

research report

# delivering quality and choice

how performance indicators help  
and how performance indicators hinder

**Adrian Perry  
and Matthew Simpson**



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*Headmaster:* 'Shall I tell you what is wrong with Hector as a teacher? It isn't that he doesn't produce results. He does. But they are unpredictable and unquantifiable and in the current educational climate, that is no use. He may well be doing his job, but there is no method that I know of that enables me to assess the job that he is doing.'

'The History Boys', Alan Bennett

Published by the Learning and Skills Development Agency

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From 1 April details available from the website for the Learning and Skills Network: [www.lsneducation.org.uk](http://www.lsneducation.org.uk)

Registered with the Charity Commissioners

Copyeditor: Nick Sweeney  
Designer: David Shaw Associates  
Printer: Blackmore Ltd, Shaftsbury, Dorset

052344RS/02/06/1500

1-84572-413-5

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**This publication results from the Learning and Skills Development Agency's strategic programme of research and development, funded by the Learning and Skills Council, the organisation that exists to make England better skilled and more competitive.**

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## Executive Summary

1. This document reports on a research project held in 2005 which looked to see how performance indicators related to area needs. It shows the results of research across four LSC areas, with contributions also from national stakeholders and other witnesses.
2. Performance indicators are regarded as useful by players at all levels of the learning and skills system – though for different reasons at different places. All our respondents felt confident about the validity of the figures in the core areas of recruitment and results.
3. The implementation of performance management by indicators was however almost always a top-down process, with colleges and other providers striving to meet national levels in externally-defined areas of performance, and college teams having to meet demands set for them by senior managers. We found few examples where targets or performance indicators were used to support internal initiatives, and they were rarely seen as an interesting tool that could help understand a problem or yield information on contrasting approaches.
4. It is often alleged that the usefulness of performance indicators is weakened by managerial or statistical manipulation: we found little evidence of this among our respondents.
5. A new suite of success measures is being introduced by the LSC, which is being welcomed. Some elements are already in place: colleges specialising in Level 3 work for 16–19 year-olds use value-added approaches widely. There is doubt as to whether value-added techniques can be extended fully to other clients and courses. Our respondents would welcome assessment of performance in provider families as another way to show their performance in context.
6. Current quality measures work well for individual institutions, but have weaknesses in setting or assessing the needs of an area. This is because the attention is focused on the achievements of the people actually enrolled at the institutions, not on the population of the locality.
7. The weaknesses are most evident in participation – especially, but not exclusively, at Level 2 and below. The problem is not caused by performance indicators as much as by corporate culture, where (for example) Level 3 work is disproportionately valued. However, the performance indicators in use do not highlight problems or show progress towards solving them.
8. 14–19 area-wide inspections and Strategic Reviews have been used to analyse the appropriateness of local provision. However, despite evidence of good work in some of our areas, we generally found weaknesses in the mechanisms needed to secure the right balance of provision. Performance indicators, individual inspection reports and LSC systems seem focused on how well providers deliver, rather than what they deliver.
9. Public Service Agreements (PSA) set the high-level government targets for our educational performance. But there are difficulties in establishing clear connecting rods between PSAs and local action. Given the importance of achieving the skills levels that have been set, more attention needs to be given to ways of delivering our national ambitions. The two essential elements are evidence-based local plans and an authoritative area-wide delivery system.

10. The local action plans we look for will need clear information, and an understanding of who is tasked to ensure their delivery. The LSC seems best placed for the job, but the lead role could vary between areas – perhaps being allocated on a competitive basis. Whoever is tasked with the job will need levers that encourage colleagues to make the changes needed. Opportunities should be created for local tuning of targets.
11. The report ends with a series of recommendations concerned with new indicators, improved information, better local plans, clear local responsibilities, the creation of statistical families in the sector, improvements in management training, alignment of school and FE quality measures, and a greater focus on the nature of provision alongside its quality.
12. Two important documents have been published since the completion of the fieldwork in this study. The Foster Review of Further Education (Foster 2005) draws attention to the issue of what it calls ‘locality’ – what we have termed ‘area needs’. The Annual Report of the Nuffield Review of 14-19 Education and Training (Hayward et al 2005) takes up this theme as it affects the younger age group. Our work is consistent with, and suggests ways to tackle, the analysis found in both these substantial documents.

## 1. Introduction

- 1.1 This report gives an account of a research project undertaken under the auspices of the LSDA into the workings of performance indicators and targets in the learning and skills sector. The aim was to see how the widespread use of indicators affected the behaviour of institutions in the sector, and whether there was evidence that they caused the needs of some groups of learners to be less well met. Our particular focus was on the needs of an area – to investigate whether there would be advantages to be gained from setting performance indicators and targets across a geographical patch. Performance indicators as currently used tend to measure the learners enrolled in the institutions, rather than the whole local population. It is therefore possible for all the providers in an area to have strong performance indicators and inspection reports, while needs are not being met – employment sectors lacking trained staff, little choice for low-achieving youngsters, social groups disengaged, PSA targets unmet. We aimed to see if there was evidence for this, and if so, to establish why it happens and suggest ways to avoid the problem.
- 1.2 The research took place between May and October 2005. A wide range of providers and relevant agencies were interviewed, with a particular focus on four LSCs and their providers. Our methods and approach are outlined in Appendix 2. We feel our findings are of considerable importance. On the one hand, we found little evidence of distortions caused by the widespread use of performance indicators and targets: they were accepted and generally used well, if a little narrowly. But they do not send the right signals as to *what* to do, because of the focus on individual institution standards. Our research confirmed that the current ways of contracting with and judging the quality of schools and colleges can leave a wide range of needs unmet. There are a number of reasons why government ambitions for educational progress – measured in the Public Sector Agreement (PSA) targets – are not being driven down to local delivery. We believe this lies behind the difficulties in meeting, for example, the Level 2 target for young people. At the end of this report we make a number of recommendations that aim to make it easier to hit the national targets.

## 2. What are the targets and indicators?

- 2.1 It is important to be clear about the difference between targets, performance indicators, and data.
- Data consist of a number of observations of a measurable activity. When data are organised usefully, they become information. An organisation cannot collect information on every single aspect of its activity, but it should be able to measure its key activities promptly and accurately.
  - Performance indicators use the data to create numerical standards that show how well key objectives are achieved. They aim to provide a yardstick for judging performance – often by being associated with targets.
  - A target expresses the desired value of an output at a particular time. If, for example, the performance indicator was the percentage of students who completed their course successfully, the target might be for 75% of those enrolled on November 1<sup>st</sup> to remain on course and pass their chosen qualification in July the following year.
- 2.2 Performance indicators and targets have become increasingly important in managing the UK's private and public sectors in recent years. In the public sector, each government department agrees with the Treasury a suite of public service agreement targets (PSA) that represent the focus of their work. The attractions are as follows:
- They provide a form of accountability for substantial amounts of public money: the LSC will spend over £9bn in the current year.
  - They allow elected governments to specify their priorities, and make the desired outcomes clear to those working for them.
  - They can emphasise outputs and achievements for the client, rather than just activity or spending – the number of qualified young people rather than teachers employed, for example.
  - They provide evidence about the effectiveness of alternative policies – for example, which approach is most successful in reducing unemployment, recovery from a given illness or engaging adult learners.
  - They reveal differences in the performance of different institutions and agencies, allowing sponsors to put in place remedial intervention or changes in purchasing.
- 2.3 These advantages do not just apply to over-arching agencies like the DfES or the LSC, setting standards for their suppliers. They can yield information to sharpen the sense of purpose, or assess and improve quality, volumes and value-for-money within institutions themselves. When we talked to providers, we tried to find out whether there was an internal culture of target-setting and performance management, and looked to see whether this was confined to passing down external demands or whether performance indicators were used to drive their own aims and standards.
- 2.4 Performance indicators are not without their critics. It has been argued, for example, that social factors affect educational achievement so strongly that you

cannot truly compare institutions and areas; that managers can fiddle the books, or distort the picture of their organisation, to hit the numbers without improving the service, or that the cost of collecting the data diverts resources from the job in hand. We explain some of the perceived problems more fully in Appendix 3, having looked in our interviews for evidence whether or not these factors were coming into play.

2.5 Although we make some comments later on management styles, the internal use of indicators is properly a matter for another study. Our main task was to look at the effects and use of government and LSC targets. As we have noted, the government's expectations for the public sector are embodied in PSA targets which list the outcomes that the Treasury and the relevant department – in this case the DfES – look to deliver with the allocated spending for the forthcoming review period (Treasury 2004). There are two aspects relevant to the learning and skills sector: those for young people, and for adults.

- All young people to reach age 18 ready for skilled employment or higher education; this goal is made up of three distinct elements:
  - by 2008, 60% of those aged 16 achieve the equivalent of 5 GCSEs (at grades A\*-C), and in all schools at least 20% achieve this standard by 2004, rising to 25% by 2006 and 30% by 2008
  - increasing the proportion of 19 year-olds who achieve at least Level 2 by 3 percentage points between 2004 and 2006 and a further 2 percentage points between 2006 and 2008, and increasing the proportion of young people who achieve Level 3
  - reducing the proportion of young people not in employment, education or training (the NEET group) by 2 percentage points by 2010.
- Tackle the adult skills gap; increase the number of adults with the skills required for employability and progression to higher levels of training through:
  - improving the basic skills level of 2.25m adults between the launch of Skills For Life in 2001 and 2010, with a milestone of 1.5m in 2005
  - reducing by at least 40% the number of adults in the workforce who lack NVQ2 or equivalent qualifications by 2010; working towards this, one million adults in the workforce to achieve Level 2 between 2003 and 2005
  - by 2008, the numbers completing their apprenticeship to have risen by three quarters (that is, from 27% to 35%).

2.6 The sector will also be an important contributor to achieving the higher education target:

- to increase higher education participation towards 50% of 18–30 year-olds by 2010.

This is not just because the sector (if you include sixth form colleges) provides almost all the current crop of Level 3 graduates to enter the HE system. As nearly all the 18 year-olds with Level 3 qualifications already go to HE, increased participation will require the FE sector to help adult or non-traditional candidates

come forward to new forms of higher education, such as foundation degrees – whether young people from groups with historically low HE participation, the employed, or adult returners. One of our respondents spoke positively in this respect of the Aim Higher initiative, which is tasked with expanding entrants from urban areas.

- 2.7 To help ensure that the PSA targets are achieved, senior policy-makers seek a ‘line of sight’ from national targets to regional to local institutions. The attraction is obvious: if it is possible to construct a clear set of connecting rods, we can make sure that national priorities are met. In some cases, this has worked well – our respondent from the Prime Minister’s Delivery Unit quoted success in reducing waiting times in accident and emergency units, and tackling adult basic skills. In other areas, success has been more elusive. For example, the target for 19 year-olds securing a Level 2 qualification was missed in 2002 and 2004. We look later at the issues that arise when seeking a line of sight in the wider education and training world, and how they contribute to problems hitting ambitions for Level 2 attainment, for example.
- 2.8 National LSC officers attach great importance to the PSA targets. In our discussions, they stressed how the targets set for regional and local LSCs were derived from the PSA and demographics. Local LSCs are keen to meet the targets set by the new regional management structure. However, although they reported that they take account of the PSA targets, they are not formally delegated ‘down the line’ to providers. In many ways this is wise. Educational outputs cannot be ordered like so many apples or cars. They depend on a mutual transaction between the learning institution – a school or college, perhaps – and a learner. Training more plumbers – to take a contemporary example – requires not just colleges and other trainers to offer the places.<sup>1</sup> It requires people to come forward to take them up, and to follow the course to a successful conclusion – which itself can be affected by changes in examination requirements (such as key skills). Further, there are outputs and activities beyond the bare PSA outlines that the LSC and DfES wish to see from their providers – such as better-trained staff and improved engagement with employers.
- 2.9 As a result, LSC-funded providers currently have to meet a suite of performance indicators derived from the ‘Success For All’ White Paper of November 2002. These were described to us as ‘the big four’:

- student volumes
- student success, a composite of
  - retention (or its converse, wastage)
  - achievement (pass rates)
- staff professional qualifications
- employer engagement.

Many of our respondents viewed these as separate endeavours, but others – rightly, in our judgement – saw them not as separate boxes to tick, but as a suite whose elements tended to impact on one another. They argued that better links with employers aided recruitment and success, or that well-trained staff boosted results.

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<sup>1</sup> Itself no simple matter, as construction staff are difficult to recruit when the industry is buoyant (and why the FEFC/LSC funding has depended on current student volumes making it difficult to keep capacity in place when – as in construction – trainee recruitment is cyclical).

2.10 In the summer of 2005, following an extended process of consultation, the LSC announced a move to a broader and more sophisticated range of measures of success.<sup>2</sup> These are described in the document 'Implementing New Measures of Success', and comprise:

- qualification success rates
- value-added and distance travelled
- recognising and recording progress and achievement (RARPA) in non-accredited learning
- responsiveness to employers
- learner satisfaction
- learner destinations
- value for money
- staff measures.

The new measures are explained fully on the 'Success For All' website. They aim to allow a broader assessment of provider performance, and will have the advantage of reducing the incentive to cream or adapt admissions standards, thus allowing a fairer assessment of the effects of disadvantage. It will be noted, however, that the new measures do not have a participation element – either in student volumes or in diversity or level. Nevertheless, our interviewees looked forward positively to the new measures, despite some scepticism about the difficulties involved in making some of the assessments. A substantial programme is under way to introduce and implement the new measures, but during our research both LSCs and their providers were working to the older four headline measures.

2.11 As our work progressed, we found that it split into two main themes. First, what exactly are the effects of performance indicators on institutional behaviour? We looked to see how the numbers impacted on organisational purpose, whether managers saw performance indicators as a key tool in their task of raising participation and standards, or a tedious set of forms to dispatch to a distant head office. We particularly sought evidence on the grounds of perverse behaviours that make the achievement of real improvements illusory. The second element of our research brought in an area dimension. We looked at the question of whether the needs of the local population were not being met, even if every local school and college were – according to inspectors or league tables – doing well. It has even been alleged – for example, by one of our respondent LSCs – that the two questions could be negatively linked: that institutions ignore social provision that will reduce their league table score. These questions are addressed separately in our next two sections.

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<sup>2</sup> Details and helpful explanations of the new measures are to be found at: <http://www.lsc.gov.uk/National/Documents/Keyinitiatives/SuccessforAll/nms-background-documents.htm> (accessed 11/01/05)

### 3. The effects of performance indicators

- 3.1 We asked all our respondents their overall views on the increasing use of performance indicators to measure and manage their work. Some national respondents – NATFHE, NIACE and the Secondary Heads Association (SHA) – had considerable concerns about the issue. They worried about the well-known drawbacks of performance indicators and targets, such as social context and perverse outcomes.<sup>3</sup> These reservations were shared by two of the LSCs we spoke to as well. But when we spoke to the providers themselves, we found a different story: widespread acceptance of the usefulness and validity of performance indicators and targets, and a feeling that to cheat the figures – even if it were possible – would be self-deluding. This was reported across the full range of users, particularly in the assessment and development of quality, and at all levels of their organisations. Few respondents reflected the dissent of previous years – that this mode of management was an intrusion into professional decisions, or that social factors made the system unfair and inaccurate. The vast majority knew of their performance standards, regarded comparisons and indices of performance as helpful, and had strategies to improve weak areas.
- 3.2 This does not mean that our respondents were unaware of some of the problems with the uncritical use of performance indicators. Many spoke of the need to recognise social deprivation. This was keenly felt in an urban FE and an inner-city sixth form college we spoke to, but included those, like the senior manager at a sixth form college and a middle manager at a Beacon tertiary college, who were conscious that they worked with easier target groups or environments. A number of our respondents said that they would welcome benchmarks of comparable institutions that would give more genuine assessments of performance and allow them to see what it would mean to become ‘best in breed’. The other – telling – attraction to middle managers of grouping similar institutions together for the purpose of comparison is that it would help convince sceptical staff that improved performance is possible, even in their context. Acknowledging the importance of social factors, however, did not lead to any excuses, even from institutions plainly working in challenging environments.
- 3.3 It could be argued that the increasing acceptance of a suite of performance targets, often handed down from above, is a sign of increasing compliance by the sector. However, previous LSDA research – for example, on performance-related funding – has shown that vigorous opposition continues to be expressed to measures that are seen as unfair or wasteful. What we did find, however, was that the ways of using performance indicators varied between providers. Those who were vulnerable spoke of the desperate need to move their measures upwards – staff at one LSC spoke of the utility of targets in ‘stiffening the resolve’ of the providers they contract with. More confident and successful institutions saw numerical measures as a useful tool in continued quality improvement, or in confirming their success. There was, however, little sophistication in the understanding of performance indicators; for example, none of our provider respondents were familiar with the curriculum-adjusted success rates that will be increasingly used to assess institutional performance. This is important – a given portfolio mix can make a performance of 60% in one college, for example, better than a 70% benchmark in another.<sup>4</sup>

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<sup>3</sup> There is a discussion of the theoretical problems with performance indicators in Appendix 3.

<sup>4</sup> This derives from the fact that different programmes, subjects and levels have different pass rates. To take an example, A-level pass rates are usually around 90%, whereas GCSE A-C grades come in below 60%, so a sixth form college which introduced a GCSE stream would see its overall success rate go down for that reason alone – with no deterioration in underlying performance. Even within a particular programme there are variations: for example, twice as many students get grade A in A-level Maths as in Psychology.

- 3.4 There was an understanding of the difficulty of translating some national ambitions – expressed in PSA targets – into targets for individual institutions. Some national goals – such as reducing the numbers of young people not in employment, education or training (the NEET group) – are not wholly within the power of the educational sector to deliver, because of the employment dimension. Others – the aim for 50% of the age group to enter HE, or the targets for Level 2 attainment – refer to a whole cohort rather than the entrants to a particular college or sixth form. At worst, we encountered examples where respondents supported the government’s goals, for Level 2 or the NEET group, but felt it was someone else’s job to work on them.
- 3.5 None of our sample reported major difficulties in generating accurate data. Most respondents saw the ability to produce accurate data as an important tool for planning and quality improvement. They saw it, as do the LSC and inspectorates, as a sign of competent management in itself.<sup>5</sup> There was some frustration at the delays inherent in current management information systems, which obliged managers to look to previous years for data on results, for example. However, some of our providers were able to offer more up-to-date data to support campaigns to raise punctuality or attendance levels. Colleagues in the sixth form sector found that the coming of performance-related pay for teachers helped the drive for accurate figures. Another plea was for consistent figures through time to support judgements and action on internal quality. This is something to bear in mind as national measures change: managers, like scholars, need continuous series.
- 3.6 Paragraph 2.9 listed the ‘big four’ indicator areas. We found that the difficulty of meeting these measures fell differently on different institutions. For example, sixth form colleges and schools had little difficulty in achieving the required levels of staff teacher qualifications – indeed, until recently it was a legal requirement for a secondary teacher to be trained. However, some of our general further education college sample had been obliged to work hard to make progress: they are more likely to use agency staff, or have teachers and trainers entering directly from industry without teacher qualifications. An additional difficulty is caused by staff mobility – which meant that a college which had successfully trained a lecturer who moved to a post elsewhere would lose them from their statistics. Indeed, one of our LSC respondents doubted whether the data on staff qualifications were worthwhile.<sup>6</sup> There was also a widespread understanding that ‘employer engagement’ was desirable but – despite the current efforts of the DfES and LSC – difficult to measure.
- 3.7 The acceptance and usage of performance indicators by our respondents was not always accompanied by a sophisticated understanding of their strengths and weaknesses. Many in our sample used the terms ‘performance indicator’, ‘data’ and ‘target’ interchangeably – answering a question about internal performance indicators by assuring us that they did indeed gather data on, for example, student attendance, staff qualifications or diversity in recruitment. But senior staff at the LSC national office said that it was important to distinguish between targets (things to hit) and performance indicators (useful information). A local LSC told us that what was important was the dialogue around the performance indicators, a view shared by NIACE. This was in contrast to the view from the provider. Almost all our respondents felt that it was crucial for their institution or section to achieve a benchmark level. Few used indicators as they were supposed to be used – to

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<sup>5</sup> This is a further reason to doubt stories of widespread manipulation of the figures; to do so would require a college to be really on top of its management information – and generally this sort of institution has no need to massage its figures.

<sup>6</sup> It can be argued that the LSC should not be concerned with staff qualification rates in their providers; their job is to buy good provision, the providers’ job is to supply it however they may. The link between quality and teacher qualification, however intuitively attractive, is in any case quite weak.

assess progress, or suggest areas for further investigation. And despite an understanding that performance indicators are only useful where they can be linked to change, there was little evidence of a close connection between desired targets and actions taken to move towards them – for example, an idea of how many percentage points retention might move from a given change in student guidance, or the size of the effect on success rates of a change in awarding body or course structure. Yet such judgements are important in setting a reasonable target – which college governors are obliged to do – and choosing between alternative strategies for improvement – which is what managers must do.

- 3.8 All our respondents were aware of the importance of hitting their targets as an institution, and most devolved some targets and performance indicators down to sections. This was nearly always concerned with the LSC's suite of indicators – primarily those on recruitment, retention and achievement. Generating internally chosen performance indicators was rarer, though some sixth form and tertiary colleges were keen to set targets for attendance and (as we shall see) value added. These, of course, are factors that feed into the current LSC performance suite: attendance is closely related to retention<sup>7</sup>, and an understanding of value added can help strengthen results. Some of the larger general further education colleges had developed a more thoroughgoing style of target-driven management. At least one large college used data and targets to assess performance in everything from library issue to technician utilisation. Another checked target class size and staff utilisation, a third linked senior managers' pay to target attainment, which extended to ethnicity, and the financial contribution of courses. This was exceptional, however. And while a few respondents told us they sought information about diversity, generally we found no evidence of schools and colleges using performance indicators more broadly as a way to manage, for example, curriculum changes, progression or widening participation, or to even to meet the demands of the Disability Discrimination Act, which will oblige them to set and monitor targets.
- 3.9 We found instances of devolution of targets for staff qualifications and employer engagement, but the main focus was on recruitment and results. Section heads were unanimous in agreement that numerical measures were essential to identify strong and weak performance, and to assess the progress of changes. Benchmarks and targets seemed particularly forcefully used where newly-appointed managers felt the need to make a step change in standards of delivery. But what tended to happen was that performance indicators were used as a stick to beat under-performing areas, rather than a tool to identify problems and ways that might be appropriate to remove them. So what we saw was performance indicators being used differently at different levels – at national level to secure government targets, at LSC level to contrast the performance of providers, at provider level to assess progress and at departmental level to drive quality improvement.
- 3.10 Generally, the use of numerical drivers reflected the style of the organisation and, to a lesser extent, its size. A few of our respondents did not translate external performance indicators into internal action at all. A high-performing Midlands college and a well-regarded sixth form college both argued that getting the systems and actions right would deliver strong outcomes without internal targeting. One claimed that in a small provider, the management and governor scrutiny was sufficiently rigorous not to need these prompts. Another argued, interestingly, that once you devolved targets to departmental heads you would be obliged, in fairness, to devolve staffing and budget decisions: and that this would move their organisational style from a whole-college approach to individualism – in a way that

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<sup>7</sup> Research suggests that students rarely drop out suddenly – the most common predictor of wastage is ever-worsening attendance.

they did not want. This contrasted strikingly with the response of a London college that welcomed the element of internal competition generated by the performance records of different departments.

- 3.11 We were keen to see if there was any evidence of the criticisms of performance indicators mentioned in Appendix 3. Our questions sought out any information about how institutions or individual sections within them might indulge in gaming behaviour. We tried to tease this out with this question for middle managers:

*Performance numbers can be improved in various ways – improved teaching/changing staff, setting targets for improvement, improved student support, changing to more appropriate courses and assessment, moving to more short courses, better admissions guidance, stricter exam entry, counting the figures differently, better equipment or marketing. Can you give an example of how you have improved performance in your section – which of these strategies (or any others) did you use?*

There were a few indications of institutions taking administrative actions to ensure they hit their recruitment – and thus budget – targets. One college had moved its adult education programme onto FE-style courses. Elsewhere, a local LSC worried that, for budget reasons, local school sixth forms retained students to the PLASC count date<sup>8</sup> but no further.<sup>9</sup> But we did not see any indication of gaming activity when it came to quality and results – indeed, managers told us that they were vigilant to ensure that it didn't happen. This is not to deny that policy changes had been made that improved the indicators – for example, the introduction of modular programmes, or more austere admissions guidance. This was also noted in the York Consulting study on improving colleges.<sup>10</sup> But there, as here, staff were keen to point out that the changes were introduced to benefit the students, not to tweak league table positions. Respondents argued that it was not in a learner's interest to take an over-ambitious programme, and motivation was improved by breaking assessment into chunks.

- 3.12 One criticism of current performance indicators is that they do not measure the distance travelled by a student, only their final attainment. This can work in favour of institutions and departments teaching very able entrants, and against those working in tough inner-city locations. It is often claimed that this is the reason that sixth form colleges are over-represented in the Learning and Skills Beacons and recipients of performance-related funding,<sup>11</sup> for example. To get around the problem, there is increasing interest in the use of value-added techniques for measuring educational success. Value added (VA) measures look not at the level and grade of the final attainment of a student but at the distance travelled, based on their entry qualifications. We found substantial use of VA techniques in sixth form and tertiary colleges where the main client group was full-time 16–19 year-olds doing Level 3 programmes. Where VA techniques were used, departments were judged on how successful they had been in adding to student educational attainment in their stay. This has the advantage of providing an honest assessment of the quality of pedagogy – avoiding the 'creaming' problem, as there is no longer a benefit in performance indicators from establishing over-high entry qualifications.

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<sup>8</sup> Student retention in colleges is checked at three census points in the year. By contrast, schools simply have to retain their students until a single date in mid-January.

<sup>9</sup> This will reflect badly on a school when the measures of progression proposed in the 14–19 strategy are delivered. These suggest that schools should be accountable for the staying-on rate of all their pupils – not just the sixth formers.

<sup>10</sup> This is as yet unpublished research work commissioned by the DfES. It should be noted, though, that York Consulting's sample was made up of colleges which had achieved strong underlying improvement – leaving out those whose numbers had improved due to, for example, running more short courses.

<sup>11</sup> Performance-related funding is a recent innovation that provides a funding uplift for colleges with results well above the national average: it is now proposed that it be replaced with an award for fast-improving providers.

3.13 We saw earlier (para 2.9) that the LSC plans to extend the use of value added in its assessments of provider quality, and has published a number of proposals that offer the chance of extending the well developed GCSE/A-level value-added schemes to vocational work. There remain a number of intractable problems with the wider use of value added, however:

- Returning adults often have no reliable baseline from which to judge distance travelled. Many have no qualifications at all, and even if they do, a qualification from 20 or 30 years ago is rarely a good guide.
- NVQs are typically ungraded. Being competence-based, they are simply pass/fail, and so a scraped pass will score as well as a superb result.
- Many students study at the same level as a qualification they already have – for example, a graduate nurse or engineer looking to gain a management qualification, a plasterer studying electrical installation. It is difficult to argue that they are making no gain in learning.
- There are various issues concerning ESOL learners.

Value added is also unlikely to be able to address the next issue we will discuss – that is, seeing how well the balance of provision in an area fits the needs of the whole population. Like conventional measures of success, value added only looks at those who are enrolled at an institution, not those for whom provision is lacking.

3.14 One problem with gaining the full benefits of our system of indicators and targets that was presented to us was the rate of change in the policy environment. Even where there was consistency in the goals, the level of importance changed through time. A number of respondents commented on this – that student growth, once so important, was now subordinate to quality,<sup>12</sup> how widening participation was now ‘on the back burner’ while employer engagement had gained greater importance. It is important for national stakeholders to be aware of this feeling, in case focus is lost as those at the delivery end feel that, like a bus, another key priority will be along in a moment. We were struck by the number of respondents who were aware of a problem – with planning, funding, bureaucracy or quality development – but felt that they did not need to do anything about it because it would be sorted out in the coming round of reports or policies. This is understandable, given the plethora of activity. Current developments include the :

- ‘Success For All’ strategy
- Skills Strategy volumes 1 and 2
- 14–19 White Paper
- Sweeney Reports 1 and 2
- Foster Enquiry
- annual DfES grant letter
- LSC’s Agenda for Change
- Leitch Report
- Tomlinson Report
- DfES Five-Year Plan
- National Audit Office Report on Strategic Leadership in FE.

No public service linked to the fast-moving employment and industrial scene can stand still. However, it’s important to minimise the opportunities for the excuse we sometimes found – where respondents said that they knew of problems but they would be addressed in time by the LSC, the DfES or the inspectorates. PSAs have

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<sup>12</sup> This reflects the downgrading of the participation in PSA from a hard number for 2002 to an aspirational target for 2004 – perhaps because increasing volumes can more plausibly call for additional resources than improved quality.

been consistent for a number of years, and even elsewhere the policy thrust is in fact reasonably coherent – raising quality, increasing choice, improving participation and simplifying planning – and can be progressed at all levels in the sector. The rate of change is fast, but that should not be allowed to provide an excuse for local leaders to abdicate responsibility for addressing key local issues, which do not change substantially from year to year.

- 3.15 To summarise where we have got to, we found that performance indicators were now broadly accepted as a way of comparing providers, and as a way of supporting quality improvement. There is no evidence that performance indicators are resisted, or fiddled. But we also found, as we shall see, that many providers do not shape their provision to meet local needs. We started out with the aim of seeing whether this was done in order to look good in league tables, but found little evidence of it. So if performance indicators are not driving institutional choices, what is? We discussed with our respondents many other determinants of institutional behaviour besides performance indicators. Funding was mentioned by most. Achieving the recruitment target was always presented to us as important because of its effects on the college budget, and never as a measure of raising local skills, or credibility with the community. As far as quality goes, Ofsted/ALI inspection was named as a powerful driver. LEAs reported that they had real credibility – more so than performance indicators and league tables. Overall, we were struck by the importance of institutional culture, particularly the valuing of academic and higher-level programmes. We shall return to this in the next section.

## 4. The needs of the area

- 4.1 The second aspect of our work looked at whether performance indicators might distort provision in an area – to explain any mismatch between the local offer and the needs of the population. Our interviews confirmed disquiet about a mismatch between what institutions were offering and what local areas needed. This has been highlighted in a number of Ofsted Area inspections – where institutions received good grades for achievement but the area scored poorly for access and participation. Even outside the area-wide inspection areas, we learned of districts with low participation even where local institutions are strong, even, in one case, Beacons. This has the effect of restricting choice for a wide group of learners – working against the major government objective expressed in theme 1 of the Success For All strategy. To make choice effective, it is not enough for there to be a range of places to study – there must be an offer that meets learners’ needs.
- 4.2 There was a particular concern about the balance of high-level and low-level provision for young people. Young people who gain five ‘good’ GCSEs had a good choice of options everywhere we looked – either the academic route to A-levels, or their equivalent vocational award. Those who do not achieve that benchmark – and this is more than half the cohort in many areas of the country – can find their choices much more restricted. We found much evidence to support the views expressed in the Chief Inspector’s Annual Report:

*As in previous years, the most able young people at 16 continue to have the best choice of courses and often the best quality of provision post 16... in most areas there are still insufficient courses at intermediate and lower levels to meet the needs of the less able 16 year-olds... (Ofsted 2004a, paras 212 & 213)*

Analysis of a number of 14–19 area reviews provided ample confirmation for this view. One of our own respondents reported as follows on their study of an area full of high performing providers:

*Institutional measures are either good or show major improvement, but local participation rates have hardly moved and are dire in the poorest areas – and there is a yawning curriculum gap for those who have not achieved a Level 2. Low area performance is no-one’s responsibility.*

- 4.3 The issue was evident in the discussions about the national failure to hit the PSA target for Level 2 attainment at 19. One LSC told us: ‘The market caters for Level 3 very well.’ Another added concerns about the lack of provider enthusiasm for meeting the needs of disengaged young people: ‘We now need a push for Level 1 provision.’ These remarks refer specifically to provision for young people, but the problem does not stop there. The Skills Strategy’s supporting papers show matching issues in respect of adult provision. One in five vacancies proves difficult to fill due to skills shortages; 40% of employers reckon they lose business because of lack of the right skills.
- 4.4 Do our current performance indicators contribute to the difficulty in meeting the needs of all the learners in an area? There are a number of reasons why that might be the case. Our survey has found no evidence for the crudest one – that providers would alter their programmes or ignore needs because that was the easiest way to achieve a high placing in league tables. No one told us – and remember, this was an anonymous survey – that they decided to emphasise Level 3 provision, ignore employer needs or avoid low-level work because of the effects on performance

indicators.<sup>13</sup> However, the reaction of a number of respondents to provision that they had found hard to improve was to withdraw from it. This leaves the possibility that important work is abandoned because it is difficult to do well – or even that we underestimate how difficult it is to do some work well. It is significant that many of the institutions excoriated in ‘Why Colleges Fail’ (Ofsted 2004b) specialised in work at Levels 1 and 2.

- 4.5 It was not the institutional performance indicators that prevented providers from meeting local needs fully.<sup>14</sup> We believe the problem stems from two reasons. The first is an issue of culture. There seems to be a widespread feeling that Level 3 work is more desirable – that an institution should prioritise this work above others. It was never stated, but is implicit. We felt that it was this that prevented sixth form colleges, for example, moving to close the gap of Level 2 attainment at 19, rather than any concern about their league table position. More than one respondent felt that admitting students below Level 3 would create difficulties, worsen the college atmosphere and lower its reputation. One college in a deprived area bussed students in from a distance so that it could maintain its standards of academic entry: it justified this to retain high levels of recruitment without considering alternative strategies for other cohorts of learner. Elsewhere, a Connexions respondent worried that a large and well-regarded college had made a strategic choice of going for the academic work with young people, with the result that disadvantaged and disengaged learners had to be accommodated in less well-resourced and regarded community trainers. Both of these colleges have recently received enthusiastic inspection reports, and stand high in performance league tables.
- 4.6 The cultural attitude was not generally due to callousness – though one institution justified its stance by claiming: ‘We work for students, not national politicians.’ The institutions we spoke to saw the PSA Level 2 target as important, and supported the drive to reduce those not in employment, education or training (NEETs). However, many felt it was not their job to remedy the problem. In one striking case, we interviewed school sixth form leaders who felt that a newly-established sixth form college was about to tackle this task: but in interviewing that college, we found that it had no such intention. The cultural question seems particularly acute to us, for it is not just staff and governors who regard Level 3 work as their flagship provision. Parents look favourably on colleges with high pass rates and university entry, and local newspaper league tables – mentioned by more than one respondent – regard raw A-level scores as the touchstone of quality to the exclusion of almost all else. Changing the position would seem to call for considerable encouragement and leadership – backed perhaps by financial incentives.
- 4.7 We did find some instances of providers reshaping their mission to better meet local need. One general further education college was considering leaving A-level work to local sixth forms, another took over a local work-based learning (WBL) operation, a third had worked with its LEA to rationalise local adult provision. In the Midlands, we saw a major provider moving into new niches to secure its recruitment numbers in a vigorously competitive climate. These changes are driven by an assessment of local need, and an eye to hitting recruitment numbers, rather than being part of an LSC plan or a reaction to measured quality of performance. If anything, the decisions would make the college performance indicators apparently worse. But if we found that performance indicators do not create the problem, they

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<sup>13</sup> There is a possibility that funding pressures would move institutions towards Level 3 work, which is better resourced under the current funding system. However, this is not widely known, and we found no evidence of it.

<sup>14</sup> However, one LSC (Birmingham and Solihull) did feel that schools and colleges seeking league table security made it more difficult to hit their inclusion goals.

are not mobilised to help. Colleges were aware that the performance indicators measured the service for those in the college, not the people in the area. Even in areas with well-developed collaborative arrangements, performance indicators were seen as a way of measuring quality between providers. The new measures of quality outlined in para 2.9 may make this task easier for LLSCs – and perhaps help the leaders of those providers to assess their own progress better – but they will do little to change the focus of local provision. Nor will the current levels of funding – which are more generous for a broad full-time A-level programme than almost any other course.<sup>15</sup>

- 4.8 If culture is important, so is organisation. The second reason for failure to meet area needs is that we have not yet developed a clear way to identify area needs and connect them to forceful delivery. When we asked our respondents about the needs of their area, we often received thoughtful and well-informed answers. LSC plans often reflect a considered and comprehensive understanding of area labour or social needs, but these are rarely driven down to provider behaviour. College strategic plans can also make reference to the local community's requirements in its needs analysis. Again, however, the links that were made between those assessments and the delivery plans were seldom strong. For colleges, programme planning is usually incremental, based on tuning the programme in the light of the previous year's volumes and quality. Some LSC staff we spoke to were aware that quality was not enough – that they needed to rebalance local provision. However they, and Connexions and LEA staff, felt that they lacked the tools to engage with the problem. We found a particular weakness in directing the strategic contribution of sixth forms.
- 4.9 The problem of addressing area needs has been tackled in a number of ways by policy-makers. The first instrument was the 16–19 Area-Wide Inspection mechanism, which soon became 14–19 inspection. These were driven by Ofsted, and lie behind the remarks quoted earlier by the Chief Inspector. They have had a positive effect. We were encouraged to hear that Area-Wide Inspections often had a 'galvanic effect' when all the partners – Connexions, WBL providers, LEAs, schools and colleges – came together to make their self-assessment report, often for the first time. Each review was followed by an action plan aiming to remedy any weaknesses found in the analysis. The LSC's report on follow-ups to Area Inspection (LSC 2005) seems to us fair when it says:

*In contrast with earlier reports where there was a greater emphasis on structural reorganisation... the emphasis is more on reshaping the relationships between existing providers.*

And, while praising many worthwhile developments after area inspection, there is a repeated note of caution in an assessment that:

*...learner entitlements... can only be delivered if the strategy ensures learners ready access to courses best suited to their past achievements, aptitudes and aspirations, and to local skills and community needs.*

We found our respondents were aware of Area Reviews and their findings, but the action plans seemed rarely to impact on them at a practical level. The 14–19 area inspection system is being supplanted by a wider Joint Area Review (JAR) starting from the age of 3. Some of our respondents were worried that this broader approach will weaken the focus needed to get post-16 provision right.

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<sup>15</sup> Level 2 is slightly less well funded than Level 3, generally reflecting fewer taught hours, but this does not seem to have been a driver – or even known – to our respondents.

- 4.10 The 'Success For All' reforms of 2002 introduced another mechanism for matching local provision to need in the Strategic Area Reviews (StARs) that all local LSCs were required to complete by March 2005. The approach taken to this task differed from LSC to LSC. Some chose an area focus, while others looked at provision by age range, by level or by industrial sector: many mixed their approaches. The National Audit Office may be right when it says that 'these reviews... have helped to start a change in the culture in which people and organisations are becoming more willing to collaborate to reduce collaboration and fill gaps', but our respondents rarely, if ever, referred to StARs. Moreover, we found few cases where there had been a substantive follow-up. This may reflect risk-aversion. We had comments from an LEA arguing for rationalisation, and from an LSC saying 'infrastructure matters', but there have been some well-publicised cases where rationalisation arising from StAR has been rejected – as in the Hastings case that led the *Guardian* to conclude that the strategic review process was a 'dead duck' (Kingston 2005). We would not go that far, and found examples of effective collaboration – but these rarely seemed strong enough to create the right balance of local provision.
- 4.11 So the analysis of local need by LSCs and providers does not lead to effective action, and the 14–19 reviews have yet to secure the balance of provision needed. It is important to realise that this is not the fault of LSCs or LEAs. The Chief Inspector's Report comments on the lack of a clear statutory framework for developing 14–19 education, and draws attention to the tensions between corporate autonomy and local planning:

*The influence that they [local LSCs and LEAs] can exert on local planning is limited by the considerable autonomy of individual schools and colleges, particularly in the absence of incentives for strong sixth forms to engage in collaboration. Consequently the LEAs and local LSCs have not yet brought about sufficient improvement in standards and levels of participation for 14–19 year-old students. The available management information is usually inadequate to inform planning.<sup>16</sup> (Ofsted 2004)*

- 4.12 One arm of government delivery for 14–19 is collaboration via partnerships. In our research we found that these varied greatly in strength and importance. In some areas we found strong and cohesive networks that were plainly capable of delivering local priorities: area targets could confidently be contracted to them. Much more common, sadly, was a 'strategy vacuum' that makes national PSA targets very much more difficult to achieve. In one city the LSC said that strategy was the job of the colleges, whereas the provider respondents said it was the job of the LSC. This may be an extreme, but it reflects a phenomenon noted by the National Audit Office (NAO 2005) that 'there are now many more influences on colleges' strategic directions than previously and these have eroded colleges' perceived autonomy to set their own strategic direction'. Perhaps the ring can be held by local learning partnerships, but we found many respondents regarded them as talking shops: in one northern city, the sole college was aware that a partnership had been set targets but didn't know what had become of them. At the extreme, a large sixth form we spoke to did not even know of any partnership activity at all. So firstly, we lack a delivery arm with power.

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<sup>16</sup> This comment contrasts with the view expressed by the LSC study of area review (LSC 2005) which claims that 'in all areas high-level strategy has been underpinned by operational arrangements to maximise choice and minimise duplication... underpinned by agreements to share data on recruitment, retention and achievement across an area'. Our conclusions suggest this is optimistic: we side with the Ofsted view.

4.13 It would not, in any case, be an easy task to connect PSA targets to provider activity even if there were effective local delivery systems. We came to the view that creating the clear line of sight sought by policy-makers – from national PSA to institutional delivery – is inherently difficult.<sup>17</sup> It was a view shared by our respondents, one of whom described the whole idea as ‘implausible’. There are a number of reasons for this:

- Pre-16, the whole age cohort goes to schools: targets are easier to construct and monitor across a local education authority area. But post-16, attendance is not compulsory. Many young people drop out of education at 16 or 17, and adult participation in lifelong learning is patchy. There is therefore a dissonance between the population at large – for whom PSA targets apply – and the population in institutions – to whom performance indicators and LSC allocations refer.
- The 16–19 infrastructure differs greatly from place to place – in some areas, 11–18 schools dominate the scene, in others 11–16 schools feed sixth form or tertiary colleges. LEA commitment to community education varies, and so does delivery systems: with discrete community education services, or delegation to local colleges. FE can be general or specialist, with a community or vocational bias. Institutions differ in their client groups – a work-based provider is not concerned with HE entry, nor is a sixth form college concerned with NEETs. And there are often complex patterns of travel, with many local people studying outside their area of residence. In this situation, it isn’t simple to allocate targets down the line to a local delivery system.
- Some goals, like NEETs, go beyond the learning and skills system. The numbers in employment – part of the measure – are not within the gift of a local LSC or partnership. The ability to hit the HE target will be affected by the ability of local schools to provide candidates ready to succeed at Level 3, or by the practice of the university sector. The numbers going through to HE are in any case strongly affected by social factors, and so ‘line-of-sight’ would seem to require context-sensitive targets, community by community.
- PSA targets concentrate on outcomes, not activity. As a result, they depend, for example, on trends in retention and attainment as well as volume. And as we saw earlier – para 2.8 and footnote – even the right level of funding can’t even guarantee the right number of course starts, as that depends on demand. This creates a number of ways that the target might be missed: inadequate budget allocation, low recruitment, retention below that expected, poor pass rates.
- As we have seen above, LSCs do not have the power to drive institutions: the Chief Inspector points out that ‘an effective strategy framework is lacking for analysing the needs of young people and the community across an area and designing the provision to meet them’. There are current moves to improve the linkages between LSC allocations and government priorities, but these do not seem to be based on local fine-tuning of PSA targets.

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<sup>17</sup> There is an exception: floor targets are easy to delegate. For example, it is much simpler to insist that no school falls below 20% of pupils getting 5 ‘good’ GCSEs than to ensure that 50% of the nation’s young people have an experience of higher education.

- 4.14 These issues came to the fore when the Prime Minister's Delivery Unit conducted a review of the Level 2 target for young people. This was missed in 2002 and 2004, and the DfES and Prime Minister's Delivery Unit undertook a joint review to ensure that progress would be made for the 2006 and 2008 targets. Delivery on an acknowledged problem isn't the only issue: it can be a problem sometimes to know where we are. How do we find out whether our Level 2 target, for example, has been hit when tracking attainment between school, college and workplace, amid a plethora of qualifications? Until recently, this could only be assessed by a self-reporting question in the Labour Force Survey. This position looks likely to be largely solved by the introduction of 'the admin data set' – a database gaining information on qualification levels from matching the records of providers and awarding bodies. This innovation needs to be pressed home locally, where it will be enormously helpful.
- 4.15 Clear data – driven down to localities – can help us define the task, and empowered local networks can allocate it to institutions. This will require a decision about 'who does what' – who will deliver the locally-needed Level 2 places, for example, or outreach to the NEETs group? These questions are clearly linked to current debates about the mission of colleges, about specialist schools and vocational centres of excellence. A place needs to be found also for private sector WBL providers. It is particularly important to confront existing notions of worth in post-16 education: we were told repeatedly that there was no problem finding quality places for able Level 3 candidates. If we are to hit the PSA targets for Level 2 and for adult basic skills, high-quality providers must be encouraged to contribute to that strand of work. There is a similar issue in neglected employment sectors – as shown in the mismatch between the proportions of the working population in retail and logistics, compared with funded places – or the constant complaints of insufficient flexibility in training delivery. The LSC might take a more assertive role here, working to ensure that vocational provision genuinely addresses the needs of employers. We met some concerns that the growth of vocational options in schools might fall short of industry standards.
- 4.16 The difference in the social and educational mix of local communities suggests that there should be scope to tune performance indicators to local conditions. A number of respondents commented that local communities did not seem to have an input into the targets for their area. However, one large northern college did help develop local targets and goals – for NEETs and HE entry, for example. This may be a consequence of their participation in a Local Strategic Partnership that took in a wide variety of players, not just in the education world. In our view, it also reflected their position as a semi-monopoly provider in the district. We consistently found that large colleges were able to take a broader view of local need than smaller institutions. They knew the job was theirs because it could be no-one else's. In the absence of a dominant supplier, someone needs to allocate the jobs to the local network.

## 5. Recommendations

5.1 We suggest that there are two suites of indicators for the sector. The first should maintain the current focus on provider performance. Those currently set – student outcomes and satisfaction, recruitment volumes, employer engagement – and their planned successors in the new LSC performance measures seem appropriate for this task. But there should also be a set of area targets derived from the PSA targets and allocated to LSCs and LEAs to deliver. They will require as much work as is going in to the development of the institutional performance indicators at the moment, but there are some obvious starting points:

- participation in education 16–19 and 19+
- attainment of qualifications by age (linked to PSA), level and sector
- participation and attainment of specific groups
- appropriateness of level of provision to local needs
- match of curriculum areas to local labour market.

5.2 Deriving these targets will require better information than we currently have. What is needed is for every LSC area to build the targeting on the figures that show overall attainment, both at 19 and for adults, across its population. We hope that the admin database mentioned above can help in this task, providing better information than the sample interview processes currently used. Its advocates claim it can be cut three ways – by home address, location of pre-16 provider, and location of post-16 provider – to provide effective analysis of issues and performance. Better information is needed on progression, and targets set for schools to judge how well they encourage their youngsters to stay in education till 18 – and not just in their own sixth form. A good school will encourage lifelong learning for all its young people. This is a proposal in the government's current plans for schools. Similarly, colleges need much better data on the employability of their students<sup>18</sup>. Better information on destinations could become part of Foster's published information set. This is not just a matter of the technical capabilities of MI systems, though this has rightly exercised the FE Review. We heard from some areas that some local providers were reluctant, on marketing grounds, to share their data on their provision and success. This is simply indefensible, and we suggest that information sharing becomes a condition of public funding.

5.3 In a number of areas, information and aspirational targets exist, but we did not find that they impacted on providers at all. After an area has established its current position, and set its targets, it needs to be followed with a delivery plan that recognises the distinctive roles of local providers, and would give some stiffening to the StAR and JAR process. We see this as a central job for the LSC delivery plan, which needs to include public statements about the roles of various providers, and the effect this has had in the allocations planning process. Some providers pointed out that this document comes out after institutions' strategic plans have been completed: this needs to be reconsidered as part of the LSC business plan cycle. The new annual review process would provide the obvious place for the dialogue about an institution's role in achieving the area goals to take place.

5.4 We did find some effective collaborative working, but in many areas the current arrangements fail to deliver the necessary results. We need to address this strategy vacuum. A lead partner in the locality needs to be empowered to identify the mix of provision that is needed and make the adjustments needed to ensure a proper mix of provision. Given its purchasing power, the most obvious agency is the LSC.

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<sup>18</sup> The NAO report suggests that LSCs could have a role in sponsoring joint research with its providers. This seems a good place to start.

Travel-to-study patterns may mean that the LSC should work via the local area teams now being assembled, or in consortium with another LSC where boundary issues are important. Level 2 work especially needs to be incentivised – by firmer planning or better cash allocations. Changes are needed, too, in employment-related work: either moves into new areas, or changes in the style of delivery. It may therefore be helpful to divide the analysis into 14–19 and 19+. However organised, though, the LSC's approach must be clearly integrated into their overall business plan, with clear targets, power enough to drive action – whether funding or allocation incentives – and be time-limited.

- 5.5 The method of making the changes needs thought. What we emphatically do not need is a heavy-handed planning intervention buying so many places on particular programmes. But mechanisms currently exist that are being under-exploited – for example, the provider review process. Providers complain that – though enormously improved since its early days – provider review does not impact on their strategies. It seems to be solely a review holding colleges and other agencies to account for what happened in the past, dislocated from allocation decisions. As with performance indicators, local LSC officers seem more concerned with a narrow view of quality – what was the success rate on a particular programme – than getting the local balance right, a task for which they are surely better placed. LSCs do not analyse the plans of different providers and feed back the information in order to avoid overlap or gaps. Bringing a view on local need to the annual review discussions would go some way to reconciling the individual corporate nature of schools and colleges with the desire for collaboration and partnership. It would also help fulfil the ambitions of the Foster Report when it asks (paras 184-189) for the LSC to ‘improve coherence and integration at a local level’ and ‘involve providers in their assessment of what is needed and should be provided’. We echo Foster's desire that the approach should be ‘light touch’, but we found in most areas there was (especially with schools) currently no touch at all.
- 5.6 So the main engine will be planning. But it is not the only one. The new buzzword ‘contestability’ may have virtues here. Recently the LSC announced the protocol for choosing between providers competing to open new post 16 provision. This could serve as another model for this process, but regrettably the current consultation draft focuses on Level 3 work, where there is little evidence of need. We suggest the model should be used to develop lower level 16–19 provision, and capacity for job-related training. Another interesting method might be found in the idea of ‘pooled funding’ mentioned in the 2006/7 Grant Letter (DfES 2005) and piloted in the collegiates of Birmingham and Solihull LSC, though we recognise that the reduction in the size of discretionary funds makes this less powerful than it might have been.
- 5.7 Whichever mechanism is chosen, it must be driven through with purpose. Failure to make the needed advances should be regarded as a rebuke to the LSC, and might lead to re-contracting the task to a new consortium or provider. Local LSCs cannot be the only part of the learning and skills system where poor performance does not involve decisive corrective action.
- 5.8 We were encouraged by the increasing use of value-added indicators in judging success in delivering the 16–19 full-time academic curriculum. We found no evidence of their use elsewhere. This implies that we must find another way of making secure judgements of the performance of institutions and departments working in different environments and with different student intakes. We suggest the further development of statistical families – what one of our respondents called

institutions 'with the same DNA'. The LSC currently has separate benchmarks for deprived and non-deprived colleges, and we feel these can be developed further.

5.9 We noted above the comparatively underdeveloped state of the use of performance indicators inside institutions, and the unsophisticated interpretations used by managers. As this is to remain a key part of our sector management for the foreseeable future, we would argue the following:

- College and school management training should include a module on performance management that looks at the strengths and weaknesses of the current approaches, and encourages the future leaders of the sector to use them judiciously to improve performance – internally and across their community.
- LSC officers too should be made aware of the strengths and limitations of the numbers they use.

5.10 Our respondents were aware that schools and FE measured success rates differently. There seems no reason for this, and we join the chorus of people asking for a common approach, without fudges about 'coherence' or 'comparability'. Until we do this, it will not be possible to make sensible judgements either between providers or to meet community need.

5.11 We would support the ability and capacity of local groups – whether LSCs or those with whom they contract – to supplement national priorities with indicators to represent their own community needs. It is plain that (for example) NEETs or HE entry are bigger problems in some areas than others. This would mean two things:

- work on delegating the PSA targets to local conditions
- additional targets and measures to address specifically local issues.

5.12 Having worked for several months with a substantial sample of post-16 providers we are convinced that the work of raising quality within individual providers is in good hands. Managers are driving the standards agenda with determination. This perception is supported by the figures that indicate substantial progress improving success rates in colleges, work-based providers, schools and adult education services. Ironically, it is in the area of quality and volumes that the local LSC is most assertive with its providers; it is least involved in the area of curriculum mix and levels: it is here where more work is needed in assessing and meeting local needs as a whole. We would look to local LSCs – or the selected delivery consortium – piloting our approaches, setting targets and indicators for their areas and driving them through their planning processes. They are already working more assertively as part of the 'plan-led funding' approach in ways that would help. Such initiatives should be observed and evaluated nationally to assess their success in meeting the needs of the locality and the nation. Few, if any, of our recommendations to remedy the position require new legislation.

5.13 Since the conclusion of our field work, two substantial documents have been published relating to 14–19 education. The Nuffield Review of 14–19 Education and Training saw the system as 'divided, competitive and (only) weakly collaborative – features which appear to depress participation rates because they do not tackle 16-plus selection'. It argues for a 'strongly collaborative 14-19 learning system... conceived and delivered locally and sub-regionally... (with) a well-defined sense of the local area...' (Hayward 2005). Our proposals would look like this 'strongly collaborative' model, and provide a fresh way of reconciling the

individualism of schools and colleges with the collaboration and common purpose sought by policy-makers. The Foster Review (Foster 2005) touched a number of our points – not just the need for radically improved information, but also the need for a real strategy for the delivery system. Its executive summary points out the following:

- that ‘incorporation liberated individual colleges but failed to provide a basis for locality strategy’
- the need for ‘clarity at a local level... served by a clear and separate commissioning role built around local LSCs’
- ‘the funding methodology should draw on the national learning requirement and its local components ensuring that learning activity is rewarded for impacting on those requirements’
- ‘an improved inspection methodology (is needed that) that focuses on learner experience, value-for-money, and (our emphasis) *the coherence of the locality’s learning offer and impact.*’

5.14 We hope that our argument – that we need to retune our performance measures to judge how well our young people and adults are doing, rather than how well our schools and colleges are doing – is an idea whose time has come. It is not an easy path. It needs a sharper look at strong collaboration, backed by funding and planning and uncluttered by unhelpful ideas of autonomy. It requires us to look outside the current indicators to create new measures of success, and to use the planning powers to achieve a better balance of provision. We need, as well, to retune our ideas of educational worth and prestige. To make these changes will require the fresh look at performance indicators and local delivery systems that we recommend. But the prize – a better qualified, more efficient and more inclusive society – is worth the fight.

## Appendix 1: Bibliography and Further Reading

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## Appendix 2 – methodology and survey questionnaires

- A2.1 The research took place between May and October 2005, with the bulk of the work undertaken by Adrian Perry and Matthew Simpson. Adrian Perry is Visiting Senior Fellow at the University of Sheffield, and has worked for a number of clients – including the DfES and LSC – since retiring as an FE principal. Matthew Simpson has worked for many years in education, both in colleges and LEAs, and latterly as a Chief Education Officer. He undertakes consultancy commissions both in this country and overseas.
- A2.2 At a national level, we spoke to policy staff in the LSC national office, the DfES, Ofsted and the Cabinet Office, and supplemented them with interviews with senior staff in the Secondary Heads Association, NATFHE, Ofsted and the National Institute for Adult and Continuing Education. To get the picture on the ground, we chose four LSC/LEA areas: Nottinghamshire, Birmingham and Solihull, Central London and South Yorkshire. In each of these areas we spoke to LSC staff, LEA officers and a representative sample of senior staff – usually at assistant principal or head of sixth form level – from a number of schools, sixth form and FE colleges.
- A2.3 We also talked to a range of other partners – two Connexions managers, a learning partnership, the Association of Colleges and a sixth form consortium. To check our findings, we later interviewed a range of middle managers from other regions, and convened a small focus group to consider the draft report. We also talked to some LSCs outside our sample – Surrey and Hampshire/Isle of Wight – who had made contributions to the issues we were looking at, and cross-checked our findings with colleagues from York Consulting, who are undertaking work for the DfES on the characteristics of improving colleges. The Responsive College Unit was generous with comment, and drew our attention to evidence coming from some of its contracted work. We are deeply grateful to our provider contacts for their time and insights. We hope we have represented their views correctly – all interview transcripts were checked back with respondents – but, as ever, the responsibility for errors and omissions is ours alone. They are listed here:

Barking College  
Barnsley College  
Bilborough College  
Broxtowe College  
City and Islington College  
City College Coventry  
City College Norwich  
King Edward VII School Sheffield  
LASWAP Sixth Form consortium  
Leicester College  
Longley Park Sixth Form College  
Newham Sixth Form College  
North Nottinghamshire College  
Orpington College  
Sheffield College  
Solihull College  
Solihull Sixth Form College  
South Birmingham College  
Truro College  
West Nottinghamshire College

A2.4 The method involved structured interviews with all our respondents. The early interviews were conducted face-to-face by both researchers to establish a common approach and check that the questionnaire was right. The bulk of later work was by telephone interviews around the questionnaires. We attach the survey instruments used in Appendix 4. A draft was prepared on the basis of our interviews, and discussed with a group of critical friends in mid-October before the preparation of the final report.

## Appendix 3 – the problems with performance indicators

- A3.1 In para 2.4 of our main report, we gave a brief resume of the drawbacks of performance indicators: it was decided to leave a more extended treatment of the issues to a separate section in order to maintain the shape of the report. The general reservations about indicators follow.
- A3.2 **Social factors:** The ability to achieve strong outcomes often depends on social context. Police forces in a tough inner-city environment will struggle to match the low crime-rates of the suburbs, for example. There is a strong relationship between school outcomes and indices of deprivation – often measured as the proportion of pupils entitled to free school meals. This would make unadjusted comparisons between differing areas deceptive, and so there are various ways to make adjustments. One is to look at how the performance of providers – schools, police forces, LSCs – compare with those in similar circumstances – with ‘the same DNA’, as one of our respondents put it. For example, separate LSC benchmarks for student success exist for disadvantaged colleges. An alternative approach is to create a numerical measure of deprivation that can be used to adjust the raw score of a provider or region. However, journalists and politicians like unadjusted league tables – Kenneth Clarke when a minister famously preferred his statistics ‘raw rather than cooked’.
- A3.2 **Creaming:** There is a danger that some agencies, knowing that they will be judged on a numerical outcome, will choose the easier tasks to do. For example, surgeons may be reluctant to operate on critically ill patients; in education, agencies may avoid work with disengaged or less able students. This is sometimes known as ‘creaming’. The value-added techniques discussed in our text will have the effect of discounting the benefits of creaming: if a college recruits only able students, it will be expected to get outstanding results.
- A3.3 **Measurement:** You have to choose something to measure to assess progress in health care, education, or crime prevention: performance indicators can be sensitive to the particular numbers chosen. Data can prove difficult to collect, or can be deceptive. There are a number of problems in the learning and skills sector in this respect. Few would dissent from the use of qualifications as the proxy for educational success, but it does create distortions. Some learners are counted as failures when they leave to take up employment before the exam. Success rates are sensitive to course design. For example, recorded student retention in the sector rose when the two-year A-level programme was divided into two single-year chunks: students who passed AS and then left were considered as successes, whereas they would have counted as drop-outs the previous year. There are also issues in the sector around measuring employer engagement, around what is an ESOL success, and around what is meant by a Level 2 attainment.<sup>19</sup>
- A3.4 **Precision and uncertainty:** There is the additional problem that numbers are rarely precise. International comparisons are particularly fragile, with Peter Robinson of the Institute for Public Policy Research (IPPR) advising of an accuracy range of +/- 5%. An example from Simon Briscoe’s ‘Britain in Numbers’ illustrates the issue within the UK: if you rank our universities by the various quality measures, there is a range of plus and minus uncertainty around a given score. This range is in fact sufficiently large that there is a chance – not a big one, but a chance – that the 9<sup>th</sup> ranked university is worse than the 110<sup>th</sup> ranked one (Briscoe 2005). Within

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<sup>19</sup> Changing the measure of Level 2 attainment from the Labour Force Survey to the administrative database (see para 4.13) will depress the Level 2 figure by 5%. If we say that the Level 2 attainment must include English and Maths – which is an entirely reasonable view – the figures will fall further.

institutions, as sample sizes get smaller, figures need to be assessed with care. In a class of 20, one student result moves the stats by 5 percentage points. This is the issue of statistical significance. A number of our respondents were aware of this problem, but careful that it did not give excuses for poor performance as a 'glitch year'.

- A3.5 **Gaming:** Managers judged on numerical indices can take action which makes the numbers look good without improving the public service. There have been examples of false reporting – GPs exaggerating their patient list to maximise funding, police forces re-categorising crimes – and of cheating, with schools coaching pupils through key stage tests. But this is rare: more common is what is known as 'gaming' – activity where managers consciously modify policies and procedures to hit the targets while leaving underlying quality unchanged, or even worse. Train companies stretch journey times to avoid penalties for late arrival. GPs asked to achieve appointments within 48 hours refuse to take advance bookings. In the Soviet economy, glass factories which had been set a tonnage target proverbially produced thick glass, but moved to thin glass when asked for square metres.
- A3.6 **Distortions:** A more common problem comes when those tasked with hitting targets could concentrate on them to the exclusion of other worthwhile activity. This does not involve dishonesty – managers are keen to secure what they feel their masters want – and it is different from gaming, because the measured aspect of the service is certainly getting better. But it can lead to what are known as 'perverse outcomes'. It is sometimes claimed, for example, that hospital administrators schedule unimportant but long-standing operations rather than urgent immediate ones to stay within permitted waiting times. Some schools react to being measured on the proportion of students gaining 5 A–C GCSE passes by working intensively with those on the margin of that achievement, ignoring the very bright and the less able. Closer to home, the increased emphasis placed on FE success rates and retention of the mid-90s was accompanied by a sharp increase in the number of one-day courses. It is also alleged that the choice of progression to apprenticeships as the badge of success of E2E programmes has led to pregnant youngsters and those awaiting court sentence being excluded from a programme that might help them back on the rails.
- A3.7 Lastly, **cost:** The collection of figures takes time and money that could be out of proportion to the benefit. Colleges often complain about the number of management information staff needed, and their academic staff resent time spent away from students and teaching. The complaint is made more forcefully when it is felt the information is of poor quality (student destinations in general further education, for example) or is not relevant to the recipient (for example, the staff qualifications database sent off to LSCs).

## Appendix 4: the questionnaires used in the study

Project SR 723  
 Area PIs: 'PIs and Performance'  
 (Performance Intelligence Strategic Survey)



### Questionnaire for providers

<b>Organisation:</b>	
<b>Colleague: ...</b>	<b>Position:...</b>
<b>Researcher: Adrian Perry/Matthew Simpson</b>	<b>Date:</b>

Approx FTE students: ..... Approx annual expend: £ ..... M

Approx balance of Level 2/Level 3/Level 4 work: ...../...../....

General	
1	<p>What are the key PIs in the college/school? Why these?</p> <p>a) Who in the institution would be described/recognised as 'leading' on PIs?            b) Who determines PI policy?            c) What handle do governors have on performance indicators? (Prompt: Which PIs are reported to the governors? What is their attitude? Have they established internal PIs for specific result areas?)</p>
2	<p>Which areas of performance are currently seen as priorities within the institution? Why? (External v internal? Funding imperatives v Quality/inspection?)</p>
3	<p>Are the PIs used as indicators or as targets?</p>
4	<p>Can you give any examples of management decisions prompted by PIs? Do they make you do anything you would not otherwise do?</p> <p>Take an example. There has been an increasing emphasis on college success rates and retention – how have you reacted?</p> <p>Were the steps you took beneficial in meeting need or cosmetic to make the numbers better? Or a bit of both?</p>

	Have you noticed any action within departments that might be regarded as 'massaging the figures' rather than improving the service for students?
5	How important are 'league tables' to the college/school? To staff? To customers – employers and students?
6	What's your general view of performance indicators in the sector? Generally, does their existence add or subtract value? Any particular difficulties of fairness, resourcing or timing?
<b>External PIs</b>	
7	What are the most recent inspection grades of the college/provider?
8	What are the most important elements in an (Ofsted & ALI /Ofsted) Inspection of the institution? Which are the ones that the institution's behaviour might be influenced by?
9	Has there been an area inspection here? Of the elements in an Ofsted Area Inspection, are there any of which you are particularly mindful – which the institution's behaviour might be influenced by?
10	What external PIs do you have to return to your sponsors (LSC, LEA, ESF, anyone else)?  Are there any of these external PIs – that is, demanded by your funders or inspectors – which are particularly difficult for your institution: is the problem - ease of collection? - relevance? - fairness? Which particular returns does this refer to?
11	Are there any data that you think should be collected that currently are not? (prompt – destination data, fee income, responsiveness, diversity/social engagement)
<b>Internally Determined PIs</b>	
12	Are there any <i>additional</i> PIs which the institution uses and looks at for its own purposes? (Prompt: departmental level? Ben Johnson Hill benchmarking?)
13	If so, are there are tensions between those and the externally-required ones?
<b>National PSA targets</b>	
14	There is a range of national targets set by the government to the DfES. To what extent are senior staff and the governors generally aware of these?
15	How are these aims expressed?  Do there seem any tensions between those national aims and the directions in which specific PIs drive the institution?

<b>Area-Based Intelligence</b>	
16	<p>What do you see as your area (catchment)?</p> <p>What in your view are the major educational/skills issues in this area (prompt – supply-side issues, participation of young people/NEETS, attainment of young people, unemployment, adult skills, industry specific skills)?</p> <p>Who else expresses a view on these issues? (LSC? RDA? LEA/EDP? Employers? Connexions? Learning Partnerships?)</p> <p>Have you (or anyone else) attached numbers to these problems?</p>
17	Is there any experience of monitoring and/or target-setting at a local trans-institutional level, eg at the level of Local Learning Partnership, or LEA?
18	If so, has it had any tangible outcomes for this institution?
19	<p>Would you see merit in (further) development of area-based PI – assuming any institutional energy required for that would be offset by reducing current PIs?</p> <p>Is there a partnership that could energise all the providers to jointly achieve shared goals?</p>
<b>Concluding</b>	
20	<p>What is being sought is sometimes referred to as a 'line of sight' from national targets, through area and regional priorities, to institutional priorities. How could that best be achieved?</p> <p>(Prompt: incentivisation through resourcing/Foster on governance &amp; accountability, etc)</p>
21	Do you have any other comments or questions?

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### Survey Instrument for MIDDLE MANAGERS

<b>Organisation:</b>	
<b>Colleague: ...</b>	<b>Position: ...</b>
<b>Researcher: Adrian Perry/Matthew Simpson</b>	<b>Date:</b>

#### Stress confidential nature of answers

1. What are the key performance targets your institution has to achieve?
2. Why do you think these are important?
3. How well are you doing on these measures as an institution, do you think?
4. Does your section/team have any targets to hit?

- volumes/recruitment
  - success/retention/pass-rates
  - others (employer engagement/diversity/commercial earnings?)
5. How are your targets/performance measures derived? From last year's attainment? From college-wide targets divided up? Are they agreed with you?
  6. What happens if you perform well or poorly in relation to these targets?
  7. What factors outside your control affect the figures?
  8. Performance numbers can be improved in various ways – improved teaching/changing staff, setting targets for improvement, improved student support, changing to more appropriate courses and assessment, moving to more short courses, better admissions guidance, stricter exam entry, counting the figures differently, better equipment or marketing. Can you give an example of how you have improved performance in your section – which of these strategies (or any others) did you use?
  9. Do you delegate performance targets to sections in your team? Do you worry that they might take actions just to improve the numbers, rather than improve the service for students/the community? Have you seen this happening either in your current institution, in a previous one, or a competitor?
  10. What's your overall view of the growing use of targets and indicators to manage and assess performance? Is it a helpful tool or a misleading technique?

### Survey Instrument for SPONSORS (LSC, LEA)

<b>Organisation:</b> ..... <b>Colleague:</b> ..... <b>Position:</b> ..... <b>Researcher:</b> Adrian Perry/Matthew Simpson. <b>Date:</b> ..... 2005
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#### **Performance indicators – the basics**

1. What performance indicators do you require of your providers?
2. Why are these chosen?
4. Do you have any local discretion about the suite of PIs used?
5. What do you feel about that? Are there local features that are missed by the national suite of PIs?
6. What's your general view of performance indicators in the sector? Generally, does their existence add or subtract value? Are there issues about (eg) timing, accuracy, fairness, relevance?

#### **Using performance indicators**

7. What do you do with the information?
8. How important are PIs in the assessment of provider performance (as against eg development plans, inspection reports)?
9. Is it your view that providers act differently because of what you require of them? In what way?
10. Have you any fast improvers locally? How do you think they have achieved their improvement? Evidence of pedagogic improvement? Of data massage/gaming/creaming?

#### **Analysing local needs**

11. What do you see as the main education and training issues in this area?
12. Why do you pick these issues out? Were they identified in any StARs or Area-Wide Inspections?
13. Is it area performance or institutional performance that is the major concern?
14. Are your key issues represented in your local plan? Are they represented in PIs or targets set to your providers? Talk us through how you hope that your analysis will affect the actions of providers.

#### **Meeting local needs**

15. Do you feel that if providers hit their volume and quality targets, the needs of the community will be well met? Or could you envisage a situation where all local providers were – in their own terms – successful but some of the needs of the area were being neglected? How could you get around that?
16. We are trying to see whether the PIs that are demanded of providers might cause them to act in ways that work against the best interests of the area – for example, avoiding excluded youngsters because they might lower retention rates. Is this a worry here? Is there any evidence that it is a problem?
17. What sort of indicators or targets would support improvements locally?
18. If you established area-based indicators (say, for Level 2 attainment at 19), how would they be delivered? Are there any partnerships, for example, that might take ownership?

#### **PSA targets**

19. To what extent is the local LSC, and local providers, aware of PSA targets? Do they influence local decisions and behaviour?
20. What is being sought is sometimes referred to as a 'line of sight' from national targets, through area and regional priorities, to institutional priorities. How could that best be achieved?
21. Are there any other comments you'd like to make about the usefulness of performance indicators?

22. Thanks – what happens next

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Survey Instrument for **PARTNERS (Learning Partnerships, Connexions, etc)**

**Performance indicators – the basics**

1. What performance information is available to you about local ed & training?
2. Do you have any influence on the range of PIs used?
3. How useful is that info to you?
4. Are there local features that are missed by the national suite of PIs?
5. What's your general view of performance indicators in the sector? PIs have sometimes been described as an energy-trap or as a self-justifying industry. Generally, does their existence add or subtract value? Are there issues about (eg) timing, accuracy, fairness, relevance?
6. Is it your view that providers act differently because of the information that is required of them? In what way? Evidence?

**Analysing local needs**

7. What do you see as the main education and training issues in this area? (eg overall success rates? Success rates in specific curriculum areas/levels/type of learner (by age, ethnicity, gender)? Recruitment/participation? Employer engagement? Financial performance of providers? Others?)
8. Why do you pick these issues out? Were they identified in any StARs or Area-Wide Inspections? (Copies available?)
9. Is it area performance or institutional performance that is the major concern?
10. Do you feel that if providers hit their volume and quality targets, the needs of the community will be well met? Or could you envisage a situation where all local providers were – in their own terms – successful but some of the needs of the area were being neglected? How could you get around that?
11. Are your key issues represented in local plans? Are they represented in PIs or targets set to your providers?
12. Talk us through how you hope that your analysis will affect the actions of providers.
13. We are trying to see whether the PIs that are demanded of providers might cause them to act in ways that work against the best interests of the area – for example, avoiding excluded youngsters because they might lower retention rates. Is this a worry here? Is there any evidence that it is a problem?
14. What sort of indicators or targets would support improvements locally?

15. If you established area-based indicators (say, for Level 2 attainment at 19), how would they be delivered? Are there any partnerships, for example, that might take ownership?

**PSA targets**

16. To what extent is the sector locally aware of PSA targets? Do they influence local decisions and behaviour?
17. What is being sought is sometimes referred to as a 'line of sight' from national targets, through area and regional priorities, to institutional priorities. How could that best be achieved? (Prompt: incentivisation through resourcing/Foster on governance & accountability, etc)
18. Are there any other comments you'd like to make about performance information & intelligence?

## **delivering quality and choice**

how performance indicators help and how performance indicators hinder

For all learners, but for those aged 14–19 in particular, collaboration between schools and colleges is increasingly seen as the only way to provide effective choice; but at the same time the key performance indicators focus on individual institutions, not the offer in an area. This report explores the tensions between a partnership agenda and the current emphasis on institutional performance.

If this report is relevant to the work you do, you may also be interested in:

### **Modelling Progress toward the Level 2 Target**

Increasing the number of adults qualified to at least Level 2 is a key target for the DfES and LSC. A study for LSDA by Frontier Economics shows that we are set to miss the target, and, by analysing who currently lacks a Level 2, suggests why.

### **A forthcoming study by NFER for LSDA**

(LSRC 693)

This will examine whether the pattern of post-16 provision in an area affects the participation and achievement of the whole post-16 cohort. Does the presence of school sixth forms improve participation? Do selective systems work better than tertiary solutions?