

driving improvement

**a new performance framework
for localities**

foreword

However we approach this issue – whether from the perspective of central government; local government; local public service providers; inspectors or regulators – our shared objective is to drive improvement in the delivery of public services and outcomes for local people. We believe, and research has borne out, that the current performance management framework hinders this drive. It focuses on assessment rather than improvement, encourages compliance rather than innovation – and it has become too burdensome.

We need a new framework consistent with the changes that are taking place in the way localities are governed, that engages people as citizens, customers and taxpayers and that rewards innovation, improvement and value for money services. This paper sets out LGA and IDeA proposals for a new framework. It builds on what we know about what makes for improvement and draws on the wide range of improvement levers available. If it is to succeed it will require commitment from Government; inspectors; statutory, private and voluntary sector partners; and local government itself. There is still much to do and the LGA and IDeA invite you to work with us in developing our proposals.

A handwritten signature in black ink, appearing to read 'Simon Milton', written in a cursive style.

Councillor Sir Simon Milton
Chairman of LGA Improvement Board

introduction and context

Minister or councillor, civil servant or council officer, service provider or inspector, we all share the same objective – to bring about better life chances for local people and local communities, to meet and raise their aspirations, by ensuring that local public services continue to improve, strive for excellence, provide value for money and are accountable to local people. Large city councils, small rural districts, shire counties, and unitaries all have a distinctive role in their locality – establishing clear ambitions, working with partners to achieve them, strengthening local public accountability and empowering local communities.

But how do we bring about and sustain this improvement?

Much has been written on the conditions for service improvement in the public and private sectors – and there is an on-going debate about the effectiveness of centrally imposed targets. Most recently, in an LGA commissioned study, the Tavistock Institute and Warwick Business School confirmed the key conditions for local government improvement include focused leadership; effective communications; meaningful engagement with partners, citizens, service users and staff; effective systems; robust people management; and critically, how the performance of local public services is managed.

And it is the nature of this performance management framework that sits at the heart of our shared objective.

Whilst inspection, and in its early incarnation CPA, succeeded in driving improvement by providing a stark reality check about councils' true performance, there is broad consensus across central and local government that the current regulatory regime has reached the limits of its capability to promote improvement and no longer works:

- the number (and sometimes competing nature of) national priorities, targets, plans and indicators hinders joined up delivery at the local level
- the inspection regime fosters compliance rather than improvement and innovation
- it has become too burdensome and resource intensive, both in terms of the direct costs of regulation and the costs of compliance.

In summary this 'top down' approach is overly focused on assessing where services are not delivering but does not generate the conditions for improvement at the frontline. There is a need for change.

The need for change is driven not just by the fact that the current system is too top down but critically also by the changing landscape of local governance and public services. A renewed focus on high quality local outcomes, understanding service supply markets and responsiveness to individual and community needs – as opposed to simply good service delivery – has shifted the agenda away from one focused on managing the performance of individual institutions towards one in which local public bodies must work in partnership across service boundaries. This changing landscape has already driven developments - perhaps most significantly the implementation of local area agreements that, at their most ambitious, could offer a real opportunity for local partners to agree a shared set of local priorities – to negotiate these with central government – and to deploy the totality of local public resources to meet them.

This changing landscape demands not only highly effective local partnerships but also a more effective interface between local governance and Whitehall. Localities need to be able to negotiate priorities in an all-embracing ‘single conversation’ with the centre and to be held accountable through a single performance management framework. Some progress has already been made in this direction.

Government Offices have acted as key brokers for government in their negotiations around local area agreements and an announcement was made last year to reduce the eleven existing inspectorates down to four – Criminal Justice; Children, Education and Skills; Adult social care and health; and a Local Services Inspectorate.

However we are seeking to inject more pace and ambition into this agenda. We need a new performance management framework which recognises a more intelligent approach to national target setting, engaging local government as an equal partner with their own accountabilities at the outset and resulting in a streamlined core of national targets which can then form the basis for joint discussion and agreement between the centre and localities shaping the activities of local partners. CSR 2007 provides an opportunity to move towards this smaller and more strategic set of national outcomes. Central and local government are committed to a new national performance framework. The new framework must be one that is grounded in an understanding of what makes for improvement and so helps councils and their partners to pursue their drive to improve local outcomes. It must be flexible enough to give incentives to high performing localities; create the space to encourage innovation; challenge any tendency to ‘coast’; and be robust in addressing poor performance or failure.

It must encourage a focus on citizens that reflects the diversity of communities' and individuals' needs in the 21st century. At a minimum it must have four key ambitions:

1. to provide citizens and stakeholders with an accurate picture of the quality and value for money of their local public services
2. to strengthen local people's ability to shape what local services are provided, and how they are delivered
3. to encourage improvement, innovation and best use of public money in designing services and their delivery
4. to reduce the burden of inspection and regulation and release this resource to support the delivery of front-line services.

This paper sets out our proposals for a new performance framework.

principles

In developing any new performance framework we need to build on what is good in the current system of inspection and regulation and make it even better. Critically (to paraphrase the Tavistock and Warwick review) this means moving beyond a system which is about achieving competence through managerial compliance with an externally imposed framework to one which is more about improving the life chances of individuals and communities. We believe the principles that should underpin the delivery of such a performance management framework are:

- locally steered and owned but independently validated and quality assured
- founded in better and more topical comparative information about service performance
- streamlined and less burdensome for all but tailored for local risk and need
- providing assurance that minimum standards of delivery are being met while driving improvement across the piece
- prioritising bottom up pressures from partners and citizens while accepting a role for national targets, audit and proportionate inspection
- allowing local flexibility while providing some degree of comparability for the public, councils themselves and Government.

our new framework – key elements

Based on the key principles outlined above we have developed a framework which comprises five key elements (set out diagrammatically opposite):

1. published annual assessment
2. periodic peer challenge
3. annual independent audit
4. streamlined inspection, proportionate to risk
5. sector led intervention.

These elements are not new and are already used in different ways within existing regulatory systems. However our proposals reconfigure the shape of these elements, the emphasis placed on each of them (based on an assessment of what ‘tools’ work best, where and why), how they come together in an overarching framework, and critically where responsibility for delivery ultimately lies. We recognise that this reconfiguration will need to look different depending upon risk and performance within a locality. For example, poorer performing localities could legitimately benefit from stronger peer challenge and inspection than those performing well.

At the core of the framework lie the agreed priorities of an area. These priorities should be locally negotiated and determined with any national priorities restricted to issues of inescapable national concern. It is delivery against these priorities that needs to be performance managed and to do this well means engaging effectively with citizens and customers.

Among other things this means making decisions on the nature and quality of local public services based on a robust understanding of local people’s wants and needs and ensuring their degree of satisfaction drives our assessment of how well we are doing. We have published separately an advice paper “Putting the customer first?” highlighting the critical factors in successful customer led performance management and are exploring how we can develop better measures of customer satisfaction appropriate to local public services.

Effective engagement with citizens and customers also means ensuring there are appropriate mechanisms to enable their scrutiny and challenge of performance that go beyond satisfaction measures. These mechanisms need not stand-alone and we set out below some initial proposals for how they can run through all elements of the framework. We will be seeking to develop this thinking in the coming months.



annual assessment

An annual assessment undertaken by local authorities and local partners represents one of the two central planks of our proposals. This assessment will combine external indicators and judgements with an independently moderated self assessment and seeks to:

- provide assurance that local priorities and national minimum standards are being met
- stimulate a mature dialogue between partners and with local people about local performance and future objectives
- identify areas for improvement.

The rationale for using a self assessment approach is clear:

- Many industries both in the UK and globally have achieved improvement through sector-led frameworks for regulation. Research conducted by the Organisation for Economic Co-operation and Development (OECD) confirms that this method is an effective and flexible tool for guaranteeing standards across a range of industries.
- Self assessment has been recognised across the piece by inspectorates who have given it a much stronger role within the current inspection arrangements in schools and colleges, councils and the health sector.

- Self assessment has been proved to be an effective improvement tool within local government. In three surveys the LGA has undertaken on the impact of inspection, self assessment is overwhelmingly cited as the most useful element in driving improvement.

The key benefits of self assessment identified from discussions with authorities and the regulators include providing an opportunity to:

- take stock: identifying the gap between where an authority is and where it wants to be
- build self awareness: providing a clear understanding of strengths and weaknesses
- plan for improvement: identifying an agenda for improvement
- engender local ownership: developing wide acceptance of the results of the assessment and next steps.

However we also recognise the potential risks of self assessment – most obviously the potential lack of external challenge to a place ‘in denial’. The proposed annual assessment needs therefore to ensure an appropriate degree of external scrutiny and challenge within. It also should not be seen as the only ‘tool in the box’ but rather be seen as going ‘hand in hand’ with the other elements within the framework.

The key features of our proposed annual assessment are set out opposite.

key features

published assessment

a common strategic assessment framework through which the locality can assess delivery of its priorities agreed through an ambitious local area agreement

robust evidence base, including finance and probity audits

audited and comparable performance data including a streamlined core of national targets, locally developed targets and indicators, and better measures of customer satisfaction

engagement of partners and sector peers in the assessment process

engagement of local people in the assessment process – with the published assessment providing an opportunity to hold the council and local partners to account

periodic peer challenge

The other central plank of our proposals is a periodic peer challenge of the annual assessment. An annual assessment followed by periodic peer challenge is not too far away from the Healthcare Commission's 'Assessment for Improvement' proposals which will require health trusts to make regular public declarations on the extent to which their organisation meets core standards (these declarations are expected to include views of patients and partners in the local health community) after which the Commission carry out spot checks covering 20 per cent of NHS trusts.

The peer challenge will:

- ensure that the annual assessment is evidence-based and robust
- support improvement by probing areas of weakness identified by the annual assessment
- provide a source of information for the sector about good practice and under performance.

We believe that peer challenge is an effective mechanism for guaranteeing quality and performance and promoting improvement. Peers have been widely used in a variety of industries; they feature as one of the key elements of the Best Value regime and the IDeA's successful peer review programme has become a well-established and effective means of securing external challenge for many councils.

Our proposals for a robust peer challenge differ from the existing peer review process in two key ways: peer challenge will focus on performance against local priorities, peer review, on the other hand, assesses an authority against the benchmark of an ideal authority; peer challenge will draw on a wider pool of peers from across all sectors, peer review draw on peers predominantly from local government.

The key features of our proposed peer challenge are set out opposite.

key features

publicly reported

peer challenge of the annual assessment of performance against local priorities – focussing primarily on governance and corporate capacity issues

challenge to:

- test the evidence base used in the assessment
 - test the scope and ambitions of partners in delivering local priorities
 - probe areas of weak performance and recommend improvement activity
-

'challenge' provided by robust peer teams drawn from local politicians, local government practitioners, and partner organisations

proportionate and risk-based – i.e. focussing on those localities where the annual assessment indicates problems – supplemented by random sampling

streamlined inspection, proportionate to risk

External inspection and audit are essential components in driving accountability of local public services and our framework recognises a legitimate role for both.

We believe inspection should:

- provide assurance and specialist challenge in areas of high risk and high impact of failure
- be a source of evidence to inform the annual assessment and peer challenge.

Our proposals address issues raised as part of the well rehearsed debate on the need for inspection to change. There is too much inspection and the costs and burdens now outweigh the benefits. The total costs of all public services inspectorates increased from £250 million in 1997 to over £550 million in 2002-03¹. The costs to councils are also significant – councils conservatively estimate that they spend in the order of £100 million per annum responding to inspectors' needs. In addition the current regime of inspection is fragmented with no common approach to inspection adopted across public services – and the creation of four 'super inspectorates' in itself is unlikely to change that. We believe that a common approach is necessary if the inspection landscape is to be effectively streamlined.

¹ This figure might fall as a result of the merger of the eleven current inspectorates into four bodies.

The Government accepts the principle that inspection should be 'proportionate to risk' but no consensus has been reached on a definition of risk. We are proposing that inspection resources should be concentrated solely on areas where public safety is an issue and where failure in performance could cause loss or harm to end users who rely on services. It is in precisely these sorts of areas that inspection first originated in the mid-19th century. These are areas where citizens and users have a legitimate right to expect certain minimum standards and where independent, professional challenge is the best way of ensuring these standards are met.

Such areas could include:

- services to vulnerable individuals
- residential settings for people of all ages, including foster care
- schools and other educational settings for vulnerable children and young people
- criminal justice situations where there may be a need for assurance that people's safety and human rights will be secure.

Under our proposals, corporate inspections – such as the Audit Commission's corporate assessment of local authorities – would not take place as a matter of routine but would only happen – if at all – under those circumstances where poor performance cannot be addressed through locally driven pressures i.e. used as a tool of 'last resort'. The key features of inspection are set out opposite.

key features

publicly reported

one tool in tool box but not predominant one

common approach adopted across public services

streamlined and proportionate to risk, providing assurance that minimum standards are being met

independent scrutiny and challenge in:

- high risk areas where risk and impact of failure high
 - where complex outcomes are sought and demonstration of improvement difficult through targets, data and performance indicators
-

corporate inspection only where local pressures fail

inspection evidence to inform annual assessments and peer challenges

annual audit – safeguarding standards and public money

Our framework recognises the legitimate role of external audit in providing assurance to taxpayers that public money is safeguarded, that public business is properly conducted and that services provide value for money. External audit has had wide and legitimate powers to hold elected representatives to account for over 150 years and we are not proposing any change to that.

The principles that underpin the current audit arrangements help secure and maintain high standards and transparency of probity and accounting and need to form part of our proposals. These principles are:

- the independence of public sector auditors from the organisations being audited and from government
- the wide scope of public audit – including financial audit, value for money and wider aspects of the conduct of public business
- a consistent approach to audit across public services
- the ability of public auditors to make the results of their audits available to the public.

Under our proposals we are envisaging that the annual audit would be made up of three key strands:

1. the audit of the financial statement and associated legality and probity work
2. the annual use of resources statement (introduced for local authorities by the Audit Commission in 2005) which should highlight in particular the degree to which value for money is being provided. This should explicitly recognise the importance of the citizen as a taxpayer
3. independently audited performance data to include a streamlined core of national indicators, a wider core of locality based performance indicators, and better measures of customer satisfaction.

The key features of audit are set out opposite.

key features

publicly reported

consistently applied across public services

independent annual audit to ensure financial standing, probity and value for money

audited performance data

audit evidence to inform annual assessments and peer challenges

sector-led intervention

Any new performance framework needs to be able to give assurance that localities are performing effectively, and where they are not, to have in place robust processes to address this. Taken separately and together, the annual assessment, peer challenge, inspection and audit provide routes both to identifying underperformance and routes to helping ensure this underperformance is addressed. But we recognise that there may also be a need for further tailored intervention where problems and challenges facing localities are complex and entrenched. This intervention should be capable of:

- raising standards across localities
- identifying poor performance quickly and addressing it robustly and appropriately.

Central government has developed a formal engagement process with poorly performing authorities. The key features of this process include the appointment of a government lead official and the setting up of a central monitoring board. In this process lead officials report directly to government officials and Ministers about progress against centrally approved priorities, often involving a high degree of scrutiny of the local improvement process.

This current system of intervention is too centrally driven and, as such, falls foul of the disbenefits of an overly top down performance management approach outlined before. We believe the sector is now well positioned to own and drive any intervention:

- the infrastructure of local improvement partnerships is developing in many areas
- IDeA regional associates are in place across all regions
- a range of innovative, well established approaches – from individual support through to the ‘harder edged’ outcomes based contracts – exist, such as peer review, peer mentoring, franchising, and twinning
- there is a greater willingness amongst councils to offer and receive peer support and challenge, interim managers or political mentors.

In order to provide clarity to local authorities, central government, partners and local people, we are currently developing a framework for sector-led intervention that would set out transparent processes for tackling underperformance. Our intervention ‘package’ needs to build on the success of what already exists but critically ensure responsibility for delivery is transferred to the local government sector. We will be developing this further in the coming months, particularly looking at strengthening the capacity of the sector to lead, broker and deliver intervention, and crystallising incentives for councils to provide peer support and challenge. The key features of our approach to sector-led intervention are set out opposite.

key features

triggered by annual assessment, peer challenge, inspection and/or audit – either individually, taken together or based on developing trends over time

clear opportunities to address own poor performance first

intervention proportionate to scale and nature of challenge

intervention proportionate to commitment to improve

range of approaches to support individuals, organisations and partnerships through both informal, formal and contractual routes

clear incentives to participate such as enhanced capacity building support

clear sanctions including ultimate referral to Secretary of State

Case Study

Local government is increasingly looking within the sector to find improved ways of delivering high quality services. For three years, Swindon Borough Council struggled to raise the standard of the social care it provided to both children and adults. During that time, the council's social services were judged to be at the very lowest level of performance – no stars.

Swindon recognised the need for a radical change if it was going to improve significantly the quality of services for local people. The council entered into an innovative partnership with Kent County Council in October 2004 to transform its social care services over three years, taking it from no to two stars. Local Government Franchising is a new improvement model, created by Kent County Council, which matches a high performing authority, like Kent, with one struggling in a particular service area. It allows for the transfer of skills, expertise and effective systems. Through intensive support – linked to ambitious targets and outcomes – the partnership between Kent and Swindon promised to deliver results quickly that will make a real difference to the quality of life for local people. A year later, Swindon's improved social services was recognised with the award of a one star rating, with promising prospects for further improvement in adult social care. The council is now firmly on target to gain a second star within two years, delivering better social care services to all local people.

delivering this new framework

Our proposal will deliver a number of important benefits:

- it empowers citizens and customers, through the annual assessment and peer challenge, so that they are able to shape the activities of local partners and the services they provide and provides a mechanism for holding them to account
- it releases resources for front line services by rolling back the current regulatory regime
- it focuses inspection where it can be most effective in providing assurance
- it supports further improvement in localities by exploiting and drawing on the tools that make for sustained improvement.

But if these benefits are to be realised then we need to radically reshape the current arrangements. This has implications for councils; the local government sector as a whole; Government, its regulators and local partners. It will not happen without their and our commitment.

For each council we seek a commitment to:

1. work with partners to improve local outcomes by setting stretching local priorities and targets – based on comprehensive and current knowledge of local people's needs both now and in the future
2. embed transparent, customer-focused performance management processes, including better, more up to date, information about service performance

3. undertake, with partners, an annual assessment of performance against locally agreed priorities – including public reporting of performance against a streamlined core of national targets and better customer satisfaction measures
4. seek external peer challenge – involving peer councillors and officers and including peers from citizens, the public, private and voluntary sectors and international arenas where appropriate
5. accept the continuing value of annual audit in order to ensure probity and value for money
6. accept a necessary role for proportionate inspection, specifically in certain high risk areas
7. deal swiftly and rigorously with under performance and contribute resource in order to undertake peer challenges and interventions.

At a national level, local government would need to commit to:

1. developing and maintaining a sector wide improvement and regulation framework, including the use of standardised, externally validated, customer feedback mechanisms
2. ensuring mechanisms for external independent validation of the framework

3. addressing failure by councils to engage with the framework
4. tackling poor performance, whether corporate or service – for example by brokering appropriate engagement with councils and/or by directing our own capacity building efforts to where they have best effect
5. significantly growing the capacity of the sector to intervene effectively in cases of poor performance
6. presenting a national picture of improving local outcomes and of local people getting the services they want, need and expect.

From central government we seek a commitment to:

1. develop cross departmental trust and confidence in localities' capacity to deliver based on rigorous self-improvement (including tackling under performance) and local standard-setting with related performance management that is transparent to central government as well as to local people
2. understand how and where national targets can be intelligently used and so negotiate and agree a small number of national outcomes, targets, and minimum standards that reflect issues of indisputable national concern
3. negotiate and agree a smaller number of high risk areas where inspection is a 'must', leaving other inspections to be triggered through individual or collective local action and ensure this approach is reflected in the ways in which the four new inspectorates will work
4. encourage a mature debate with the new inspectorates about developing a common approach to inspection and to put in place robust mechanisms for coordinating inspection
5. joint fund the development of the new framework as well as continued commitment to capacity building
6. consider ways of incentivising participation which might build on mechanisms such as the reward grant process used in LPSAs
7. support a piloting process to test key elements of the new framework in advance of wider roll-out.

seeking your views

We have set out above our developing proposals for a new performance framework for localities. Much of this is work in progress and we shall look to develop our thinking here in the coming months with particular regard to inputting to thinking around the anticipated local government white paper.

We have been grateful for the input we have already received from councillors, practitioners, the inspectorates and Government officials and would welcome your observations and comments on our proposals – both generally – and in relation to the following specific questions:

1. Are there any obvious gaps in our proposed framework or specific areas you would like to see strengthened or developed in order to deliver a robust and rigorous set of proposals?
2. Recognising that the approach will need to be proportionate to risk and performance, does the overall balance between the different elements look about right?
3. We believe the sector is mature and confident enough to tackle its own poor performance. Do you agree with this and do our proposals seem credible?
4. We believe this approach will be less burdensome to operate and more sustainable. Do you agree?
5. We believe there are real benefits to be gained in a locally owned performance management approach such as this. Do you believe there are sufficient incentives in the framework to drive improvement? Is there anything further you would seek?
6. Would you be willing to work with us in developing these proposals – see next steps set out opposite.

Please respond by 3 April 2006 to:

info@lga.gov.uk
telephone 020 7664 3131

Further copies of this paper are available for download at www.idea.gov.uk/performanceframework and at www.lga.gov.uk

next steps

We are continuing to develop key aspects of the new framework and over the coming months will be:

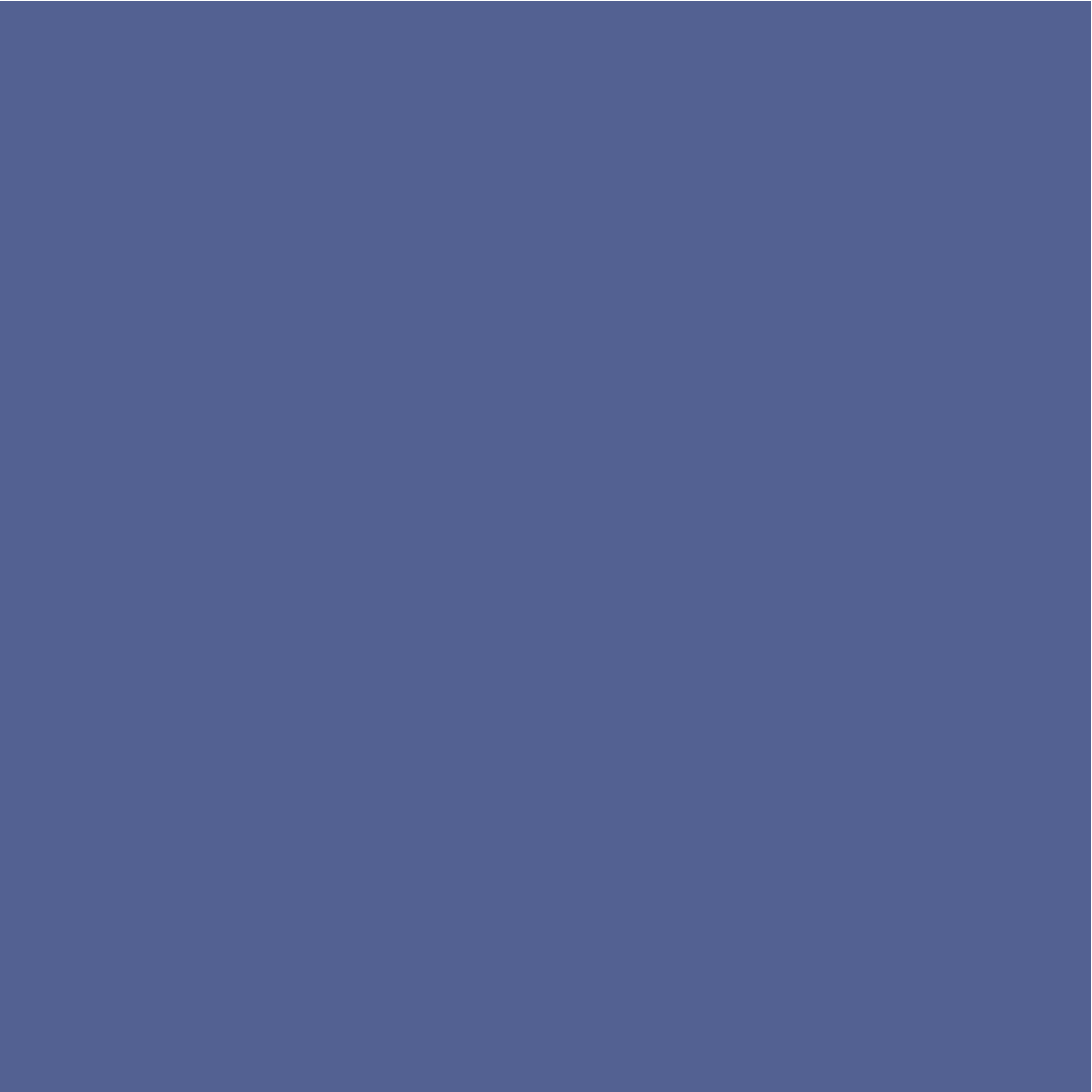
- engaging more widely with local government, Government Departments and other key national and local stakeholders to ensure proposals are placed in broader context of public service change.

Specifically we will be seeking to:

- negotiate a more intelligent approach to national target setting and a smaller number of national targets as part of the CSR07
- develop a consensus with government and regulators on a common approach to inspection and use this thinking to inform our lobbying on the development of the four new inspectorates
- build on existing developments around the strategic annual assessment framework
- identify a core data set that all councils should collect locally and be subject to annual audit, including better measures of customer satisfaction
- pursue creative approaches to engaging citizens and users in scrutinising and challenging local performance

- pursue creative approaches to develop the sector's capacity to undertake peer challenges and interventions
- develop clear processes and protocols for the sector to intervene where there is poor performance.





Improvement and Development Agency
for local government

76-86 Turnmill St
London, EC1M 5LG

telephone 020 7296 6600
info@idea.gov.uk
www.idea.gov.uk

Local Government Association

Local Government House
Smith Square
London, SW1P 3HZ

telephone 020 7664 3131
info@lga.gov.uk
www.lga.gov.uk

Printed on paper made from
100% chlorine free pulp from
sustainable forests.

IDeA IDT 1414
February 2006