

**Manchester City Council
Report for Information**

Report to: Resources and Governance Overview and Scrutiny Committee –
27th May 2010

Subject: National Performance Framework

Report of: Sharon Kemp, Assistant Chief Executive (Performance)

Summary

This report provides an overview as of the national performance management framework set out in the Local Government White Paper 'Strong and Prosperous Communities' and its implementation.

Recommendations

It is recommended that the Scrutiny Committee notes the report.

Wards Affected

All.

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Background Documents

- Local Government White Paper 'Strong and Prosperous Communities', October 2006
- Local Government Association report 'CAA Evaluation: A Sector Perspective on Year 1', January 2010
- DCLG guidance 'Development of the new LAA framework – Operational Guidance 2007'.

1. INTRODUCTION

- 1.1 The Strong and Prosperous Communities White Paper published in 2006 stated that the new role for local authorities as strategic leaders of their area demanded a new way of managing performance between central and local government and its partners and proposed a radical simplification of the performance framework, to be delivered over a three year period.
- 1.2 The white paper stated that there would be around 35 priorities for each area, tailored to local needs through the Local Area Agreement and that instead of the many hundreds of indicators required by central government at that time there would be a single set of about 200 outcome based indicators covering national priorities such as climate change, social exclusion and anti-social behaviour. In addition, the white paper stated that a new assessment would be put in place which would build on the success of the Comprehensive Performance Assessment, called the Comprehensive Area Assessment.
- 1.3 The white paper stated that the new performance framework would:
- **Provide a better balance between national and local priorities**, with a drastic reduction in the number of national performance indicators and a revised Local Area Agreement (LAA) process through which central Government and local partners will agree and manage a limited number of improvement targets for each local area.
 - **Improve the arrangements for external assessment and inspection** so that they are better co-ordinated between the various inspectorates and related more proportionately to risk by reforming the current performance assessment arrangements for local government.
- 1.4 This report provides a view as to whether the ambitions of the components of the new national performance framework are being implemented and experienced.

2. LOCAL AREA AGREEMENT

- 2.1 The Local Government White Paper *Strong and Prosperous Communities* set out the vision to 'provide a better balance between national and local priorities (*through*) a revised Local Area Agreement (LAA) process through which central Government and local partners will agree and manage a limited number of improvement targets for each local area'. LAAs would, therefore, bring together national standards and priorities set by Government with local priorities informed by the vision and developed by the local authorities and their partners.
- 2.2 The DCLG produced guidance notes on the development of the new LAA framework in 2007 and stated that its ambition was to deepen local democracy, develop more citizen centred services, and promote stronger, more cohesive communities. It also said that reducing the burden of central

performance reporting, inspection and prescription about local services was essential in order to give greater scope for local choice and distinctiveness.

2.3 The DCLG guidance provided a commitment that the Audit Commission and other inspectorates would work jointly to co-ordinate their contributions to the LAA performance management cycle to:

- Conduct the CAA (taking account of intelligence from the LSPs' self assessments and Government Offices (GOs)), to include an independent assessment of the prospects for delivery of the LAA targets.
- Assess the quality of arrangements for data on which reporting depends (including financial data).
- Help to identify trends and issues that might cause a risk to performance or achieving outcomes as well as best practice etc (a role shared with others, including local authorities and their partners, Regional Improvement and Efficiency Partnerships, IDeA and other sectors' improvement bodies).
- Discuss the results of CAA with the GO to inform the improvement planning process in each area, including proposals for inspections where appropriate.
- Schedule and carry out necessary inspections for local authorities and partnerships, having regard to principles of proportionality and risk and therefore operating through the relevant inspectorate 'gate keeping' arrangements.

3. NATIONAL INDICATOR SET

3.1 The Local Government White Paper *Strong and Prosperous Communities* committed to 'provide a better balance between national and local priorities, with a drastic reduction in the number of national performance indicators'. The new set of streamlined indicators would reflect national priority outcomes for local authorities working alone or in partnership. The national indicators would be the only measures on which central Government would performance manage outcomes delivered by local government working alone or in partnership and would replace all other existing sets of indicators including Best Value Performance Indicators and Performance Assessment Framework indicators. They would strengthen the incentives for closer partnership working to deliver joined-up outcomes as they would apply (where relevant) to other local partners, such as Primary Care Trusts and the police. The new set of 198 national indicators was introduced in 2008.

4. COMPREHENSIVE AREA ASSESSMENT

4.1 The Local Government White Paper *Strong and Prosperous Communities* committed to 'improve the arrangements for external assessment and inspection so that they are better co-ordinated between the various inspectorates and related more proportionately to risk by reforming the current performance assessment arrangements for local government'. The introduction of the Comprehensive Area Assessment (CAA) was to be an area and outcomes-focussed assessment which put the views of local people at the heart of the assessment and which would reduce the burden of inspection and

assessment on councils and their partners. This ambition was confirmed in the Government's letter to the inspectorates commissioning them to develop the new assessment framework and it was also echoed by the inspectorates themselves in the final CAA Framework document. The CAA was introduced in April 2009 and formally replaced the Comprehensive Performance Assessment.

5. HAVE THE AMBITIONS IN THE WHITE PAPER BEEN DELIVERED?

- 5.1 The number of national indicators has been radically reduced, from around 1,200 that local authorities and their partners reported on at the time that the white paper was published, to 198 in the first year that the National Indicator Set was formally introduced (2008). The number of national indicators has been further reduced in 2010 to 164 (including sub-sets).
- 5.2 The National Indicator Set was intended to provide a key source of evidence about performance against outcomes and to be available to inform the CAA assessments. As it was, a number of indicators were technically defective or focussed on process rather than outcomes. Moreover around 43% of national indicators based on 2008/09 data were unavailable for consideration by CAA Leads before the inspectorates' 25th September 2009 evidence cut-off date for the CAA, potentially leading to the inspectorates looking for alternative local sources of data and adding to the perception of the burden of the CAA.
- 5.3 The Local Government Association gathered feedback from local authorities on their experience of the first year of the CAA and published their findings in January 2010 in the report 'CAA Evaluation: A Sector Perspective on Year 1'. Their findings are detailed below in paragraphs 5.4-5.11 and have been extracted from their report.
- 5.4 "Regarding the Area Assessment element of the CAA, in summary, the general experience appears to be that:
- The area assessment has focussed on the highest priorities for the area.
 - The area assessment has been reported against local priorities.
 - Councils' engagement with the new CAA lead officials has been positive.
 - CAA leads have provided sufficient levels of engagement and have kept councils informed about inspectorate thinking and their emerging judgments/serious concerns.
- but**
- The focus of the area assessment has been insufficiently forward looking.
 - Inspectorates have not generally planned and co-ordinated their collective activity in a way that manages (and minimises) the impact locally.
 - Experience of the inspectorates applying the COUNT principle to data and evidence collection has been variable.
 - A substantial minority do not believe that that the area assessment has been useful in driving improvement.

- Member involvement in the assessment and through the peer process has been superficial.
 - The burden of inspection has not been reduced as a consequence of CAA – with the Use of Resources assessment singled out as a specific cause for concern.
 - It does not yet appear that the respective roles of the inspectorates, government offices and RIEPs in monitoring and assessing performance and improvement support are becoming clearer".
- 5.5 A watch survey conducted in the autumn of 2009 showed that 19% of respondents agreed that the burden of inspection had been reduced, but that 65% disagreed.
- 5.6 The Organisational Assessment element of the CAA, comprises two elements – a Use of Resources assessment and a Managing Performance assessment. Despite retaining the same name there are a number of ways in which the Use of Resources assessment differs from its predecessor:
- It is a broader assessment embracing wider resource issues such as workforce planning and the use of natural resources.
 - There is a much greater focus on outcomes, achievements and value for money as opposed to process, with a much broader-based and strategic set of Key Lines of Enquiry (KLOE).
 - It is more demanding, requiring audited bodies to demonstrate excellent performance across the entire scope of the KLOE in order to achieve a score of level 4 and as a consequence it requires auditors to make rounded judgements against each KLOE based on all the evidence available to them – in contrast to a largely tick box approach.
- 5.7 Whilst some of these changes respond to the ambition set out in the white paper and commissioning letter they were to be delivered within an important constraint, that is without expanding the cost and burden. The commissioning letter was quite clear: "The use of resources judgements should be developed, without expanding the total cost and burden".
- 5.8 The inspectorates appeared to try to address this by signalling that they would take a proportionate approach to assessing the KLOE with not all KLOE being assessed each year (though in practice for county and single-tier councils 9 out of 10 KLOE were assessed for 09/10) and by applying a risk-based approach so that high performing organisations could expect to have significantly less work undertaken on the use of resources assessment than poorly performing organisations.
- 5.9 But this has not been councils' experience so far. Two out of three councils responding to the LGA's latest CAA watch survey reported that the Use of Resources assessment has become more burdensome than in previous years.
- 5.10 Summary of experience v ambition in relation to year 1 of the CAA:

Ambition	Experience
Area based	Yes – a definite shift in focus, but still some anecdotal evidence that the area assessment was too council focussed.
Outcomes focussed	Yes – but needs to be more forward looking.
Views of local people at the heart of the assessment	Oneplace is designed to be a tool for local people but it is unclear how the views of local people have informed the assessments other than through the Place Survey.
Reduce the burden – particularly for high performers	No evidence CAA has reduced the burden of inspection and assessment generally, or for high performers.
Better co-ordination between the inspectorates	Not yet delivered. CAA Leads have created the local mechanism for this co-ordination but the engagement of other inspectorates has been limited.
Proportionate to risk	Not delivered – same approach applied for each area and organisation.

- 5.11 Feedback from the sector has consistently indicated that councils do not perceive that CAA has led to a reduction in the burden of assessment and inspection. Reinforcing this anecdotal feedback, nearly two-thirds of respondents to the LGA's autumn 2009 CAA watch survey disagreed or strongly disagreed that the burden of inspection was being reduced as a consequence of CAA. Moreover over two-fifths (45%) of respondents said that compared to CPA their authority was spending more time on inspection-related activity, 23% said that they were spending about the same about of time and 25% said that they were spending less. Four fifths of respondents said they had done extra work to respond to CAA that they would not have done to manage their own performance.

6. CONCLUSION

- 6.1 The ambitions set out in the Strong and Prosperous Communities white paper in relation to the implementation of a simplified national performance management framework have in part been delivered, with a radical reduction in the number of national indicators reported on and an LAA framework tailored to delivering local priorities.
- 6.2 Two independent reports evaluating the impact and cost of the first year of the CAA have now been published. In response, the Audit Commission have issued their immediate priorities for year 2 of the CAA and have said that they will:
- Use the baseline of the first year assessments to ensure that their work in 2010 is risk-based and proportionate.
 - Improve joint working across inspectorates.
 - Improve the transparency of joint judgements and emerging findings.

- Reduce the administrative impact on LSPs of the process by agreeing efficient ways of sharing information with them once.
 - Ensure greater engagement of councillors in CAA.
 - Keep the Oneplace website up to date, making changes only where necessary.
- 6.3 An evaluation of year 2 of the CAA will, therefore, better demonstrate whether the benefits of reduced burden of inspection have been realised.