

Summary

NLGN believes that the Audit Commission's proposed Comprehensive Area Assessment (CAA) is an ambitious attempt to fit a performance framework around an unfinished local democratic structure. We applaud their attempt to move towards a more holistic 'place-shaping' approach.

However, the inconsistencies apparent within the initial CAA proposals expose the confused environment within which councils have to operate currently. Local authorities have insufficient influence over the actions and performance of partner organisations to make assessment of area outcomes a reasonable expectation. Accordingly, councils may feel reluctant to be assessed on outcomes across their area.

Although local authorities have been encouraged to place-shape, the functional changes to enable a new model of locally-determined services have not been followed through to their logical conclusion.

Therefore, in seeking to design a detailed framework around the ideals embodied in the Local Government White Paper it is apparent that the Audit Commission has struggled to marry the expectations of a localised system with those of a continued centralised and bureaucratic state system. There are limits to the power of the Audit Commission on this point – clearly there is a need for deeper reform across Whitehall.

The New Local Government Network recommends that Government reform local democracy to empower councils to offer a multi-functional democratic oversight of public services across the local place. Among other changes to the framework, NLGN believes that the CAA should include provision to pilot multi-functional management of police and health services through local authorities.

1 Introduction

Few would disagree that public services need proper regulation and assessment. As the role of local government has expanded, the burden of performance assessments has also grown. However, assessment frameworks must contribute more than this. First, public services must be accountable to the public. Second, those who provide the services must also ensure that what they offer is continually improved.

There has been widespread acknowledgement of the part played by the Comprehensive Performance Assessment (CPA) in improving local government services across England over the last decade.¹ Results in February 2008 have shown an improved performance once again.²

Under the CPA, improvements in service standards have been driven through a central target-based apparatus. Despite this, there has been a growing groundswell of interest in exploring an alternative framework which better harnesses the emphasis on joined-up service outcomes and which allows for local discretion to respond to local challenges.³ The CPA has been criticised for being too burdensome and preoccupied with managerial processes and national targets.

Central to the debate is the question: how can a new performance framework operate in harmony with the new emphasis on citizen focus, local discretion and place-shaping across the local area?

¹ James Downe, Clive Grace, Steve Martin & Sandra Nutley, 'Performance Regimes in England, Scotland and Wales', *Comparing for Improvement* (SFI, July 2007), p.9; See also the reluctant admission in 'Local Government needs to "Grow Up"', *Public Service*, 29 June 2007.

² 'Whitehall officials have a lot to learn from their town hall counterparts', *The Times*, 7th February 2008.

³ See for instance Howard Davis et al, *The Changing role of Audit Commission Inspection of local government* (Joseph Rowntree Foundation, November 2004)

2 *Why a new framework is needed: Integrating the emerging dynamic of place-shaping*

All performance frameworks have a shelf-life. But, the CPA needs more than superficial refreshing. New challenges within the sector have rendered the current CPA unfit for purpose.

The Government's Strong and Prosperous Communities (2006) held out wide-ranging changes to the way that local government operates. It proposed giving local people greater opportunity to influence the way that services are run, promoted the community leadership role of councils and encouraged them to lead delivery of local services through partners. A consensus has emerged that improvement must consist of better outcomes for citizens at the local level.⁴ Both the Local Government White Paper and the Lyons report have shifted the focus from processes to outcomes for local communities, and from service-led delivery to joined-up services at the local level.⁵ Services must be designed around the user not around professions. The principal goal, as set out by the Comprehensive Spending Review, is therefore not about who delivers or how, but what is received by the citizen.⁶

At the core of the vision was the White Paper's definition of a 'place-shaping' function for local authorities, of councils providing community leadership and driving services across the area. The Government promised that it would "put in place a new framework for strategic leadership in local areas".⁷ This was a convincing ideal which has subsequently been embraced by large sections of the local government community.

⁴ Future Services Network, *From Rhetoric to Reality: engaging users in public services*, p.19; Minutes of LGA Improvement Board, 23 May 2007.

⁵ Sir Michael Lyons, *Lyons Inquiry into Local Government, Place-shaping: a shared ambition for the future of local government* (March 2007), p.3.

⁶ HMSO, *Service Transformation Agreement* (October 2007), p.3.

⁷ ODPM, *Strong and prosperous communities - The Local Government White Paper*, (2006), Vol.1, p.10.

The Local Government and Public Involvement in Health Act has set out a “duty to cooperate” on public bodies.⁸ Realities of service provision also demand that councils and its partners must work closely together to serve the customer.

If place-shaping represents an implicit first move towards local democratisation, then local authorities must be encouraged and enabled to effectively shape outcomes across their areas. The White Paper set out an expectation that this new emphasis on place-shaping would require a new type of assessment framework.⁹

Place-shaping has been a natural and organic force for the democratization of services at the local level. The central issue is how an assessment framework can meet the expectations initiated by the place-shaping agenda? Has the Audit Commission been able to design a framework in accordance with the conditions or is the prevailing climate too inhospitable? Has it really succeeded in putting “area” into the Comprehensive Area Assessment? The second question is whether the functional changes necessary to underpin a logical emphasis on local place and local services are in place to facilitate place shaping as a function of democratization rather than simply rhetorical positioning.

⁸ DCLG, *Creating Strong, Safe and Prosperous Communities Statutory Guidance: Draft for Consultation* (December 2007), pp.44-7.

⁹ ODPM, *Strong and prosperous communities - The Local Government White Paper*, (2006), Paras. 2.21-2.22.

3 *The Audit Commission's proposals*

In April 2007, the Audit Commission published a discussion paper setting out the values that should underpin the new assessment framework. It highlighted that it must be:¹⁰

- relevant to local people
- area and outcome focused
- constructive and forward-looking
- joint and participative

Although these underlying assumptions were broadly welcomed, as the LGA noted in May 2007, "it is difficult to disagree with the very high level ambition the vision expresses."¹¹

Overview of Proposed CAA

Together with the other inspection agencies, the Audit Commission has subsequently developed these themes in more detail.

A framework has been set out around four key assessments:

For areas

- a joint-inspectorate annual area risk assessment
- reporting of comparative performance on the new national indicator set

10 Audit Commission, *The Evolution of Regulation, Comprehensive Area Assessment and the changing face of public service improvement* (April 2007), p.7.

11 Minutes of LGA, Improvement Board, 23 May 2007.

For councils

- a joint inspectorate annual direction of travel assessment
- an annual use of resources assessment

But does this framework really embody the defining philosophy of putting “the experience and needs of local people at the centre of the new assessment framework”?¹²

12 Audit Commission, *Comprehensive Area Assessment*, November 2007

4 *New emphasis on local public services*

A number of key suggestions in the Audit Commission's paper and in Government announcements propose a less centralised and more localised approach in sympathy with the move to the new agenda of local service delivery.

National Targets

A Government task force noted earlier this year that councils have to report between 600 and 1,200 pieces of information to government.¹³ Subsequently, the Government has reduced the number of national targets significantly to a total of 198.¹⁴ Local Area Agreements would include up to 35 of these targets. These would be linked to achievement on 30 Public Service Agreements.

The Burden of Inspection

The burden of inspection is to be decreased, with rolling inspection to become the exception not the norm. The Audit Commission is committed to cutting the cost of inspection by 30 per cent.

More joint inspectorates

The Audit Commission has been faithful to its promise to have a joint and participative approach with other national agencies, including the police and health agencies. By working together, duplication would be reduced and common understandings would be established.¹⁵

¹³ Lifting the Burdens Task Force, *13 steps to reduce performance management burdens* (March 2007), p.3.

¹⁴ DCLG, *The New Performance Framework for Local Authorities and Local Authority Partnerships: Single Set of National Indicators* (October 2007)

¹⁵ Audit Commission, *Use of Resources 2009* (November 2007), p.3.

More regular user surveys

The Place Survey will take place annually rather than the current three-yearly customer satisfaction survey.

5 *Underlying obstacles on the route to local democracy*

Despite setting out these valid reforms, the Audit Commission has struggled to marry the move to local autonomy implicit in place-shaping with the expectations of central Government. Behind the general inconsistencies in these proposals lie more complex paradoxes:

- 1.** Can a performance framework logically audit institutions when outcomes across the area are the key criteria.
- 2.** Is the Audit Commission getting sufficient Whitehall buy-in to enable it to present and develop a coherent framework that promotes local solutions?

The Complexities of Assessing Places

Influencing and moulding service outcomes was the goal set out by Government and the concept taken up by local authorities as a coherent route to localised services. However, it is apparent from the Audit Commission's proposals that practical changes are not yet in place to give local authorities the leadership capacity to shape public services across the local area through influence rather than control.

In the first place, the Audit Commission's proposals are caught between assessment of areas and assessment of institutions. In the proposed CAA, an annual Area Risk Assessment (ARA) would not be scored. At the same time, councils as institutions would be scored on their direction of travel, would have their performance against national targets published and would be marked on how well they use their resources. Under such a framework service outcomes across the 'place' would not be considered the fundamental criteria. This is an incoherent approach that exposes a continued schizophrenia over national, local area or institutional targets. We believe that the Audit Commission's aspiration to enable place-shaping and assess areas

to be laudable. However, we also believe that without reform from central government any such assessment of place could be dysfunctional.

Concern has been expressed by councils at their inability to shape how services are delivered at the local level. The LGA is uneasy that local authorities may “get the blame” for a low risk score, even if it is due to the poor performance of their partners.¹⁶ Other commentators have expressed fear that local government could “carry the can” for the failure of other delivery agents,¹⁷ and that assessments of areas would be “a bit like a ringmaster being asked to manage the circus without a stool or a whip”.¹⁸

Such reticence is unsurprising given the insufficient influence that local authorities have over the actions and performance of partner organisations. These reactions to the proposed framework from local authorities illustrate the nebulous environment within which the Audit Commission is being asked to define a framework. Although the box has been opened and local authorities have been encouraged to place-shape, the functional changes to enable a new model of locally-determined services to materialise have not been followed through.

Recent reports have called for local authorities to be given greater jurisdiction over failing PCTs in order to ensure that local outcomes in health can be improved.¹⁹ NLGN research has also demonstrated that by aligning boundaries and incorporating responsibility within democratically elected local councils, rather than separate police authorities, community safety could be established more coherently around local priorities.²⁰

Conservative Party suggestions that police authorities should have separate elections to bolster their accountability threaten to fragment local democracy, distort lines of accountability and fail to align local priorities. This

16 Heather Jameson, 'Stars drop out in new assessment regime', *MJ*, 22 November 2007.

17 Dan Drillsma-Milgrom, 'A Tale of two assessments', *LGC*, 29 November 2007.

18 'Staff 'don't count' under CAA claim', *Municipal Journal*, 28 November 2007.

19 Anthony Brand, *Your Police or Mine? Delivering local police leadership* (NLGN, November 2007); Victoria Barbary, *Primary Care Trusts: Tailoring commissioning* (NLGN, June 2007); <http://www.lga.gov.uk/lga/core/page.do?pageId=41507>.

20 Brand, *Your Police or Mine?*

would be true of either directly-elected police authorities or elected sheriffs along the USA model.²¹

Instead, local authorities must be empowered to oversee a multi-functional democratic management of local public services.

Place-shaping is a first step on the route to localisation of service delivery; it is also a logical route to genuine democratisation of services. Central government must enable this functional change so that the Audit Commission can design an assessment around a localised system.

Devolving decision-making to local people

Underlying this is a further question mark over whether central Government has reformed its processes and expectations of local government in line with its rhetoric and vision for service delivery. Whitehall reforms are necessary to facilitate local decisions across the country. So far it is not clear that the necessary reforms have taken place.

There is little indication that the Government has rolled back its centralised targets sufficiently to empower local decision-makers. The Government has reduced national targets on councils significantly to 198. However, more than one piece of information – and at times as many as twelve separate pieces of data – is required to demonstrate compliance with some of the targets.²² There have been frequent criticisms that central government targets and initiatives distort local priorities.²³ National performance framework targets fail to take into account local needs and distort the focus of police activity in some areas.²⁴ Conversely, the *Review of Policing* carried out by Sir Ronnie Flanagan found that policing must “enable local people to have a real role in setting policing priorities”.²⁵ As Flanagan noted in his interim review, “Police

21 Brand, *Your Police or Mine?*

22 *LGA Response on National Indicator Set*, 21 December 2007.

23 ‘Police chief to attack crime target “shambles”’, *Daily Telegraph*, 7 September 2007.

24 Brand, *Your Place or Mine*, p.8.

25 Brand, *Your Place or Mine*, p.11.

practitioners say they are often deployed to address the issues on which they are measured and these are, mostly centrally driven, and may not always match local concerns.”²⁶

The contradictory situation is well summed up in the ‘Place Survey’. Under the CAA, this new national survey of public views on local services would represent the principal involvement of the citizen.²⁷ Certainly of concern is the low profile of this user input: it features as just one of six contributors to the ARA, alongside “briefings from the Government Office” and self-assessment.²⁸ Although an improvement on three-yearly best-value satisfaction surveys, the Place Survey does not represent the far-reaching and interactive conversation between citizen and local authority necessary to spur improved services.

Equally concerning, the survey would contain only generic questions that would feature as part of the National Indicator Set and would not be open to local discretion.²⁹ It is unclear why these targets should be associated with government department targets rather than those defined through the Local Area Agreement.

Despite repeated calls for local agencies to respond to local problems rather than central targets stipulating specific types of crime,³⁰ central government departments seem unready to hand autonomy over for priorities to be decided at the local level. For instance, Question 16 “How much of a problem are people using or dealing with drugs?” is a matter principally under the jurisdiction of the police rather than local authorities and appears to predetermine local crime reduction priorities.³¹

It is disheartening that the Government is unready to devolve decision-making on this issue. Many of the questions are so specific that they are

26 Sir Ronnie Flanagan, *The Review of Policing: Interim Report* (September 2007), pp.42-3.

27 DCLG, *The New Place Survey: consultation* (December 2007), p.21.

28 DCLG, *The New Place Survey: consultation* (December 2007).

29 DCLG, *The New Place Survey: consultation* (December 2007), pp.5-16.

30 Sir Ronnie Flanagan, *The Review of Policing: Final Report* (February 2008), p.21.

31 DCLG, *The New Place Survey: consultation* (December 2007).

likely to cut across the bows of other performance agencies and targets. They may also run contrary to targets set in Local Area Agreements.

Ironically, Question 4 “To what extent do you agree or disagree that you can influence decisions affecting your local area?” is perhaps one that Government should be asking itself as well as local residents.

A further manifestation of this centralisation is the continued reliance on ring-fenced funding. There have been specific attempts to move away from stipulated grants. The Concordat, signed by Sir Simon Milton on behalf of the LGA and Hazel Blears on behalf of DCLG, set out that central government would reduce ring-fenced funding to free up local government to act in accordance with local needs and wishes.³² The Local Government funding settlement also sought to reduce specific grants. However, central government departments are still seeking to circumvent local decision-making and prescribe the types of outcomes that people want.³³

Finally, the Key Lines of Enquiry demonstrate that central government departments have hardly lessened their expectations in the new environment and continue to seek to define improvement. The Audit Commission talks of placing greater emphasis on outcomes for local people “with less focus on processes”.³⁴ It is not apparent how this can be achieved by extending the scope of the Use of Resources Assessment (UoR). Under the proposals the UoR would be broadened out to:³⁵

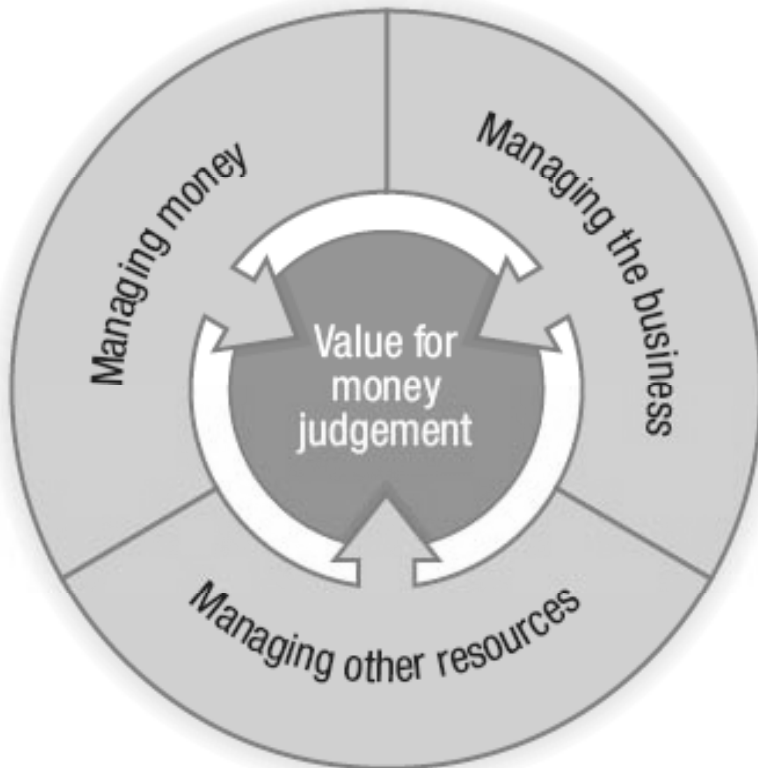
- “managing money” – including a greater emphasis on value for money
- “managing the business” – including a new remit to assess commissioning and procurement
- “managing other resources” – including people IT and natural resources

³² <http://new.lga.gov.uk/lga/aio/40678>

³³ For instance, see the grant to the School Food Trust. <http://www.schoolfoodtrust.org.uk/content.asp?ContentId=596#one>

³⁴ Audit Commission, *Use of Resources 2009* (November 2007), p.20.

³⁵ Audit Commission, *Use of Resources 2009* (November 2007), p.3, 11, passim.

Figure 1: Use of Resources Assessment

Again, at the superficial level, this is simply an inconsistency within the audit framework. On closer inspection, it can be traced to central government expectations and the fact that they undermine the emphasis on outcomes across the local 'place'. New requirements for councils to demonstrate they have "a skilled, productive workforce", and use "technology to support transformational change of services"³⁶ threaten to distort focus away from local to national priorities and from outcomes to processes. Local government would be measured and scored on whether it follows national guidance on

36 Audit Commission, *Consultation: use of resources assessment 2008/09* (November 2007).

the commissioning and design of services.³⁷ Local authorities would also be judged on how they abide by best practice in managing and utilising assets to deliver the greatest community benefit. In other cases, the Key Lines of Enquiry hide poorly camouflaged national targets. There is undoubted merit in encouraging councils to use their natural resources sustainably, but this happens already through the National Indicator Set and Public Service Agreements (PSAs). The fourteen NIs (185 to 198) and four PSAs (27, 28, 29 and 30) cover this requirement adequately.³⁸ It is not appropriate for the audit process to be hijacked for further national targets such as “use of natural resources”.³⁹

These inconsistencies reveal a framework over which central government departments and fiefdoms continue to hold sway. If the Government were to retreat from the frontline and direct broader national strategy then local discretion could prevail. The new framework seems unable to challenge the oligarchy of the inspectorate bodies or parent departments.

37 Audit Commission, *Use of Resources 2009* (November 2007), p.12.

38 HM Treasury & DCLG, *The New Performance Framework for Local Authorities & Local Authority Partnerships: Single Set of National Indicators* (October 2007).

39 Audit Commission, *Consultation: Use of Resources assessment 2008/09 [Key Lines of Enquiry]* (November 2007), p.17.

6 *Conclusions and recommendations*

The Audit Commission's proposed Comprehensive Area Assessment is a symptom of Whitehall's incomplete approach to place-shaping and local democracy. Quite rightly, local authorities are encouraged to place-shape and Local Area Agreements are championed as the delivery vehicle *par excellence*. However, insufficient local autonomy and authority has been devolved to enable these to function as they should.

It is these inconsistencies that explain why the proposed CAA would at once assess institutions as well as areas and processes as well as outcomes.

The place-shaping agenda has been embraced as a positive concept by local government. Central government should consider what part it must play to make it a reality. It is becoming a pressing concern – exemplified by the paradoxical climate within which the Audit Commission has had to draw up these proposals – that central government needs to help complete the process of local democratisation initiated through the place-shaping agenda.

So what is needed to enable a coherent framework that can assess places and empower local authorities to shape service outcomes? To enable this there must be reforms in two key areas:

Reforms of local areas

- **Complete the democratisation process** and hand over power to councils to agree outcomes across their local areas. Where institutions are failing to deliver a good standard of services, councils should be able to take over failing PCTs in their area. Local authorities should also have the right to develop community safety strategies and set the budget for police authorities. They should have the power of review and should be consulted on appointments.
- To this end, the Government should use the opportunity of the new

CAA to **pilot multi-functional democracy** through local authorities. A number of authorities should retain their current level of influence, others should be given authority over police authorities, others authority over local health authorities and some councils should become multi-functional democratic institutions, shaping police, health and traditional local government outcomes across their area.

Reforms of central government

- Central government should embrace **Local Area Agreements** as the vehicles for defining targets across the local area.
- Councils should be given new powers to grant **exemptions** to other local partners. Once a local area agreement has been signed off by Ministers, local authorities should be permitted to require Whitehall departments to exempt either the council itself, or individual public sector partners, from any specific target in any national framework that obstructs LAA delivery.
- **Specific centralised targets should be removed** from the Use of Resources Assessment.
- Councils should be allowed and encouraged to design their own methods for analysing customer and user satisfaction. This may involve:
 - **locally-designed user surveys;**
 - **Citizen polling** to test out proposed policies;
 - a wider range of **citizen panels** with enhanced powers to influence policy making and scrutinise outcomes;
 - **Local Neighbourhood Partnerships** covering a breadth of service outcomes.