and specialists were rarely, if ever involved. This meant they had had to work hard to create a sense of cohesion and ownership amongst their service managers, a mirror of the situation within the Welsh Assembly Government where Local Government Policy Division had had to work hard to engage colleagues from other departments in the process.

The mix of these comments is reflected in questionnaire responses to Questions 53 and 61 which expressed low levels of agreement about the effectiveness of the feedback system (42.9% and 46.6%). Interviewee F was “bemused at having junior level officials turn up and talk about our agreement, there was no challenge”. But, at the same time, the value placed upon the discussions is reflected in responses to Questions 80 and 81 (77.6% and 72%) which show high levels of agreement with the premise that the process had been handled in a positive way by local authorities and the Welsh Assembly Government respectively. The apparent absence of any cascade effect in communication is also perhaps a contributory factor to in the negative responses to Question 12 (43.2%) about levels of trust between local authorities and the Welsh Assembly Government.



Interviewee D suggested the process had contributed to a lowering of rising tensions but, that at a national level this had been very personality driven. This was illustrated by Interviewee G's comment that national relationships were excellent anyway and Policy Agreements were part of a wider menu of policies aimed at building upon this relationship. This is supported by evidence from the literature review in Chapter 2.

National interviewees also felt there had been a genuine dialogue and that Policy Agreements were very much a product of partnership working. They shared the sense of missed opportunity with their local counterparts because of limited engagement by other Welsh Assembly Government departments. However, they felt that Policy Agreements had built on the existing good relationship to create raised expectations about service improvement in a "non-big brother way" (Interviewee I). However, they also recognised the multiplicity of the relationship and that Policy Agreements had only impacted on a limited aspect of it.

Questionnaire respondents seemed optimistic that Policy Agreements were a way for the Welsh Assembly Government and local authorities to work together to improve services with 76.7% of respondents agreeing. However, the interview data suggests this aspiration was not realised on implementation as the discussions tended to be corporate centre to corporate centre about the indicators, targets, how to develop information systems and PIG, rather than discussions around service improvement.

Some examples were given of discussions between service managers and their opposite numbers in the Welsh Assembly Government resulting in new approaches to tackling issues, for example, delayed transfers of care. But the prevailing feeling was there was no evidence to support this as the ownership of the Agreements was generally so limited. The impact of this was to limit the development of understanding between central and local government in the area of service delivery, so whilst in part the Agreements improved communication and understanding on a corporate level, there was a lack of penetration at both service manager and elected member levels.

These responses triangulate those to earlier questions, providing further evidence that Policy Agreements did improve relationships in some respects, but the ripple effect was limited within some authorities and mostly limited to the Local Government Policy Division within the Welsh Assembly Government. Again it was identified that limited political engagement meant elected members were largely excluded from the equation.

This is reflected in responses to Question 56 about the bureaucratic nature of the process (a bureaucratic process may be an indication of a lack of trust). Elected members felt that the process was too bureaucratic with 70.7% agreeing while local authority officers and the Welsh Assembly Government group disagreed (41.2% (a statistically significant difference of opinion to elected members) and 20% respectively). This may again be a reflection of the lack of involvement of elected members in the process and, therefore, a

lack of knowledge (although this may be a political stance) and the value placed upon the face to face discussions between corporate officers.

The literature in Chapters 2, 3 and 4 suggests that relationship building and the development of trust as part of this process are important in securing commitment to the process. Trust was highlighted as a potential issue by the questionnaire returns with 49.7% of respondents feeling that the nature of Policy Agreements failed to reflect a relationship of trust between local authorities and the Welsh Assembly Government (Q11) and, as noted above, only 43.2% of respondents felt that there was a high level of trust between the two parties.

These results suggest that despite the Welsh Assembly Government and the WLGA's mutual satisfaction on jointly creating Policy Agreements, this co-design was not communicated effectively to those implementing them on the ground, resulting in a feeling that the Agreements were being imposed from above. This provides interesting evidence about communication between the centre, both in terms of the Welsh Assembly Government and the WLGA, and those implementing policies locally.

An emerging theme is that the nationally perceived positive development of shared conceptualisation, with recognition of the limitations of that concept being implemented in terms of the performance indicators and information available, does not seem to have been communicated to those operating on the ground. This is despite 71.7% of respondents to the questionnaire feeling

that the purpose of Policy Agreements had been clearly communicated to them (Q36). This may relate to the 'original' purpose rather than that which may have emerged through the negotiation of the funding (see later and Chapter 3). This disconnect between message communicated and the 'real grand national plan' seems to have been a factor in creating 'patchy' commitment to the process.

This evidence suggests a lack of widespread commitment to the Policy Agreement process meant it was a missed opportunity to improve trust and quality on the many levels of the central-local relationship. Chapters 2, 3 and 4 highlighted the importance of communication, participation and trust in the effective operationalisation of performance management schemes and it seems that Policy Agreements may have had some 'patchy' success, it will therefore be interesting to explore whether any factors can be identified as to why this was more successful in some areas than others. Where the engagement was successful, i.e. where common corporate cause was capitalised upon, Policy Agreements were taken more seriously than in those areas where it was not and, interviewees were very positive about their relationship with the Welsh Assembly Government. A key question is whether it was the engagement which was the crucial factor in ensuring commitment or whether other factors were at play.

Supporting the results from the questionnaire analysis, where 68.3% of respondents felt that the evaluation protocol was fair, all the interviewees felt it was fair. However, there tended to be a qualification to this – "fair but

pointless, not purposeful”, “fair, had to start somewhere”, “fair from the local authority’s perspective but did not drive performance”, “fair but not followed” and “fair - oh yes!” These comments echo some of the qualitative comments on the questionnaires relating to the process becoming “a mockery”.

The “had to start somewhere” comments are the most forgiving, indicating an awareness of the first round of Policy Agreements potentially being the foundation for further rounds and, therefore to be built upon. Interviewee I expanded on this by commenting that the focus on the first round was “emphasis on acceptance of approach rather than rigorous measurement”. This suggests the funding being seen as more about ‘signing up’ than delivering performance improvements.

However, if this was the case then it does not appear to have been communicated effectively to those implementing Policy Agreements on the ground, resulting in disillusionment and lack of commitment to the process. Those responsible for implementation at local authority level were performance specialists and the interview data suggests that they were never disabused of their assumption that a performance agreement containing a monetary incentive would be just that – not an evolutionary process of signing up, tightening up and development. These may have been unrealistic assumptions, but given developments in England at the time (see later discussion) perhaps not entirely unfounded.

## **The Role of Financial Incentives**

In relation to whether or not the evaluation protocol supported the concept of relating funding to performance, there was a resounding “No” from local authority interviewees. Comments such as “No teeth to process” and “No real steel” were used to describe the ‘best endeavours’ method of determining pay out. Interviewee B suggested that “the WLGA had played a blinder” as “it was possible to drive a coach and horses through the evaluation protocol”. This suggests that in Expectancy Theory terms interviewees were not making the link between performance and rewards. The questionnaire returns indicated that local authority officers were the least convinced on this before the conclusion of the process, with only 50% agreeing with the premise. Interviewee G confirmed this perspective by stating that some authorities took the process very seriously but others saw it as “money in the bank”.

Local interviewees suggested that the service managers responsible for delivery of the targets were either unaware of the funding or reluctantly accepted that it was going into the central authority pot and “just got on with delivering the targets.” This was because the participation in setting the targets and silo to silo discussions, in education and social services in particular, were drivers to improving performance where the money was taken out of the equation. This was felt to be as strong if not stronger than internal pressure to deliver from the authority’s corporate centre.

This supports the evidence identified in Chapters 2, 3 and 4 that professional pride and the public service ethos are key issues to be considered in the design of both organisational and individual performance management

schemes. This evidence supports that generated by questionnaire responses to Questions 68 and 69 (see Table 6.3) and, perhaps starts to illustrate that the Expectancy Theory based premises of individual PRP may be transferable to organisational schemes up to a point but, the complexity of operationalisation results in a weakening of conceptual links between performance and reward, if they were ever important for some officers (see Chapter 4), and other drivers related to professional and public service ethos come into play. This suggests at this level that Goal Setting Theory may be the more appropriate framework.

Question 64 asked survey respondents about the significance of the funding. Only 51.3% felt the funding was significant. Chapter 4 identified that perceptions as to the magnitude of the reward were likely to be reflected in the amount of effort invested in achieving the objectives. If local authorities felt the funding was not significant and were not making a link between performance and rewards then this puts the comments of one interviewee into perspective, “the funding led to a fog and a marginalisation of Policy Agreements as a performance framework which diminished their impact” (Interviewee F).

The majority of questionnaire respondents (64.9%) felt that the targets served to motivate rather than demotivate and this was reinforced by the interviewees. They were clear that they had set their own targets and felt motivated to achieve them. Interviewee D felt this was a stronger motivating factor than the money but, others set this motivation in the context of the

funding, “wanted the money” (Interviewee B) and “wouldn’t have wanted to explain to the Leader why we didn’t get the money” (Interviewee A).

Interviewee D turned this on its head, saying the fact the money was guaranteed and went straight into the base budget was a demotivating factor but, because of the opportunity to drive a performance management culture and a ‘feeling of having something to prove’, Policy Agreements had been taken seriously. Again, perhaps indicating the dangers of not effectively communicating the rationale of ‘had to start somewhere’ to the performance specialists. These results suggest complex interactions at multiple organisational levels between intrinsic and extrinsic motivational factors were at play. However, as noted earlier, for service managers intrinsic motivation was the primary driver and it seems this also held true for some corporate officers.

The importance of context, in terms of levels of satisfaction with the distributive justice of the system, again surfaced as an issue. Interviewee F from a ‘rich’ authority stated “neither, never gave it any great relevance, not sharp enough”. The implication being, in his context, that the threat of not hitting the targets and not getting the money was not enough to motivate and, perhaps, in light of an earlier response to gaming the targets, an expression of confidence in hitting the targets anyway.

Like questionnaire respondents (73%), most interviewees felt it was an incentive and the funding was significant enough to ‘take an interest’ and put a focus on achieving something measurable, but the importance of the



funding varied between authorities which were 'comfortable' in financial terms "it was nice to have" (Interviewee F) and those which were not "absolutely there was a tension the money wouldn't arrive" (Interviewee E). Also, corporate centres were keen to get their hands on the cash and tried to 'mitigate the risk' of the funding not being received. Perhaps reflecting the old Niskanen (1971) adage that bureaucrats are motivated by budget maximisation.

However, others felt that in the end it hadn't been an incentive and, that it had been "created for a moment in time" (Interviewee H). It focused minds for a short period and then people moved on to other things. Others felt "it would have been if there was a sense of the funding really linked to performance but it was a political deal" (Interviewee J) and "ridiculous everybody got all the funding even if their performance was not that good" (Interviewee C). This suggests interviewees perceived the Policy Agreement process as an organisational pay-for-performance scheme and were seemingly disappointed when it did not operate as such.

Assembly Government interviewees took a different perspective suggesting that Policy Agreements were supposed to be about more than the PIG by encouraging local authorities to review how their whole budget was utilised. Also, this was a first attempt to develop a performance agreement and it was recognised that much of the desired improvement would take longer than three years, therefore the evaluation protocol was light touch. However, given

the 'fog' over the funding this message does not seem to have reached those on the ground resulting in confusion and disillusionment with the process.

These responses suggest that the funding was an incentive for some but, maybe not for the reasons intended and, there is the question of quite what it incentivised. Given the strong desire of corporate centres to secure the cash there may have been a stronger incentive to game the targets and results than otherwise – this could be what amounted to 'risk mitigation'.

It also seems to have incentivised a different 'new' performance management relationship between local authority corporate centres and service managers, the latter being left to deliver with the financial incentive retained at the centre. This suggests that a financial incentive at an organisational level may simulate the appearance of operating on the same level as an individual payment but, may not necessarily be impacting upon the behaviour of all individuals in the organisation in the same way, or indeed may not be one of the factors impacting upon their behaviour at all.

This reflects the findings of Sullivan and Gillanders (2005) in relation to LPSAs. Reward grant was a strong driver for local authority corporate centres but service managers were more motivated by the desire to improve services for citizens. However, early evaluation evidence from the implementation of LAAs suggests it may have lost even this significance. It also reflects research on PRP in the public service discussed in Chapter 4.

This may be acceptable, although it does not address the politicians' dilemma, if overall the Agreements are achieving the desired process outcomes and performance impacts but, these findings suggest that PIG was not a strong driver for all corporate centres. In the context of those authorities which did not take Policy Agreements 'seriously' arguably this was partially because, for the corporate centre, the link between performance and rewards was not operating effectively and, thus, they became disinterested in the process. So in these authorities the PIG was not an incentive for improvement in the corporate centre or the service managers. The process was reduced to a numbers game with perhaps one officer in the corporate centre and the director of finance "playing the game" and "worrying about it" respectively (Interviewee A).

Another interpretation of this is the way in which the Assembly Government worked with corporate centres meant it was not important that the funding reached the service areas as the corporate centres drove the improvement, based on their desire for the funding, not the funding driving the improvement per se. Failure to engage the corporate centre and identify mutual goals resulted in 'total' operationalisation failure in those authorities rather than the 'partial' success identified in others.

Understanding these impacts at different organisational levels and in different contexts is important for theory relating to organisational pay-for-performance schemes and future policy making. In particular if holistic, sustainable improvement and widespread culture change are desirables, this evidence

suggests that a financial incentive operated in the way in which PIG did might not be the most appropriate tool for 'reaching' all parts of the organisation and, in particular, service managers. It also raises questions as to whether organisational level financial rewards are appropriate at all.

Some local interviewees agreed that it felt like a PRP scheme or a first step in that direction while others answered an emphatic "No". Some interviewees confessed to worrying that the funding would not arrive while others like Interviewee D stated "I was never worried we wouldn't get it, it was more about delivery on our promises. I think 'best endeavours' was a positive, put the focus on positive discussion and support." This did not correlate with the Category 1 and 2 authorities identified above, regardless of whether there was a positive or a negative reaction to PIG, those authorities which took Policy Agreements seriously seemed to be driven to meet the targets through a strong sense of professional pride, wanting to deliver on their promises through recognition that whilst they had not chosen the indicators they had set the targets and, a desire to develop a performance culture in their authorities.

This reinforces earlier analysis that, in Expectancy Theory terms, authorities were making the links between effort and performance but not between performance and rewards in the purely financial sense. The prize for these authorities was being able to deliver on their promises and drive cultural change. This supports the suggestion by Reiter et al (2006) that governments have been implementing organisational pay-for-performance schemes without understanding their impact and assuming that they would work in a similar way to individual schemes, even though, as Chapter 4 identifies, the impact of

these schemes is debateable. This evidence suggests that the operational impact of organisational pay-for-performance schemes may be a long way off the theoretically based intention of incentivising improved performance by creating a link between performance and rewards.

Analysis of the questionnaire returns and comments in Chapter 6 highlighted that respondents appeared confused over the role of the funding in the process. 'Fudging' the purpose seems to have been the worst of all worlds. It de-motivated some authorities from taking the Agreements seriously and raised questions about the 'fairness' of the process – "why bother to take it seriously when we were going to get the money anyway" (Interviewee F).

The evidence suggests that the funding was significant in the sense that it drew attention to the process, was enough to be 'useful' to authorities, especially those which were financially challenged and, was politically expedient and symbolic in getting the full support of the WLGA. The issue seems to have been that Policy Agreements, on the surface, looked like a pay-for-performance scheme but, in reality seemed to be meant as more of a 'hybrid'.

Ironically, this was perhaps one of Wales' best kept secrets at the time, in the sense that these aims were not widely known outside Wales (Interviewee G suggested that "England thought the Welsh approach was soft") or widely known locally inside Wales. 71.7% of questionnaire respondents felt that the purpose of Policy Agreements had been clearly communicated to them – this may have been the 'official' purpose which raised expectations in relation to

pay-for-performance which were not delivered and, it seems, perhaps never entirely intended.

This ambivalence and confusion over the funding seemed to have extended into round two of the process, where once again all authorities had received the reward funding regardless of progress. Interviewees felt the funding process was tainted from the way in which it was politicised and used in the first round and that once this precedent had been set it was impossible to move away from it.

Building expectations that Policy Agreements were a pay-for-performance scheme seems to have created confusion and frustration, on a conceptual level links between performance and reward were put in place but never operationalised. Chapter 4 suggested that PRP schemes need to make these links clear and fair both conceptually and in practice. This operationalisation failure created a 'funding fog' which meant that some areas could/would not see beyond it to consider the potential value of the process outcomes, such as culture change and relationship building which the Agreements were also intended to deliver.

### **Cost Benefit and PRP Normalisation**

Questionnaire respondents felt that the purpose of Policy Agreements was not to provide local authorities with 'top-up' funding, only 44.7% of respondents agreed with this premise. However, interviewees felt that whilst this was not the purpose it had been the result, citing evidence given in response to earlier

questions that the whole process smacked of a political deal and the confusion relating to the 'best endeavours' principle.

Interviewees also reflected that because local authorities built the funding into their base budgets and "could not do without it", it did feel like 'top up' funding (Interviewees D and E). It also meant that the 'politicians' dilemma' came to the fore again, as once the money, allocated on the basis of need (i.e. SSA), was built into base budgets it was politically difficult to take it away, even if there was a clear cut case of non-performance. The funding, in both rounds, was 'normalised' into base budgets and became expected regardless of performance. This is reflected in questionnaire responses (Q76 – see Table 6.4). This latter point was also identified as an issue with individual PRP schemes in Chapter 4.

However, with the benefit of hindsight some interviewees felt that, despite the identified confusion, including the PIG, the process had yielded a positive cost benefit because of the inculcation of performance management cultures into authorities and the development of relationships with the Welsh Assembly Government. It is perhaps telling that no reference was made at this point to improved service performance, reinforcing the evidence that Policy Agreements were perceived as an exercise in system development rather than service improvement for citizens.

Questionnaire respondents were positive in relation to two out of the three questions (Q47, 52.3% and Q62, 58%) relating to cost benefit but negative in

the third (Q77, 45.9%) with elected members being the most negative. This question was situated in the feedback section of the questionnaire in a basket of questions relating to PIG which might explain this result. One of the critical success factors identified from the literature reviews in Chapters 2, 3 and 4 is the cost benefit of the scheme. Clearly despite the weaknesses identified and, the scepticism and confusion over the way in which the funding was attached, most interviewees felt there was an overall value to the process, some indicating that the process had been as important as the funding (78% of questionnaire respondents agreed with this, Q14). The latter suggesting that interviewees placed a high value on trying to achieve the relationship development, communication, and culture change process outcomes identified as objectives for Policy Agreements. However, as noted in earlier analysis, the limited nature of these improvements must be kept in mind.

### **Performance and Culture**

There was a high level of agreement (82%) amongst questionnaire respondents that creating a culture of self-improvement in local authorities was an objective of the Policy Agreement process. However, there were mixed responses from interviewees in relation to whether or not Policy Agreements had achieved this. The most generous responses suggested that, in conjunction with the Wales Programme for Improvement, they had contributed by helping improvement and performance management to be taken more seriously. For example, Interviewee E identified the benefit of the Agreements as a tool to 'drive' performance management within local authorities. However, despite this they were seen very much as a "secondary driver".



Other interviewees felt that because of the 'marginal' nature of the Agreements, their failure to create a strong sense of local ownership, strong focus on being a process to get the money and, lack of coherence with the Wales Programme for Improvement, they had failed to achieve this objective, even in a contributory sense. Interviewee A described them as "relatively inconsequential", and stronger drivers had been public opinion, resulting in elected member pressure, or arising from joint reviews, inspection reports and the Wales Programme for Improvement.

So why did some feel it was coherent while others felt that it was something extra, disconnected from the WPI and another hurdle to get over? This seems to be again connected to communication, some authorities could see/were prepared to make the connections with other policies while others were/did not. Possibilities for this reaction include; failure by national partners to effectively communicate this message and the possibility for mutual gain, or a political angle at play in that some of the 'non-believers' were not Labour led authorities. However, politicians did not seem to be looming large in the discussions. Also, there may have been complacency and a feeling of 'we knew better', but clearly something persuaded some authorities to 'make the most of it' while others marginalised the process and refused to treat Policy Agreements as anything more than a paper chase, despite similar levels of engagement from the Welsh Assembly Government. What was the 'X' factor?

One explanation might be linked to the corporate capacity to take Policy Agreements forward. However, some of the authorities which marginalised

the Agreements did not lack corporate capacity and, therefore, made a conscious choice that the Agreements were not worth serious effort. This seems to have been based on a number of factors including: perceived lack of alignment with the local authority's own agenda for improvement which was being driven through the WPI; complacency that there were already better local systems for driving improvement in place; a perceived lack of importance placed upon the process by the Welsh Assembly Government; a feeling that the money would arrive any way so why bother; and, perceived disconnect with other local government policies. These authorities also talked of self-improvement and performance cultures in passionate terms, so it was potentially not a lack of ambition which resulted in ambivalence towards the Policy Agreement process.

As emerged above, the pivotal axis seems to have been the local corporate centre - if a decision was taken there to embrace the Agreements then efforts were made to spread ownership and use them to best effect, if not the process remained a purely managerial one, managed by the corporate centre. The absence of strong national drivers in the form of serious sustained political and senior management engagement from the Welsh Assembly Government enabled this to take root early in the process and it was then difficult to recover from this position.

In policy evaluation terms there is perhaps a valuable implementation lesson to be learned from this experience. Organisational performance agreements between central and local government might be structured on an organisation

to organisation basis but, the interaction around these agreements needs to be multi-faceted and co-ordinated to leverage universal commitment or else implementation will be patchy, the possibility for national learning limited and, the impact upon any desired process outcomes will not be maximised. In theory terms the transference of principles from the individual level needs to be alive to this multiplicity of relationships – there are significant risks in assuming and/or relying on a single aspect of this relationship.

Questionnaire respondents were very positive (88.9%) that focusing on local authority results and outcomes rather than inputs was an objective of Policy Agreements. This positivity was common across the respondent groups of local authority officers, elected members and the Welsh Assembly Government. Responses from interviewees as to whether this was achieved were mixed. There was a feeling that Policy Agreements had made a contribution to this as a wider aim of local government policy but, the way in which the process had been implemented meant the contribution was not as large as perhaps it might have been.

Questionnaire respondents were not convinced that one of the objectives of Policy Agreements was to demonstrate there was no requirement for externally driven improvement by inspection and audit with only 30.1% of respondents agreeing. Interviewees recognised this was an aspiration and a few felt that Policy Agreements had made a limited contribution to achieving a reduction in inspection and regulation. However, most felt the debate was about proportionality and that the battle still had to be won. The key to it was

proving the contribution self-evaluation and scrutiny could make. Policy Agreements had not contributed to this in a significant way.

63.5% of questionnaire respondents agreed that providing discretion for local authorities to determine where to deploy their resources was one of the objectives of Policy Agreements. This was set in the context of the intention, identified in Chapter 3, for Policy Agreements to be a counteracting force to pressures for hypothecation of funding. In the case of the PIG itself, interviewees agreed this was the case and some felt that it provided limited relief from what were perceived as constant pressures for hypothecation in the form of specific grants, others also felt it had played a part in ensuring that the Revenue Support Grant remained unhypothecated.

Only 37.1% of questionnaire respondents felt that one of the objectives of Policy Agreements was to minimise requirements on local authorities to produce strategies and plans (despite this being enshrined in the agreement). In terms of the impact of Policy Agreements in this regard, interviewees felt it was minimal, at best laying the foundations for later work and discussions in this area. Interviewees suggested the lack of impact in these areas was related to a lack of corporate ownership of Policy Agreements in the Welsh Assembly Government. It was suggested that directors did not review or use the data as part of their portfolio management showing “a reluctance to use a tool which was not invented in their policy silo” (Interviewee H). Likewise, Interviewee H suggested that Cabinet showed little interest in using them

either as an integrating tool or as an alternative to more traditional levers such as hypothecated grants to drive performance.

This all suggests that Policy Agreements were not a powerful force for driving culture change in either local authorities or the Welsh Assembly Government. To add insult to injury, in the case of the latter, this does not seem to have been a very well kept secret and, exacerbated feelings of disillusionment, lack of purpose and commitment already emerging locally as a result of the confusion surrounding the nature and purpose of the PIG.

There are a number of possibilities for failure to secure senior and political commitment in the Assembly Government including; attachment to tried and tested levers such as specific grants and statutory guidance; the structure of portfolios reinforcing siloism and making a focus on outcomes and cross portfolio working difficult; and, loss of faith in the process resulting from the way in which the PIG was operationalised. Also, this lack of interest and commitment at national level may be self-reinforcing based on the extent to which local authorities themselves treated Policy Agreements as serious tools for delivering process outcomes and performance impacts. Interviewees noted that silo contacts, for example between education policy leads in the Welsh Assembly Government and local directors of education, were taking place outside the Policy Agreement world - the lack of involvement of these individuals in the core process becomes a self-fulfilling prophecy of lack of political commitment both locally and nationally, and resulted in a vicious circle which seemed to have been impossible to break.

There was a high level of agreement (91.6%) amongst questionnaire respondents that improving local authority performance was an objective of Policy Agreements. There were qualified responses from interviewees as to whether this was achieved. The qualifications related to: in the main the services included in the Agreements had seen improvements but, whether this was holistic, sustainable improvement was questionable and no attempts were made to establish this, for example, by cross referencing with other information such as inspection reports; the perceived lack of salience of the Policy Agreement framework; the focus on it being 'a numbers game'; and, Policy Agreements were a contributory factor as part of a wider drive to develop a performance culture. On the latter point two interviewees (B and E) felt that the fact Policy Agreements were 'forced on us' provided the internal leverage with members and service managers to drive improvement, "without this forcing we might not have been so successful" (Interviewee E).

This again suggests that the critical success factor of mutuality might be contingent on context. In this instance the 'top-down' approach enabled local corporate teams to point a finger at "the big, bad Assembly" to drive a performance culture, thus becoming complicit in supporting the Assembly to achieve its objectives (and keeping all the funding for itself). This may further explain the feeling of positive 'corporate centre to corporate centre' relationships as the corporate centres had shared purpose and mutually reinforcing goals.

65.1% of questionnaire respondents felt that Policy Agreements had raised expectations in terms of improved performance which could be met. This was supported by the interview responses. The relevance of this question relates to the importance of having realistic targets so that the links between effort and performance can be made. Questionnaire responses suggest that these links could be seen (Q43, 61.4%) but, the links between performance and reward were a little more hazy (Q44, 47.4%, Q66, 51.6%). As noted above this was reflected in interviewees' responses to whether or not the PIG was an incentive. This raises questions as to whether improved performance in those services included in the Agreements owed more to the clarification of objectives, a happy co-incidence in terms of a shared corporate objective to improve performance management systems, the public service ethos and professional pride rather than a financial incentive.

## **Conclusions**

### **1. The Impact of Policy Agreements**

The evidence suggests that the impact of Policy Agreements was limited and differential both geographically and in relation to the groups involved in implementation. The analysis of the interview data suggests that none of the objectives identified at the start of the process were met in full, some were partially met and others were not met at all. This position will be reviewed in Chapter 9, so that evidence relating to the actual performance impacts of Policy Agreements identified in Chapter 8 may be considered in conjunction with the evidence discussed above.

## **2. Key Themes**

**Funding** - It was clear from the questionnaire and interview data that participants understood the principles of linking effort and performance and performance and rewards at a conceptual level within Policy Agreements. However, whilst implementation reinforced the links between effort and performance, allaying fears about reliance on others, it undermined the link between performance and reward.

This may be a peculiarity of the 'politicisation' of the Welsh system. It seems the heady cocktail of the 'good relationship' at national level (Laffin, 2004; Jeffery, 2006), mutual national and local desire to be different to England 'at any cost' (Laffin and Thomas, 2001), the policy deficit which enabled the WLGA to input and influence the early stages of policy making (Laffin et al, 2002; Laffin and Thomas, 2001; Drakeford, 2006) and a prevailing value of equity (Hart, 2002) meant that a system of reward based on differential criteria, when combined with the 'politicians' dilemma', seemed doomed to failure and relegation to the performance management technical silo, as it was incompatible with the context. The potential strengths of being a small country were not brought into play, instead, because of the contextual incompatibility, weaknesses were exemplified and an unintentional bi-product was a lack of focus on citizens throughout the process.

In addition, lack of effective communication of this flexing of funding purpose, in the sense of moving from a motivator to something to 'sweeten the deal' seems to have created a 'funding fog' and unnecessary complexity and



confusion. It also seems for some to have undermined the credibility of the process leading to claims of it becoming a 'mockery'. There seem to be two messages; schemes have to be conceptually compatible with the context and, any change in purpose must be clearly communicated and understood by all the participants at all levels.

The extent to which the funding acted as a motivator either for service or corporate managers is debateable. This correlates with evidence of the English system discussed in Chapter 3. When combined with the difficulties identified as inherent in the allocation of short term funding, the vagaries of the implementation process itself and the politicians' dilemma, it raises questions as to the robustness and appropriateness of organisational pay-for-performance schemes.

Achievement of the process outcomes seemed not to be dependent on the reward funding, which if anything seemed to cloud discussions and relationships, and intrinsic motivation seemed a stronger driver in the delivery of performance impacts than extrinsic motivation in the form of funding. Once the funding was included it may have encouraged undesirable behaviours by creating perverse incentives, increasing the risk of gaming, limiting ambition and partnership and encouraging budget maximisation to become the predominant motivation resulting in the creation of a siloed technocracy. If this is the case then the value of allocating funding at an organisational level based on managerial competency rather than citizen need should be questioned.

**Process** - a recurring theme was the lack of seniority of the Welsh Assembly Government officials involved in the performance review sessions and the way in which this limited the discussions. Feelings on this ranged from the mildly bemused to a sense that this conveyed a lack of commitment to the process on the part of the Assembly Government. The latter was fanned by the inability of the Assembly Government, not through want of trying by officers leading the process, to mobilise widespread interest within its own departments in Policy Agreements. This was rather the result of an endemic lack of senior political and management interest and involvement. This seems to have created a vicious circle at local level reinforcing feelings of resentment and lack of commitment. The less than secret siloed behaviour of the Assembly Government may also have contributed to the lack of trust identified below.

This has to be set against the value which middle ranking officers placed on the discussions, and there is little doubt relationships between these officers did improve and develop over the period of the Agreement. However, these effects were not replicated at other levels in the system and reinforced the technical nature of the discussions identified above. This caused improvements in relationships to be limited and they became one rather than multi-dimensional. This meant at the all-Wales level there were no opportunities to feed local experience into national learning and vice versa.

It is as if the various levels were operating in isolation from each other rather than in harmony. Those at a national level seemed to have assumed that the

'warmth' of their relationship would glow and spread to other parts of the system but, instead it seems to have cooled resulting in low levels of trust between local participants and the centre which were not mitigated by developing good relationships with junior and middle tier Assembly Government officials. This was reinforced by the mutual co-design at national level crowding out opportunities for universal local input into the development of the Agreements, exacerbated by limited wider consultation (See Chapter 3) – again the value placed on being able to set targets locally and determine how they were to be achieved was undermined by the 'joint' national prescription of the framework.

A further undermining factor was the perceived lack of integration of Policy Agreements with other aspects of local government policy. This was felt to reinforce the marginalisation generated by the lack of political and senior commitment nationally and, was supplemented by a feeling that the Agreements were 'top-down'. However, this was not a universal limiting factor as where mutual gain was identified by a local authority corporate centre in terms of driving its own agenda, the Agreements were seized, in conjunction with the Wales Programme for Improvement, as an opportunity to inculcate a performance culture amongst elected members and service managers.

This mix of factors associated with the funding and process implementation resulted in a multi-faceted differential impact, different between authorities, local corporate centres, elected members and officers. This, combined with

the lost opportunities for learning, meant that Policy Agreements did not realise the potential identified for them by the Laffin et al (2002) study.

### **3. The Principles of PRP Schemes at an Organisational Level**

Using the blended evidence from Chapters 2, 3 and 4 has enabled a lens to be focused on a previously under-researched area of the central-local performance agreement process in the form of the operational impact of rewards linked to outcomes, as well as providing new insight to explore other stages in these agreements. The above analysis provides some support for the use of this approach as participants were clearly making conceptual links between effort and performance and performance and rewards. However, the motivational impact of the reward grant seems limited in both the Welsh and English contexts and this model helps to explain why and raises questions as to the appropriateness and robustness of this practice. This issue will be further explored in Chapter 9 so that evidence from Chapter 8 may be considered in the analysis.

To complete the evaluation, the next chapter will review actual performance against baselines and consider whether there was a greater level of improvement in those areas included in the Agreements as opposed to those which were not. It will also build a multiple regression model to attempt to identify key aspects of the implementation process which might influence performance.

## **CHAPTER 8**

### **POLICY AGREEMENTS - FINAL PERFORMANCE**

#### **Introduction**

Previous chapters have considered the perceptions of stakeholders in relation to the Policy Agreement process through analysis of the questionnaire returns and a series of interviews. The latter also considered perceptions relating to the process outcomes and performance impacts of the Agreements. This Chapter aims to consider whether any actual performance impacts can be established.

Firstly, final performance against the Policy Agreement targets is considered by reference to published performance indicator data. Secondly, a regression model is built to determine the extent of variation in actual performance, which might be explained by baselines and any statistically significant, relevant factors relating to implementation, based on the evidence from Chapters 2, 3 and 4.

#### **Measuring Actual Performance**

The results of the analysis of the questionnaire and interview data suggest that one of the objectives of Policy Agreements was to improve the performance of local authority services and that their implementation has had some limited perceived impact in that regard. However, measuring the actual impact of Policy Agreements upon performance is not straightforward for reasons including:

### *The nature of the Policy Agreement process*

- All local authorities in Wales were included in the first round of Agreements and, therefore, no 'control group' exists against which to evaluate performance improvements.
- Likewise all authorities used the same set of performance indicators in their Agreements.
- It is not known how each individual local authority used its PIG funding. However, it could be argued that this is largely irrelevant as improved performance is not necessarily directly correlated with increased resources. Value for money in terms of the effectiveness of resource deployment using good management information systems is arguably the critical factor. Policy Agreements are about embedding these, pump priming might help initial improvements by allowing the development of good systems to support improved performance, but a more permanent solution is required to sustain it.

### *Contextual factors*

- Contextual factors such as published reports from regulators could have impacted on the resources and emphasis placed upon some of the services included in the Agreements over the three years. This is particularly the case in respect of social care where the Chief Inspector of Social Services had been highly critical of social service provision across Wales during the period of the Agreements. However, this has been seen as an all-Wales issue and in this case is likely to impact upon all authorities.
- The Welsh Assembly Government has targeted many of the areas in the Agreements with other forms of 'support' such as hypothecated grants and capacity building support. It has also prioritised the service areas in other ways, for example by setting a requirement for a plan to be submitted. Any service improvements may, therefore, not be solely attributable to Policy Agreements. This impacts upon all of the authorities.
- Local authorities may have already chosen these services as local priority areas and be targeting their unhypothecated resources at service improvement. In other words, the services might have improved in any case without the intervention of Policy Agreements. However, it is not possible to determine a breakdown of the resources applied to the specific services by individual local authorities by reference to their published accounts or National Assembly statistical returns. It is unlikely that local authorities would be able to supply this information, and, if it were possible, unlikely that returns would be received from all twenty two.
- Services may have improved or declined as a result of factors largely outside the control of the authority such as deprivation levels. However, these factors should be built into the baselines and targets.

- Many of the areas covered by the Policy Agreement indicators are those where there have been entrenched problems such as delayed transfers of care between hospitals and social services. In these cases, significant improvement may only be possible over a period longer than three years. Also, in this example, the local authority will be heavily dependent on the co-operation of partner organisations such as the NHS.

### *Data problems*

- Measuring whether there has or has not been an improvement in the level of service is difficult in some areas covered by the Agreements. This is because the robustness of the baselines in some cases is questionable. Prior to the implementation of Policy Agreements some levels of service had not been measured, and therefore finding robust data for baselines was difficult. In some cases it was not possible and therefore no baselines exist.
- Some of the outturn data for the 2003/04 NAWPIs (National Assembly for Wales Performance Indicators) have been qualified by the relevant auditor.
- Determining whether or not targets have been achieved is difficult as different authorities took different perspectives on setting the targets. Some were purely aspirational, while others appear to be purely the maintenance of the status quo, and others look achievable but not demanding. However, it is noted that previous chapters have identified that the perception from local authorities is that the targets are demanding and achievable which may be what counts.

Similar difficulties were identified by Sullivan and Gillanders (2005) and Boyne and Law (2005) in relation to their evaluation work on LPSAs in England. However, despite these difficulties, the analysis would not be complete without some review of actual performance in the service areas covered by the Agreements. Appendix U uses the baseline performance agreed with the local authorities (see Appendix B - the baseline year was 2000-01, except for recycling which is 1999-00) to set out performance by local authority, by Policy Agreement indicator for 2003-04.

No analysis has been published by the Welsh Assembly Government, and the following has, therefore, been compiled by reference to the NAWPIs (National Assembly for Wales Performance Indicators) for 2003-04 as published by the Local Government Data Unit Wales.

### **Analysing Actual Performance**

Table 8.1 sets out the actual change in performance from the baseline for the Policy Agreement indicators. The change is also expressed as a percentage improvement or deterioration on the baseline. This provides not only the absolute change in performance but, an indication of the magnitude of the change (positive or negative) from the starting position. It is acknowledged that the latter is a crude indication but, it is important to try and put the level of improvement or deterioration in perspective. This sort of broad trend analysis must also be mindful that in some areas the client numbers are small, and therefore an individual case may have a significant influence on the percentages. That said, in most cases the indicators relate to vulnerable individuals, and therefore the handling of each case can have a significant impact on that person and his or her family.

Table 8.2 provides the same data for the non-Policy Agreement performance indicators over the same period. The purpose of this analysis is to determine, on a broad level, whether there has been a greater level of improvement in the Policy Agreement services as opposed to those which were not included in the Agreements. There are some gaps in the data due to changes in the definition of some indicators over the period.



**TABLE 8.1: POLICY AGREEMENT PERFORMANCE INDICATORS PERCENTAGE IMPROVEMENT ON BASELINE 2003/04**

	2.2	2.4	2.7	2.14	3.3	3.4	3.7	3.8	3.9
	Percentage of pupils in schools maintained by the authority in the previous summer achieving 5 or more GCSEs at grades A*-C or the vocational equivalent.	Percentage of 11 year olds in schools maintained by the authority in the previous summer achieving: Level 4 or above in the National Curriculum Key Stage 2	Percentage of 15/16-year-olds leaving full-time education without a recognised qualification.	The percentage of attendance, those present or on approved educational activities, in secondary schools.	The percentage of young people in care on their 16th birthday who have a care plan and/ or pathway plan for their continuing care	The percentage of first placements (for looked after children) beginning with a care plan in place.	The rate of older people (aged 65 or over) helped to live at home per 1,000 population aged 65 or over.	The rate of delayed transfer of care for social care reasons per 1,000 population aged 75 or over.	The percentage of adult clients receiving a written statement of their needs and how they will be met.
<b>2000-01 Average (Baseline)</b>	49%	62%	3.44%	90%	82%	56%	91.2	17.51	84%
<b>2003-04 Average</b>	51%	80%	2.51%	91%	92%	80%	110.87	16.73	91%
<b>% Improvement</b>	<b>5%</b>	<b>28%</b>	<b>-27.11%</b>	<b>1%</b>	<b>12%</b>	<b>41%</b>	<b>22%</b>	<b>-4%</b>	<b>9%</b>

( ) = deterioration in performance

**TABLE 8.1: POLICY AGREEMENT PERFORMANCE INDICATORS PERCENTAGE IMPROVEMENT ON BASELINE 2003/04**

	3.13	3.14a	3.14b	3.14c	3.15a	3.15b	5.1 a&b
	The number of people aged 65 or over whom the authority supports in residential care homes or nursing homes per 1,000 population aged 65 or over	The number of physical or sensory disabled adults aged under 65 whom the authority helps to live at home per 1,000 adults under 65.	The number of learning disabled adults aged under 65 whom the authority helps to live at home per 1,000 adults under 65.	The number of adults with mental health problems aged under 65 whom the authority helps to live at home per 1,000 adults under 65.	The percentage of cases of children on the child protection register with an allocated social worker who is providing a service appropriate to the child's need.	The percentage of cases of children looked after with an allocated social worker who is providing a service appropriate to the child's need (exclude those children in group (a) above)	Total tonnage of municipal waste arisings: percentage recycled, reused or composted
<b>2000-01 Average (Baseline)</b>	28.41	3.69	3.27	2.53	93%	95%	6.83%
<b>2003-04 Average</b>	29.29	6.36	4.24	4.14	98%	98%	16.45%
<b>% Improvement</b>	<b>(3%)</b>	<b>73%</b>	<b>30%</b>	<b>63%</b>	<b>5%</b>	<b>4%</b>	<b>141%</b>

**TABLE 8.2: NON POLICY AGREEMENT PERFORMANCE INDICATORS PERCENTAGE IMPROVEMENT ON BASELINE  
2003/04**

	2.1	2.3	2.5 (a)	2.5 (b)	2.5 (c)	2.5 (d)	2.6	2.8 (a)	2.8 (b)
	Average GCSE/GNV Q points score of 15/16 year olds in schools maintained by the authority.	Percentage of pupils in schools maintained by the authority achieving one or more GCSEs at grade G or above or the vocational equivalent.	Percentage of 14 year olds in schools maintained by the authority in the previous summer achieving: Level 5 or above on the National Curriculum scale in Mathematics	Percentage of 14 year olds in schools maintained by the authority in the previous summer achieving: Level 5 or above on the National Curriculum scale in English.	Percentage of 14 year olds in schools maintained by the authority in the previous summer achieving: Level 5 or above on the National Curriculum scale in Welsh (first language).	Percentage of 14 year olds in schools maintained by the authority in the previous summer achieving: Level 5 or above on the National Curriculum scale in Science.	Percentage of 15/16-year-olds achieving the 'core subject indicator'. Those pupils achieving at least grade C in GCSE English or Welsh, Mathematics and Science in combination.	Number of pupils permanently excluded during the year from schools maintained by the authority per 1,000 pupils on rolls of schools maintained by the authority: for primary schools	Number of pupils permanently excluded during the year from schools maintained by the authority per 1,000 pupils on rolls of schools maintained by the authority: for secondary schools.
<b>2000-01 Average (Baseline)</b>	38.55	92.54	61.92	62.00	69.97	63.48	35.96	0.24	1.56
<b>2003-04 Average</b>	39.33	93.08	67.70	62.94	74.93	70.38	37.16	0.20	1.65
<b>% Improvement</b>	<b>2%</b>	<b>1%</b>	<b>9%</b>	<b>2%</b>	<b>7%</b>	<b>11%</b>	<b>3%</b>	<b>-19%</b>	<b>(6%)</b>

( ) = deterioration in performance

**TABLE 8.2: NON POLICY AGREEMENT PERFORMANCE INDICATORS PERCENTAGE IMPROVEMENT ON BASELINE  
2003/04**

	2.8 (c)	2.11 (a)	2.11 (b)	2.11 (c)	2.12 (a)	2.12 (b)	2.13 (a)	2.13 (b)
	Number of pupils permanently excluded during the year from schools maintained by the authority per 1,000 pupils on rolls of schools maintained by the authority: for special schools.	The percentage of permanently excluded pupils attending: less than ten hours a week of alternative tuition.	The percentage of permanently excluded pupils attending: between ten and twenty-five hours a week of alternative tuition.	The percentage of permanently excluded pupils attending: more than twenty-five hours a week of alternative tuition.	The percentage of primary school classes with more than 30 pupils in years: reception to two inclusive	The percentage of primary school classes with more than 30 pupils in years: three to six.	The number of statements issued during the year.	Percentage of statements with special educational need prepared within 18 weeks excluding those affected by the 'exceptions to the rule' under the SEN Code of Practice.
<b>2000-01 Average (Baseline)</b>	1.75	62.02	23.47	12.98	1.99	16.30	84.50	77.33
<b>2003-04 Average</b>	1.78	34.45	49.29	16.26	2.55	11.41	85.45	74.63
<b>% Improvement</b>	<b>(2%)</b>	<b>-44%</b>	<b>*110%</b>	<b>25%</b>	<b>(29%)</b>	<b>-30%</b>	<b>1%</b>	<b>(-3%)</b>

**TABLE 8.2: NON POLICY AGREEMENT PERFORMANCE INDICATORS PERCENTAGE IMPROVEMENT ON BASELINE  
2003/04**

	3.1	3.2 (a)	3.2 (b)	3.5	3.6 (a)	3.6 (b)	3.10	3.11	3.12	3.15 (c)
	Stability of placements of children looked after by the authority by reference to the percentage of children looked after on 31 March in any year with three or more placements during the year.	Educational qualifications of children looked after by reference to the percentage of young people leaving care aged 16 or over with one or more GCSE's at grades A*-G, or General National Vocational Qualification.	Educational qualifications of children looked after by reference to the percentage of young people leaving care aged 16 or over with 2 or more GCSE's at grades A*-G, or General National Vocational Qualification.	Costs of services for children looked after by an authority by reference to gross weekly expenditure per looked after child in foster care or in a children's home.	Cost of providing social services to adults by reference to gross cost per week for residential and nursing home care.	Cost of providing social services to adults by reference to gross cost per week for home care.	The rate of assessments of people aged 65 and over per 1,000 population aged 65 or over.	The number of nights of respite care provided or funded by the authority per 1,000 population aged 18 or over.	The percentage of children on the child protection register whose cases should have been reviewed that were reviewed.	The percentage of cases of children in need with an allocated social worker who is providing a service appropriate to the child's need (exclude those children in group (a) and (b) above)
<b>2000-01 Average (Baseline)</b>	8.10	40.74		414.98	203.59		130.57	99.58	66.70	
<b>2003-04 Average</b>	9.94	43.99	36.97	539.43	493.64	144.97	150.02	107.69	83.10	80.95
<b>% Improvement</b>	<b>(23%)</b>	<b>8%</b>		<b>(30%)</b>	<b>(142%)</b>		<b>15%</b>	<b>8%</b>	<b>25%</b>	

The performance against baselines may be summarised as follows:

**TABLE 8.3: POLICY AGREEMENT AND NON POLICY AGREEMENT INDICATORS PERFORMANCE 'TREND' 2003-04**

	<b>Total Number</b>	<b>Education</b>	<b>Social Services</b>	<b>Waste</b>
<b>Policy Agreement</b>				
Improved	16	4	10	1
No Change				
Not Improved			1	
Total	16	4	11	1
Average % Improvement		15.28%	23.64%	
<b>Non Policy Agreement</b>				
Improved	21	12^	4~	
No Change				
Not Improved		4	1	
Total	21	16	5	
Average % Improvement		7.53%*	6.6%	
Average % Improvement		14%”		

^ excludes 2.13 (a)

~ excludes 3.5 and 3.6 (a)

\* excludes 2.11 (b) from the average as this was considered to be an exceptional result.

“ includes 2.11 (b).

In terms of the Policy Agreement indicators, there has been an all-Wales improvement on the baseline for all the indicators except 3.13 but, this should be considered in conjunction with improvements in 3.8 and 3.7. However, this disguises a wide range of 'patchy' performance at individual local authority level, both in terms of exceeding the baseline and, whether targets have been met (Appendix U). The only area where there has been wholesale performance improvement is in recycling, but this area has also been the

recipient of hypothecated funding, and could be 'quick fixed' in the short term with technical solutions.

This all-Wales level analysis is supported by findings from a review of the performance against baselines of the second round of Policy Agreements (Welsh Assembly Government, 2008) which demonstrated that all of the included indicators, bar one, showed an improvement over the Policy Agreement period (2004/05 to 2006/07) but, that this concealed a wide variation in the level of performance across authorities.

A number of the non-Policy Agreement indicators have been disregarded from the analysis in Table 8.3 as they relate purely to measures of activity in terms of the number of cases handled or costs. Many of these indicators also saw improvements on the baseline, but the magnitude of the improvements is not as great as for those indicators included in the Agreements. There could be a number of reasons for this. For example, it might be that discussions between Assembly and local government officials relating to performance tended to be service based, the evidence from Chapter 7 suggests that some 'silo' to 'silo' discussions took place in education and social services, and/or the non-Policy Agreement services might have been the subject of other initiatives and/or the Policy Agreement funding might have been directed at the service as a whole.

However, the average percentage improvement for the education and social care indicators is higher for those included in the Policy Agreements than for

those that were not. This is a simple, rough indication of rate of improvement, but does suggest that Policy Agreements might have contributed to an overall higher performance in these particular service areas. However, responses to Q31 (Focusing on specific service areas in this way has created a focus on these areas at the expense of others) showed that 60.5% of respondents agreed with this statement, which in a way corroborates these findings but, raises further questions as to whether these were the right areas to be focusing on in every area of Wales, whether the data might have been gamed or manipulated in some way (although NAWPIs are audited), whether these improvements are sustainable and, whether this focus resulted in a loss of coherence.

Because of the limitations identified earlier in this Chapter, it is still not possible to say absolutely whether the service improvements which have taken place might not have done so if Policy Agreements had not existed or indeed that they would have taken place in any case. However, there is one further piece of analysis which can be undertaken to attempt to identify whether the perceptions of key aspects of the implementation process (as measured by questionnaire responses) impact upon actual performance.

### **Perceptions and Performance**

This final piece of analysis uses the questionnaire results for local authority service managers, on the assumption that it is these officers who are responsible for directly influencing performance by their behaviour (this was



evident from the analysis of structured interview data in Chapter 7 and identified in the evaluation of the LPSA system reviewed in Chapter 3).

The aim is to identify whether a multivariate regression model can be developed by taking the statistically significant results from the multivariate analysis in Appendix S to build a model which will then identify whether a proportion of actual service performance is explained by the baseline performance and the critical implementation factors identified as significant. The analysis in Appendix S was undertaken as a means of filtering the large number of independent variables to identify those which were significant in relation to the various objectives of Policy Agreements (process outcomes and performance impacts). The limitations of this analysis are acknowledged in that the dependent variables relate to perceptions of the objectives of Policy Agreements rather than perceptions as to whether these objectives were actually achieved. The limitation of the timing of the questionnaire returns and the impact this may have had on some of the responses, especially those relating to the feedback stages of the process are also acknowledged.

In this model, actual performance becomes the dependent variable. The 'ideal' model would be able to match actual performance, baselines and local authority officer perceptions to the performance indicators included in the Policy Agreements. However, this was not possible for the following reasons:

- questionnaire returns were not received from every local authority and where returns were received not all of the services were 'covered' by returns from officers;
- 116 returns were received from officers working in finance, corporate services, scrutiny and cross cutting areas such as equal opportunities. These were rejected on the grounds that whilst their perceptions are

important for the previous analysis, they had no ability to directly influence service performance;

- some indicators had to be excluded from the analysis because either the data on baselines or actual performance was incomplete; and,
- even when categories of indicator were 'grouped', where data existed, models were built but 'n' was not sufficient i.e. it was not possible to build a service based model because of limitations of the data. As follows:

<b>Service</b>	<b>n</b>	<b>Comment</b>
Education	11	Model ran but collinearity was outside tolerable limits.
Social care (older people)	9	As above.
Social care (younger people)	6	'n' too small to run model.
Social care (adults)	8	As above.
Recycling	6	As above.

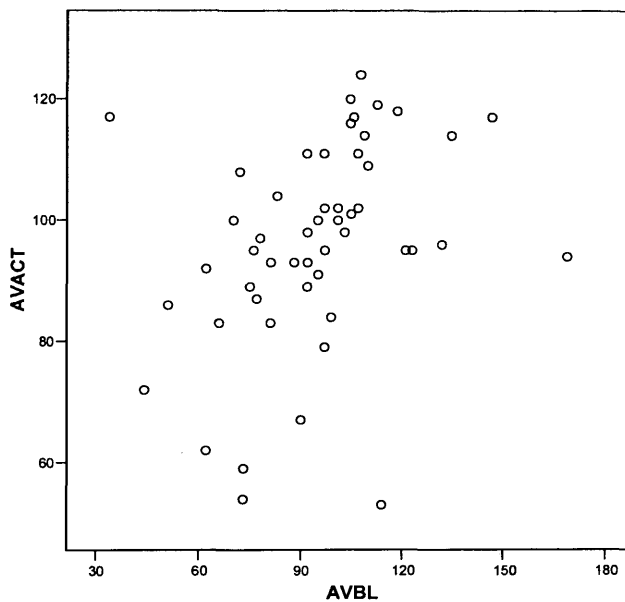
To overcome this data was standardised by converting it to a percentage of the Welsh average. Then, within services the percentage of the Welsh average was averaged by service to create a composite measure as follows:

- Education - an increase in the proportion of 11 year olds achieving at least level 4 in the core subject indicator (NAWPI 2.4) and an increase in the proportion of 15 year olds achieving 5 or more GCSEs (A\* to C) or vocational equivalent (NAWPI 2.2)
- Social Care (Older People) - Older people helped to live at home per 1000 population aged 65 or over (NAWPI 3.7) and older people in residential homes per 1,000 population aged 65 or over (NAWPI 3.13)
- Social Care (Adults) - People with physical and sensory disabilities helped to live at home per 1000 of the population under 65, people with learning disabilities helped to live at home per 1,000 population under 65, people with mental health problems helped to live at home per 1,000 of the population under 65 (NAWPI 3.14)
- Social Care (Children) - The percentage of placements for looked after children beginning with a care plan in place (NAWPI 3.4) and Young people looked after on their 16<sup>th</sup> birthday with a plan for continuing care (NAWPI 3.3)
- Recycling - an increase in the proportion of municipal waste recycled or composted (NAWPI 5.1)

To determine whether the building of such a model was feasible within the parameters of the available data, average actual performance per local

authority per service was plotted against average baseline per local authority per service (see Figure 8.1) which illustrates a positive relationship between the two variables.

**FIGURE 8.1: AVERAGE BASELINES 2000/01 (X) AND AVERAGE ACTUALS 2003/04 (Y) FOR 'USEABLE' POLICY AGREEMENT INDICATORS**



This is important as it illustrates that whilst averaging the data 'washes out' the individual service affect to overcome the low 'n' per service, the approach has retained a positive relationship between the averaged baselines and performance per service. This facilitates the building of the regression model using averaged baselines as an independent, explanatory variable of average performance. This method is based on published research by Andrews at al (2006 and 2008).

## **Building the Model**

Having identified this positive relationship, further potential independent variables needed to be identified. It was determined that those independent variables in the multivariate analysis (Appendix S) of the performance impact research questions (5 and 6) identified as statistically significant would be a good starting point. Two variables were found to be significant in respect of research question 5, Q57 (The Policy Agreement process has raised expectations in terms of improved performance which can be met) and Q83 (The funding linked to these Agreements is an incentive, i.e. to stimulate performance). Evidence from Chapter 7 supports the case for including these variables as a number of interviewees supported these statements in their description of how the process had been implemented in their authorities in conjunction with their service manager colleagues. Also, given the confusion over the role of the funding which emerged in Chapter 6 and the 'funding fog' which emerged in Chapter 7 it was felt important to include a variable relating to the funding in this analysis.

The regression analysis of research question 6 identifies Q84 (There has been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines) and Q47 (Costs of collecting data to assess performance does not outweigh the benefits) as significant variables. This is supported by the literature review which identified that the perception of sitting down, thinking and talking about performance will have an impact on actual performance (provided that the process is cost effective). Again, the case seems compelling for inclusion in the model. Evidence from Chapter 7

in relation to Q47 was mostly positive, while Q84 was less so, the majority of interviewees had placed value upon the discussions. It is noted that the local interviewees represented the corporate centre, however, the evidence in Chapter 7 suggests that their service manager colleagues valued similar discussions with service experts.

The regression models for the process outcomes were reviewed (Appendix S) to identify whether any further statistically significant variables should be included in the model. Q46 (Authorities have the freedom to decide how to meet targets) was significant in two models, research questions 1 and 2, while Q86 (NAW role has been to help local authorities constructively improve performance) was significant in models relating to research question 2 in respect of two separate dependent variables. Evidence from the interview data in Chapter 7 was strong in respect of Q46, but less so in relation to Q86. However, as above, value was placed on the discussions by the majority of corporate centre interviewees who suggested the same held true for their service manager colleagues. The final regression model is, therefore, as follows:

<b>DEPENDENT VARIABLE</b>	<b>INDEPENDENT VARIABLES</b>
Actual Averaged Performance	= Averaged baselines+Q46+Q86+Q57 +Q83+Q47+Q84

The following tables provide the descriptive statistics and the regression output for the model (actual performance for 2003/04 is the dependent variable).

**TABLE 8.4: DESCRIPTIVE STATISTICS FOR PERFORMANCE REGRESSION MODEL**

	<b>N</b>	<b>Range</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>	<b>Skewness</b>	<b>Std. Error</b>	<b>Kurtosis</b>	<b>Std. Error</b>
AVBL	65	135	34	169	92.815	22.998	528.903	0.364	0.297	1.503	0.586
AVACT	65	71	53	124	95.231	17.731	314.399	-0.808	0.297	0.313	0.586
Authority has the freedom to decide how to meet the targets (Q46)	64	6	1	7	4.656	1.645	2.705	-0.993	0.299	0.081	0.590
NAW role has been to help LAs constructively improve performance(Q86)	41	4	2	6	3.902	1.179	1.390	0.197	0.369	-0.930	0.724
Process has raised expectations of improved performance which can be met (Q57)	60	6	1	7	4.350	1.696	2.875	-0.272	0.309	-0.732	0.608
The funding is an incentive (Q83)	64	6	1	7	4.359	1.637	2.678	-0.448	0.299	-0.545	0.590
Costs of collecting data to assess performance do not outweigh the benefits (Q47)	65	5	2	7	4.600	1.498	2.244	0.002	0.297	-1.171	0.586
Adequate consideration of the PA process as a whole when reviewing targets and baselines (Q84)	59	6	1	7	3.661	1.493	2.228	-0.002	0.311	-0.998	0.613
Valid N	40										

- the baseline for education and social care is 2000-01, for recycling 1999-00.

**TABLE 8.5: REGRESSION MODEL FOR ACTUAL AVERAGED  
PERFORMANCE 2003/04**

	Unstandardized Coefficients		T	Sig.
	B	Std. Error		
(Constant)	65.996	13.744	4.802	.000
AVBL	.266	.095	2.798	.009
The Authority has the freedom to determine how to achieve improvements in its own performance (Q46)	.416	1.624	.256	.799
The role of the Assembly during review sessions has been to help local authorities constructively improve performance(Q86)	5.667	2.502	2.264	.030
The Policy Agreement process has raised expectations which can be met (Q57)	.441	1.480	.298	.768
The funding linked to these Agreements is an incentive (Q83)	.345	1.285	.268	.790
The cost of collecting information to measure progress towards targets does not outweigh the benefits it provides (Q47)	-.419	1.519	-.276	.785
There has been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines (Q84)	-6.324	1.670	-3.787	.001

a Dependent Variable: AVACT

**N=40**

**R Squared = 0.521**

**Adjusted R Squared= 0.417**

**ANOVA Significance= 0.001**

**F Value = 4.977**

The shaded areas above show variables which are significant at a 10% level.

No significant levels of collinearity were identified. This model was also tested for heteroscedasticity, none was found.

### **Analysis of Results**

The model shows that the baseline is, as expected, a significant independent variable. It also shows that Q86 (NAW role has been to help local authorities constructively improve performance) has a positive statistical significance while Q84 (adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines) has a negative significance.

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The Q86 result supports evidence in the literature review in Chapters 2, 3 and 4 which identified that there is a tension between supporting and 'policing' performance and, that when support is seen as constructive this is more likely to have a positive impact on performance (Boyne and Chen, 2006 and Table 4.1). Likewise, evidence from the structured interviews suggested that some local authority corporate officers placed value on the discussions with the Welsh Assembly Government, as did their service manager colleagues.

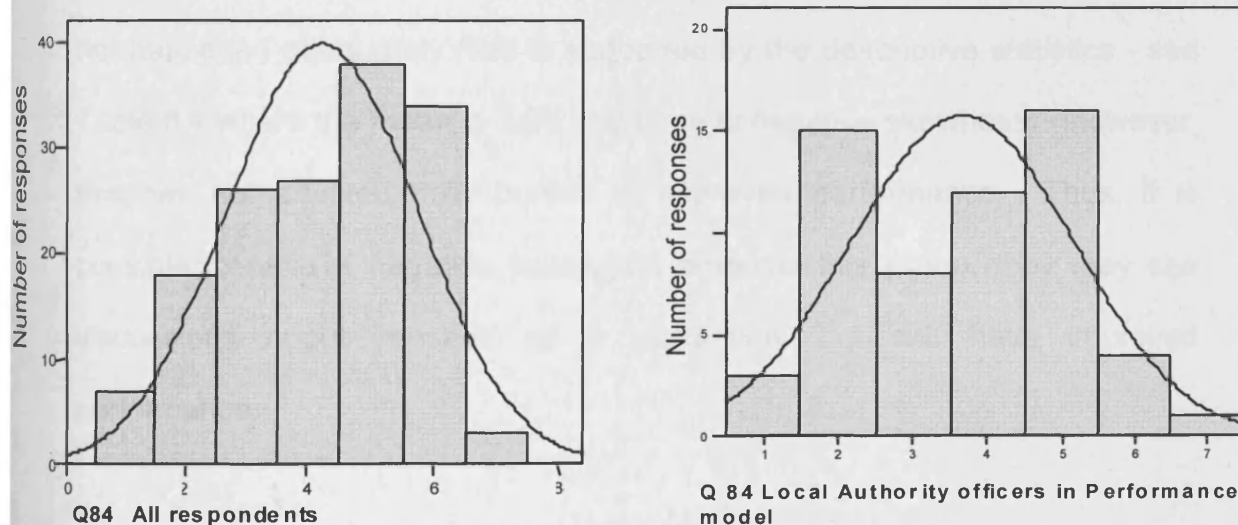
This appears to have been borne out by the model which is suggesting that in those local authorities where officers perceived the role of the Welsh Assembly Government as providing constructive support then performance was likely to improve. However, it must be remembered that regression significance is not absolute proof of causality as the relationship may be spurious. However, this result is also corroborated by the findings of Andrews et al (2008) who found that regulation which is viewed as supportive by service managers is likely to reinforce the effectiveness of a successful strategy and to shift a neutral strategy in a positive direction. "In other words, if the regulatory regime is seen as helpful, then the impact of local strategies for service improvement is enhanced" (p.198).

Q84 (adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines) provides a more challenging and interesting result in that it has negative significance within the model. In the research question 6 regression model (Appendix S), this independent variable has a positive significance, the difference in the performance regression model result may be explained as follows.



The original research question 6 model was run using all respondents with the variable (Q84) having the frequency distribution in the following first graph. The performance model was run using local authority officers directly involved in the running of the Policy Agreement services only as shown in the second graph.

**FIGURE 8.2: Q84 ADEQUATE CONSIDERATION OF THE POLICY AGREEMENT PROCESS AS A WHOLE - FREQUENCIES**



The two sets of data have different profiles, with service managers being more negative as regards adequate review of the process as a whole when reviewing targets and baselines. This may be a realistic result and is evidenced by the analysis of interview data in Chapter 7. Corporate policy officers and elected members were more likely to have engaged with Welsh Assembly Government Local Government Division officials on the review of the process as a whole and, to see this as an important aspect of demonstrating value for money (research question 6) than their service

manager counterparts. The latter were more likely to have been involved in 'silo to silo' discussions with education or social services policy experts from the Assembly Government where the focus was on the services and not the process.

Therefore, whilst service managers are likely to see constructive support as important in improving performance and have experience of this from their silo to silo discussions, arguably they are less likely to have been involved in adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines. Therefore, they may perceive that this has not happened adequately (this is supported by the descriptive statistics - see Table 8.4 where the mean is 3.66 and there is negative skewness) - however, this has not affected their pursuit of improved performance. Thus, it is possible to have a negative perception amongst this group, they may see discussions about process as a distraction, but still have improved performance.

However, these results are counter to the review of literature in Chapters 2 and 4 which suggested that review of overall process was a contributory factor to the overall success of the performance management schemes. However, for local authority service managers there is also a statistically significant negative correlation between Q84 and actual performance (2003/04) which bears out the performance regression model's results and the suggestion that these officers potentially see discussion about process as detracting from delivering improvement. However, this may limit the potential for learning transfer and widespread ownership of and commitment to the process.

**TABLE 8.6: CORRELATION ACTUAL PERFORMANCE 2003/04 AND Q84**

			AVACT	Adequate consideration of the PA process as a whole when reviewing targets and baselines (Q84)
Spearman's rho	AVACT	Correlation Coefficient	1.000	-.259(*)
		Sig. (2-tailed)	.	.048
		N	65	59
	Adequate consideration of the PA process as a whole when reviewing targets and baselines (Q84)	Correlation Coefficient	-.259(*)	1.000
		Sig. (2-tailed)	.048	.
		N	59	59

\* Correlation is significant at the 0.05 level (2-tailed).

This result may provide some limited supporting empirical evidence for the findings of Sullivan and Gillanders (2005) discussed in Chapter 3. They found differing expectations amongst local stakeholders in the LPSA process where the reward grant was seen as a powerful incentive in the corporate centre but, amongst service managers the emphasis was more on delivering a better service for local people with a strong commitment to achieving sustained improvement. The LPSA process was seen as a distraction to this. Therefore, for organisational wide schemes, review of the process as a whole is important at some level in the organisation but, perhaps not at all.

A further possibility to explain this result relates to the nature of the Performance Incentive Grant. As noted above, the actions of service managers are more likely to deliver improved services if they believe that the

role of the Welsh Assembly Government in discussions is to provide constructive support for improvement. From the service manager's perspective, the 'incentive'/'reward' element of the Policy Agreements may not have been perceived to be as important as the support, therefore demonstrating its 'value for money' is important to the organisation as a whole but not necessarily to individual service managers. This again supports the findings of Sullivan and Gillanders (2005) in relation to LPSAs.

In Wales this might have been even more of a rationale, as the funding was unhypothecated and not linked to performance in particular services. The evidence in Chapter 7 suggests that the funding was rarely, if ever, deployed specifically on activity to support the delivery of the Policy Agreement targets. Therefore, to the organisation as a whole the review process is important, as was minimising the process costs (Q47) to demonstrate value for money to citizens of the Policy Agreement process, i.e. benefits exceed costs. However, at individual service manager level improved performance is driven by 'stronger' variables, in particular the non-financial, constructive support offered by Welsh Assembly Government policy specialists. The following correlation highlights that for service managers no statistically significant association exists between actual performance and funding as an incentive, which is supported by evidence from Chapter 7 that service managers 'just got on with it'.

**TABLE 8.7: CORRELATION ACTUAL PERFORMANCE 2003/04 AND Q83**

			AVACT	The funding is an incentive (Q83)
Spearman's rho	AVACT	Correlation Coefficient	1.000	.013
		Sig. (2-tailed)	.	.922
		N	65	64
	The funding is an incentive (Q83)	Correlation Coefficient	.013	1.000
		Sig. (2-tailed)	.922	.
		N	64	64

This may also help to explain some of the mixed messages identified earlier in relation to funding and, may be an explanation as to why the variable relating to incentive funding (Q83) has not been identified as significant in this model. This may suggest that different theoretical frameworks need to be applied at different levels in local authorities. As identified in Chapter 7, at the overall level there seemed to be some conceptual acceptance that funding might motivate. However, at the service manager level, these confusions are not so apparent, as what seems to be more valued is practical support from national specialists to help improve services.

## Conclusions

This Chapter has considered the actual performance of Welsh local authorities against the Policy Agreement targets and baselines. It has noted the difficulties inherent in considering this performance but, has identified an overall upward trend in performance, both for services included in Policy Agreements and those which were not. It has also noted that performance at individual local authority level is 'patchy' and that in average percentage terms

the improvement in those services included in the Agreements was greater than those which were not.

The limitations of the construction and the results of the multiple regression model are acknowledged. The results identified that the baseline and Q86 (the role of the Assembly Government in helping authorities constructively to improve performance) were significant. This was very much supported by evidence identified in the previous chapter and the literature review.

Q84 (adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines) was also found to be significant, but negatively. This variable was also negatively statistically significantly correlated with the dependent variable of average actual performance. This raises some interesting questions about the transferability of some of the premises from individual performance management to an inter-organisational approach.

These results highlight and provide limited, corroborative empirical evidence for the conclusions drawn in Chapter 7 and studies relating to the English system (Sullivan and Gillanders, 2005) of the possibility of different drivers for different local actors in the performance agreement arena. Funding and the ability to influence and develop the overall process may be important for corporate centres, but for service managers the ability to receive constructive support from national experts is potentially a more powerful driver, together with a desire to improve services based on professional pride and public service ethos.

The results also highlight that service managers do not appear to see the attachment of funding to the Agreements as a significant motivator. This is supported by and supports evidence in Chapters 3 and 7. Again highlighting that those at different levels and with different roles in local authorities may be motivated by different things. To those with the most likely significant impact on service improvement, funding was not identified as explaining a statistically significant proportion of the variation in the independent variable of actual performance.

However, the approach to funding may have contributed to 'winning over' some local senior managers and politicians to the process, as evidence from Chapters 6 and 7 suggests it was perceived as an incentive. The flip side is that it appears to have caused confusion in terms of what the funding was actually for. It was conceived and sold as a PRP equivalent but, in Expectancy Theory terms, no strong, clear links were created in the implementation between performance and reward. The question is whether this matters for service managers if other more powerful drivers, such as the effects of participation in target setting are at play.

The evidence when considered together suggests that Governments may have been premature in supposing that the premises relating to individual PRP could be 'simply' transferred to the operation of such agreements at an organisational level. The operational complexity and different drivers for different local participants mean that implementation needs to be alert to the triumvirates of interaction between funding, support and self motivation and, local corporate centres, local service managers and central officials during the

operationalisation of the schemes. Chapter 7 evidence also suggests that governments need to be alive to the contextual compatibility of the proposed scheme.

The evidence that the individuals who are in a position to influence the 'success' of the implementation process are motivated by different things does not necessarily preclude the aggregation of these individual motivators into a collective model for inter-organisational performance management, but if funding is involved there needs to be clarity over its purpose. To overcome some of the limitations identified in Chapter 7, the conclusion may be drawn that in future service managers should be included in the review of the overall process as this might result in improvements to process which further drive improvements in performance. However, this would need to be carefully constructed so as not to be perceived as a distraction from improving services for these individuals. This might be overcome by underlining the opportunities for national learning and shared improvement.

The next chapter will draw together all of the analysis from previous chapters, and consider what conclusions may be drawn as to whether Policy Agreements have contributed to culture change and improved performance in the public sector in Wales and, what lessons might be learnt for future theory and practice.



## **CHAPTER 9**

### **CONCLUSIONS**

#### **Introduction**

One of the greatest debates in public policy has been the nature of central-local government relations. At one end of the spectrum are the forces of centralism and control and, at the other, the forces of localism and self-determination. A key question arising from the debate is 'what is the most appropriate performance framework to generate and deliver improvements in service performance in local government?'

The development and implementation of Policy Agreements in Wales was noted as an opportunity to explore this performance management relationship in some depth and provide new evidence, as the area had not been the subject of any previous evaluations. It was also identified that value could be added by considering the Agreements in a framework developed from evidence relating to performance management regimes based on target setting in the public sector, including evidence from the development of such systems in England. This could provide corroborative evidence for these studies (Sullivan and Gillanders, 2005; Boyne and Law, 2005) and new evidence of the implementation process and impact of the Agreements for both policy making in Wales (Lewis, 2001; Chelimsky, 1997; Drakeford, 2006; Jeffery, 2006) and, maximising the benefits of devolution (Downe et al, 2007; Martin and Andrews, 2009) and minimising the potential for isolationism (Hockridge, 2006; Laffin, 2009).

Finally, organisational pay-for-performance schemes in the public sector are an under-researched area and there is a limited amount of literature and theory development in this field. However, governments are adopting these schemes on the assumption they will operate in a similar fashion to individual schemes but with little understanding of their effect, appropriateness or impact (Reiter et al, 2006). In conjunction to this, it was identified that evidence from individual PRP schemes might provide a lens through which to consider the operation of organisational pay-for-performance schemes (Boyne and Chen, 2006). Again this provided an opportunity to develop theory in this previously under researched area.

### **Aims of the Thesis**

This thesis therefore aimed to provide new, original insight and evidence in relation to both the implementation process and effects of Policy Agreements and, identify the resulting implications for theory and the literature relating to organisational performance schemes in the public sector, especially those with a pay-for-performance element and to central-local relations. The specific aims of the thesis identified in Chapter 1 were to consider:

- The effectiveness of the first round of Policy Agreements in relation to improving the performance of local authority services and delivering desired process outcomes.
- What worked and what did not in relation to the policy implementation of the first round of Policy Agreements.
- The contribution of the first round of Policy Agreements to the development of central-local relations in Wales during the period 2001-02 to 2003-04.
- Whether using a lens which includes the principles relating to performance management/PRP schemes for individuals, provides new insight into considering inter-governmental 'pay-for-performance' schemes and contributes to the development of theory in this regard, including whether the governmental assumption of transferability is robust and appropriate.

These aims, if achieved, as well as contributing to the development of theory in relation to organisational performance schemes and central-local relations, will enable lessons for policy making in Wales to be identified and, also provide evidence for qualitative comparison with other regimes in the UK. This will enable the benefits of devolution to be maximised whilst at the same time acting as a counterforce to isolationism. This evidence includes identification of different drivers for service improvement in different contexts. It has been identified that the latter issue is becoming critical in Wales as a result of focus in the current stage of devolution being put upon service improvement (Andrews and Martin, 2007).

### **Building the Research Framework**

To provide context for the evaluation of Policy Agreements, Chapter 2 traced the history of central-local relations prior to Welsh devolution (Stewart, 2000; Wilson, 2001) which included evidence on the development of the modernisation agenda (Benington, 2000; Martin 1999, 2000; Brooks, 2000). It was noted that, continuing on from NPM (Hood, 1991), there was emphasis within the modernisation agenda on using performance management regimes to drive change in the delivery of public services (Haubrich and McClean, 2006; Boyne and Law, 2005; Lapsley, 2008). The theory and practice behind these schemes was explored and key lessons identified. It was also identified that organisational pay-for-performance schemes are an under-researched area (Reiter et al, 2006) and that literature relating to individual PRP schemes could provide a lens through which to consider their operation and impact (Boyne and Chen, 2006).

Chapter 2 also explored Welsh central-local relations post-devolution where it was highlighted that a divergence occurred from the English model, not only in terms of the nature of the relationship, which was identified as more mutual and 'trusting' (Laffin et al, 2002; Wilson, 2003; Jeffery, 2006), but also in the policies developed (Laffin, 2004; Drakeford, 2006; Martin and Webb, 2009; Brand, 2007). It was also noted that the latest debates relating to the extension of powers in the context of Welsh devolution have moved on from the creation of distinctive Welsh policies to meet the needs of Wales to the delivery of better services (Andrews and Martin, 2007). It was identified that this makes learning the lessons from what works, both within Wales and other countries, even more critical. However, it was also noted that no formal, published policy evaluation, either of the Welsh system as a whole or specific components of it, has ever been undertaken and, therefore, a gap in learning and knowledge existed. When combined with the under-researched area of organisational pay-for-performance schemes in the public sector (Reiter et al, 2006), the potential for learning across devolved performance regimes in the UK (Martin and Andrews, 2009; Downe et al, 2007) and the opportunity to minimise isolationism amongst devolved administrations (Hockridge, 2006), a powerful case emerges for a policy evaluation of Policy Agreements in Wales as this could provide an original contribution to knowledge in all of these areas of theory and practice.

Chapter 3 continues to build the evaluation model by considering literature relating to local government pay-for-performance schemes in England including LPSAs (Boyne and Law, 2005; Boyne and Chen, 2006; Young,

2005; Entwistle and Enticott, 2007; Sullivan and Gillanders, 2005) and LAAs (Gillanders and Ahmad, 2007; Brand, 2008; Russell, 2008; Sullivan, 2008). It was identified that many of the key issues highlighted in Chapter 2 relating to performance management regimes using target setting were corroborated by evidence from the operation of these schemes, for example, a higher level of 'stretch' target did not necessarily enhance the impact on performance. It was noted that participants at different levels in the system, and sometimes on the same level, did not have similar perceptions as to the purpose and nature of the agreements. It was also noted that the effect of funding was variable across the categories of participants and, that funding was not necessarily the strongest driver of improving performance. However, it was identified that this literature did not explicitly question the appropriateness or robustness of the organisational reward element of the schemes.

The development of Policy Agreements in Wales was also explored in this Chapter (Laffin et al, 2002; Jeffery, 2006; Bradbury and Mitchell, 2005) and it was identified that they had many commonalities with the agreements in England, for example, multiple objectives relating to both improving performance and process outcomes were identified. However, opportunities for learning about the drivers of service improvement in different contexts (Martin and Andrews, 2009) and maximising the benefits of devolution (Downe et al, 2007; Hockridge, 2007) had been limited as there was no comparative analysis of the Welsh system. Also, whilst the evidence on the English system had considered the role of funding and identified some potentially interesting areas for exploration, it had not made reference to

evidence from individual PRP schemes which seemed to be implicit in the governmental assumption of the appropriateness of transfer of these arrangements to an organisational level (Boyne and Chen, 2006; Reiter et al, 2006).

Chapter 4 therefore reviews the theory, including Expectancy and Goal Setting Theories (Vroom, 1964; Locke, 1968; Mento et al, 1987), and evidence relating to individual PRP schemes, in particular those in the public sector (Wragg et al, 2003; Lapsley, 2008; Mahoney, 2004). The importance of the public sector ethos and professionalism are identified as factors which need to be considered in the design and operation of these schemes (Pratchett and Wingfield, 1996; Lapsley, 2008). This complements evidence in Chapter 2 of the effect of management by targets and detailed inspection and regulation upon public service professions (Boyne and Chen, 2006; Farrell and Morris, 1999). Chapter 4 also identifies that evidence relating to the effectiveness and impact of these schemes is inconclusive, especially in the public sector where the evidence suggested a lack of response to a financial incentive (Mahoney et al, 2004; Marsden et al, 2000). The best that might be said is no-one can prove PRP schemes improve performance but no-one can prove they do not (Oliver, 1996; Lewis, 2001). Arguably, this renders the issue that governments are applying these schemes at organisational level without any evidence or understanding of their impact even more concerning (Reiter et al, 2006) and provides compelling evidence for further studies in this under researched area (see Table 4.1).

Many shared themes are identified from the PRP literature with the evidence reviewed in Chapters 2 and 3, for example, schemes being introduced not only to improve performance but also to change culture. However, the PRP literature provided additional dimensions for consideration in the design and development of an evaluation framework for Policy Agreements which had not been considered in previous studies of organisational pay-for-performance schemes (Sullivan and Gillanders, 2005; Boyne and Law, 2005; Reiter et al, 2006), for example, the importance of understanding motivation and using motivation theories to inform the design of the scheme, the 'social pressures' which might be at work during the determination of the reward level, the possibility of PRP becoming 'normalised' and, being alive to the conflicting roles within the system of performance improvement and reward determination.

Chapter 5 used consolidated evidence from Chapters 2, 3 and 4 to build an evaluation model for Policy Agreements. The first element consisted of a postal questionnaire. This quantitative method was an application of the theory identified in earlier chapters. The survey was distributed and returned before the end of the Policy Agreement period. The research design explains that interviews are used to triangulate the questionnaire evidence by exploring the implementation process in more depth and, collect evidence as to the final impacts of the Agreements in a way which the questionnaires could not because of their timing.

The interviews also provide 'rich' evidence as to the implementation process to gain an understanding of what worked and what did not (Lewis, 2001; Drakeford, 2006). Finally, the interviews were also designed to enable the development of theory by the building of evidence as to the robustness and appropriateness of the governmental assumption of the transferability of the principles of individual PRP schemes to organisational levels.

### **Limitations of this Research**

This research has adopted a partially quantitative approach. There has been triangulation with qualitative data gathered from free-form responses on the questionnaires (Chapter 6), the observation of several of the Policy Agreement feedback meetings (Chapter 3), observation of meetings between the national stakeholders (Chapter 3) and interview data (Chapter 7). Nonetheless, the limitations of the quantitative data must be acknowledged in that they represent a snapshot in time and, the data is based on the perceptions of individuals and thus subject to potential bias.

The quantitative data is also limited by the timing of the distribution of the questionnaire (before the end of the Agreements) and therefore is unable to provide evidence as to the impact of the Agreements, only perceptions as to their objectives. There is potential for same source bias, as the size of the population precluded segregation of the collection of the data relating to objectives and that relating to critical success factors. The questionnaire response rate is also low and attempts have been made to mitigate all of these weaknesses with the design of the interview programme.



Despite a low response rate, adequate numbers of questionnaires were returned to undertake group by group analysis on elected members and local authority officers, this was not the case for the two Assembly Government groups, Assembly Members and officers. The groupings had to be combined to facilitate a group analysis. Again attempts are made to mitigate for this in the interview programme by interviewing two Assembly Government officers and a special advisor to provide the political perspective.

The study has attempted to overcome criticism associated with literature relating to individual PRP schemes, in that it has sought the views of both 'sides' party to Policy Agreements in both the questionnaire distribution and the interview programme. However, this does not completely remove the potential for bias.

The interviews were conducted in January to March 2009 which was almost five years after the end of the Agreements in March 2004. There was a danger, because of the time elapsed, that the interviewees' recall of the events would not be as clear as it might have been at the time. However, efforts were made during the interviews to set the scene and interviewees seemed to have good recall of the events. As noted, there is a danger of bias in the interview responses but, the elapse of time may have enabled interviewees to feel more removed from the events which took place five years previous, for example, some had moved to different jobs and/or organisations. Also, the time elapse facilitated comparison with and reflection on the second round of Policy Agreements (2004/05 to 2006/07).

In the case of the performance impacts, the research has attempted to mitigate both the effects of same source bias and perception bias (both in the interview and questionnaire data) by using audited performance data to review actual performance against the Policy Agreement baselines and build a regression model to identify factors which might have affected that performance. However, it must be acknowledged that this data in itself has limitations, such as being the subject of audit qualifications and the quality of the measurement process.

Likewise the consideration of the performance indicator data and the interpretation of this in relation to the impact of Policy Agreements have several limitations relating to the nature of the process, for example there was no control group. Also contextual factors may also have impacted on performance, such as many of the service areas in the Agreements were in receipt of hypothecated funding during the period. It is only therefore possible to draw very limited conclusions as to the impact of Policy Agreements upon performance by use of this data.

The data limitations of the performance indicator information are replicated in the development of the multiple regression analysis model in Chapter 8 which is also limited by the data on critical success factors being based on the questionnaire respondents' perceptions of their presence in the process. The interpretation of the data from the model is limited as regression analysis is not absolute proof of a relationship, any relationships found might be

spurious. Attempts are made to mitigate these limitations by triangulation of the results with evidence in Chapters 3 and 7.

This research has examined only one element of the framework of the relationship between local authorities and the Welsh Assembly Government. It has attempted to identify the perceived fit of this aspect of policy with other key aspects of local government policy in Wales, but there was no meta-evaluation of the 'modernisation' agenda during the relevant period so it is not possible to place this work in that wider context.

The research is set in Wales. Whilst on the one hand this is a strength, as no previous research has been undertaken in this context, it is also a potential limitation. The contextual nature of the Welsh policy space has unique characteristics which might limit the transferability of this research to other, larger countries. However, it has been identified that qualitative studies could help to provide evidence to develop an understanding of what drives service improvement in the different contexts of devolution in the UK (Martin and Andrews, 2009) and this study might also help to provide evidence to maximise the benefits of devolution (Downe et al, 2007) and limit the potential for isolationism (Hockridge, 2006). It also provides evidence on the nature of Welsh central-local relations to enable comparisons, for example, with England (Laffin, 2009).

The researcher is an officer of the Welsh Assembly Government who during the period of the research worked on local government finance and public service reform policy. Whilst this provides some advantages in terms of prior knowledge of the Welsh system and key participants, it could lead to issues of reflexivity as bias might creep into the research process. This was guarded against by self-checking and the process of independent supervision.

As Wales is a small policy space, it is likely that the researcher's name was known to many of the questionnaire respondents. Efforts were made to explain the researcher was undertaking an independent piece of research and the University was used as a return address to mitigate against potential bias. Likewise all of the interviewees were known in a personal capacity through working relationships by the researcher, so time was taken at the start of each interview to explain the terms of the interview and that it was part of providing evidence for an independent piece of research.

### **Discussion and Overview of Evidence - Thesis Aims 1, 2 and 3**

- The effectiveness of the first round of Policy Agreements in relation to improving the performance of local authority services and delivering desired process outcomes.
- What worked and what did not in relation to the policy implementation of the first round of Policy Agreements.
- The contribution of the first round of Policy Agreements to the development of central-local relations in Wales during the period 2001-02 to 2003-04.

The following questions were identified as key issues to be considered in relation to determining the impact and effectiveness of Policy Agreements:

**RQ<sub>1</sub>** Have Policy Agreements helped to create a culture of 'self-improvement' in local authorities? A culture of self-improvement is defined as local authorities focusing on outcomes rather than inputs, proactively seeking continuous improvement rather than acting on external stimuli such as inspection and regulation.

**RQ<sub>2</sub>** Have Policy Agreements helped to change culture in the Welsh Assembly Government? A change of culture in the Welsh Assembly Government is defined as demonstration of the Assembly Government focusing on results and outcomes rather than inputs, i.e. greater discretion for local authorities to determine where to deploy resources and fewer requirements for local authorities to produce strategies and plans.

**RQ<sub>3</sub>** Has the Policy Agreement process 'added value' to the relationship between the Welsh Assembly Government and local authorities? 'Added value' is defined as a greater understanding between the parties and more effective communication.

**RQ<sub>4</sub>** Have Policy Agreements contributed to 'cohesive' strategic planning at national and local levels? 'Cohesive' strategic planning is defined as 'joined-up' strategic planning between local authorities and the Welsh Assembly Government based on shared and agreed priorities.

**RQ<sub>5</sub>** Have Policy Agreements contributed to improved service performance in local authorities? Improved service performance is defined as a shift towards meeting or exceeding the targets set out in the Policy Agreements.

**RQ<sub>6</sub>** Have Policy Agreements provided 'value for money'? 'Value for money' is defined as increased efficiency in service delivery outweighing the 'costs' of Policy Agreements where cost equals Performance Incentive Grant plus administration costs.

Evidence from Chapter 6 suggested that questionnaire respondents perceived these, with the exception of eliminating the need for external inspection and regulation and minimising requirements for strategies and plans, to be the objectives of Policy Agreements. However, evidence from Chapter 7 suggests that none of the objectives were met in full, some were partially met and others were not met at all. For example, focusing on outcomes rather than inputs and driving self-improvement were only partially met as the opportunities to achieve the objectives were limited, both by the siloed nature of the implementation process which undermined a true outcome focus and alienated partnership working and, the fact that other 'tools' such as the Wales Programme for Improvement were perceived as stronger drivers in

achieving these objectives. Indeed, in some areas Policy Agreements were seen as irrelevant and an additional layer of complexity.

Likewise the evidence from Chapter 7 suggests that perceived increasing levels of hypothecation may have been slightly abated by the implementation of the Agreements. However, this was undermined by the short term nature of the Policy Agreement funding, the way in which the Agreements were operationalised and, a local feeling of 'backdoor hypothecation' resulting from a 'one-size-fits-all' approach to determining the targets, so that the objective relating to providing local authorities with the freedom where to deploy their resources was met only to a very limited extent.

Critically, the interview evidence suggests that Policy Agreements had an extremely limited impact on changing culture in the Welsh Assembly Government. The evidence in Chapter 7 suggests there was no significant change in the behaviour of Ministers or senior officials as a result of the Agreements and their perceived lack of commitment seems to have reinforced the marginal levels of local enthusiasm for the Agreements. Ministers remained attached to 'old school' levers such as specific grants for getting their imperatives delivered rather than using potentially powerful, 'small country' approaches, such as wide-spread Ministerial engagement (Andrews and Martin, 2007). This further reinforced the local perception of Policy Agreements as an extra layer in the system rather than driving a de-layering of complexity.

The interview evidence in Chapter 7 suggests that the actual impact of Policy Agreements on the relationship between the Welsh Assembly Government and local authorities was very limited. Relationships at a national level were perceived to be 'good' by both the Welsh Assembly Government and the WLGA (this also reflects evidence in Chapter 2) but, the questionnaire responses relating to trust discussed in Chapter 6 suggested this was not replicated throughout Wales at all the levels in the system. The way in which the Agreements were implemented meant the improvement in relationships was limited to junior to middle ranking officers and corporate centre to corporate centre and thus were one-, rather than multi-dimensional.

In most, but not all, cases value was placed upon the improvement of these corporate relationships but, the evidence suggests these improvements did not radiate out to local elected members, 'other' Ministers, 'other' senior Assembly Government officials, all chief executives or senior local service managers. This served to reinforce the inevitability of review discussions becoming technically focused and about the shared corporate centre goal of better systems, rather than focusing on citizens and service improvement.

This also meant the Agreements, after the initial rush, lost profile as a policy 'tool' and, when combined with the perceived laissez-faire approach to the funding, this became self-reinforcing of the loss of credibility of the Agreements as a tool for either improving services or processes. The interview data suggests that the second round, despite an injection of funding, the inclusion of local indicators and commitment from those officers involved

with implementing the process locally and nationally, never recovered from this position.

The interview data in Chapter 7 relating to impact also suggests there was an appetite and support for alignment of priorities but, that Policy Agreements failed in the operationalisation. Firstly, the alignment with 'Wales: A Better Country' (National Assembly for Wales, 2002) was felt to be superficial, which was reinforced by the continued siloed behaviour of Assembly Government Ministers and senior officials. Secondly, the entirely national frame of the first round, despite being co-designed with the WLGA, was felt to have provided clarity on national priorities but not coherence, as local priorities were entirely excluded. This meant the ripple effect of Policy Agreements locally was limited and only the minority of authorities integrated the targets in to key local strategic documents such as the community plan. The latter also provides evidence that Policy Agreements effectively 'side-lined' partnership working. It also meant that despite more flexibility as regards the inclusion of local targets in the second round, the Agreements retained a reputation for being 'top-down'.

The entirely national focus of the targets also did nothing to address the trust issues identified above and, whilst the perceived 'top-down' nature of the agreements by local participants did not entirely exclude commitment to the process where there was a shared agenda of developing a performance culture, it did undermine commitment in those areas where this was not the case.



It also meant the positive process impact of involvement in the target setting process was tainted by the lack of input into the choice of indicators and, made participation a less powerful driver than it might have been amongst service managers. This was particularly important as participation in the target setting process was perceived as a powerful driver amongst this group, where professional pride and the public service ethos were felt to be strongest. Their commitment was perceived to be predicated upon this, given the retention of the Policy Agreement funding at the centre of local authorities.

The interview evidence relating to service performance impact from Chapter 7 suggests a qualified achievement of this objective. The perceptions of interviewees were that performance did improve in the areas included in the agreements but, it was questioned whether this related to holistic and sustainable improvement. Success was also qualified on the basis of a lack of salience of the scheme, it becoming a focus purely on numbers rather than citizens and that it was a contributory, rather than a driving factor in improving service performance.

Chapter 8 explored actual final service performance against the Policy Agreement baselines by reference to published, audited performance indicator data. It was identified that there were many difficulties inherent with the data and the nature of the analysis and, some of these had also been found to be present in the reviews of the English system considered in Chapter 3. Acknowledging these limitations, it was found that performance against the baselines included in the Policy Agreements had improved more

than in those areas which were not, but these had also improved. This all-Wales improvement disguised a wide range of local 'patchy' performance against baselines and the only area where there had been wholesale improvement was in recycling. However, again because of other interventions in the form of a large hypothecated grant this could not be solely attributed to Policy Agreements. Similar results were identified in relation to a published review of performance against baselines of the second round of Policy Agreements (Welsh Assembly Government, 2008).

However, it is still not possible to say absolutely whether Policy Agreements were a significant driver in achieving these improvements and questions still remain as to whether these were the 'right' areas to be focusing on across the whole of Wales (see response to Q31, Table 6.4), whether the data might have been gamed or manipulated, whether the improvement is sustainable and whether focusing on these areas created a loss of coherence.

The regression model in Chapter 8 carries forward all of the data limitations identified above, as well as the limitations of the questionnaire data and the model itself. These limitations are acknowledged but, the evidence generated provides some corroboration for earlier findings. Service managers perceived a relationship between a Welsh Assembly Government role of helping local authorities to improve their performance as being significant in actually delivering improvement.

This supports findings in Chapter 7 that service managers were felt by their corporate colleagues to have valued silo to silo discussions with their national policy expert counterparts. However, discussions about the system as a whole were found to be negatively related to improving performance, suggesting they might detract from improvement. Whilst this 'fits' with these managers' focus being service delivery, it may limit the potential for learning transfer and the potential to generate widespread ownership of and commitment to the process.

Variables relating to funding were not found to be significant in the model, again providing some limited corroborating evidence for earlier findings that service managers seemed more driven by the participation in the target setting process, professional pride and the public service ethos. This also supports the findings of Sullivan and Gillanders (2005), Russell (2008) and Sullivan (2008) in relation to LPSAs and LAAs.

Therefore, whilst the evidence generated suggests that Policy Agreements have contributed to improved service performance in local authorities, this must be qualified as the impact seems variable across Wales, and the operationalisation failures resulting in the marginalisation of the Agreements mean they were more likely to have been a minor, contributory factor rather than a major driver to improving performance.

The evidence from Chapter 7 suggests that interviewees felt the cost-benefit impact of the process was at best marginal. It created an initial 'buzz' and

was instrumental in getting some authorities to 'sign up' (see Chapter 3). In those authorities where Policy Agreements were used as part of an armoury to inculcate a performance culture, the value placed on the meetings with Assembly Government officials and the low level of bureaucracy meant the process was felt to be just about breaking even. The development of the Agreements also forced the national and local development of performance management systems, which Chapter 3 identified were woefully inadequate at the time, especially in the area of social care.

However, the process did not represent sustained engagement and playing against these positives were feelings that the politicisation of the process and the 'best endeavours' principle had been so undermining that it had become a managerial exercise in getting the money rather than a means of improving service performance. A further negative was felt to be the lost opportunity for all-Wales learning from the Agreements as the 'low level' of discussions meant there was no mechanism for feeding local experience into national learning and vice versa. The wider cost-benefit was also limited by the focus of the discussions being on system rather than service improvement for the benefit of citizens.

## **The Overall Impact of Policy Agreements**

### ***'Have Policy Agreements contributed to culture change and improved performance in the public sector in Wales?'***

As noted in Chapter 3, Laffin et al (2002) suggested Policy Agreements were at the heart of the central-local relationship in Wales and had the potential to effectively articulate both Assembly and local government priorities. However, the evidence above suggests that Policy Agreements did not fulfill this potential.

The impact of the Agreements on both culture change and service improvement seems to have been severely limited by the nature of the design and implementation process. This was not for want of effort or commitment from many officers, both locally and nationally, but because of failings in high-level communication, and the vicious circle of the perceived down-grading of the funding to 'best endeavours' leading to the technical back-water of the performance management silo. This meant the process became a managerial one, rather than one about service improvement. Once this circle was established it proved impossible to break, even in the second round with the addition of local indicators and more funding and, meant that a lack of senior and political engagement both locally and nationally became a self-fulfilling prophecy.

Also the Agreements did not fulfil their potential to develop and support improved central-local relations in Wales. The one-dimensional nature of the relationship between corporate centres meant the potential value of the process in generating dialogue about service improvement and alignment of

priorities was limited and almost non-existent, as politicians, senior managers and service managers were either not involved at all or were having separate siloed discussions.

Policy Agreements failed to capitalise on the good relationship at the top to maximise the opportunities for engagement throughout the rest of the system. The Agreements could have encouraged this engagement in a way that the Wales Programme for Improvement could not as this was perceived as a relationship with regulators and inspectors, rather than an opportunity for central and local government to mutually benefit from the development of a shared sense of purpose and understanding. This resulted in almost no national learning and dissemination of good practice from the process, which in turn limited the opportunities for better policy making and improved local implementation.

### **Implications for Practice based on Evidence Relating to Thesis Aims 1, 2 and 3**

The implications for practice are that care should be taken when designing organisational pay-for-performance schemes as whilst some of the effects may be the same as for individual schemes, these effects may not necessarily be the 'desirable' ones. Also, the funding seems to drive some powerful local lobbies to focus discussions on the technical, number-based aspects of the Agreements, which crowd out a more holistic approach based on service improvement and limit their potential impact. Ambition becomes muted and game playing, lack of cohesion with the 'big picture' and perverse incentives amplified. The limited, low-level nature of the discussions therefore becomes

self-reinforcing and reinforces the lack of senior and political commitment, both locally and nationally. Further implications for practice are as follows:

- Practical issues should not be underestimated such as the quality of the existing performance management system (Chapters 3 and 7 and Martin, 1999; Brand, 2007; Lapsley, 2008) or the time required for implementation (Courty and Marschuke, 2007; Entwistle and Enticott, 2007).
- Concerted action needs to take place on all levels to maximise the impact of the Agreements otherwise they will become ensnared in the technical silo of performance management specialists. Policy makers need to be aware that this has implications for resources; this kind of engagement is time consuming, highly-skilled, resource intensive and cannot be completely delegated to middle and junior level officers.
- A process may be judged to be non-bureaucratic but, in the case of performance agreements, limiting discussions to 'numbers' between technical experts means the impact of the agreements is reduced because the focus is on systems, not people and service improvement. Discussions therefore also need to involve service managers and experts and should be happening in the same, not difference spheres.
- Separate discussions between local and national policy experts and corporate centres reinforce siloism and reduce the potential for coherence.
- A more inclusive, higher level dialogue could better enable national learning from local experience and national to local dissemination of 'best practice'. A silo to silo model limits the learning potential.
- Central government needs to act corporately and be seen to be joined up in its approach to the Agreement which needs to be given a high national profile, otherwise this sends a signal that the Agreements are marginal and unimportant.
- Senior officers need to be involved and engaged both locally and nationally otherwise decisions relating to the prioritisation of implementation of policies will be relegated to middle managers in local corporate centres, which perhaps gives them more power within the system than they should hold.
- However, the corporate to corporate relationship is important in delivering successful implementation, especially where a policy is perceived as 'top-down'. This is because it may be possible to find shared purpose at a system level. In this case, there was a shared mutual goal of improving systems and driving a performance culture. Where local corporate centres saw Policy Agreements as an opportunity to drive their own agendas there was likely to be a 'deeper' local implementation effect. Where corporate centres were not engaged there was almost total operationalisation failure.
- Politicians need to be involved both locally and nationally to 'encourage' and maintain the interest and involvement of senior officers.

- If a policy/process is a developmental one this needs to be clearly communicated otherwise it becomes tainted and marginalised. It is very difficult to recover from this situation and the only option may be abandonment.

Key issues for policy and practice are also establishing a high national profile and clear lines of integration with other performance management policies to minimise the potential for system incoherence and wasted effort and, maximise the opportunities for holistic dialogue about citizen-centred and outcome-focused service improvement and the potential for shared learning.

This study has also further highlighted the importance of learning from the detailed implementation and operationalisation of policies as advocated in policy evaluation (Davies, 1999; Blalock, 1999; Chelimsky, 1997) and other literature (Drakeford, 2006; Jeffery, 2006; Jones and Stewart, 2001; Benington, 2000) in order to understand how the impact or lack of impact of a policy was realised. This literature also identified that governments and policy makers continue to fail to understand and take account of the complexities and contexts of policy implementation and that this is vital to achieving the desired impacts of these policies. These findings reinforce this imperative.

### **Implications for Theory relating to Organisational Performance Schemes, Expectancy and Goal Setting Theories and Central-Local Relations (based on evidence relating to Thesis Aims 1, 2 and 3)**

#### **Introduction**

In the following section the implications of the research findings for the above theories are considered in relation to the themes identified and used in Chapters 2, 3, 4 and 7. This is so the research findings can be located in existing theory and highlight the contribution made to its development.



## **The Role of Financial Incentives**

In relation to individual pay-for-performance schemes Mitra et al (1997) identify that the amounts involved are often too small to make any significant difference to performance. The evidence from Chapter 7 suggests that this also holds true for organisational schemes. In those authorities which were 'resource rich' the corporate centres perceived the investment of time and effort needed to make the Policy Agreement process 'work' as excessive in comparison to the potential reward. The Agreements were marginalised in these areas. In Expectancy Theory terms the marginal valance of money as a motivator is limited by context at the organisational level. This is supported by similar evidence from England (Entwistle and Enticott, 2007).

The evidence suggests that a financial incentive at an organisational level may be a factor in stimulating improved performance but this may not be a result of the [government's] expected relationship between effort, performance and rewards. Budget maximisation (Niskanen, 1971) seems to drive corporate centres and directors of finance (see below) to pursue the funding, in turn they drive a performance culture using the Agreements as part of their armoury. The funding is not passed on to service managers so by implication there is a different motivation at this level to pursue the targets. Goal Setting Theory combined with professional pride and the public service ethos seem to have more explanatory power amongst service managers. Evidence from Chapter 8 supports this as variables relating to funding were not found to be significant in the service manager regression model. This was also evidenced in both the English and the Welsh systems in Chapters 3, 6 and 7. This evidence

contributes to theory by suggesting that, as with some individual systems (Marsden et al, 2000), where the scheme has resulted in better performance this is more likely to be attributable to the clarification and discussion of goals than the financial reward.

This suggests that unhypothecated funding allocated as it was in Wales was the worst of all worlds, as it undermined powerful intrinsic motivators related to participation in target selection and setting and, the public service ethos and professional pride. It also suggests that, as with individual schemes (Reilly, 2003; Mahoney et al, 2004, Schneider, 2004) money as a reward at the organisational level, when combined with the increased 'surveillance' that PRP schemes entail is not a strong motivator for service managers and professionals in the public sector. The public service ethos and professionalism (Patchett and Wingfield, 1996; Jacobs, 1998; Kirkpatrick et al, 2005; Robinson, 2000; Lapsley, 2008; Farrell and Morris, 1999; Power, 1997; Cope and Goodship, 1999) are stronger drivers and both individual and organisational performance schemes need to be designed to crowd in this intrinsic motivation otherwise extrinsic motivation becomes counter-productive (Leper et al, 1973; Deci, 1971 and 1975). Evidence to support this was identified in both England (Sullivan and Gillanders, 2005; Gillanders and Ahmad, 2007) and Wales but in Wales, Haubrich and McClean (2006) suggest that the public service ethos is particularly strong and prevalent amongst local authority officers.

### **Cost Benefit and the 'Normalisation' of PRP**

It was identified in Chapter 4 that individual PRP schemes can get to a point where there is no link between pay and performance (Lawler and Jenkins, 1992; Oliver, 1996; Marchington and Wilkinson, 2000; Mahoney et al, 2004). For example, Wragg et al (2003) identified that 97% of teachers hit the performance threshold for higher levels of PRP. The payment was seen not as linked to performance, as teachers were doing a good job anyway but, as a means of expressing the value placed upon their work. Teachers 'expected' the payment and it became 'normalised' into their baseline salary. Another aspect of this is that appraisers are subject to social pressures and dislike denying colleagues access to payment (Boselie et al, 2005; Mabey and Salaman, 1998; Wragg et al, 2003; Mahoney et al, 2004). Head teachers were clearly uncomfortable at being put in the position of having to differentiate between staff to determine financial reward, likewise the 'politician's dilemma' in relation to Policy Agreements.

The evidence gathered in this thesis contributes to the development of theory relating to organisational pay-for-performance schemes by suggesting that this effect can also hold true at the organisational level. It was clear that once 'best endeavours' was introduced as a means of payment, local authorities expected payment regardless of performance. However, as with the teachers scheme this did not entirely undermine efforts to improve performance as powerful intrinsic motivation was at play and the opportunity for discussion and clarification of objectives was welcomed but, it did result in a feeling of unnecessary complexity and created a low trust environment. This may have

been amplified by the Welsh method and context but evidence from England (Sullivan and Gillanders, 2005; Gillanders and Ahmad, 2007) discussed in Chapter 3 also suggested that funding became a driver of limited importance as time passed and relationships and systems developed.

### **Target Setting**

Again, as with individual PRP schemes, there is strong evidence to suggest that participation in the target setting process is important (see Table 4.1) but at the organisational level the evidence suggests that participation in the selection of the targets is equally as important, not only to deliver real commitment to the scheme but also to reconcile the perceived differences between local and national priorities. Again evidence from both England (Entwistle and Enticott, 2007; Sullivan and Gillanders, 2005) and Wales supports this. It is suggested that theory in relation to organisational schemes should recognise the importance of participation in both the selection and setting of targets, especially as a means of mitigating any perceived or genuine tension between local and national priorities.

As with individual schemes (see Table 4.1), the evidence suggests that an organisational one needs to be designed and perceived to be integrated into a sensible and 'meaningful' package at a national level, otherwise the sense-making is done locally resulting in some potentially important policies (in this case Policy Agreements, see Laffin et al, 2002) being marginalised and not integrated within the local implementation system. If this is not achieved, it reinforces the perception that Government is not joined up, further undermining potentially fragile relationships with those officers responsible

locally for implementation. It is suggested that the importance and relevance of the context of an organisational performance scheme both within the panoply of policies aimed at improving services and the overall strategic direction of the relevant country should be a consideration in the development of theory in this area.

### **Performance and Culture Change**

Evidence from both England and Wales (Entwistle and Enticott, 2007; Sullivan and Gillanders, 2005; Gillanders and Ahmad, 2007) suggests there is an interdependency between culture change in central and local government which, if not recognised, will mean that performance agreements with specific objectives relating to local culture change to drive service improvement will have a limited impact. This interdependency was recognised in some of the early literature relating to Best Value (Martin, 1999; Brooks, 2000; Keenan, 2000, Hirst, 2002) but, the evidence generated by this thesis suggests theory should recognise this as both inherent to the development of organisational performance schemes (with or without a PRP element) in the public sector and a limiting factor of their nature.

In particular, evidence in this thesis suggests that the absence of any significant change in behaviour by the Welsh Assembly Government compounded operationalisation failures and resulted in the marginalisation of Policy Agreements, while changes in 'Whitehall' behaviour was a contributory factor in participants' perceptions as to the 'success' of the English system (Sullivan and Gillanders, 2005). It should also be noted that this 'change

interdependency' does not seem to have been explored in relation to individual PRP schemes and may be a worthwhile area for future research.

Chapter 4 identified that in terms of impact on performance the best that could be said about PRP is that it motivates some people to behave in the desired way for some of the time (Steele, 1999; Oliver, 1996; Huselid, 1998; Fleetwood and Hesketh, 2006; Purcell et al, 2006), this also seems to hold true for organisational schemes. For some managers the target setting, the ownership of the targets and the challenge of meeting them was the motivating factor, so that Goal Setting Theory was the prevailing conceptual framework. However, some authorities admitted to wanting the money so it was a driver for corporate centres. When this occurs, the resulting implementation process will mean the funding becomes a driver for a managerial process, about the indicators and getting the money, rather than ambitious service improvement. In other words as noted above, the goal becomes budget maximisation rather than service improvement. Evidence from England supports this and also identifies the limited significance of reward grant as a driver for service improvement (Sullivan and Gillanders, 2005; Gillanders and Ahmad, 2007). The limited potential and potentially counter-productive impact of including funding as a reward in organisational pay-for-performance schemes has not previously been evidenced or discussed within the public sector organisational performance system literature (Boyne and Chen, 2006).

Involving funding in the Agreements also means directly involving Directors of Finance who have their own agenda to maximise budgets and control over them, in the Welsh case they proved to be a powerful lobby that resulted in a treatment of the funding which limited options for both their local colleagues and the Assembly Government. As with corporate centres in both England and Wales the goal was budget maximisation rather than service improvement. This reinforces the evidence discussed above and presents new evidence to suggest that theory should be developed to recognise that attaching funding to an organisational performance agreement does not necessarily drive service improvement per se, rather it drives more 'primitive' bureaucratic behaviour relating to budget maximisation (Boyne and Chen, 2006; Reiter et al, 2006).

### **Rationality**

Evidence from England and Wales suggests that Governments have made the mistake of assuming rationality but, as with individual schemes (Lewis, 2001; Mahoney et al, 1998; Waine, 2000), it should be recognised that rationality cannot be assumed. The process becomes politicised, and decisions about targets and rewards become driven by political necessity and/or imperative which militate against the attractiveness of a system which should operate by mutually setting targets and making links between effort, performance and reward. Previous discussions in the literature have not fully explored or recognised the assumption of rationality as an issue (Boyne and Chen, 2006; Reiter et al, 2006, Locke and Latham, 2009).

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For example, evidence in Chapter 7 confirmed the suspicion raised in Chapters 2 and 3 of the lack of compatibility of a differential, reward based performance management system with the 'good' national relationship (Jeffery, 2006; Laffin, 2004) and the prevailing principle of equity of treatment amongst Welsh authorities (Hart, 2002). This meant inevitably the process became politicised as those at the centre (both Welsh Assembly Government and WLGA) did not want to 'risk' the good relationship, failing to identify firstly that this was not replicated throughout the multiple levels of the relationship and secondly that this undermined the effectiveness of the policy as a means of driving both cultural change and performance improvement.

There was therefore strong evidence of politicisation in the Welsh system but evidence from Chapter 3 also suggests that politics was also at play in the English system in terms of pressure for certain areas to be included in the Agreements and the 'stretch' targets being Ministerial 'must haves' rather than evidence based (Entwistle and Enticott, 2007).

However, in Wales a multiplicity of 'political' factors were present, for example the design was driven by a mutual local-national desire to be different to England (Downey et al, 2007), but a policy making deficit (Drakeford, 2006; Laffin et al, 2002) resulted in a failure to identify that a differential approach was unlikely to be compatible with the Welsh context (Hart, 2002). Therefore, arguably unlike England where LPSAs and LAAs were identified as having a relatively wider and deeper policy penetration (Sullivan and Gillanders, 2005; Gillanders and Ahmad, 2007), in Wales Policy Agreements remained



superficial and marginal both at a national and a local level as unnecessary complexity and confusion were added to the relationship and the benefits of being a small country were not maximised (Laffin et al, 2001; Andrews and Martin, 2007). This suggests that, as with individual schemes, context (Lewis, 2001; Mahoney et al, 1998; Waine, 2000) should be considered at the design phase and reinforces that rationality should not be assumed to prevail either in terms of design or implementation of organisational pay-for-performance schemes in the public sector.

Also, in terms of the drivers of service improvement in different devolved administrations in the UK (Martin and Andrews, 2009), this research suggests that, as rationality cannot be assumed, its absence and the scale and nature of the context will result in a differential impact for broadly similar policies dependent upon the characteristics of that context.

### **Trust, Fairness and Communication**

The evidence generated in the thesis suggests that trust in the central-local relationship is multi-faceted and multi-layered. Arguably, the complexity of the English system described in Chapter 3 was the manifestation of the lack of trust identified in Chapter 2 and is also a trait associated with individual PRP schemes as noted in Chapter 4. However, the evidence generated by this thesis suggests that it cannot be assumed a good relationship at the top of the pyramid (Haubrich and McClean, 2006; Laffin et al, 2002) is replicated throughout and will be enough to drive implementation of an organisational performance management scheme.

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An implication for theory on central-local relations therefore is that a 'good' relationship at a national level is not sufficient to mitigate policy implementation deficits such as communication failures, lack of appropriate contextualisation of policy and high level lack of commitment to the implementation process. There seems to be a danger that a 'good' relationship at the top, if not replicated elsewhere in the system may result in poor design, even if it is mutually satisfying 'national' co-design, and loss of sustained commitment to implementation. The design and implementation of Policy Agreements seemed to be a victim of this 'good' relationship, mutual dependency (Essex, 1998) and a desire to be different (Downey et al, 2007), rather than a product of it.

The evidence in this thesis suggests that trust seems to develop as a result of face to face engagement and this engagement needs to take place at all levels and in all facets of the relationship. This is challenging as communication both between and within organisations is crucial. Haubrich and McClean (2006) identified that central government's views on the performance of individual local authorities were not solely a product of their knowledge of actual performance. Government's perception of performance was also based on face to face contact and anecdotal evidence. This suggests that 'contact time' is an important facet of the central-local relationship and research in this thesis confirms and supports this.

Therefore, as identified in Chapter 2 (Walker, 2006; Laffin et al, 2002; Rhodes, 1986), the nature of the relationship is confirmed as complex and

multi-faceted and dangers exist in characterising central-local relations as a single, abstract relationship which is 'good' or 'poor'. This evidence could develop theory relating to central-local relations by identifying that policies which are aimed at improving this relationship need to be operating simultaneously on many different levels.

The Welsh system built expectations in respect of a pay-for-performance scheme which were never met in the eyes of the majority of participants. For those authorities which had internalised the approach as a means of self-improvement this did not matter as funding was not a motivator (other than budget maximisation) for service improvement. For other authorities, the marginal valance of the funding and the failure to have expectations met resulted in a marginalisation not only of Policy Agreements but also of the relationship with the Welsh Assembly Government. The implications of this for organisational pay-for-performance scheme theory are that, as with individual schemes (Schaubroek et al, 2008), expectations must be clearly set out and managed, where they change and develop this should be clearly explained as communication is critical to managing expectations at the organisational as well as the individual level.

The Welsh evaluation protocol was perceived as 'fair but pointless', this suggests that, as with individual PRP schemes (Brown, 2001), where whole system distributive justice is based on equity and each authority being seen to get 'its fair share' based on need, this undermines a differential reward based

system and results in loss of credibility. This aspect had not previously been identified in relation to organisational pay-for-performance schemes.

### **Undesirable Effects**

As with individual schemes (McCausland et al, 2006; Smith, 1999), the addition of funding to an organisational performance agreement seems to limit the ambition of that agreement by forcing a focus on what is controllable by the organisation concerned and generating a focus on what can be achieved to get the money rather than what could/should be achieved to deliver better outcomes for citizens. Evidence from both the English and the Welsh systems supports this and it is suggested that theory in relation to organisational schemes should recognise these issues as limiting factors (Entwistle and Enticott, 2007; ODPM, 2005b, Russell, 2008).

Likewise, the addition of funding to organisational performance schemes seems to increase the already existing potential for gaming, loss of focus on the 'big picture' and perverse incentives such as 'backdoor hypothecation', as discussions focus on the technical aspects of hitting the targets to trigger the funding. As noted, it also limits ambition and the scope for national learning as the focus becomes what needs to be done to get the reward rather than what should be done. Evidence from both England (Entwistle and Enticott, 2007 and Brand, 2008) and Wales supports this and highlights the tension inherent in individual PRP schemes relating to discussions about supporting and improving performance and allocation of reward also holds true in the organisational context (Wilkinson, 2001; Marchington et al, 1992; Denham et al, 1997). Theory relating to organisational schemes should therefore note

these tensions and that an organisational-pay-for-performance scheme could magnify the undesirable behaviours inherent in individual schemes. This needs to be balanced against potential benefits, including political expediency.

### **Inherent Tensions**

The evidence should enable theory in relation to organisational pay-for-performance schemes to be developed by identifying that, as with individual PRP schemes which militate against team working (Kohn, 1993a; Marsden and Richardson, 1991 and 1994; Marsden and French, 1998), organisational schemes side-line partnership working. This therefore precludes a true outcome and citizen focus and is at odds with the ethos of the public service reform agenda discussed in Chapter 2. Evidence from Chapter 3 in relation to LAAs suggests that when partnership performance agreements are developed the inclusion of funding may still limit ambition and prevent a focus on longer term interventions which might be more beneficial (Gillanders and Ahmad, 2007).

The tension between top-down and bottom-up exists in both individual and organisational schemes (see Table 4.1). Evidence from individual schemes suggests that a top-down approach will result in at best compliance, however, evidence from the Welsh system suggests that some organisational factions will take a top-down scheme and use it to drive their own agendas within their organisations, almost a 'making the most of a bad job' approach. This resulted in not just compliance but commitment to the process amongst these factions. This suggests theory relating to organisational schemes should be

developed to recognise that for these schemes top-down does not always equal 'simple' compliance.

### **Role of the 'Line Manager' and Training**

The evidence suggests that scaling up pay-for-performance schemes to the organisational level does not remove the importance of person to person interaction within the system. Evidence from both the English (Sullivan and Gillanders, 2005) and the Welsh systems indicates that where these interactions are valued by the participants the impact of the scheme will be greater.

Transference of the 'concept' from the individual to the organisational level in both England (Sullivan and Gillanders, 2005) and Wales meant that discussions about performance took place in the abstract, corporate centre to corporate centre. This was described as an 'uninformed conversation in the middle' where the common ground was about systems rather than services and citizens. This relegated the agreement to a process to be managed rather than a serious attempt to deliver process outcomes and performance impacts.

This depersonalisation of the process might seem an attractive way of minimising some of the dangers identified as inherent in individual schemes in Chapter 4 but has its own inherent danger of creating another layer of complexity in an already complex system and relationship. In addition, the funding driven focus on systems and performance indicators may have been a contributory factor in limiting the involvement of politicians. Arguments were made that a more holistic approach would have resulted in more engagement

at this level because the focus would then be the reality rather than the abstract world of numbers.

This evidence suggests it should be recognised that interaction within an organisational scheme needs to be co-ordinated and multi-faceted because it is simplistic to assume that the single interaction between employers and employees in individual systems can be translated to an organisational scheme. The findings therefore provide evidence to support Sullivan (2008) that human interactions within the 'system' are critical but adds to this debate by confirming the multiplicity of the human interactions which must be considered at all levels and in all parts of the system. This confirmation of the 'multiplicity of relationships' therefore further develops theory relating to organisational schemes.

#### **Discussion of Evidence Relating to Thesis Aim 4**

- Whether using a lens which includes the principles relating to performance management/PRP schemes for individuals, provides new insight into considering inter-governmental 'pay-for-performance' schemes and contributes to the development of theory in this regard, including whether the governmental assumption of transferability is robust and appropriate.

The use of the framework developed from literature reviews in Chapters 2, 3 and 4 is in itself unique and has enabled a new 'consolidated' lens to be used to analyse the under-researched area of linking performance to rewards at an organisational level in the public sector (Reiter et al, 2006; Boyne and Chen, 2006). This facilitated the exploration of conceptual and 'in practice' links between effort and performance and performance and reward within a system of organisational performance management by target setting. This has led to

a clearer understanding of the functions and dysfunctions of funding within such a system than previous studies.

In relation to theory and the literature on organisational pay-for-performance schemes, these findings illustrate that not only are some of the critical success factors of individual PRP schemes transferable to the organisational level but that the dysfunctions are equally transferable. In addition, whilst context seems to be an important design and implementation consideration, many dysfunctions do not seem to be dependent upon it, as they were also identified in the evaluations of the 'equivalent' English systems. The 'consolidated lens' has contributed to the development of theory by enabling these critical success factors and dysfunctions to be identified and analysed in a new and systematic way.

This exploration has included two elements. The first involved using a framework developed from Expectancy Theory, Goal Setting Theory and evidence from the implementation of PRP schemes in practice, in conjunction with evidence from Chapters 2 and 3, to analyse the questionnaire and interview data. This identified that participants understood the motivation frameworks and could see the conceptual links within the system. It also enabled the importance of context and shared principles such as equity to be considered. This suggests that Expectancy and Goal Setting Theories are appropriate frameworks to use to consider the design and effectiveness of organisational as well as individual pay-for-performance schemes.



The second element of the study, the interview data, also suggests the framework holds true in the conceptual sense. Participants can see the principles of linking effort, performance and rewards. However, design and implementation has, in the case of Policy Agreements, clouded the link between performance and rewards resulting, as evidence from individual schemes suggested, in an undermining of the credibility of the scheme and the 'normalisation' of the reward element. However, even in LPSAs where arguably the link between performance and rewards was stronger both in design and implementation, reward grant was less of a significant enabler of improvement than pump priming grant and the value placed upon the discussions.

### **Implications for Theory relating to Organisational Performance Schemes in the Public Sector**

This evidence suggests a theoretical justification for the assumption by many governments that the principles of individual PRP schemes might be extended to organisational ones (Reiter et al, 2006; Boyne and Chen, 2006). However, the evidence in this thesis identifies that complex design and implementation issues relating to individual schemes in Chapter 4, particularly in respect of the relationship between intrinsic and extrinsic motivation in the public sector, are compounded when such agreements are scaled up to the organisational level and, therefore, likewise the issues of public service ethos and professional pride identified in Chapters 2 and 4 limit the potential of funding as a driver for improvement amongst some organisational participants. This contributes to the development of theory in this under-researched area by identifying that the governmental assumption of transference (Reiter et al,

2006) is simplistic because it fails to recognise that the assumed relationship between effort, performance and reward in individual schemes is complex and can be dysfunctional, and when the concept is transferred to an organisational level these complexities and dysfunctions are also transferred, magnified and added to.

In addition, Chapter 4 identified that employers have multiple reasons for introducing PRP schemes and whilst improving performance and changing culture have been identified in this thesis as common objectives for organisational schemes (although their impact in this regard has been proven to be limited), other employer objectives such as demonstrating to the employee they are valued and reinforcing organisational hierarchy are potentially not as relevant or not relevant at all. This means the opportunity for the 'success' of organisational schemes is by their nature more focused and thus has a narrower scope within which dysfunctions may manifest themselves to outweigh potential benefits.

The implications of this for theory relating to organisational pay-for-performance schemes are that, as with individual PRP schemes, the best that can be said is, in the case of Policy Agreements, the funding acted as a motivator in some authorities but, did not generate the widespread changes in behaviour which were hoped for, and did not drive improvement in the way in which might have been imagined, as none of the funding appears to have reached those with the responsibility for actually improving services. The motivation for these managers and many in the corporate centre seems to

have been intrinsic in the form of the internalisation of the targets, but for the majority of the latter once the funding was added it could not be ignored and the urge to maximise budgets kicked in. This also corroborates evidence from evaluations of the LPSA and LAA process in England (Chapter 3) but, the use of the consolidated evaluation framework has highlighted the importance of understanding how these links should work 'in theory' and how they may be playing out in practice.

However, the elephant in the room is whether the same or a better impact might have been achieved without the attachment of funding. The funding seems to have exacerbated a number of significant operational dysfunctions in both England and Wales and in the Welsh system in particular seems to have created a fog in the operationalisation space which enabled some authorities to justify the 'normalisation' of the reward element and the marginalisation of the Agreements. As previously noted, this can also happen with individual schemes, particularly in the public sector where intrinsic motivation and the public service ethos are stronger drivers than extrinsic motivation in the form of a reward.

The question of 'whether' is therefore an important one. The 'politicians' dilemma' represents an ethical question - should an area be deprived of 'needs' based funding because of the incompetence of its managers, whether this is exhibited as failure to effectively manage services or failure to be able to 'play the performance management game'? However, this does not seem to have raised its head as a question in the evaluations of the English models

- the limited motivational impact of reward grant was identified but, the rationale does not seem to have been questioned, even though operational difficulties were identified in relation to it.

One explanation is that the political dilemma may have crystallised as an issue in Wales because of the way in which PIG was consolidated into Council Tax calculations and, the small policy space made it more difficult for politicians to make decisions which involved withholding funding. It was noted in Chapter 2 that recriminations between central and local government could be amplified because of the small scale of the country (Hart, 2002), whereas English Ministers seemed more prepared to make differential decisions, for example the categorisation of authorities under Best Value led to different levels of 'privilege'. However, this does not invalidate questioning the robustness and appropriateness of attaching funding to an inter-organisational performance management scheme in the public sector.

This, combined with all of the operationalisation difficulties identified above and the problems inherent in short-term funding (such as achieving continuity of service), raises serious questions about the robustness of the governmental assumption that organisational pay-for-performance schemes will lead to better performance. Better performance has resulted in both England and Wales (although the difficulties of attributing this increased performance solely to LPSAs and Policy Agreements has previously been noted) but, this does not seem to be significantly dependent on the reward

grant element of the schemes. Questions have also been identified relating to the sustainability and limited ambition of these improvements.

The implications for theory relating to organisational pay-for-performance schemes, based on evidence from both countries, is that the intrinsic motivation of delivering better outcomes for citizens was the stronger driver for improvement amongst local officers. In Wales, once the reward funding was introduced, it led to unnecessary complexity and uncertainty, short-termism, reduced ambition and led to a technocratisation of the process which almost entirely negated the process benefits of cultural change, clarification of objectives and improvements in the central-local relationship. Whilst some of these effects may have been compounded by the limited nature of the implementation process in Wales, similar impacts were identified in England and the evidence suggests that theory should be alive to the issue that introducing funding into an organisational performance scheme in the public sector creates a boundary within which the process seems to operate rather than acting as a launch pad for a holistic, dynamic programme of service improvement.

## **Conclusions**

It is suggested that the thesis aims have been met, the findings above providing an original contribution to knowledge, in respect of both theory and practice. The discussion has highlighted that governments have been premature in assuming the simple transference of PRP schemes from the individual to the organisational level because their operation and effect, as

with individual schemes, is not as assumed. Also, some of the rationale for the introduction of individual schemes is simply not applicable to organisational ones and this limits their scope for success and compounds the potential for failure. The implications are that organisational schemes cannot escape the complexities and dysfunctions of individual ones such as the 'normalisation' of reward and loss of ambition, and these effects may even be magnified by transference to the organisational setting. The robustness and appropriateness of these schemes is therefore questionable.

The thesis has also identified an area for potential future research in relation to individual PRP schemes regarding culture change interdependency between employers and employees. It has provided corroborating and additional evidence for the literature discussed in Chapter 2, in relation to the positive and negative impacts of these schemes, for example, Hood (2007), Bevan and Hood (2006a and b), Ordonez et al (2009), Courty and Marschuke (2007), Boyne and Chen (2006) and Reiter et al (2006), whilst adding to knowledge by exploring the specific impact and rationale of adding a financial reward to organisational performance schemes in the public sector.

The original contribution to knowledge and understanding is not only of value to policy makers and practitioners in Wales, as many of the issues identified, such as the different motivation of different participants in the system, hold true in different contexts. The evidence generated provides new, corroborating evidence for some of the studies relating to the English LPSA and LAA systems and perhaps also provides more detailed explanation for

some of the officer behaviours, for example, the limited motivational impact of funding within the system on service managers because of professional pride and the public service ethos and the significance of the funding to corporate and finance managers because of budget maximisation. The study also provides evidence to support the finding in England that service managers value constructive support and opportunity for discussion around service improvement with experts in the field over and above an organisationally based financial reward.

New evidence is also provided as to the importance of context and rationality in the design and implementation of organisational pay-for-performance schemes. These may be both a limiting factor and an enabler and, policy makers need to identify this from the outset. In terms of the relevant theory and the literature, it might be argued that the necessity of taking a contingency approach is not a new finding but, it is new in relation to organisational pay-for-performance schemes in the public sector and is often forgotten and over-looked, as highlighted by the governmental assumption of lock, stock and barrel transference of one-size-fits-all approaches from individual schemes (Reiter et al, 2006).

The thesis has also provided new evidence relating to the nature of central-local relations in Wales. Previous studies have called this relationship 'good' but failed to qualify this as a one dimensional 'good'. This study has highlighted the veneer was not replicated throughout the system and academics and policy makers need to be alert to the dangers of assuming a

high level positive relationship will be sufficient to drive 'successful' policy implementation at all levels.

The design of an evaluative framework which includes theory and lessons from the development of individual PRP schemes is unique in itself and has enabled a new lens to focus on the under-researched area of organisational pay-for-performance schemes. This lens has provided a rounded framework to fully explore the rationale for the differential impacts of funding upon different participants in the system and develop an understanding of their individual and collective motivations. Likewise it has provided a systematic means of identifying the functions and dysfunctions of organisational pay-for-performance schemes.

Using the framework helped to develop existing theory by highlighting why the funding may not be impacting in the way in which governments might have assumed and why it may have little or no impact in some parts of the system. It has also enabled new lessons for theory on organisational pay-for-performance schemes to emerge, such the 'normalisation' of the reward and the impact of its marginal valance on the amount of organisational effort exuded to meet the targets, by learning from and applying lessons from theory relating to individual PRP schemes. Finally, it enabled the robustness and appropriateness of these schemes to be questioned.

The original contribution of these findings relating to the drivers for improvement in different contexts has the potential to be further magnified



when considered in conjunction with studies relating to other administrations in the UK and beyond (Martin and Andrews, 2009). This will be important in maximising the potential benefits of devolution and minimising the potential for isolationism (Downe et al, 2007; Hockridge, 2006; Laffin, 2009).

In addition, learning from what delivers service improvement and in what contexts is important for all administrations but, has become even more critical for Wales as it enters the third stage of devolution and pressure mounts for the devolution dividend to deliver better services (Andrews and Martin, 2007) – this should become the focus for policy making rather than a steady determination to be different from England. It is considered that this study provides valuable, new insight into these issues whilst at the same time providing an original contribution to knowledge in respect of central-local relations and organisational pay-for-performance schemes in the public sector.

## APPENDIX A

### POLICY AGREEMENT FINAL VERSION

### POLICY AGREEMENT BETWEEN THE NATIONAL ASSEMBLY FOR WALES AND ???????????? COUNTY COUNCIL

#### Purpose of the Agreement

1. The National Assembly for Wales ("the Assembly") and ???????????? County Council ("the Council") jointly share the broad policy aims and objectives set out in the strategic plan "A Better Wales". This Agreement sets out specific targets in areas of shared priority which the Council will seek to achieve with the aid of the Assembly. It also sets out how the Assembly and the Council will work together and with other partners to pursue those broader shared aims.
2. The Assembly and local government are committed to partnership working arrangements, focused on achieving agreed policy outcomes that will contribute to the achievement of social, economic and environmental well-being for people in each part of Wales. They recognise the distinctive role that each has in the governance of Wales, and in achieving complementary and effective strategic policy development and action at the national and local levels. The concept of this Policy Agreement has been agreed by the Local Government Partnership Council for Wales - the statutory joint council of the Assembly and local government in Wales.
3. This Agreement is set in the context of:
  - £ the duty on local authorities in Wales to promote the economic, social and environmental well-being of their area, giving them a leadership role in developing community planning which will foster a shared strategic approach between all the key players across each local authority area;
  - £ many other procedures for improving performance information in Welsh local government through the annual Best Value Performance Plan and information relating to specific services such as education and social services;
  - £ the local government scheme which the Assembly has set out under the Government of Wales Act 1998 on how it will promote local government.

4. This Agreement shifts the emphasis from inputs to outcomes. It is based on the understanding that the problems to be tackled and the opportunities to be grasped can only be handled effectively if the broad policy framework and the key objectives are shared, while leaving maximum discretion for local flexibility in how they are to be achieved. We expect the concept of Policy Agreements to develop further, in tandem with the development of partnership working to deliver community strategies. This first Agreement represents a "point of entry" and the beginning of a new era in the relationship between the Assembly and local government.
5. Local authorities and the National Assembly are committed to the modernisation of public services. Fundamental to the achievement of this agenda is a commitment to change and improvement. This policy Agreement and the objectives and targets that support it are an important means of giving effect to this commitment.
6. This is a framework document. The targets for achievement identified in it do not replace the comprehensive strategies, plans, objectives, performance measures and detailed targets which the Council and the National Assembly have in place, but rest upon them. Delivery of the targets identified here will depend on the quality and successful delivery of those plans as well.

## **Our Shared Aims**

7. The Assembly and local government have a shared determination to achieve the vision which "A Better Wales" (which was refined by the National Assembly's Sustainable Development Scheme made on 16 November 2000) sets out:

They agree that action needs to be taken to secure:

- £ Better opportunities for learning
- £ A better, stronger economy
- £ Better health and well being
- £ Better quality of life
- £ Better simpler government.

## OUR VISION

We want Wales to be:

- s** United, confident and creative
- s** Committed to fostering its unique and diverse identity, and the benefits of bilingualism, while looking confidently outwards and welcoming new cultural influences
- s** Prosperous, well-educated, skilled, healthy, environmentally and culturally rich
- s** Served by modern, effective, efficient and accessible public services
- s** Active in its local communities, where the voice of local people is heard
- s** Fairer - a place where everyone is valued and given an opportunity to play a full part
- s** A place which values its children and where young people want to live, work and enjoy a high quality of life

8. The Council will address these key action areas in developing its community strategy in partnership with local people, voluntary organisations, business, all other key public sector organisations and the Assembly itself. In doing so, it will develop the following three fundamental themes:

- s Sustainable development:** meeting the needs of the present without compromising the ability of future generations to meet their own
- s Tackling social disadvantage:** the development of an inclusive society where everyone has the chance to fulfil their potential
- s Equal opportunities:** the promotion of a culture in which diversity is valued and equality of opportunity is a reality

9. The Council will publish its Community Strategy and Best Value Performance Plan in ???????. As well as containing its Policy Agreement targets and specific objectives and the areas of success, it recognises that the community strategy is a prime vehicle for the achievement of the above fundamental themes, specifically we will:

**INDIVIDUAL COUNCIL TO INPUT ITS FUNDAMENTAL THEMES  
RESPONSE HERE, OR TO ATTACH RETURNS AS ANNEXES,  
REFERRED TO AT THIS POINT**

10. The Council also recognises the value of co-operation and joint working with other local authorities and with the NHS. This will be essential to the delivery of the targets identified. For its part, the Assembly will consider any representations from the Council regarding barriers to joint working which the Assembly could help to address. It is vital that the issues of health and well-being are addressed in a holistic manner which recognises that many local government services have a major impact on the determinants of ill-health.
11. The Assembly will strongly encourage the organisations and groups over which it has influence to play their full part as a willing partner to the Council in the preparation and implementation of the community strategy. It will also review the scope for streamlining the requirements it places on local government. This will include:
  - £ aiming for a clearer, simpler framework of planning requirements so that people can see how individual strategies and service plans fit under the overarching community strategy;
  - £ encouraging similar flexibility over partnership requirements;
  - £ reviewing and consolidating grant schemes where it makes sense to do so, in order to reduce the administrative burden on local government and allow greater flexibility in the way that the Council and its partners can achieve shared objectives; and
  - £ looking for scope to remove regulatory restrictions on local authorities where these are hindering them from pursuing the shared objectives.

The Assembly will report periodically on the specific measures it has taken.

**Appraisal of Targets**

12. The Council and the Assembly recognise that the issues addressed by the targets set in this Agreement are ones which are relevant to improving people's lives in every part of Wales. But different areas of Wales start from a different baseline of existing achievement. The specific targets set out overleaf are ones which have been proposed by the Council and agreed by the Assembly as representing a real improvement over existing levels of attainment and compatible, when taken together with targets set by other authorities across Wales, with

progress towards national or European targets where they exist. The Council and the Assembly will assess performance against the targets in the Agreement with reference also to other performance information available in the Council's plans for education, social services, transport, environmental services and the Best Value Performance Plan and through other existing means such as inspection services.

### **Duration of Our Agreement**

13. This Agreement is made for the three years beginning 1 April 2001. Progress under this Agreement will be monitored annually against the milestones identified, in accordance with a mechanism agreed between the Assembly and the Welsh Local Government Association. The agreement will be subject to an annual appraisal, which will provide an opportunity to review it and to respond to changing circumstances. For instance this annual review will be used to change the education targets as allowed by the statutory review of Education Strategic Plan targets. It will also allow further refinement of the social services indicators in the light of developments in what is a new performance measurement framework.

In that sense the targets set out in this agreement are accepted conditionally, but can only be changed with the mutual agreement of the authority and the National Assembly.

14. The conclusion of this Agreement, with the targets identified below, has been supported by a specific grant of £?? from the Assembly to assist the Council in achieving those targets. It is at the discretion of the Council how exactly that grant is deployed. Achievement of the targets will result in payment of a further grant of £?? (based on the current distribution formula) relating to the financial year 2003/2004. Partial achievement, or achievement at the expense of other stated targets and requirements, will result in partial payment of that sum. The way in which performance against targets will be assessed will be set out in a protocol to be agreed between the Assembly and the WLGA. The precise terms and conditions of the grant will be set out separately.

Signed

Signed

.....  
....

.....

**On behalf of the National Assembly for Wales      On behalf of ..... County Council**

## **KEY OBJECTIVES AND TARGET MEASURES**

### **1. BETTER OPPORTUNITIES FOR LEARNING**

#### **Our Objective**

That standards of teaching and attainment in all our schools continue to rise, that high quality physical conditions are secured and that all young people can gain the range of knowledge and skills required to fulfil their potential.

The prime indicators and targets for this are:

- s an increase in the proportion of 11 year olds achieving at least Level 4 in the Core Subject Indicator from ??% in 2000 to ??% in summer 2003.**
- s an increase in the proportion of 15 year olds achieving five or more GCSE grades A\* to C or vocational equivalent from ??% in 2000 to ??% in 2003.**
- s an increase in the rates of attendance ("those present or on approved educational activities") in secondary schools from ?.?% in 1999/2000 to ?% in 2002/2003.**
- s a reduction in the number of 15 year olds (including those in local authority care) leaving full-time education without a recognised qualification from ?.?% in 2000 to ?? in 2003.**

### **2. BETTER HEALTH AND WELL-BEING**

#### **Our Objective**

That older people live in comfort and dignity in their own homes wherever possible, by providing support which also recognises the role and wishes of carers.

The prime indicators for this are:

- ❖ the number of older people (aged 65 or over) helped to live at home per thousand population aged 65 or over.**
- ❖ the rate of delayed transfers of care for social care reasons per thousand population aged 75 or over.**
- ❖ the number of people aged 65 or over whom the authority supports in residential care homes or nursing homes per thousand population aged 65 or over.**

The following baselines and targets have been agreed with the Assembly:

- ❖ **Older People Helped to Live at Home:** an increase from the baseline of per thousand in 2000/2001 to (between) ?? and ?? per thousand by 2003/2004.
- ❖ **Delayed Transfers:** a decrease from the baseline of ?? per thousand in 2000/2001 to (between) ?? and ?? per thousand by 2003/2004.
- ❖ **Older People in Residential and Nursing Homes:** a decrease from the baseline of ?? per thousand in 2000/2001 to ?? per thousand by 2003/2004.

### **Our Objective**

That adults with physical disabilities, learning difficulties and mental health problems live independently in the community wherever possible and that the burdens of long term care on families are reduced.

The prime indicators and targets for this are:

- ❖ **the percentage of adult clients receiving a written statement of their needs and how they will be met;**
- ❖ **the number of adults aged under 65 whom the authority helps to live at home per thousand adults aged under 65, in each of the following client groups separately:**
  - £ **physical or sensory disabled**
  - £ **learning disabled**
  - £ **with mental health problems.**

The following separate baselines and targets have been agreed with the Assembly:

- ❖ **Written Statement of Needs:** an increase from the baseline of ??% in 2000/2001 to (between) ??% and ??% by 2003/2004.
- ❖ **People with Physical and Sensory Disabilities Helped:** an increase from the baseline of ?? per thousand in 2000/2001 to 10 per thousand by 2003/2004.



- ❖ **People with Learning Disabilities Helped:** an increase from the baseline of ?? per thousand in 2000/2001 to ?? per thousand by 2003/2004.
- ❖ **People with Mental Health Problems Helped:** maintaining our baseline performance in 2000/2001 of ?? per thousand into 2003/2004.

## **Our Objective**

That vulnerable children are protected from harm and those looked after by authorities are provided with the best possible start in life.

The prime indicators for this are:

- ❖ **the proportion of young people in care on their 16th birthday who have a suitable plan for their continuing care.**
- ❖ **the proportion of first placements for looked after children beginning with a care plan in place.**
- ❖ **the percentage of cases of children with an allocated social worker who is providing a service appropriate to the child's need in each of the following groups separately:**
  - £ **children looked after**
  - £ **children on the child protection register.**

The following separate baselines and targets have been agreed with the Assembly.

- ❖ **Young People with a Care Plan:** maintaining our baseline performance in 2000/2001 of into 2003/2004.
- ❖ **First Placements for Looked After Children:** maintaining our baseline performance in 2000/2001 of ??% into 2003/2004.
- ❖ **Allocation of Social Workers to Children Looked After:** maintaining our baseline performance in 2000/2001 of 100% into 2003/2004.

### 3. A BETTER STRONGER ECONOMY

#### Our Objective

To develop a better co-ordinated and sustainable transport system to support local communities, improving accessibility and supporting the creation of a successful economy.

The four Consortia have combined to develop a consistent approach across the region. The agreed approach is:

- s to measure public transport patronage [location]**
- s to measure the patronage based on ticket information for a particular month.**
- s to use baseline figures as at October 2001.**

Currently we are:

- £ establishing a robust baseline
- £ fully researching historic trends in patronage decline in the area
- £ understanding causes behind trends and extrapolate into a forecast
- £ agreeing targets.

### 4. BETTER QUALITY OF LIFE

#### Our Objective

To achieve high standards in the management of our environment.

The prime indicator and target for this is:

- £ an increase in the proportion of municipal waste recycled or composted from 7.7% in 1999/2000 to 12% in 2003/ 2004.**

The Council proposes to achieve the overall % target through 12% recycling and 10% composting.

## APPENDIX B

### FINAL TARGETS AND BASELINES FOR ALL LOCAL AUTHORITIES- Better Opportunities for Learning

Authority	An increase in the proportion of 11 year olds achieving at least level 4 in the Core subject Indicator		An increase in the prop. of 15 year olds achieving 5 or more GCSE (A* to C) or vocational equivalent		An increase in the rates of attendance in secondary schools		A reduction in the no. of 15 year olds (inc. those in care) leaving full time education without a recognised qualification	
	Baseline	Target	Baseline	Target	Baseline	Target	Baseline	Target
Blaenau Gwent	50%	55%	36%	42%	87.9%	91%	38 pupils/4.9%	16 pupils/2%
Bridgend	58.6%	68%	46%	55%	90.2%	91.2%	74 pupils	67 pupils
Caerphilly	58.9%	65%	40%	49%	88.5%	90%	93 pupils/4.1%	3.8%
Cardiff	61.5%	69.8%	45%	49.7%	87.9%	90.2%	238 pupils	131 pupils
Carmarthenshire	63%	69%	52%	66%	90.8%	91%	2%	1%
Ceredigion	66%	70%	60%	62%	91.3%	94%	7 pupils	5 pupils
Conwy	64.1%	67%	55%	58%	90.4%	92%	2%	1.6%
Denbighshire	60.1%	65%	48%	56.8%	90.9%	92%	27 pupils	25 pupils
Flintshire	63.2%	66.5%	50%	53%	91.2%	91.4%	40 pupils	14 pupils
Gwynedd	62%	66%	56%	58.5%	91.7%	92%	1.5%	1%
Isle of Anglesey	63.3%	64%	49%	56%	90.8%	92%	3.5%	2%
Merthyr Tydfil	62.6%	66%	41%	50%	89.7%	91%	10%	6%
Monmouthshire	70%	75%	54%	58%	91.4%	92.9%	12 pupils/1%	>1%
NPT	63%	65%	49%	52%	89.9%	90.7%	30 pupils	26
Newport	61%	64%	42%	46%	89.6%	90.4%	5.7%	3.2%
Pembrokeshire	67.6%	71%	52%	53%	91.8%	92.5%	2%	2%
Powys	64%	69%	56%	58%	*0.4%	0.3%	1%	1%
RCT	60.8%	65%	45%	50%	89.1%	90.5%	4%	3%
Swansea	65%	65%	51%	55%	^1.9%	1.6%	4.5%	3%
Torfaen	57.7%	64%	45%	51%	90.5%	93.5%	14 pupils	12 pupils
VoG	67%	68%	58%	58%	90.3%	92%	1.9%	1.5%
Wrexham	62.4%	70%	44%	50%	90.4%	91%	41 pupils	37 pupils

\* Expressed as lessons missed ^ Expressed as unauthorised absence reduction

## APPENDIX B

### FINAL TARGETS AND BASELINES FOR ALL LOCAL AUTHORITIES- Better Health and Well-Being

Authority	Older people helped to live at home per 1000 population		Delayed Transfers per 1000 population		Older people in residential homes per 1000 population		Percentage of adult clients receiving a written statement of their needs	
	Baseline	Target	Baseline	Target	Baseline	Target	Baseline	Target
Blaenau Gwent	109	109	74	62	37.21	30.25	81%	92%
Bridgend	90.59	85-90	?	13	26-28	26-28	90%	95%
Caerphilly	102.7	107	1.24	1.24	24	24	100%	100%
Cardiff	73.6	75.9	17.4	11.5	27	27	59%	95%
Carmarthenshire	175	135	39.1	20	30.76	26	78.5%	100%
Ceredigion	82.77	86.5	26.14	15-20	28.23	28.5	50%	100%
Conwy	54.37	100-125	14	14	29.1	27	100%	100%
Denbighshire	90	98	2.53	2.53	24	22	85%	100%
Flintshire	47.9	47.9	10-15	10-15	27.8	27.8	81%	98%
Gwynedd	73.54	75.69	22.22	15	40.01	39.57	93.77%	97%
Isle of Anglesey	90	111	15	10	33.06	27.75	88%	98%
Merthyr Tydfil	117.54	123	3.1	1.1	34.94	27.5	87.5%	100%
Monmouthshire	113.9	114.2	18.92	10-15	19.5	19.2	100%	100%
NPT	119.72	122	19.5	15	30.48	28.9	60%	100%
Newport	48.77	50-55	5	5	29.39	27-28	100%	100%
Pembrokeshire	87.9	100	18.8	15	24.48	24	100%	100%
Powys	98.93	99.5	24	?	19.48	20	100%	100%
RCT	96.58	101	33.96	14	32.14	32	60%	95%
Swansea	109.6	112.4	20.2	15	28.6	26.6	78%	100%
Torfaen	47	65	37	30	25	22	80%	100%
VoG	41	43	3.5	1.29	25	27	90%	100%
Wrexham	136	100-125	16	10-15	27.9	26-30	81%	100%

## APPENDIX B

### FINAL TARGETS AND BASELINES FOR ALL LOCAL AUTHORITIES- Better Health and Well-Being

Authority	People with physical and sensory disabilities helped to live at home per 1000 population		People with learning disabilities helped to live at home per 1000 population		People with mental health problems helped to live at home		Young people looked after on their 16 <sup>th</sup> birthday with a plan for continuing care	
	Baseline	Target	Baseline	Target	Baseline	Target	Baseline	Target
Blaenau Gwent	8.23 (over-estimate)	3.39	4.98	4.98	3.15	3.15	90%	100%
Bridgend	3.88	3.5-3.8	4.53	4.5-4.8	2.4	2.5-2.8	84.6%	95%
Caerphilly	5.2	5.46	1.5	1.86	0.8	0.84	91%	100%
Cardiff	3.92	4.04	1.91	1.96	0.49	0.5	76%	100%
Cardiganshire	9.06	9	2.86	3.5	0.97	3	100%	100%
Ceredigion	1.41	3	2.8	3.2	4.7	5.2	77.78%	100%
Conwy	2.47	2.5	2.98	3	1.46	3	100%	100%
Denbighshire	3.46	3.46	2.22	5	5.25	5.25	62.5%	100%
Flintshire	1.79	1.79	3.89	3.89	2.62	2.62	100%	100%
Gwynedd	2.72	2.77	4.02	4.69	2.72	2.91	60%	100%
Isle of Anglesey	2.28	4.18	3.44	3.97	4.52	4.52	58%	100%
Merthyr Tydfil	7.86	9	3.37	3.5	5.11	6	55%	95%
Monmouthshire	3.66	4	3.5	3.61	2.9	3.2	90%	95%
NPT	4.18	4.7	3.97	4	3.25	3.6	93%	100%
Newport	1.75	1.75-2	2.13	2.13-2.5	0.99	0.99-1.2	71.43%	95-100%
Pembrokeshire	1.26	2	3.56	3.8	1.86	2.5	100%	100%
Powys	1.66	1.75	5.07	5.05	0.95	0.95	25%	100%
RCT	1.33	3	3.38	3.38	2.41	2.5	100%	100%
Swansea	3.7	4	3.4	3.7	2.2	3	67%	100%
Torfaen	3.09	3.09-3.94	2.85	2.85-3	1.21	1.21-1.36	100%	100%
VoG	2.8	3.2	2.5	3.5	3	3.4	100%	100%
Wrexham	5.37	3-5	3.1	3.5-5	2.68	3-5	100%	100%

## APPENDIX B

### FINAL TARGETS AND BASELINES FOR ALL LOCAL AUTHORITIES- Better Health and Well-Being

Authority	First placements for looked after children		Allocation of social workers to children on the child protection register		Allocation of social workers to children looked after	
	Baseline	Target	Baseline	Target	Baseline	Target
Blaenau Gwent	72%	95%	100%	100%	45%	100%
Bridgend	66.7%	95%	100%	100%	99%	100%
Caerphilly	6.7%?	95%	100%	100%	97%	100%
Cardiff	20%	100%	100%	100%	100%	100%
Carmarthenshire	31%	98%	100%	100%	100%	100%
Ceredigion	43.1%	90-95%	94.8%	100%	92.2%	100%
Conwy	50%	95%	100%	100%	100%	100%
Denbighshire	85%	95%			100%	100%
Flintshire	83%	100%	75%	95%	100%	100%
Gwynedd	34%	95%	100%	100%	93%	100%
Isle of Anglesey	78%	95%	100%	100%	100%	100%
Merthyr Tydfil	0%	95%			100%	100%
Monmouthshire	90%	95%	100%	100%	100%	100%
NPT	55%	95%	94%	100%	97%	100%
Newport	87.97%	90-100%	95-100%	95-100%	95-100%	95-100%
Pembrokeshire	50%	100%	90%	100%	90%	100%
Powys	92%	92%			100%	100%
RCT	34.1%	95%	100%	100%	95.2%	100%
Swansea	37%	95%			100%	100%
Torfaen	100%	100%	100%	100%	100%	100%
VoG	97%	98%	80%	100%	80%	100%
Wrexham	28%	95%	100%	100%	100%	100%

## APPENDIX B

### FINAL TARGETS AND BASELINES FOR ALL LOCAL AUTHORITIES- Better Stronger Economy and Better Quality of Life

Authority	To measure public transport patronage on cordons around Newport and Cardiff, together with overall patronage in the Newport and Cardiff areas		An increase in the proportion of municipal waste recycled or composted	
	Baseline	Target	Baseline	Target
Blaenau Gwent			4.71%	15%
Bridgend			6.26%	22%
Caerphilly			5%	15%
Cardiff			4.8%	13%
Carmarthenshire			5.5%	20%
Ceredigion			12.18%	15%
Conwy			13%	15%
Denbighshire			4.2%	15%
Flintshire			7%	14%
Gwynedd			5.7%	12%
Isle of Anglesey			2.7%	15%
Merthyr Tydfil			3.49%	15%
Monmouthshire			9%	18%
NPT			6.3%	22%
Newport			6.48%	12%
Pembrokeshire			11.51%	15%
Powys			9%	25%
RCT			6%	15%
Swansea			7.2%	15%
Torfaen			5.2%	15%
VoG			12%	15%
Wrexham			3%	10%

## **PROTOCOL ON EVALUATION OF PERFORMANCE AGAINST POLICY AGREEMENT TARGETS AND COMMITMENTS**

1. This paper outlines the approach which will be taken for the allocation of the Performance Incentive Grant (PIG) in response to the achievements made under policy agreements.

### **Background**

2. Each policy agreement between an individual local authority and the National Assembly for Wales has established:
  - I. A “basket” of targets relating to education
  - II. A “basket” of targets relating to social services for adults and children
  - III. A target / actions relating to transport and the aim of achieving modal shift
  - IV. A target relating to waste management (composting and recycling)
  - V. Commitments on sustainable development, tackling social disadvantage, equality of opportunity and the voluntary sector, linked to the development of community strategies.
3. The duration of the agreement is for 3 years from April 2001. Authorities are entitled to their formula share of £10m upon signing an agreement and to their formula share of £30m upon achievement by end March 2004 of the targets and commitments set out in the agreement.

### **Monitoring**

4. The National Assembly for Wales and each local authority will monitor annually the progress on each policy agreement. Most authorities have already identified annual “milestones” relating to the targets which will assist in this process. Where appropriate, the monitoring process will be combined with existing processes such as the consideration of Education Strategic Plans. There will be continuous dialogue between the local authority and the NAW on the progress made.



5. In exceptional circumstances there may be an agreement between the NAW and the local authority to revise targets. This may occur, for instance, if the original data on baseline performance is found to be incorrect or if the conditions affecting performance change significantly.
6. There will be consistent, open and fair dialogue between the NAW and the local authority on progress in the first year and joint consideration given to any action necessary to achieve the final agreed targets. Any actions agreed will be documented in the review.

### **Second year review**

7. The second year review will be particularly important. It is at this stage that the Assembly and the authority should be able to make fairly firm predictions about the likely outcomes; the action needed to address any potential shortfall against the agreed targets and commitments; and the consequences of any failure to make substantial progress. At the end of the second year review, it will be possible for the NAW and the local authority to reach any of the following conclusions:
  - I. There is substantial progress and reasons to be confident that the agreed targets will be reached; sufficient to conclude that the final PIG should be paid in full in 2003/4
  - II. There is progress but justifiable concern that several targets may not be met by the end of the next year; negotiations, which will be open, transparent and clearly reasoned, will take place on the proportion of PIG to be paid during 2003/4
  - III. There is evidence that for a variety of possible reasons several targets will not be met. Judgement will be exercised on the scale of eligibility for PIG in 2003/4 depending on the reasons for the shortfall

### **The final settlement**

8. Any PIG money not allocated in 2003/4 because of anticipated shortfall in performance against targets will be available for distribution in 2004/5 subject to an assessment of actual achievement. It is anticipated that in 2004/5 a further PIG will be available for the completion of a further policy agreement; the parameters and contents of which will have been negotiated in 2003/4.
9. If a local authority achieved less in 2003/4 than anticipated by the PIG allocated in that year; it will be liable to abatement in its grant in 2004/5.

## **Conclusion**

10. The shared aim in the policy agreements is to achieve substantial improvements in service outcomes which are jointly considered to be very important to people in Wales.
11. The intention is to award the PIG in full wherever the best endeavours have been made towards achieving the targets.
12. If the National Assembly Finance Minister in consultation with other Assembly Ministers were to conclude that there will be an abatement in the level of PIG, it will be with the judgement that more could reasonably have been done to achieve the agreed target.

**NATIONAL ASSEMBLY FOR WALES**  
**November 2001**

## APPENDIX D

### QUESTIONNAIRE (1)

#### POLICY AGREEMENTS BETWEEN THE NATIONAL ASSEMBLY FOR WALES AND LOCAL AUTHORITIES

Please tick if you are:

An elected member with specific service responsibility (If so please specify which area below and answer questions on the basis of your service area responsibility)

An elected member involved in the Policy Agreement process but with no specific service responsibility (If so please specify below if you are a member of your authority's Scrutiny Committee)

Please indicate the political party (or otherwise) which you represent.

Please insert the total number of years (to nearest full year) for which you have been an elected representative.


**If you have a particular service related interest or other particular interest in Policy Agreements please tick the appropriate box below:**

Pupil attainment	
Social care for older people	
Social care for adults	
Social care for children	
Transport modal shift or reducing fatalities	
Recycling of municipal waste	
Sustainable development	
Tackling social disadvantage	
Equal opportunities	
Voluntary sector	
Member of local authority scrutiny committee	

Please note that there is space for **additional comment at the end of the questionnaire**. This can be used to outline any general comments you may have in respect of Policy Agreements or to make a particular point in relation to a particular question. If the latter, please indicate to which specific question your comments refer.

The questionnaire is divided into sections: some sections deal with the Policy Agreement process as a whole and some deal with a particular aspect of it such as setting the Policy Agreement objectives in respect of service improvements. Each section contains a number of statements with which you are requested to agree or disagree or answer 'Yes' or 'No', because the questionnaire is divided in this way it seems that some statements are repeated. This is not intended to try and 'catch you out'. It is important to try and establish how effective each stage of the Policy Agreement process has been as well as to establish how well the stages have 'fitted together'. Therefore, as some features of the process contribute to the success otherwise of more than one stage, they have been referred to more than once.

Please complete the questionnaire by ticking the box with the score which best reflects your view in respect of each of the following statements where:

- |                     |                  |
|---------------------|------------------|
| 1 Disagree strongly | 5 Agree Slightly |
| 2 Disagree          | 6 Agree          |
| 3 Disagree Slightly | 7 Agree Strongly |
| 4 Undecided         |                  |

Simply remember that generally speaking the higher the number you tick the higher your level of agreement with the statement.

Please use the '**Don't Know**' (**DK**) box where you feel you are unable to make a response, as you do not have enough information.

Please use the '**Undecided**' (**U**) box where you have sufficient information to make a decision but are genuinely undecided as to your opinion.

If a question is not applicable to you please tick the '**Not Applicable**' (**NA**) box.

Some questions require a '**Yes**' or '**No**' answer, again please tick the appropriate box.

Please tick the box with the score which best reflects your view in respect of each of the following statements where 7= Agree strongly, U=Undecided and 1= Disagree Strongly or tick 'D' or 'N'.

K= Don't Know

A= Not Applicable

	1	2	3	U	5	6	7	D K	N A
<b>Overall Policy Agreement Process</b>									
1. My authority has linked its Policy Agreement to the development of its community plan.									
2. My authority has linked its Policy Agreement to the development of its Improvement Plan.									
3. My authority has linked its Policy Agreement to the development of its own strategic plan.									
4. My authority has linked its Policy Agreement to the development of its budget strategy.									
5. The National Assembly has integrated Policy Agreements with the other local authority performance initiatives.									
6. The National Assembly has integrated Policy Agreements with other local authority finance policies.									
7. My authority has made public its Policy Agreement. (e.g. on internet, local newsletter etc.)	Y		N						
8. My authority has plans to publish the results of the Policy Agreement in 2004. (e.g. on internet, local newsletter etc.)	Y		N						
9. I am aware that the Assembly has made commitments in the Agreements to review plans and remove other impediments to continuous improvement of local authority services. If 'No', please go straight to Question 11.	Y		N						
10. I am aware of Assembly progress towards meeting these commitments.	Y		N						
11. The nature of the funding in the Agreements reflects a mature relationship between local authorities and the National Assembly.									
12. There is a high level of trust between local authorities and the National Assembly.									
13. Policy Agreements have added value to the relationship between local authorities and the National Assembly.									
14. The processes involved in developing Policy Agreements are as important as the funding.									
15. The existence of Policy Agreements will help to demonstrate to stakeholders that local authorities are providing value for money.									
16. The Policy Agreements clearly indicate to local authorities what is expected of them and what is on offer in return.									
17. There is a clear link between Assembly policy as articulated through Policy Agreements and other aspects of Assembly policy in respect of local government.									

Please tick the box with the score which best reflects your view in respect of each of the following statements where 7= Agree strongly, U=Undecided and 1= Disagree Strongly.

K= Don't Know

N= Not Applicable

	1	2	3	U	5	6	7	D K	N A
18. The Policy Agreement funding could have been used in other ways to help build capacity for improvement in local authorities.									
19. If you have any suggestions as to how the Performance Incentive Grant (PIG) funding might be better employed, please outline them below.									
<b>Meeting Policy Agreement Objectives for Service Improvement</b>									
20. The objectives in the Policy Agreements have been framed within a clear overall strategic vision for Wales.									
21. There is a clear link between the chosen indicators in the Agreement and my authority's own strategic plan.									
22. The Agreements have created a link between local and national goals.									
23. The Agreements reflect the right balance between local and national goals.									
24. The indicators are specific enough to make it clear what is to be aimed for.									
25. The achievement of the targets can be influenced by factors outside the control of this authority.									
26. The targets are demanding but achievable.									
27. The agreed targets serve to motivate rather than demotivate.									
28. The numbers of indicators are about right.									
29. There is no conflict between any of the indicators.									
30. There is no conflict between working towards the Policy Agreement targets and achieving other strategic service priorities.									
31. Focusing on specific service areas in this way has created a focus on these areas at the expense of others.									
32. Local authorities have the skills to make a reasonable attempt at achieving the targets.									

Please tick the box with the score which best reflects your view in respect of each of the following statements where 7= Agree strongly, U=Undecided and 1= Disagree Strongly.

K= Don't Know

A= Not Applicable

	1	2	3	U	5	6	7	D K	N A
33. Local authorities have the resources (including access to training, facilities and staff) to enable them to make a reasonable attempt at achieving the targets.									
34. I was involved in discussions in respect of setting baselines and targets which relate to me.									
35. There was effective communication between authorities and the Assembly during the period when the baselines and targets were set.									
36. The purpose of Policy Agreements was clearly communicated to me.									
37. Local authorities played a significant part in determining the services and targets to be included in the Agreements.									
38. The Agreements have been mutually agreed between local authorities and the National Assembly.									
39. The targets have made the link between the effort an authority makes and its performance clear.									
40. The targets have made the link between an authority's performance in terms of service delivery and the financial reward clear.									
<b>Measuring Outcomes</b>									
41. The Policy Agreement indicators have been chosen because they are easy to measure rather than appropriate.									
42. The indicators used are the most suitable to measure achievement of the objectives set out in the Policy Agreements.									
43. There is a clear link between the effort this authority makes towards achieving the Policy Agreement targets and the performance measures in the Policy Agreement.									
44. There is a clear link between local authority performance and the amount of funding received.									
45. This authority must work with other organisations to achieve some of the targets.									
46. This authority has the freedom to determine how to achieve improvements in its own performance.									
47. The cost of collecting information to measure progress towards targets does not outweigh the benefits it provides.									
48. The indicators are measuring the outcome of this authority's activity, rather than that activity itself.									

Use tick the box with the score which best reflects your view in respect of each of the following statements where 7= Agree strongly, U=Undecided and 1= Disagree Strongly or tick for 'N'.

Don't Know  
Not Applicable

	1	2	3	U	5	6	7	D K	N A
None of the data collected in measuring performance could be subject to manipulation.									
Some outcomes are not measured by specific indicators (e.g. working with the voluntary sector) but I am satisfied that it will be possible to measure progress against these broader themes.									
<b>Feedback</b>									
I am satisfied with the feedback process with my officials in respect of tracking progress towards achieving the Policy Agreement targets.									
I am content with the feedback process with other politicians in respect of tracking progress towards achieving the targets.									
I am content with the feedback process with representatives from the National Assembly in respect of tracking progress towards achieving the targets.									
Other organisations which contribute to the achievement of targets are included in the appraisal process.									
The Assembly has been punitive when monitoring performance.									
The process of appraising performance against targets in the context of Policy Agreements is too bureaucratic.									
The Policy Agreement process has raised expectations in terms of improved performance which can be met.									
Policy Agreements are a way for local authorities and the Assembly to work together to improve services.									
Local authorities have been able to determine how to achieve the targets.									
The role of the Assembly, in the context of Policy Agreements, is to determine the level of financial reward to be paid in 2004.									
There has been effective communication of feedback between the Assembly and local authorities.									
The cost of monitoring the Policy Agreements does not outweigh the potential benefits.									
<b>Targets linked to Outcomes</b>									
I know there is funding attached to the Policy Agreements.	Y		N						
This funding is significant.									
The attachment of funding to the Policy Agreements has motivated this authority towards achieving the targets.									
There is a strong link between this authority achieving the targets and receiving the funding.									



Please tick the box with the score which best reflects your view in respect of each of the following statements where 7= Agree strongly, U=Undecided and 1= Disagree Strongly or tick 'N'.

= Don't Know

= Not Applicable

	1	2	3	U	5	6	7	D K	N A
The attachment of general revenue funding to the Policy Agreement is appropriate.									
Those with service responsibilities would have been more motivated to work towards achievement of the targets if the funding was linked to specific targets.									
Managers would have worked towards achieving the targets in the agreements without the attachment of funding to the Agreements.									
I have read the evaluation protocol. If 'No', please go straight to Question 75.	Y		N						
The evaluation protocol is 'fair'.									
The nature of the evaluation protocol supports the concept of relating funding to performance.									
Managers would have been more motivated by the inclusion of non financial incentives and rewards in the Agreements such as greater autonomy, recognition etc.									
Authorities should be able to chose a 'reward package' if Policy agreements enter a second phase.									
The promised funding will 'materialise'.									
Local authorities will 'expect' this funding in the future regardless of performance.									
The cost of the Policy Agreement process, including the available funding, is in proportion to the benefits.									
I am aware of the agreed distribution method for the funding attached to Policy Agreements. (If 'No', please go straight to Question 82.)	Y		N						
The distribution method for Performance Incentive Grant (PIG) is 'fair'.									
The Policy Agreement process has been handled in a positive way by local authorities.									
The Policy Agreement process has been handled in a positive way by the Assembly.									
The funding linked to these Agreements is a reward i.e. to reward performance after the event.									
The funding linked to these Agreements is an incentive i.e. to stimulate performance.									

Please tick the box with the score which best reflects your view in respect of each of the following statements where 7= Agree strongly, U=Undecided and 1= Disagree Strongly.

DK= Don't Know

NA= Not Applicable

	1	2	3	U	5	6	7	DK	NA
<b>Amendments to Objectives and Activities</b>									
There has been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines.									
Most of the discussion during the review sessions has focused on Performance Improvement Grant.									
The role of the Assembly during review sessions has been to help local authorities constructively improve performance.									
There has been effective communication between the Assembly and local authorities at the review stage.									
<b>Objectives of Policy Agreements</b>									
One of the objectives of Policy Agreements is to focus on local authority results and outcomes rather than inputs.									
One of the objectives of Policy Agreements is to provide discretion for local authorities to determine where to deploy their resources.									
One of the objectives of Policy Agreements is to minimise the requirements on local authorities to produce strategies and plans.									
One of the objectives of Policy Agreements is to generate greater coherence between local and national priorities.									
One of the objectives of Policy Agreements is to improve the relationship between local authorities and the National Assembly for Wales.									
One of the objectives of Policy Agreements is to improve local authority performance.									
One of the objectives of Policy Agreements is to create a culture of self-improvement.									
One of the objectives of Policy Agreements is to provide 'top-up' funding to local authorities.									
One of the objectives of Policy agreements is to demonstrate that there is no requirement for externally driven improvement by inspection and audit.									

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESTIONNAIRE (PTO)

The space below is provided for any thoughts or suggestions you may have in respect of Policy agreements. These may be of a general nature or in respect of a specific question above. If the latter please indicate to which question your comments refer.

Please also indicate below by including your name and contact details if you would be willing to discuss your comments, or any aspect of this questionnaire, with the researcher. Any discussions will also be treated as confidential in the sense that it will not be possible to identify individual responses from the published results.

Please return this questionnaire (in the SAE provided) to:

Lisa James  
Post Graduate Student  
Cardiff Business School  
Cardiff University  
Llunellum Drive  
Cardiff  
CF10 3EU

**QUESTIONNAIRE (2)****APPENDIX E****POLICY AGREEMENTS BETWEEN THE NATIONAL ASSEMBLY FOR WALES AND LOCAL AUTHORITIES**

**Please tick if you are:**

1. A local authority officer with responsibility for achieving specific targets in the Policy Agreement (If so, please specify which targets below and answer questions from the perspective of this service)
2. A local authority officer involved in the Policy Agreement process but with no specific service responsibility.
3. Please indicate the number of years (to the nearest whole year) for which you have been a local authority officer.


**If you have a particular service related interest or other particular interest in Policy Agreements please tick the appropriate box below:**

Pupil attainment	
Social care for older people	
Social care for adults	
Social care for children	
Transport modal shift or reducing fatalities	
Recycling of municipal waste	
Sustainable development	
Tackling social disadvantage	
Equal opportunities	
Voluntary sector	
Service a local authority scrutiny committee	

**QUESTIONNAIRE (3)****APPENDIX F****POLICY AGREEMENTS BETWEEN THE NATIONAL ASSEMBLY FOR WALES AND LOCAL  
AUTHORITIES**

**Please tick if you are:**

1. An Assembly Member with specific service responsibility (If so please specify which area below and answer questions on the basis of your service area responsibility)
2. An Assembly Member with a general interest in Policy Agreements.
3. Please indicate the political party (or otherwise) which you represent.
4. Please insert the total number of years (to nearest full year) for which you have been an Assembly member.


**If you have a particular service related interest or other particular interest in Policy Agreements please tick the appropriate box below:**

Pupil attainment	
Social care for older people	
Social care for adults	
Social care for children	
Transport modal shift or reducing fatalities	
Recycling of municipal waste	
Sustainable development	
Tackling social disadvantage	
Equal opportunities	
Voluntary sector	

## QUESTIONNAIRE (4)

## APPENDIX G

### POLICY AGREEMENTS BETWEEN THE NATIONAL ASSEMBLY FOR WALES AND LOCAL AUTHORITIES

Please tick if you are:

1. A National Assembly official with responsibility for agreeing and monitoring a specific service area of the Policy Agreements. (Please specify which service area below and answer questions from the perspective of this service area)
2. A National Assembly official with responsibility for the Policy Agreement process as a whole.
3. Please indicate the number of years (to the nearest whole year) for which you have been a civil servant.


If you have a particular service related interest or other particular interest in Policy Agreements please tick the appropriate box below:

Pupil attainment	
Social care for older people	
Social care for adults	
Social care for children	
Transport modal shift or reducing fatalities	
Recycling of municipal waste	
Sustainable development	
Tackling social disadvantage	
Equal opportunities	
Voluntary sector	

## APPENDIX H

Cardiff University Business School  
Cardiff University  
Colum Drive  
Cardiff  
CF10 3EU

July 14, 2003

Dear Councillor/Sir/Madam,

### **POLICY AGREEMENTS BETWEEN THE NATIONAL ASSEMBLY FOR WALES AND LOCAL AUTHORITIES**

I am studying for a PhD at Cardiff University and my chosen research topic is the development of Policy Agreements between local authorities and the National Assembly for Wales. As part of this research I would like to find out and try to understand the views and opinions of elected members and officers in local authorities in respect of the Policy Agreement process, the contents of the agreements and the monitoring arrangements.

I would therefore be extremely grateful if you would be prepared to complete and return the enclosed questionnaire to me by **Friday August 1<sup>st</sup>, 2003** in the stamped addressed envelope provided. The questionnaire should take no more than 15 minutes to complete and will provide vital evidence to help me with my research.

The responses will be analysed and published as part of my PhD requirements but it will not be possible to identify individual responses in the published research.

Once again many, many thanks for sparing some of your valuable time to complete and return the questionnaire.

Yours sincerely,

Sa James

**QUESTIONNAIRE COMMENTS FROM ELECTED MEMBERS**

These comments have not been edited but are grouped into common themes. Some comments are relevant to two or more themes and have therefore been repeated.

**The Overall Policy Agreement Process**

1. I disagree with the emphasis of this questionnaire. In my view the action of the WAG has been to undermine the role of local authorities. It has taken away L.A. duties and given them to unelected bodies- QUANGO Mad with little or no accountability. The quicker the WAG is done away with the better for WALES.
2. Where I have indicated that I am undecided this indicates that as County Councillors we are frequently frustrated that:
  - i) Central Government through WAG is still operating via GWANGOS that usurp the excellent previous work done at local level e.g. education at plus 16 now with ELWA.
  - ii) Frustration caused often by the remoteness to local issues to the WDA: - a frequent in-action causing worthwhile projects to be lost.
3. Recent consultations again strongly suggest that the WAG is concentrating on the relationship between Policy Agreements and Community Strategies-again an important link-but with little or no reference to the WPI and general improvement agenda prompts one to question the purpose of Policy Agreements- a focus for organisational improvement and development? Or some kind of hybrid with future funding perhaps subject to partners' approval?
4. Too much officer time is taken up by producing Policy Agreements rather than providing a good service. Produces too much stress and demotivates the staff. Too much bureaucracy and not enough real understanding at Assembly level.

**Setting Policy Agreement Objectives for Service Improvement**

5. Policy Agreements tend, in my opinion, to reflect the views of the Assembly and not those of the local authority who may have other priorities. Assembly holding the purse strings can therefore influence decision making.
6. Policy Agreements should create a link between local and national priorities but respondent felt that they had not.

**Measuring Outcomes**

7. Too much officer time is taken up by producing Policy Agreements rather than providing a good service. Produces too much stress and demotivates the staff. Too much



bureaucracy and not enough real understanding at Assembly level. (This comment has been included twice as it is relevant to more than one theme- in this case reference is made to the cost/benefit of the outcome measurement process.)

## **Feedback**

No comments were made in respect of feedback.

## **Rewards linked to Outcomes**

8. Allocate PIG on a spend to save basis.

9. Unhypothecated funding which can be used for local priorities. The process can 'skew' funding into areas which may not be the authority's most important priorities.

10. The fact that every council got the money regardless of performance has tended to make a mockery of the process. What has been achieved by all the extra time and effort? There are too many specific grants and controls which creates the perception that NAW officials and (some) AMs do not trust local government.

11. I very much welcome the unhypothecated grant as it allows the authority to invest in services identified by the authority as being in need of extra funding.

12. (In respect of PIG) should be more flexible criteria.

13. PIG money has not necessarily been hypothecated to areas for improvement i.e. L.A. may have reached targets anyway. Therefore able to redirect PIG monies to other service delivery areas.

14. (In respect of PIG) An improved timescale could help local authorities.

15. In respect of PIG- return to local authorities to use on their own local priorities.

16. In respect of PIG- There is far too much bureaucracy involved. Better if simple grant and allow Councils to direct as they see fit. It is all too much central control.

17. The whole area of Policy Agreements is a complex one, and recently subject to consultation on their future scope. Whilst they are a generally welcome addition to the policy and strategy-making arena, recent consultation suggests that definitions have become rather blurred and as such have raised some questions, not least, for 2003/4 the PIG monies attached to the Policy Agreements were embedded in the general settlement which was helpful and enabled this authority to allocate resources based on robust needs assessment, service user consultation and in line with specific priorities. However, plans to allocate the PIG according to ring-fenced areas of activity is at odds with the freedoms and responsibilities promised under the Wales Programme for Improvement (WPI) and the maturing relationship between WAG and local authorities?

18. In respect of PIG- 'Base budget'

19. There is considerable scepticism about the funding linked to PAs in local government. The message coming from the Assembly is that councils will receive the funding whether or not they achieve their targets.

20. In respect of PIG- by discussing with Members (as well as civil servants) what priorities are- WLGA.

21. Further encourage good performing authorities by giving increased PIG. Implement 'Beacon Authority' status.

22. In respect of PIG- Most new policies have implications which tend not to be funded.

### **Amendments to Objectives and Activities**

No comments were made in respect of Objectives and Activities

### **Objectives of Policy Agreements**

23. I disagree with the emphasis of this questionnaire. In my view the action of the WAG has been to undermine the role of local authorities. It has taken away L.A. duties and given them to unelected bodies- QUANGO Mad with little or no accountability. The quicker the WAG is done away with the better for WALES. (This comment has been included twice as it is relevant to more than one theme)

24. Where I have indicated that I am undecided this indicates that as County Councillors we are frequently frustrated that:

- iii) Central Government through WAG is still operating via GWANGOS that usurp the excellent previous work done at local level e.g. education at plus 16 now with ELWA.
- iv) Frustration caused often by the remoteness to local issues to the WDA: - a frequent in-action causing worthwhile projects to be lost.

(This comment has been included twice as it is relevant to more than one theme)

25. Recent consultations again strongly suggest that the WAG is concentrating on the relationship between Policy Agreements and Community Strategies-again an important link-but with little or no reference to the WPI and general improvement agenda prompts one to question the purpose of Policy Agreements- a focus for organisational improvement and development? Or some kind of hybrid with future funding perhaps subject to partners' approval? (This comment has been included twice as it is relevant to more than one theme)

26. The whole area of Policy Agreements is a complex one, and recently subject to consultation on their future scope. Whilst they are a generally welcome addition to the policy and strategy-making arena, recent consultation suggests that definitions have become rather blurred and as such have raised some questions, not least, for 2003/4 the PIG monies attached to the Policy Agreements were embedded in the general settlement which was helpful and enabled this authority to allocate resources based on robust needs assessment, service user consultation and in line with specific priorities. However, plans to allocate the PIG according to ring-fenced areas of activity is at odds with the freedoms

and responsibilities promised under the Wales Programme for Improvement (WPI) and the maturing relationship between WAG and local authorities? (This comment has been included twice as it is relevant to more than one theme)

### **Miscellaneous Comments**

27. This aspect of local government policy is changing rapidly as such some of the responses to your questions, at this stage, very much fall into the 'undecided' territory.

## QUESTIONNAIRE COMMENTS FROM LOCAL AUTHORITY OFFICERS

These comments have not been edited but they have been grouped into common themes. Some comments are relevant to two or more themes and have therefore been repeated.

### The Overall Policy Agreement Process

1. Modal transfer is no indicator of the success of transport policy in rural areas, let alone economic regeneration. The PA regime for modal transfer thus starts with a pedigree that is more appropriate to a St. Bernard/Pomeranian cross than any sensible base. That said the goal of Policy Agreements – to improve local authority service is a worthy one. That is why I have scored WAG and LA involvement in the PA regime highly; they are at least trying to address a very important issue.

2. We should still strive for continuous improvement.....but the PI and PA regime is a blunt instrument for achieving improvement.

3. There needs to be a better understanding of the role of PAs vis a vis other 'tools' of the WAG in driving up performance in key areas of mutual concern.

### Setting Policy Agreement Objectives for Service Improvement

4. The Policy Agreement work has fallen into disrepute as:

- Indicator sets are not well defined
- Because of this they have become too woolly in their application
- The incentive/disincentive of tying them to financial reward/penalty has not been fulfilled
- Next steps have to be seen to be real and actioned.

5. PAs do not take into account the local capacity in private residential/nursing home beds and the number of closures and loss of beds in individual authorities. Negotiations with WAG were fruitful on this but the number of closures is beyond the LAs control in a number of instances.

6. The authority would like to invest in preventative services that enable people to live in their community. The push of the PIs is around the number of people helped to live at home- the provision of these services can create dependency and cut across the strategic approach to prevention. There should be Policy Agreements which measure how well we link up with other sectors e.g. health, the voluntary sector in terms of prevention and reablement.

### Measuring Outcomes

7. Modal transfer is no indicator of the success of transport policy in rural areas, let alone economic regeneration. The PA regime for modal transfer thus starts with a pedigree that is more appropriate to a St. Bernard/Pomeranian cross than any sensible base. That said the goal of Policy Agreements – to improve local authority service is a worthy one. That is why I have scored WAG and LA involvement in the PA regime highly; they are at least

trying to address a very important issue. (This comment has been included twice as it is relevant to more than one theme)

8. The fact that the Assembly has commissioned a review of the performance management framework says it all. Current indicators not so useful performance measures- and these include Policy Agreement indicators.

9. One of my major concerns with the number of indicators is the statistical significance of the outcome given the likely small numbers involved from an SSD perspective.

### **Feedback**

10. Most authorities expect to obtain the funding whether or not they have achieved the targets. This makes a mockery of incentive rewards. We have had little communication with WAG officials since the PA was signed over 2 years ago (1 meeting) no support at all. We still do not have a definition for modal shift.

### **Rewards linked to Outcomes**

11. PAs (and PIs) may be a useful diagnosis tool for poor performance but they have little role to play in the reward and rectification process.

12. Each authority should be able to use the funds in response to local need. Unfortunately it is not being used specifically to improve performance to agreed targets.

13. In respect of PIG- Need to be more focused to authorities' priorities and needs identified through deprivation indicators, WPI etc. Targets need to be SMARTer.

14. The Policy Agreement work has fallen into disrepute as:

- Indicator sets are not well defined
- Because of this they have become too woolly in their application
- The incentive/disincentive of tying them to financial reward/penalty has not been fulfilled
- Next steps have to be seen to be real and actioned.

(This comment has been included three times as it is relevant to more than one theme)

15. In respect of PIG- A consortium of authorities is looking at a new social care IT system for Wales capable of interfacing with unified assessment tools. The PIG monies could have been used to fund this.

16. Funding needs to be sustainable to be of value not a moveable feast of here today and gone tomorrow. It is difficult to recruit to permanent established posts and nigh on impossible to get good standard recruits to temporary fixed term posts.

17. My knowledge of Policy Agreements is scant, though I am aware that the authority has signed up and that municipal waste recycling and composting standards are enshrined in the national waste strategy. I am not aware of the amount of funding available through the PIG scheme. My department is not aware that it will receive any funding at all on achievement of targets and so it provides very little incentive. Our drive to meet targets is

based on professional pride and is extremely wholehearted considering the remarkable lack of resource available.

18. In respect of PIG- better used as part of general LA funding whilst still retaining Policy Agreements for key areas. There is no need for the financial stick or carrot if we are to establish true partnership between the Assembly and LAs.

19. In respect of PIG- I think it should be more specifically linked to the criteria identified. It should also be of sufficient scale and realistic in relation to making improvements.

20. In respect of PIG- to increase project management capacity.

21. My service has benefited from PIG money but the initiative taken has not been sustained by the Authority and so we have largely gone backwards again. Policy Officer posts have been funded from PIG money and the investment has been well worthwhile. In 2 years time without the continuation of such funding we may go backwards again.

22. In respect of PIG- Adopt the approach outlined in the Wanless Review of Health and Social Care

23. In respect of PIG- link an authority's PA targets/funding to the authority's self review which should identify weakest performance. Make PIG conditional on each LA match funding to ensure that it is locked into achieving improvements.

24. PIG funding should be used to help local authorities meet mutually agreed targets, over a three year period, which take account of local circumstances and meet both national and local priorities. Individually negotiated agreements, both in terms of indicators and targets is the best way forward.

25. Q18 I don't believe that the PIG funding was designed to help build capacity for improvement, it was designed to secure specific improvements which it did.

26. In respect of PIG- needs to be incorporated within the RSG settlement rather than given retrospectively as a specific grant.

27. In respect of PIG- Providing direct services to address underfunding of home care services to maintain people in the community.

28. In respect of PIG- capacity building across all service areas especially around the areas of performance and project management to ensure VFM.

29. In respect of PIG- Allocate funds to a wider performance improvement agenda rather than just restricting to PAs.

30. In respect of PIG- In improving performance management information and data collection to ensure appropriate comparison across Wales.

31. In respect of PIG- by matching local priorities with PIG.

32. In respect of PIG- add to settlement and earmark for specific services to help them deliver the targets in their own community and service plans.

33. In respect of PIG- it was not specific to the targets within the Policy Agreement. In my authority it was used to support the overall budget but this might not be a bad thing!

34. In respect of PIG- Paid strictly on achievement of targets

35. Most authorities expect to obtain the funding whether or not they have achieved the targets. This makes a mockery of incentive rewards. We have had little communication with WAG officials since the PA was signed over 2 years ago (1 meeting) no support at all. We still do not have a definition for modal shift. (This comment has been included twice as it is relevant to more than one theme)

36. In respect of PIG- incorporate into base RSG therefore maximise flexibility annual review of community strategy and Improvement Plan.

37. In respect of PIG- Funding statutory pressures on councils

### **Amendments to Objectives and Activities**

38. PAs (and PIs) may be a useful diagnosis tool for poor performance but they have little role to play in the reward and rectification process. (This comment has been included twice as it is relevant to more than one theme)

39. The Policy Agreement work has fallen into disrepute as:

- Indicator sets are not well defined
- Because of this they have become too woolly in their application
- The incentive/disincentive of tying them to financial reward/penalty has not been fulfilled
- Next steps have to be seen to be real and actioned.

### **Objectives of Policy Agreements**

40. The Policy Agreement regime is fundamentally at odds with a local authority's wish to determine its own priorities and to be accountable to the public through the ballot box. The proliferation of specific WAG grants and performance rewards conflicts with that basic aim.

41. The PAs are too simplistic to stimulate real improvements in performance.....The presence of the modal transfer PA is more likely to distort management priorities than it is to motivate service improvement. The same can almost certainly be said of the other PA headings.

42. The PAs were well intentioned to drive forward performance. It has not been used effectively to achieve this. In comparison to the English PAF and CPA Wales has failed to tackle the issues- acknowledge the development of excellence and isolate poor performance. If Wales and England employed the same systems (PAF and CPA) then the full extent of poor performance would become apparent. Politicians in both the WAG and LAs are failing to 'bite the bullet'.

43. My service has benefited from PIG money but the initiative taken has not been sustained by the Authority and so we have largely gone backwards again. Policy Officer posts have been funded from PIG money and the investment has been well worthwhile. In 2 years time without the continuation of such funding we may go backwards again. (This comment has been included twice because it is relevant to more than one theme)

44. More closely linked with Local Government Act 2000 and requirement to publish a community strategy. As with other key strategies provide a 'funding pot' for delivery/development of community planning process.



**QUESTIONNAIRE COMMENTS FROM ASSEMBLY MEMBERS**

These comments have not been edited but have been grouped into themes. Some comments are relevant to two or more themes and have therefore been repeated.

**The Overall Policy Agreement Process**

1. To date no policy agreements have been published, therefore there is no way to judge whether Performance Incentive Grant is used effectively. In the last financial year it was used as a mechanism for distributing extra money to councils.
2. I have asked on a number of occasions for Policy agreements to be put in the public domain.
3. We need a more open process for a start- at the moment we exist in a vacuum.

## APPENDIX L

### QUESTIONNAIRE COMMENTS FROM ASSEMBLY GOVERNMENT OFFICIALS

These comments have not been edited but have been grouped into themes. Some comments are relevant to two or more themes and have therefore been repeated.

#### The Overall Policy Agreement Process

No comments were received on this theme.

#### Setting Policy Agreement Objectives for Service Improvement

1. On q26 there was a variation between the different sections of the Policy Agreement. On waste, yes the targets were demanding but achievable. On education some of the targets were not demanding, some were too demanding. On social services there are still question marks about the robustness of data- particularly on adult services- which mean that some of the targets need to be taken as indicative. In short there are underlying questions about the existence of robust baselines and the ability to set stretching but achievable targets, particularly where as with some of the education targets authorities are coming to the limits of what can easily be achieved and the law of diminishing returns becomes an issue.

#### Measuring Outcomes

2. It would have to be more specific than the current modal shift one to be effective.

#### Feedback

3. We have not co-ordinated as well as we should the work on policy agreements with other work to assess performance. For example, information on individual LA targets was not available to SSIW for the latter's performance evaluation.

#### Rewards linked to Outcomes

4. There should be stronger link between achievement of targets/outcomes and funding under PIG.

5. The impression given was that this was handed out wholesale without any measurement of performance. The 'reward' available to authorities should not only be financial but should be linked in some way to greater freedoms.

6. In respect of PIG- only pay if local targets are actually met. You have to be prepared to withhold money if there is no progress. This year's 'because you tried' approach was very misleading.

### **Amendments to Objectives and Activities**

No comments were received in respect of this theme.

### **Objectives of Policy Agreements**

No comments were received in respect of this theme.

### **Miscellaneous comments**

7. Questions have been answered on an overall basis. There are large variations in policy agreements, performance monitoring etc. across Wales.

8. Undecided responses sometimes indicate that some authorities have, some haven't.

## Appendix S – Multiple Regression Models for Research Questions 1 to 6

### Explanation of Multiple Regression

A multiple regression model takes the following form:

$$Y = b_0 + b_1x_1 + b_2x_2 + \dots \text{etc}$$

The term 'b<sub>0</sub>' is the intercept or constant which represents a kind of baseline value for 'Y' around which it varies due to the effects of the explanatory variables. The co-efficient which is associated with each explanatory variable represents the average marginal change in Y associated with a unit change in that explanatory variable, so that if the variable x is increased by one unit and all of the other variables are held constant then the regression model predicts that Y would on average change by b<sub>1</sub> units. The regression co-efficients are thus measures of the size of the effects of the independent or explanatory variable on the response or dependent variable. A large regression co-efficient indicates that a small change in the explanatory variable has, on average, a large impact on the response variable, ceteris paribus (Balnaves and Caputi, 2001; Clegg, 2001; National Audit Office/Audit Scotland, 2004). Some of the research questions have more than one dependent variable, therefore, a regression model will be built for each of the dependent variables which relate to a specific aspect of the research question.

Each research question has several critical success factors (CSFs) associated with it, and in many cases these CSFs are designed on the basis of a basket of related questions. In order to maximise the effectiveness of the multivariate regression model, for each of the dependent variables, the independent variables will be scrutinised to ensure that where two independent variables have a strong correlation this does not adversely affect the statistical robustness of the model.

This is because it is assumed in regression analysis that no two independent variables are perfectly correlated with each other. If a high degree of correlation exists this is termed collinearity, and can lead to regression coefficients which are unstable because they will be highly sensitive to small changes in the data or the model. A small amount of collinearity can be managed, but it is best not to include two highly correlated independent variables in a multiple regression model. Where possible, the independent variable included will be based on the highest correlation with the dependent variable (Balnaves and Caputi, 2001; Clegg, 2001; National Audit Office/Audit Scotland, 2004).

### Research Question 1

*RQ<sub>1</sub>, Have Policy Agreements helped to create a culture of 'self-improvement' in local authorities? A culture of self-improvement is defined as local authorities focusing on outcomes rather than inputs, proactively seeking continuous improvement rather than acting on external stimuli such as inspection and regulation.*

The dependent variable for the first model in respect of this question is - *One of the objectives of Policy Agreements is to focus on local authority results and outcomes rather than inputs* (Question 88). Chapter 5, Table 5.4 identifies that there are ten CSFs and 19 questions associated with this dependent variable (the measurement of some critical success factors is, in some cases, related to a basket of questions). To build the model the following survey questions were excluded for the reasons set out below:

### BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 1 (Q88)

Question	Reason for Exclusion from Regression Model for Question 88
13	This question relates to the next dependent variable for this research question - i.e. self improvement and a move away from inspection (Qs 94 and 96)
19	This was a free form qualitative response question, the answers to which have been considered in the previous chapter.
32	As with Q13 this question relates to the self-improvement aspect of this research question.
70	This was a simple 'Yes' or 'No' question to determine whether or not the respondent had read the evaluation protocol. However, it should be noted that the presence of this 'filter' question is the reason for the lower 'n', i.e. number of responses considered by the model, as not all of the respondents had read the protocol.
71	As with Qs13 and 32, the perception of fairness is about creating an 'appropriate culture' and therefore is included in the model for dependent variable Q94 (see next section).
78	As for Q70.
79	As above.

This results in the following independent variables being included in the multiple regression model: Qs 18, 14, 33, 45, 46, 59, 68, 69, 72, 64, 86 and 85, and all of the CSFs being included in the model.

### RESEARCH QUESTION 1- FOCUS ON RESULTS AND OUTCOMES - REGRESSION MODEL

Coefficients(a) Model	Unstand'ised Coefficients		T	Sig.
	B	Std. Error		
(Constant)	1.577	1.214	1.300	0.208
The Policy Agreement funding could have been better used in other ways to help build capacity for improvement in local authorities (Question 18)	-0.071	0.135	-0.524	0.606
The processes involved in developing Policy Agreements are as important as the funding (Q14)	0.082	0.148	0.553	0.586
Local Authorities have the resources (including access to training, facilities and staff) to enable them to make a reasonable attempt at achieving the targets (Q33)	-0.203	0.158	-1.282	0.215
The authority must work with other organisations to achieve the targets (Q45)	0.481	0.226	2.126	0.046
The authority has the freedom to decide how to achieve improvements in its own performance (Q46)	0.317	0.162	1.956	0.065
Local authorities have been able to determine how to achieve the targets (Q59)	0.074	0.213	0.346	0.733
Those with service responsibilities would have been more motivated to work towards the achievement of the targets if the funding was linked to specific targets (Q68)	-0.090	0.166	-0.544	0.592
Managers would have worked towards the targets in the Agreements without the attachment of funding to the Agreements (Q69)	0.006	0.122	0.049	0.961
The nature of the evaluation protocol supports the concept of relating funding to performance (Q72)	0.265	0.113	2.352	0.029
The funding is significant (Q64)	-0.123	0.096	-1.279	0.215

The role of the Assembly during the review sessions has been to help local authorities constructively improve performance(Q86)	0.030	0.142	0.214	0.833
Most of the discussion during the review sessions has focused on Performance Improvement Grant (Q85)	-0.186	0.140	-1.326	0.200
• Dependent Variable: Focus on LA results and outcomes rather than inputs (Q88) (a)				
<b>N</b>	<b>33</b>			
<b>R Squared</b>	<b>0.673</b>			
<b>Adjusted R Squared</b>	<b>0.477</b>			
<b>ANOVA Significance</b>	<b>0.007</b>			
<b>F Value</b>	<b>3.432</b>			

The shaded areas above highlight the variables which are significant in the model at the 10% level. No significant collinearity was identified. It should also be noted that as some of the questions related to this research question follow filter questions on the questionnaire, a smaller number of cases are available for inclusion in the model. These variables, and all of the variables included in later models, were examined for skewness to ensure that the distribution of responses is normal (see skewness tests for questions relating to research questions 1 to 6 in Appendices M to R). In this instance no cases of exceptional skewness were found, i.e plus or minus 1.8 at the total response level. These results, and the results from all of the models in this appendix, were also tested for heteroscedasticity by undertaking a scatter plot, as part of the regression analysis, using the standardised residuals as Y and the standardised predicted values as X. This plot checks for the linearity and equality of variances. Heteroscedasticity is present if the distribution is not uniform across the centre of the graph. In all cases no heteroscedasticity was found.

The next dependent variable is - *One of the objectives of Policy Agreements is to create a culture of self-improvement* (Question 94). There are ten CSFs and 19 questions associated with this dependent variable (see Chapter 5, Table 5.4). To build the model the following survey questions were excluded for the reasons set out below:

#### BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 1 (Q94)

Question	Reason for Exclusion from Regression Model for Question 94
14	This question relates to the previous aspect of this research question and was included in the model for Q88.
19	This is a free form qualitative question and the responses to this question have been included in the previous chapter.
33	As with Q14, this question relates to the focusing on outcomes aspect of the research question related to Q88.
45	As above.
68	As above.
70	This is a Yes/No 'filter' question and its inclusion in the CSFs relating to this research question (although not in the model) explains the lower 'n', i.e. number of valid responses included.
72	As with Qs 14, 33, 45 and 68, this question relates to the dependent element of the research question set out in Q88.
78	As for Q70.

The model therefore includes the following questions, 18, 13, 32, 46, 59, 69, 71, 79, 64, 86 and 85 (covering all of the related CSFs) and is set out in the following table.

**RESEARCH QUESTION 1- CREATING A CULTURE OF SELF-IMPROVEMENT -  
REGRESSION MODEL**

Coefficients(a) Model	Unstand'ised Coefficients		t	Sig.
	B	Std. Error		
(Constant)	5.071	3.292	1.540	0.142
The Policy Agreement funding could have been better used in other ways to help build capacity for improvement in local authorities (Question 18)	0.057	0.198	0.290	0.775
Policy Agreements have added value to the relationship between local authorities and the National Assembly for Wales (Q13)	0.299	0.225	1.329	0.201
Local Authorities have the skills to make a reasonable attempt at achieving the targets (Q32)	-0.128	0.393	-0.327	0.748
The authority has the freedom to determine how to achieve improvements in its own performance (Q46)	-0.082	0.248	-0.329	0.746
Local authorities have been able to determine how to achieve the targets (Q59)	-0.111	0.322	-0.345	0.735
Managers would have worked towards achieving the targets in the Agreements without the attachment of funding to the Agreements (Q69)	-0.090	0.180	-0.502	0.622
The evaluation protocol is fair (Q71)	-0.343	0.200	-1.719	0.104
The distribution method for Performance Incentive Grant is fair (Q79)	0.339	0.292	1.162	0.261
The funding is significant (Q64)	0.034	0.160	0.211	0.835
The role of the Assembly during the review sessions has been to help local authorities constructively improve performance(Q86)	0.081	0.255	0.319	0.754
Most of the discussion during the review sessions has focused on Performance Incentive Grant (Q85)	0.064	0.269	0.237	0.816
• Dependent Variable: Create a culture of self improvement (Q94) (a)				
N	29			
R Squared	0.422			
Adjusted R Squared	0.049			
ANOVA Significance	0.397			
F Value	1.131			

The shaded areas highlight the variable which was significant at the 10% level in the model. No significant levels of collinearity were detected. It should also be noted that as some of the questions related to this research question follow filter questions on the questionnaire, a smaller number of cases are available for inclusion in the model.

The next dependent variable in respect of Research Question 1 is - *Demonstrate that there is no requirement for externally driven improvement* (Question 96). There are ten CSFs and 19 questions associated with this dependent variable (Table 5.4). To build the model the following survey questions were excluded for the following reasons:

### BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 1 (Q96)

Question	Reason for Exclusion from Regression Model for Question 96
18	This question relates to the funding, i.e. focusing on outcomes rather than inputs part of this research question considered in the model relating to Q88.
19	This is a free form qualitative question and the responses to this question were considered in the previous chapter.
14	This question relates to the creating a culture of self- improvement aspect of this research question and was included in the model related to Q94.
33	This question relates to the funding, i.e. focusing on outcomes rather than inputs part of this research question in the model relating to Q88.
45	This question relates to the focusing on outcomes aspect of the research question and was included in the model relating to Q88.
70	This is a Yes/No 'filter' question and whilst not included in the model explains the lower 'n' for the number of valid responses included.
72	This question relates to the funding, i.e. focusing on outcomes rather than inputs part of this research question considered in the model relating to Q88.
78	As for Q70.
79	As above relates to dependent variable Q88.
85	Despite a correlation result with the dependent variable, this independent variable was excluded as it created unacceptably high levels of collinearity in the model.

The model was therefore built including the following questions: 13, 32, 46, 59, 68, 69, 71, 64 and 86 (this excludes two CSFs, CSFO05 and CSFA03, both relating to previous aspects of this research question).

### RESEARCH QUESTION 1- DEMONSTRATE NO REQUIREMENT FOR EXTERNALLY DRIVEN IMPROVEMENT - REGRESSION MODEL

Coefficients(a) Model	Unstand'ised Coefficients		t	Sig.
	B	Std. Error		
(Constant)	1.989	3.519	0.565	0.578
Policy Agreements have added value to the relationship between local authorities and the National Assembly (Q13)	-0.005	0.312	-0.017	0.987
Local authorities have the skills to make a reasonable attempt at achieving the targets (Q32)	-0.316	0.407	-0.776	0.446
This authority has the freedom to determine how to achieve improvements in its own performance (Q46)	0.258	0.308	0.837	0.412
Local authorities have been able to determine how to achieve the targets (Q59)	-0.323	0.402	-0.803	0.430
Those with service responsibilities would have been more motivated to work towards achievement of the targets if the funding was linked to specific targets (Q68)	0.247	0.339	0.730	0.473
The evaluation protocol is fair (Q71)	-0.021	0.252	-0.085	0.933
The funding is significant (Q64)	-0.007	0.197	-0.035	0.972



The role of the Assembly during the review sessions has been to help local authorities constructively improve performance(Q86)	0.607	0.299	2.033	0.054
<ul style="list-style-type: none"> <li>Dependent Variable: Demonstrate that there is no requirement for externally driven improvement by audit and inspection (Q96) (a)</li> </ul>				
N	31			
R Squared	0.302			
Adjusted R Squared	0.049			
ANOVA Significance	0.348			
F Value	1.192			

The shaded area highlights the variable which was significant at the 10% level. No significant levels of collinearity were detected. It should also be noted that as some of the questions related to this research question follow filter questions on the questionnaire, a smaller number of cases are available for inclusion in the model.

## Research Question 2

**RQ<sub>2</sub>** *Have Policy Agreements helped to change culture in the Welsh Assembly Government? A change of culture in the Welsh Assembly Government is defined as demonstration of the Assembly Government focusing on results and outcomes rather than inputs, i.e greater discretion for local authorities to determine where to deploy resources, fewer requirements for local authorities to produce strategies and plans.*

The first dependent variable in respect of Research Question 2 is - *One of the objectives of Policy Agreements is to provide discretion for local authorities to determine where to deploy their resources* (Question 89). There are 11 CSFs and 23 questions (Chapter 5, Table 5.4) which relate to this research question. There are also 2 dependent variables relating to its different aspects. The first of these relates to providing discretion for local authorities to determine where to deploy their resources. The following table sets out those survey questions which have been excluded from this aspect of the research question, and therefore from the model for this dependent variable.

### BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 2 (Q89)

Question	Reason for Exclusion from Regression Model for Question 89
19	This is a free form qualitative question and responses to it have been considered in the previous chapter.
13	The inclusion of this question in the model resulted in unacceptably high levels of collinearity.
14	As above
17	This question is about coherence between local and national planning systems and therefore relates to the dependent Q90 aspect of the research question.
5	As above.
29	As above.
30	As above.
70	This is a Yes/No 'filter' question, and whilst not included in the model explains the lower 'n' in terms of the number of valid responses included in the regression.
71	This question is about the perception of fairness and reducing 'control' and was included in the model for the Q90 dependent variable aspect of the research question.

72	As above.
78	This is a Yes/No 'filter' question, and therefore whilst not included in the model it explains the lower 'n' in terms of the number of valid responses included in the regression.
79	As for Qs 71 and 72

The remaining questions are therefore as follows: 18, 6, 31, 45, 46, 59, 55, 75, 76, 86 and 85 which excludes two CSFs, CSFO06 and CSFR03, both relating to aspects of the research question considered in the next model. The results are set out in the following table.

## RESEARCH QUESTION 2- DISCRETION FOR LOCAL AUTHORITIES TO DETERMINE WHERE TO DEPLOY RESOURCES - REGRESSION MODEL

Coefficients(a) Model	Unstand'ised Coefficients		t	Sig.
	B	Std. Error		
(Constant)	-1.060	1.447	-0.733	0.467
The Policy Agreement funding could have been better used in other ways to help build capacity for improvement in local authorities (Question 18)	-0.005	0.125	-0.044	0.965
The National Assembly has integrated Policy Agreements with other local authority finance policies (Q6)	0.096	0.108	0.890	0.377
Focusing on specific areas in this way has created a focus on these areas at the expense of others (Q31)	0.041	0.122	0.336	0.738
The Authority must work with other organisations to achieve some of the targets (Q45)	0.214	0.171	1.254	0.215
The Authority has the freedom to determine how to achieve improvements in its own performance (Q46)	0.432	0.146	2.966	0.004
Local Authorities have been able to determine how to achieve the targets (Q59)	0.104	0.169	0.616	0.541
The Assembly has been punitive when monitoring performance (Q55)	0.141	0.141	1.001	0.321
The promised funding will materialise (Q75)	-0.065	0.163	-0.401	0.690
Local authorities will expect this funding in future regardless of performance (Q76)	0.133	0.115	1.156	0.253
The role of the Assembly during the review sessions has been to help Local Authorities constructively improve performance(Q86)	0.232	0.150	1.553	0.126
Most of the discussion during the review session has focused on Performance Improvement Grant (Q85)	-0.162	0.129	-1.253	0.216
• Dependent Variable: Provide discretion for LAs to determine where to deploy resources (Q89) (a)				
N	67			
R Squared	0.445			
Adjusted R Squared	0.334			
ANOVA Significance	0.000			
F Value	4.008			

The shaded areas above highlight significant variables in the model at the 10% level. No significant levels of collinearity were detected.

The dependent variable for the next model in respect of Research Question 2 is - *One of the objectives of Policy Agreements is to minimise the requirements on local authorities to produce strategies and plans* (Question 90). The second element of Research Question 2 is set out in the dependent variable Question 90, and relates to minimising the requirement on local authorities to produce strategies and plans. The following table sets out the survey questions which have been excluded from the model and the reasons for their exclusion.

#### **BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 2 (Q90)**

<b>Question</b>	<b>Reason for Exclusion from Regression Model for Question 90</b>
18	This relates to the freedom to deploy resources aspect of the research question related to the Q89 dependent variable in the previous model.
19	This is a free form qualitative response and responses to this question were discussed in the previous chapter.
14	This question is excluded to avoid unacceptable levels of collinearity.
6	This question relates to the coherence of the scheme with other policies, and is also measured by Qs 5 and 17. It was excluded to avoid unacceptably high levels of collinearity. Q6 was slightly more highly correlated to the dependent than Q5, but the difference was slight and Q5 has a wider perspective on links with other policies. In addition, Q6 was included in the previous model as it relates to finance policy.
30	This relates to the avoidance of conflict between the objectives in the Agreement and other objectives and is also measured by Q29. It is therefore excluded to avoid unacceptable levels of collinearity.
31	As above.
45	This question relates to the aspect of this research question related to Q89 and is not therefore relevant to minimising the requirement for strategies and plans.
70	This is a Yes/No 'filter' question, and whilst excluded from the model explains the lower 'n' in terms of the number of valid responses included in the regression.
72	This relates to the perceived fairness of the system and is also measured by Q71 (which was correlated to the dependent). It is therefore excluded to avoid unacceptable levels of collinearity.
78	This is a Yes/No 'filter' question and whilst excluded from the model explains the lower 'n' in terms of the number of valid responses included in the regression.
79	As for Q72.
75	This relates to the freedom to deploy resources aspect of this research question and was included in the previous model relating to Q89.
76	As above.
85	As above.

The remaining questions are therefore as follows: 13, 17, 5, 29, 46, 59, 55, 71 and 86. It excludes CSFO05, CSFR04 and CSFA03. All relate to the previous aspect of this research question. The model is set out in the following table.

### BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 3 (Q92)

Question	Reason for Exclusion from Regression Model for Question 92
10	This aspect (CSFO03) relating to effective communication throughout the process was excluded to avoid unacceptable levels of collinearity.
11	There is a high level of correlation with Q12 (CSFO03) effective communication throughout the process. It has therefore been excluded to avoid to high levels of collinearity.
34	Qs 34, 35 and 36 are all highly correlated with each other and measure CSFS04 relating to the need for effective communication between employers and employees. Therefore Q35 has been included in the model as it has the highest correlation with the dependent variable. Inclusion of all of the questions in the model created unacceptably high levels of collinearity.
36	As above.
60	This variable is highly correlated with Q58, CSFF01 - the need for a lack of tension between the 'cop' and 'coach' role of the appraiser. It has therefore been excluded to avoid unacceptably high levels of collinearity.
51	Qs 51, 52 and 53 are all highly correlated with each other (CSFF05) - the role of trust. Therefore Q53 has been included in the model as it has the highest level of correlation with the dependent variable. The other variables were excluded to avoid unacceptably high levels of collinearity.
52	As above.
81	This variable is highly correlated with Q80 which is more highly correlated with the dependent variable, it is therefore excluded to avoid collinearity. Both variables relate to CSFR08 - the need for positive management of schemes.

The following questions, covering all of the relevant CSFs, therefore remained to be included in the model which is set out below: 7, 8, 9, 12, 35, 58, 53, 56, 61, 80 and 87.

### RESEARCH QUESTION 3- IMPROVING RELATIONSHIPS -REGRESSION MODEL

Coefficients(a) Model	Unstand'ised Coefficients		T	Sig.
	B	Std. Error		
(Constant)	0.026	0.918	0.029	0.977
The Authority has made public its Policy Agreement (Question 7)	0.084	0.110	0.765	0.448
My Authority has plans to publish the results of the Policy Agreement in 2004 (Q8)	0.158	0.140	1.127	0.265
I am aware that the Assembly has made commitments in the Agreements to review plans and remove other impediments to continuous improvement of local authority services (Q9)	-0.003	0.093	-0.030	0.976
There is a high level of trust between local authorities and the National Assembly (Q12)	0.216	0.143	1.518	0.135
There was effective communication between authorities and the Assembly during the period when the targets and baselines were set (Q35)	0.123	0.136	0.902	0.371
Policy Agreements are a way for local authorities and the Assembly to work together to improve services (Q58)	0.384	0.117	3.293	0.002
I am content with feedback process with representatives of the Assembly in respect of tracking progress towards achieving the targets (Q53)	-0.213	0.144	-1.475	0.146
The process of appraising performance against targets in the context of Policy Agreements is too bureaucratic (Q56)	0.149	0.084	1.774	0.082
There has been effective communication of feedback between the Assembly and local authorities (Q61)	0.233	0.139	1.671	0.101

## RESEARCH QUESTION 2 – MINIMISE THE REQUIREMENT TO PRODUCE STRATEGIES AND PLANS - REGRESSION MODEL

Coefficients(a) Model	Unstand'ised Coefficients		t	Sig.
	B	Std. Error		
(Constant)	-0.722	2.044	-0.353	0.728
Policy Agreements have added value to the relationship between local authorities and the National Assembly (Q13)	-0.235	0.256	-0.919	0.370
There is a clear link between Assembly policy as articulated through Policy Agreements and other aspects of Assembly policy in respect of local government (Q17)	0.612	0.283	2.163	0.043
The National Assembly has integrated Policy Agreements with the other local authority performance initiatives (Q5)	-0.171	0.248	-0.687	0.501
There is no conflict between any of the indicators (Q29)	-0.309	0.314	-0.983	0.338
This Authority has the freedom to determine how to achieve improvements in its own performance (Q46)	0.579	0.237	2.447	0.024
Local Authorities have been able to determine how to achieve the targets (Q59)	-0.010	0.326	-0.031	0.976
The Assembly has been punitive when monitoring performance (Q55)	-0.022	0.276	-0.080	0.937
The evaluation protocol is fair (Q71)	0.164	0.226	0.727	0.476
The role of the Assembly during review sessions has been to help Local Authorities constructively improve performance(Q86)	0.419	0.244	1.722	0.101
• Dependent Variable: Minimise the requirements on LAs to produce strategies and plans (Q90) (a)				
N	29			
R Squared	0.652			
Adjusted R Squared	0.487			
ANOVA Significance	0.006			
F Value	3.954			

The shaded areas above highlight the variables which are significant within the model at a 10% level. No significant levels of collinearity were found. The smaller number of responses included in the model is because of filter questions.

### Research Question 3

**RQ<sub>3</sub>** *Has the Policy Agreement process 'added value' to the relationship between the Welsh Assembly Government and local authorities? 'Added value' is defined as a greater understanding between the parties and more effective communication.*

The dependent variable is - *One of the objectives of Policy Agreements is to improve the relationship between local authorities and the National Assembly for Wales (Q92)*. There are 9 CSFs and 19 questions related to it (see Chapter 5, Table 5.4), the following table sets out the survey questions which have been excluded from the model and the reasons for their exclusion.

The Policy Agreement process has been handled positively by Local Authorities (Q80)	-0.079	0.115	-0.685	0.496
There has been effective communication between the Assembly and Local Authorities at the review stage (Q87)	-0.020	0.160	-0.124	0.902
• Dependent Variable: Improve the relationship between NAW and LAs (Q92) (a)				
N	65			
R Squared	0.464			
Adjusted R Squared	0.353			
ANOVA Significance	0.000			
F Value	4.175			

The shaded areas above highlight the significant variables in the model at a 10% level. No significant levels of collinearity were identified.

#### Research Question 4

**RQ<sub>4</sub>** Have Policy Agreements contributed to 'cohesive' strategic planning at national and local levels? 'Cohesive' strategic planning is defined as 'joined-up' strategic planning between local authorities and the Welsh Assembly Government based on shared and agreed priorities.

The dependent variable for this research question is- *One of the objectives of Policy Agreements is to generate greater coherence between local and national priorities* (Q91). Research question 4 has one dependent variable, 6 CSFs and 17 questions (see Chapter 5, Table 5.4). The following table identifies the survey questions excluded from the model and the reasons for their exclusion.

#### BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 4 (Q91)

Question	Reason for Exclusion from Regression Model for Question 91
3	Q3 was highly correlated with the other questions relating to CSFO01, integration of the performance management system with a clear strategic framework. It was therefore excluded to avoid collinearity.
28	This question has a high level of correlation with Q27, therefore, it was excluded to avoid unacceptably high levels of collinearity.
26	Q26 has a high level of correlation with Q27 - CSFS02 - the need for targets to be demanding but achievable. It was therefore excluded from the model to avoid a high level of collinearity. Q27 was included as it has the higher level of correlation with the dependent.
21	Qs 20, 21 and 22 all relate to CSFS03 - the need for a clear organisational strategic framework. They are all highly correlated with each other and several of the other variables. Q20 was included in the model, as it whilst Q22 has the higher level of correlation with the dependent, its inclusion resulted in unacceptably high levels of collinearity.
22	As above.
37	Qs 37, 38 and 23 all relate to CSFS05 - the need for mutually agreed objectives. They are highly correlated with each other. Q38 was included in the model as it has the highest level of correlation with the dependent. The others were excluded to prevent unacceptably high levels of collinearity.
23	As above.

The following questions, covering all of the relevant CSFs were therefore included in the following model: 1, 2, 4, 24, 25, 27, 20, 38, 73 and 74.

**RESEARCH QUESTION 4- COHERENCE BETWEEN LOCAL AND NATIONAL PRIORITIES - REGRESSION MODEL**

Coefficients(a) Model	Unstand'ised Coefficients		t	Sig.
	B	Std. Error		
(Constant)	2.679	0.890	3.011	0.003
The authority has linked its Policy Agreement to the development of its Community Plan (Q1)	-0.189	0.102	-1.853	0.067
The authority has linked its Policy Agreement to the development of its Improvement Plan (Q2)	-0.028	0.119	-0.231	0.818
The authority has linked its Policy Agreement to the development of its budget strategy (Q4)	0.091	0.088	1.039	0.302
The indicators are specific enough to be clear what is to be aimed for (Q24)	0.138	0.094	1.471	0.145
The achievement of the targets can be influenced by factors outside the control of the Local Authority (Q25)	0.033	0.097	0.344	0.732
The Agreed targets serve to motivate rather than demotivate (Q27)	0.185	0.094	1.957	0.053
The objectives in the Policy Agreements have been framed within the overall strategic vision for Wales (Q20)	0.238	0.095	2.496	0.014
The Agreements have been mutually agreed between Local Authorities and National Assembly (Q38)	0.136	0.089	1.528	0.130
Managers would have been more motivated by the inclusion of non financial incentives and rewards in the Agreements (Q73)	-0.021	0.087	-0.241	0.810
Authorities should be able to chose a reward package (Q74)	-0.028	0.098	-0.280	0.780
• Dependent Variable: Generate greater coherence between local and national priorities (Q91) (a)				
N	104			
R Squared	0.333			
Adjusted R Squared	0.262			
ANOVA Significance	0.000			
F Value	4.647			

The shaded areas above highlight the variables which are significant in the model at a 10% level. No significant levels of collinearity were detected.

**Research Question 5**

*RQ<sub>5</sub> Have Policy Agreements contributed to improved service performance in local authorities? Improved service performance is defined as a shift towards meeting or exceeding the targets set out in the Policy Agreements.*

The relevant dependent variable is - *One of the objectives of Policy Agreements is to improve local authority performance* (Q93). Research question 5, the first relating to a performance impact, relates to the improvement of service delivery by local authorities and has one dependent variable, 9 CSFs and 18 questions (See Table 5.4). The following table sets out the survey questions which were excluded from the model and the reason for their exclusion.

**BUILDING THE REGRESSION MODEL FOR RESEARCH QUESTION 5 (Q93)**

Question	Reason for Exclusion from Regression Model for Q93
39	Q's 39 and 40 were highly correlated with each other and a number of the other variables, these questions were excluded to avoid unacceptably high levels of collinearity.
40	As above.
63	This is a Yes/No 'filter' question.

The following questions, covering all of the relevant CSFs except CSFS06, were therefore included in the following model: 16, 49, 43, 44, 48, 41, 42, 50, 54, 57, 65, 66, 67, 82 and 83.

The excluded CSF, relating to the links between effort and performance, and performance and rewards was felt to be adequately measured by other variables included in the model.

# **RESEARCH QUESTION 5 – IMPROVE LOCAL AUTHORITY PERFORMANCE - REGRESSION MODEL**

<b>Coefficients(a) Model</b>	<b>Unstand'ised Coefficients</b>		<b>t</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>		
(Constant)	2.274	0.683	3.331	0.001
The Policy Agreements clearly indicate to local authorities what is expected of them and what is on offer in return (Q16)	-0.034	0.094	-0.362	0.719
None of the data collected in measuring performance could be subject to manipulation (Q49)	-0.060	0.085	-0.704	0.484
There is a clear link between effort the authority makes towards achieving the Policy Agreement targets and the performance measures in the Policy Agreements (Q43)	0.111	0.123	0.899	0.371
There is a clear link between Local Authority performance and the amount of funding received (Q44)	-0.033	0.086	-0.389	0.698
The indicators are measuring the outcome of the authority's activity, not the activity itself (Q48)	0.031	0.081	0.376	0.708
The Policy Agreements indicators have been chosen because they are easy to measure rather than appropriate (Q41)	0.036	0.083	0.436	0.664
The indicators used are the most suitable to measure achievement of the objectives set out in the Policy Agreements (Q42)	0.048	0.097	0.498	0.620
Some outcomes are not measured by specific indicators but I am satisfied that it will be possible to measure progress against these broader themes (Q50)	0.133	0.099	1.348	0.182
Other organisations which contribute to the achievement of the targets are included in the appraisal process (Q54)	0.012	0.092	0.127	0.899
The Policy Agreement process has raised expectations in terms of improved performance which can be met (Q57)	0.228	0.095	2.397	0.019
The attachment of funding to the Policy Agreements has motivated authorities towards achieving the targets (Q65)	0.102	0.096	1.061	0.292
There is a strong link between the authority achieving the targets and receiving the funding (Q66)	-0.115	0.095	-1.219	0.227
The attachment of general revenue funding to the Policy Agreement is appropriate (Q67)	0.057	0.069	0.819	0.416
The funding linked to these Agreements is a reward (Q82)	-0.026	0.093	-0.280	0.780
The funding linked to these Agreements is an incentive (Q83)	0.197	0.102	1.921	0.059
<b>N</b>	90			
<b>R Squared</b>	0.380			
<b>Adjusted R Squared</b>	0.254			
<b>ANOVA Significance</b>	0.001			
<b>F Value</b>	3.021			

The shaded areas highlight the variables which are significant within the model at a 10% level. No significant levels of collinearity were detected.



## Research Question 6

**RQ<sub>6</sub>** Have Policy Agreements provided 'value for money'? 'Value for money' is defined as increased efficiency in service delivery outweighing the 'costs' of Policy Agreements where cost equals Performance Incentive Grant plus administration costs.

The dependent variable is - One of the objectives of Policy Agreements is to provide 'top up' funding to local authorities (Q95). All of the independent variables relating to Research Question 6 were included in the model as the collinearity statistics illustrated the model was within acceptable levels of tolerance.

### RESEARCH QUESTION 6 - VALUE FOR MONEY - REGRESSION MODEL

Coefficients(a) Model	Unstand'ised Coefficients		T	Sig.
	B	Std. Error		
(Constant)	3.608	0.660	5.468	0.000
The existence of Policy Agreements will help to demonstrate to stakeholders that local authorities are providing value for money (Q15)	0.027	0.085	0.318	0.751
The cost of collecting information to measure progress towards targets does not outweigh the benefits it provides (Q47)	-0.233	0.118	-1.978	0.050
The cost of monitoring the Policy Agreements does not outweigh the potential benefits (Q62)	0.048	0.126	0.384	0.701
The cost of the Agreement process, including the available funding, is in proportion to the benefits (Q77)	0.004	0.116	0.033	0.974
There has been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines (Q84)	0.287	0.115	2.496	0.014
Dependent Variable: Provide 'top up' funding to LAs (Q95)(a)				
N	123			
R Squared	0.092			
Adjusted R Squared	0.053			
ANOVA Significance	0.043			
F Value	2.379			

The shaded areas above highlight the significant variables in the model at a 10% level. No significant levels of collinearity were detected.

Appendix S (continued)

SUMMARY OF SIGNIFICANT VARIABLES – PROCESS OUTCOMES

Research Question Survey Question	RQ1	RQ2	RQ3	RQ4
<b>Q45</b> Authority must work with others to achieve the targets	X (Q88)			
<b>Q46</b> Authority has the freedom to determine how to achieve improvements in its own performance	X (Q88)	X (Q89 & Q90)		
<b>Q72</b> The nature of the evaluation protocol supports the concept of relating funding to performance	X (Q88)			
<b>Q71</b> The evaluation protocol is fair	X (Q94)*			
<b>Q86</b> The role of the Assembly during review sessions has been to help local authorities constructively improve performance	X (Q96)	X (Q89 & Q90)		
<b>Q17</b> There is a clear link between Assembly policy as articulated through Policy Agreements and other aspects of Assembly policy in respect of local government		X (Q90)		
<b>Q58</b> Policy Agreements are a way for local authorities and the Assembly to work together to improve services			X	
<b>Q56</b> The process of appraising performance against targets in the context of Policy Agreements is too bureaucratic			X	
<b>Q61</b> There has been effective communication of feedback between the Assembly and local authorities			X	
<b>Q1</b> The authority has linked its Policy Agreement to the development of its Community Plan				X*
<b>Q27</b> The agreed targets motivate rather than demotivate				X
<b>Q20</b> The objectives in the Policy Agreements have been framed within a clear overall strategic vision for Wales				X

\*= negative relationships between the independent and dependent variables

**Appendix S (continued)**

**SUMMARY OF SIGNIFICANT VARIABLES – PERFORMANCE IMPACTS**

<b>Research Question Survey Question</b>	<b>RQ5</b>	<b>RQ6</b>
<b>Q57</b> The Policy Agreement process has raised expectations in terms of improved performance which can be met	X	
<b>Q83</b> The funding linked to these Agreements is an incentive	X	
<b>Q47</b> The costs of collecting information to measure progress towards targets does not outweigh the benefits it provides		X*
<b>Q84</b> There has been adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines		X

\*= negative relationship between the independent and dependent variable

## INTERVIEW SCHEDULE FOR SEMI-STRUCTURED INTERVIEWS

### Part 1 - Objectives of Policy Agreements and Critical Success Factors

#### Objectives

##### Research Question 1

Did the first round of Policy Agreements help to create a culture of 'self-improvement' in local authorities? A culture of self-improvement is defined as local authorities focusing on outcomes rather than inputs, proactively seeking continuous improvement rather than acting on external stimuli such as inspection and regulation.

- i) Did Policy Agreements focus on local authority results and outcomes rather than inputs? **(Q88)**
- ii) Did Policy Agreements create a culture of self- improvement? **(Q94)**
- iii) Did Policy Agreements help to demonstrate that there is no requirement for externally driven improvement by inspection and regulation? **(Q96)**

##### Research Question 2

Did the first round of Policy Agreements help to change culture in the Welsh Assembly Government? A change of culture in the Welsh Assembly Government is defined as demonstration of the Assembly Government focusing on results and outcomes rather than inputs, i.e. greater discretion for local authorities to determine where to deploy resources, fewer requirements for local authorities to produce strategies and plans.

- i) Did Policy Agreements provide local authorities with discretion to determine where to deploy their resources? **(Q89)**
- ii) Did Policy Agreements help to minimise the requirements on local authorities to produce strategies and plans? **(Q90)**

##### Research Question 3

Did the first round of Policy Agreement process 'add value' to the relationship between the Welsh Assembly Government and local authorities? 'Added value' is defined as a greater understanding between the parties and more effective communication.

- i) Did Policy Agreements improve the relationship between the Welsh Assembly Government and local authorities? **(Q92)**

#### **Research Question 4**

Did the first round of Policy Agreements contribute to 'cohesive' strategic planning at national and local levels? 'Cohesive' strategic planning is defined as 'joined-up' strategic planning between local authorities and the Welsh Assembly Government based on shared and agreed priorities.

i) Did Policy Agreements generate greater coherence between local and national priorities? **(Q91)**

#### **Research Question 5**

Did the first round of Policy Agreements contribute to improved service performance in local authorities? Improved service performance is defined as a shift towards meeting or exceeding the targets set out in the Policy Agreements.

i) Did Policy Agreements improve local authority performance? **(Q93)**

#### **Research Question 6**

Did the first round of Policy Agreements provide 'value for money'? 'Value for money' is defined as increased efficiency in service delivery outweighing the 'costs' of Policy Agreements where cost equals Performance Incentive Grant plus administration costs.

i) Did Policy Agreements provide 'top-up' funding to local authorities?- **(Q95)**

## **Critical Success Factors**

**Q45** Did authorities have to work with other organisations to achieve some of the targets?

**Q46** Did authorities have the freedom to determine how to achieve improvements in their own performance?

**Q72** Did the nature of the evaluation protocol support the concept of relating funding to performance?

**Q71** Was the evaluation protocol is 'fair'?

**Q86** Was the role of the Assembly during review sessions to help local authorities constructively improve performance?

**Q17** Was there a clear link between Assembly policy as articulated through Policy Agreements and other aspects of Assembly policy in respect of local government?

**Q58** Were Policy Agreements a way for local authorities and the Assembly to work together to improve services?

**Q56** Was the process of appraising performance against targets in the context of Policy Agreements too bureaucratic?

**Q61** Was there effective communication of feedback between the Assembly and local authorities?

**Q1** Did (your authority) (authorities) link Policy Agreements to the development of (its community plan) (community plans)?

**Q27** Did the agreed targets serve to motivate rather than de-motivate?

**Q20** Were the objectives in the Policy Agreements framed within a clear overall strategic vision for Wales?

**Q57** Did the Policy Agreement process raise expectations in terms of improved performance which were met?

**Q83** Was the funding linked to the Agreements an incentive?

**Q47** Was the cost of collecting information to measure progress towards the targets in proportion to the benefits?

**Q84** Was there adequate consideration of the Policy Agreement process as a whole when reviewing targets and baselines?

## **Part 2 – Themes from Literature Review and Analysis of Questionnaires**

1. Were Policy Agreements 'top-down' or 'bottom-up' or somewhere in the middle?
2. Did the participation feel like partnership – was the dialogue genuine?
3. What was the impact of Performance Incentive Grant? Did it incentivise better performance or would public service ethos, professional pride in meeting targets have had the same impact or was this the driving force anyway? Was this undermined by the feeling the funding would be forthcoming no matter what the performance?
4. Was the impact of Policy Agreements the same across the board – same in all authorities? Same for corporate teams as for service managers? Same for elected members as for officers?
5. Did the process change relationships? Create a shared dialogue? Was it as important as the funding?
6. Did the process feel different to any knowledge/impressions you may have of similar initiatives in England – if so why?
7. How did you perceive the role of the Welsh Assembly Government – was it supportive helping you to improve performance, encouraging and challenging or was it constricting you to a particular course of action, blocking unhelpful?
8. Did Policy Agreements feel part of a coherent approach to local government policy and performance by the Welsh Assembly Government?
9. Did Policy Agreements feel like a performance related pay scheme?

**Appendix U - POLICY AGREEMENT RESULTS 2003-04**

	2.2 2003/04						2.4 (a,b,c&d)						2.7					
	Percentage of pupils in schools maintained by the authority in the previous summer achieving 5 or more GCSEs at grades A*-C or the vocational equivalent.						Percentage of 11 year olds in schools maintained by the authority in the previous summer achieving Level 4 or above in the National Curriculum Key Stage 2						Percentage of 15/16-year-olds leaving full-time education without a recognised qualification.					
	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target
Blaenau Gwent	36%	74%	42%	43%	84%	1%	50%	80%	55%	72%	89%	17%	5%	142.3%	2%	2%	64%	-3.29%
Bridgend	46%	94%	55%	48%	95%	-7%	59%	94%	68%	80%	99%	12%	74 pups		67 pups	2%	92%	
Caerphilly	40%	82%	49%	45%	87%	-4%	59%	94%	65%	79%	98%	14%	4%	119.1%	4%	4%	144%	-0.48%
Cardiff	45%	92%	50%	48%	94%	-2%	62%	99%	70%	83%	104%	13%	238pus		131 pus	5%	190%	
Carmarthenshire	52%	107%	66%	54%	106%	-12%	63%	101%	69%	78%	98%	9%	2%	58.09%	1%	3%	109%	0.74%
Ceredigion	60%	123%	62%	63%	122%	1%	66%	106%	70%	79%	99%	9%	7 pupils		5 pupils	1%	49%	
Conwy	55%	113%	58%	52%	101%	-6%	64%	103%	67%	83%	104%	16%	2%	58.09%	2%	2%	69%	-0.27%
Denbighshire	48%	98%	57%	47%	91%	-10%	60%	96%	65%	79%	98%	14%	27 pups		25 pups	3%	114%	
Flintshire	50%	102%	53%	53%	104%	0%	63%	101%	67%	82%	102%	15%	40 pups		14 pups	3%	106%	
Gwynedd	56%	115%	59%	61%	120%	3%	62%	99%	66%	79%	98%	13%	2%	43.57%	1%	0%	15%	-1.13%
Isle of Anglesey	49%	100%	56%	56%	110%	0%	63%	101%	64%	76%	95%	12%	4%	101.7%	2%	1%	24%	-2.90%
Merthyr Tydfil	41%	84%	50%	43%	84%	-7%	63%	100%	66%	75%	94%	9%	10%	290.5%	6%	4%	155%	-6.11%
Monmouthshire	54%	111%	58%	52%	102%	-6%	70%	112%	75%	85%	106%	10%	1%	29.05%	>1%	3%	127%	2.18%
Neath Port Talbot	49%	100%	52%	52%	101%	0%	63%	101%	65%	79%	98%	14%	30 pups		2600%	3%	103%	
Newport	42%	86%	46%	46%	90%	0%	61%	98%	64%	81%	101%	17%	6%	165.6%	3%	1%	59%	-4.22%
Pembrokeshire	52%	107%	53%	52%	102%	-1%	68%	108%	71%	81%	101%	10%	2%	58.09%	2%	2%	66%	-0.35%
Powys	56%	115%	58%	63%	122%	5%	64%	103%	69%	85%	106%	16%	1%	29.05%	1%	2%	61%	0.53%
RCTf	45%	92%	50%	46%	90%	-4%	61%	97%	65%	80%	99%	15%	4%	116.2%	3%	4%	161%	0.03%
Swansea	51%	104%	55%	49%	95%	-7%	65%	104%	65%	83%	104%	18%	5%	130.2%	3%	4%	155%	-0.60%
Vale of Glamorgan	58%	119%	58%	62%	121%	4%	67%	107%	68%	86%	107%	18%	2%	58.09%	2%	2%	80%	0.00%
Torfaen	45%	92%	51%	49%	96%	-2%	58%	93%	64%	80%	100%	16%	14 pups		12 pups	3%	120%	
Wrexham	44%	90%	50%	42%	83%	-8%	62%	100%	70%	80%	100%	10%	41 pups		37 pups	3%	137%	
Average	49%			51%			62%			80%			3.44%			2.51%		
% Improvement						5%						28%						-27.11%



	2.14							
The percentage of attendance, those present or on approved educational activities, in secondary schools.								
	Baseline	%WA Blinc	Target	Actual	%WA Actual	+/- Target	Av Baseline	Av Actual
Blaenau Gwent	88%	97%	91%	90%	99%	-1%	77%	87%
Bridgend	90%	100%	91%	92%	101%	0%	94%	97%
Caerphilly	89%	98%	90%	89%	99%	-1%	88%	93%
Cardiff	88%	97%	90%	89%	98%	-1%	95%	99%
Carmarthenshire	91%	101%	91%	91%	100%	0%	104%	102%
Ceredigion	91%	101%	94%	91%	101%	-3%	114%	111%
Conwy	90%	100%	92%	91%	100%	-1%	108%	102%
Denbighshire	91%	101%	92%	90%	99%	-2%	97%	95%
Flintshire	91%	101%	91%	91%	101%	0%	102%	103%
Gwynedd	92%	102%	92%	92%	101%	0%	107%	109%
Isle of Anglesey	91%	101%	92%	90%	100%	-2%	101%	102%
Merthyr Tydfil	90%	99%	91%	90%	99%	-1%	92%	89%
Monmouthshire	91%	101%	93%	91%	101%	-1%	111%	104%
Neath Port Talbot	90%	100%	91%	92%	101%	1%	101%	100%
Newport	90%	99%	90%	90%	99%	-1%	92%	95%
Pembrokeshire	92%	102%	93%	91%	101%	-1%	107%	102%
Powys	*0.4%		0%	92%	102%		109%	114%
RCT	89%	99%	91%	90%	99%	-1%	95%	95%
Swansea	^1.9%		2%	89%	98%		104%	99%
Vale of Glamorgan	90%	100%	92%	92%	101%	0%	113%	114%
Torfaen	91%	101%	94%	90%	99%	-4%	93%	98%
Wrexham	90%	100%	91%	91%	101%	0%	95%	91%
Average	90%			91%				
% Improvement						1%		

3.3						3.4						3.7						
The percentage of young people in care on their 16th birthday who have a care plan and/ or pathway plan for their continuing care						The percentage of first placements (for looked after children) beginning with a care plan in place.						The rate of older people (aged 65 or over) helped to live at home per 1,000 population aged 65 or over.						
Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	
90%	110%	100%	91%	99%	-9%	72%	128%	95%	61%	76%	-34%	109.00	120%	109.00	113.31	102%	4.31	Blaenau Gwent
85%	103%	95%	94%	102%	-1%	67%	118%	95%	76%	96%	-19%	90.59	99%	87.50	127.71	115%	40.21	Bridgend
91%	111%	100%	100%	109%	0%	7%	12%	95%	60%	75%	-35%	102.70	113%	107.00	85.35	77%	-21.65	Caerphilly
76%	93%	100%	95%	104%	-5%	20%	35%	100%	74%	93%	-26%	73.60	81%	75.90	95.64	86%	19.74	Cardiff
100%	122%	100%	100%	109%	0%	31%	55%	98%	100%	126%	2%	175.00	192%	135.00	94.17	85%	-40.83	Carmarthenshire
78%	95%	100%	50%	55%	-50%	43%	76%	98%	100%	126%	3%	82.77	91%	86.50	123.20	111%	36.70	Ceredigion
100%	122%	100%	100%	109%	0%	50%	89%	95%	48%	60%	-47%	54.37	60%	112.50	89.88	81%	-22.62	Conwy
63%	76%	100%	30%	33%	-70%	85%	151%	95%	58%	73%	-37%	90.00	99%	98.00	122.35	110%	24.35	Denbighshire
100%	122%	100%	100%	109%	0%	83%	147%	100%	58%	72%	-42%	47.90	53%	47.90	79.22	71%	31.32	Flintshire
60%	73%	100%	88%	96%	-12%	34%	60%	95%	77%	96%	-19%	73.54	81%	75.69	58.20	52%	-17.49	Gwynedd
58%	71%	100%	100%	109%	0%	78%	138%	95%	73%	92%	-22%	90.00	99%	111.00	154.47	139%	43.47	Isle of Anglesey
55%	67%	95%	100%	109%	5%	0%	0%	95%	100%	126%	5%	117.54	129%	123.00	137.03	124%	14.03	Merthyr Tydfil
90%	110%	95%	100%	109%	5%	90%	160%	95%	94%	118%	-1%	113.90	125%	114.20	149.11	134%	34.91	Monmouthshire
93%	114%	100%	100%	109%	0%	55%	98%	95%	99%	125%	4%	119.72	131%	122.00	153.06	138%	31.06	Neath Port Talbot
71%	87%	98%	100%	109%	3%	88%	156%	95%	100%	126%	5%	48.77	53%	52.50	123.45	111%	70.95	Newport
100%	122%	100%	100%	109%	0%	50%	89%	100%	98%	123%	-2%	87.90	96%	100.00	106.54	96%	6.54	Pembrokeshire
25%	31%	100%	86%	94%	-14%	92%	163%	92%	51%	64%	-41%	98.93	108%	99.50	72.35	65%	-27.15	Powys
100%	122%	100%	90%	98%	-10%	34%	60%	95%	71%	89%	-24%	96.58	106%	101.00	122.50	110%	21.50	Rhondda Cynon Taff
67%	82%	100%	100%	109%	0%	37%	66%	95%	69%	86%	-27%	109.60	120%	112.40	169.14	153%	56.74	Swansea
100%	122%	100%	100%	109%	0%	97%	172%	98%	100%	126%	2%	41.00	45%	43.00	77.86	70%	34.86	Vale of Glamorgan
100%	122%	100%	94%	102%	-6%	100%	177%	100%	88%	111%	-12%	47.00	52%	65.00	117.44	106%	52.44	Torfaen
100%	122%	100%	100%	109%	0%	28%	50%	95%	97%	122%	2%	136.00	149%	112.50	67.20	61%	-45.30	Wrexham
82%			92%			56%			80%			91.20			110.87			Average
					12%						41%						22%	% Improvement

3.8						3.9						3.13						
The rate of delayed transfer of care for social care reasons per 1,000 population aged 75 or over.						The percentage of adult clients receiving a written statement of their needs and how they will be met.						The number of people aged 65 or over whom the authority supports in residential care homes or nursing homes per 1,000 population aged 65 or over						
Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	
74.00	423%	62.00	67.93	406%	5.93	81%	97%	92%	84%	92%	-8%	37.21	131%	30.25	39.18	134%	8.93	Blaenau Gwent
?		13.00	3.73	22%	-9.27	90%	107%	95%	88%	97%	-7%	27.00	95%	27.00	31.02	106%	4.02	Bridgend
1.24	7%	1.24	47.54	284%	46.30	100%	119%	100%	93%	102%	-7%	24.00	84%	24.00	26.89	92%	2.89	Caerphilly
17.40	99%	11.50	13.84	83%	2.34	59%	70%	95%	87%	96%	-8%	27.00	95%	27.00	27.23	93%	0.23	Cardiff
39.10	223%	20.00	38.00	227%	18.00	79%	94%	100%	78%	86%	-22%	30.76	108%	26.00	28.08	96%	2.08	Carmarthenshire
26.14	149%	17.00	13.00	78%	-4.00	50%	60%	100%	100%	110%	0%	28.23	99%	28.50	26.28	90%	-2.22	Ceredigion
14.00	80%	14.00	0.16	1%	-13.84	100%	119%	100%	87%	96%	-13%	29.10	102%	27.00	30.91	106%	3.91	Conwy
2.53	14%	2.53	1.34	8%	-1.19	85%	101%	100%	100%	110%	0%	24.00	84%	22.00	32.93	112%	10.93	Denbighshire
12.50	71%	12.50	3.60	22%	-8.90	81%	97%	98%	96%	106%	-2%	27.80	98%	27.80	31.28	107%	3.48	Flintshire
22.22	127%	15.00	2.61	16%	-12.39	94%	112%	97%	99%	109%	2%	40.01	141%	39.57	35.81	122%	-3.76	Gwynedd
15.00	86%	10.00	2.00	12%	-8.00	88%	105%	98%	98%	108%	0%	33.06	116%	27.75	31.62	108%	3.87	Isle of Anglesey
3.10	18%	1.10	1.68	10%	0.58	88%	104%	100%	100%	110%	0%	34.94	123%	27.50	31.60	108%	4.10	Merthyr Tydfil
18.92	108%	12.50	10.71	64%	-1.79	100%	119%	100%	67%	74%	-33%	19.50	69%	19.20	20.47	70%	1.27	Monmouthshire
19.50	111%	15.00	8.33	50%	-6.67	60%	72%	100%	90%	99%	-10%	30.48	107%	28.90	28.86	99%	-0.04	Neath Port Talbot
5.00	29%	5.00	31.50	188%	26.50	100%	119%	100%	100%	110%	0%	29.39	103%	27.00	29.92	102%	2.92	Newport
18.80	107%	15.00	10.49	63%	-4.51	100%	119%	100%	100%	110%	0%	24.48	86%	24.00	24.06	82%	0.06	Pembrokeshire
24.00	137%	?	16.68	100%		100%	119%	100%	100%	110%	0%	19.48	69%	20.00	22.69	77%	2.69	Powys
33.96	194%	14.00	6.35	38%	-7.65	60%	72%	95%	79%	87%	-16%	32.14	113%	32.00	31.21	107%	-0.79	Rhondda Cynon Taff
20.20	115%	15.00	16.35	98%	1.35	78%	93%	100%	85%	94%	-15%	28.60	101%	26.60	32.10	110%	5.50	Swansea
3.50	20%	1.29	6.26	37%	4.97	90%	107%	100%	95%	105%	-5%	25.00	88%	27.00	28.20	96%	1.20	Vale of Glamorgan
37.00	211%	30.00	53.51	320%	23.51	80%	96%	100%	82%	90%	-18%	25.00	88%	22.00	27.29	93%	5.29	Torfaen
16.00	91%	12.50	12.50	75%	0.00	81%	97%	100%	92%	101%	-8%	27.90	98%	28.00	26.84	92%	-1.16	Wrexham
17.51			16.73			84%			91%			28.41			29.29			
					-4%						9%						3%	

3.14 (a)						3.14 (b)						3.14 (c)						
The number of physical or sensory disabled adults aged under 65 whom the authority helps to live at home per 1,000 adults under 65.						The number of learning disabled adults aged under 65 whom the authority helps to live at home per 1,000 adults under 65.						The number of adults with mental health problems aged under 65 whom the authority helps to live at home per 1,000 adults under 65.						
Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	Base line	%WA Bline	Target	Actual	%WA Actual	+/- Target	
8.23	223%	3.39	8.73	137%	5.34	4.98	152%	4.98	5.83	138%	0.85	3.15	125%	3.15	4.27	103%	1.12	Blaenau Gwent
3.88	105%	3.70	9.85	155%	6.15	4.53	138%	4.70	5.09	120%	0.39	2.40	95%	2.70	3.42	83%	0.72	Bridgend
5.20	141%	5.46	2.90	46%	-2.56	1.50	46%	1.86	3.48	82%	1.62	0.80	32%	0.84	1.43	35%	0.59	Caerphilly
3.92	106%	4.04	5.66	89%	1.62	1.91	58%	1.96	3.05	72%	1.09	0.49	19%	0.50	1.50	36%	1.00	Cardiff
9.06	246%	9.00	3.55	56%	-5.45	2.86	87%	3.50	3.26	77%	-0.24	0.97	38%	3.00	2.35	57%	-0.65	Carmarthenshire
1.41	38%	3.00	8.51	134%	5.51	2.80	86%	3.20	3.57	84%	0.37	4.70	186%	5.20	3.12	75%	-2.08	Ceredigion
2.47	67%	2.50	6.51	102%	4.01	2.98	91%	3.00	5.15	122%	2.15	1.46	58%	3.00	4.15	100%	1.15	Conwy
3.46	94%	3.46	5.34	84%	1.88	2.22	68%	5.00	3.59	85%	-1.41	5.25	208%	5.25	4.75	115%	-0.50	Denbighshire
1.79	49%	1.79	4.72	74%	2.93	3.89	119%	3.89	3.16	75%	-0.73	2.62	104%	2.62	4.41	107%	1.79	Flintshire
2.72	74%	2.77	3.18	50%	0.41	4.02	123%	4.69	3.78	89%	-0.91	2.72	108%	2.91	2.25	54%	-0.66	Gwynedd
2.28	62%	4.18	26.32	414%	22.14	3.44	105%	3.97	9.50	224%	5.53	4.52	179%	4.52	20.84	504%	16.32	Isle of Anglesey
7.86	213%	9.00	9.80	154%	0.80	3.37	103%	3.50	3.47	82%	-0.03	5.11	202%	6.00	4.78	116%	-1.22	Merthyr Tydfil
3.66	99%	4.00	3.74	59%	-0.26	3.50	107%	3.61	6.85	162%	3.24	2.90	115%	3.20	4.70	114%	1.50	Monmouthshire
4.18	113%	4.70	5.43	85%	0.73	3.97	121%	4.00	3.99	94%	-0.01	3.25	129%	3.60	4.35	105%	0.75	Neath Port Talbot
1.75	47%	1.90	6.67	105%	4.77	2.13	65%	2.30	4.21	99%	1.91	0.99	39%	1.10	2.19	53%	1.09	Newport
1.26	34%	2.00	3.15	50%	1.15	3.56	109%	3.80	3.62	85%	-0.18	1.86	74%	2.50	1.41	34%	-1.09	Pembrokeshire
1.66	45%	1.75	2.78	44%	1.03	5.07	155%	5.05	4.16	98%	-0.89	0.95	38%	0.95	1.86	45%	0.91	Powys
1.33	36%	3.00	6.80	107%	3.80	3.38	103%	3.38	4.48	106%	1.10	2.41	95%	2.50	3.27	79%	0.77	Rhondda Cynon Taff
3.70	100%	4.00	5.30	83%	1.30	3.40	104%	3.70	3.19	75%	-0.51	2.20	87%	3.00	5.67	137%	2.67	Swansea
2.80	76%	3.20	5.10	80%	1.90	2.50	76%	3.50	2.73	64%	-0.77	3.00	119%	3.40	2.39	58%	-1.01	Vale of Glamorgan
3.09	84%	3.50	2.34	37%	-1.16	2.85	87%	2.90	3.29	78%	0.39	1.21	48%	1.27	2.61	63%	1.34	Torfaen
5.37	146%	4.00	3.59	56%	-0.41	3.10	95%	4.25	3.80	90%	-0.45	2.68	106%	4.25	5.25	127%	1.00	Wrexham
3.69			6.36			3.27			4.24			2.53			4.14			
					73%						30%						63%	

3.15 (a)						3.15 (b)												
The percentage of cases of children on the child protection register with an allocated social worker who is providing a service appropriate to the child's need.						The percentage of cases of children looked after with an allocated social worker who is providing a service appropriate to the child's need (exclude those children in group (a) above)						Av Base Child	Av Actual Child	Av Base Adults	Av Actual Adults	Av Base Older People	Av Actual Older People	
Base line	%WA Blinc	Target	Actual	%WA Actual	+/- Target	Base line	%WA Blinc	Target	Actual	%WA Actual	+/- Target							
100%	107%	100%	90%	91%	-0.11	45%	47%	100%	82%	84%	-18%	119%	88%	167%	126%	125%	118%	Blaenau Gwent
100%	107%	100%	100%	102%	0.00	99%	104%	100%	99%	100%	-1%	111%	99%	113%	119%	97%	111%	Bridgend
100%	107%	100%	99%	101%	-0.01	97%	102%	100%	100%	102%	0%	62%	92%	73%	54%	99%	84%	Caerphilly
100%	107%	100%	85%	87%	-0.15	100%	105%	100%	98%	99%	-2%	64%	98%	61%	66%	88%	90%	Cardiff
100%	107%	100%	100%	102%	0.00	100%	105%	100%	100%	102%	0%	89%	117%	124%	63%	150%	90%	Carmarthenshire
95%	102%	100%	100%	102%	0.00	92%	97%	100%	100%	102%	0%	86%	90%	103%	98%	95%	100%	Ceredigion
100%	107%	100%	100%	102%	0.00	100%	105%	100%	100%	102%	0%	105%	85%	72%	108%	81%	93%	Conwy
			98%	100%		100%	105%	100%	92%	94%	-8%	114%	53%	123%	95%	92%	111%	Denbighshire
75%	80%	95%	100%	102%	0.05	100%	105%	100%	100%	102%	0%	135%	91%	90%	85%	75%	89%	Flintshire
100%	107%	100%	100%	102%	0.00	93%	98%	100%	100%	102%	0%	67%	96%	101%	65%	111%	87%	Gwynedd
100%	107%	100%	100%	102%	0.00	100%	105%	100%	100%	102%	0%	105%	101%	115%	381%	108%	124%	Isle of Anglesey
			100%	102%		100%	105%	100%	100%	102%	0%	34%	117%	173%	117%	126%	116%	Merthyr Tydfil
100%	107%	100%	100%	102%	0.00	100%	105%	100%	100%	102%	0%	135%	114%	107%	111%	97%	102%	Monmouthshire
94%	101%	100%	100%	102%	0.00	97%	102%	100%	100%	102%	0%	106%	117%	121%	95%	119%	118%	Neath Port Talbot
97%	104%	98%	100%	102%	0.03	97%	102%	97%	100%	102%	3%	122%	117%	51%	86%	78%	107%	Newport
90%	96%	100%	100%	102%	0.00	90%	95%	100%	100%	102%	0%	105%	116%	72%	56%	91%	89%	Pembrokeshire
			98%	100%		100%	105%	100%	99%	101%	-1%	97%	79%	79%	62%	89%	71%	Powys
100%	107%	100%	100%	102%	0.00	95%	100%	100%	98%	99%	-2%	91%	93%	78%	97%	110%	109%	Rhondda Cynon Taff
			99%	101%		100%	105%	100%	99%	100%	-1%	74%	98%	97%	99%	110%	131%	Swansea
80%	86%	100%	100%	102%	0.00	80%	84%	100%	97%	99%	-3%	147%	117%	90%	67%	66%	83%	Vale of Glamorgan
100%	107%	100%	100%	102%	0.00	100%	105%	100%	100%	102%	0%	150%	107%	73%	59%	70%	100%	Torfaen
100%	107%	100%	83%	85%	-0.17	100%	105%	100%	100%	102%	0%	86%	115%	115%	91%	124%	76%	Wrexham
93%			98%			95%			98%									
					5%						4%							

	5.1 (a) i and (b)					
Total tonnage of municipal waste arisings: percentage recycled, reused or composted						
	Baseline	%WA Blinc	Target	Actual	%WA Actual	+/- Target
Blaenau Gwent	4.71%	69%	15.00%	14.18%	86%	-0.82%
Bridgend	6.26%	92%	22.00%	15.32%	93%	-6.68%
Caerphilly	5.00%	73%	15.00%	19.27%	117%	4.27%
Cardiff	4.80%	70%	13.00%	14.20%	86%	1.20%
Carmarthenshire	5.50%	81%	20.00%	13.63%	83%	-6.37%
Ceredigion	12.18%	178%	15.00%	26.45%	161%	11.45%
Conwy	13.00%	190%	15.00%	17.91%	109%	2.91%
Denbighshire	4.20%	62%	15.00%	13.11%	80%	-1.89%
Flintshire	7.00%	103%	14.00%	16.00%	97%	2.00%
Gwynedd	5.70%	83%	12.00%	17.15%	104%	5.15%
Isle of Anglesey	2.70%	40%	15.00%	12.91%	78%	-2.09%
Merthyr Tydfil	3.49%	51%	15.00%	13.60%	83%	-1.40%
Monmouthshire	9.00%	132%	18.00%	15.87%	96%	-2.13%
Neath Port Talbot	6.30%	92%	22.00%	10.00%	61%	-12.00%
Newport	6.48%	95%	12.00%	19.63%	119%	7.63%
Pembrokeshire	11.51%	169%	15.00%	15.50%	94%	0.50%
Powys	9.00%	132%	25.00%	27.97%	170%	2.97%
Rhondda Cynon Taff	6.00%	88%	15.00%	10.85%	66%	-4.15%
Swansea	7.20%	105%	15.00%	19.76%	120%	4.76%
The Vale of Glamorgan	12.00%	176%	15.00%	21.14%	129%	6.14%
Torfaen	5.20%	76%	15.00%	15.60%	95%	0.60%
Wrexham	3.00%	44%	10.00%	11.84%	72%	1.84%
Average	6.83%			16.45%		
% Improvement						141%

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