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To: Corporate Policy Overview & Scrutiny Committee – 13 January 201

Subject: Reducing the National Performance and Inspection Burden and
Increasing Sector Self Regulation

Classification: Unrestricted

SUMMARY:

This report sets out the main changes to the national performance management and inspection landscape since the Coalition Government came to power.

FOR INFORMATION

1. Introduction

Since the Coalition Government came to power in May the national performance and inspection regulatory landscape has been transformed and is still changing. This includes the following:

- CAA has been abolished
- The Audit Commission has been abolished and will be disbanded by 2013
- Government Offices have been abolished
- Local Area Agreements have been abolished
- The National Indicator Set has been abolished - and will be superseded by a single data set to be provided by local government to central government from April 2011
- The Place Survey has been abolished
- The adult social care annual performance assessment and self assessment survey processes have been abolished
- Children's minister, Tim Loughton, has written to HM Chief Inspector at Ofsted asking her to seek the earliest opportunity to end the annual children's services assessment (likely to be in 2012)
- Local authorities are no longer required to set education performance targets for summer 2012 onwards
- We will be free to choose our own external auditors from amongst a more competitive and open market of audit firms (probably from 2012/13)
- There is a new office of Minister for Decentralisation (Greg Clarke).

2. Where does this leave us?

We support the Coalition Government's stance on reducing unnecessary top down bureaucracy and the drive to trust local government to 'just get on with it' and not to look to central government. We welcome the steps taken so far and would not want to see a return to unnecessary and overburdensome interference in authorities' own performance management arrangements. We would make the following points:

- We don't need government to tell us how to run the business. We have our own performance arrangements in place, which includes both qualitative as well as quantitative data and the potential to challenge ourselves. It includes overview and scrutiny processes that hold authorities to account as well as internal audit activity
- We are looking out to the public not up to government to tell us how we're doing
- Transparency is part of this – providing information and having a dialogue – and getting members to take the transparency agenda out to their communities
- Although CPA and CAA have helped the sector to improve its performance, we won't miss the CAA process. However, it must be said that without CAA there is no longer a proper focus on the collective performance of an area
- The huge financial pressures being put upon us should help to ensure that we focus on delivering the right outcomes in the best way, and we will use performance information and intelligence to tell us how we are doing
- Our budget situation is unprecedented and we will have to do more with less – or less with even less. Harsh decisions are being made on future service levels and there will be less 'gold plating'. It will need to be accepted that some areas of performance will not continuously improve – deliberately
- Our focus is on the customer in terms of setting priorities and targets and having a role in assessment, and not on government.

3. Sector self regulation

Against this background, the Local Government Group (LG Group), which includes the LGA, has campaigned for reduced inspection and regulation and for the sector to be responsible for its own performance. It invited responses to its consultation paper on 'Sector self regulation and improvement' in the early autumn. It was based on the following principles, which received wide support across the sector:

- Councils are responsible for their own performance
- Stronger accountability through greater transparency drives further improvement
- Councils have a collective responsibility for performance in the sector
- The role of the LG Group is to support councils by developing the necessary tools. These tools are set out later in this report.

The sector's overall concerns about the content of the LG Group's consultation paper were as follows (*NB Subsequent feedback from the LG Group is given in italics where relevant*):

- The LG Group mustn't put itself in the position of inspectors and regulators – we do not need things put in place just to fill the void
- The consultation proposals were too organisational in their approach and not 'place based', nor did they seek to give a model that takes into account localism or indeed working with our partners and the community in order to deliver services. There was no reference to the concept of the 'Big Society'. There was little reference to delivering outcomes and in particular combined outcomes with partners. Partners need to work together for the good of their locality and this must be recognised (*This has been accepted by the LG Group*)
- The proposals did not properly focus on the changing context of the public sector, especially a downsized organisation of the future, and the notion of delivering less with much less. What about the risks associated with this? What about how we tell the public about it - and the associated management of their expectations? The consultation paper didn't seem to reflect the issues associated with the scale of transition required over the next three to four years. Improvement is important but locally we may decide we can't now aim for improvement across the board.

As already mentioned, the consultation paper also proposed a number of tools to be used to assist the sector to self regulate. These were *peer review, a benchmarking tool and an enhanced knowledge hub*. The paper also sought views on *proposals for early warning signals*. *These four areas are described below together with some relevant comments or concerns which have already been raised in the response to the consultation or discussed with the LGA at various meetings.*

Our overall comment on the tools was that these should not be imposed and it should be up to each organisation to decide what to use and when (*This point has been accepted by the LG Group*).

1. Peer review

- Peer review was a main plank of the old IDeA regime in preparing for the CPA corporate assessment. Has any research been done to understand what peer review achieved first time round before setting off down this route again?
- The consultation paper suggested that peer review take place every three years as a minimum. This flies the face of a new era of reduced top-down prescription (*This point has now been accepted and peer review will now be voluntary and its frequency decided locally*)
- Aggressive vs. mild - Will peer review have the teeth to find the problems? Will it be bold enough to tell the authority about them? But will this then make it feel like an inspection event and require a big input of resource in order to prepare for it?
- What about the quality and capacity of peers in the face of sector downsizing?
- Has any thought been given to a different form of peer review e.g. by another authority, with your partners across an area, or within the organisation? (*This point has been accepted by the LG Group*).
- The role of Scrutiny is important but has been overlooked in the consultation (*This point has been accepted by the LG Group*).
- Will peer review be proportionate/based on risks? If it's voluntary you will not necessarily attract the weak authorities i.e. those that would benefit most from this process but if it is made mandatory it then flies in the face of the government's reduced top-down prescription agenda. It would then also be seen as an inspection 'event' involving an investment of resource by authorities in order to prepare
- What is the purpose of the peer review process? Is it just about improvement? Is it an early warning system to provide reputational resistance to the sector? Or is it an external validator of sound performance?
- Will each peer review produce a public report? If not, will authorities actually implement the recommendations made?

2. Benchmarking tool

- We need to have performance and contextual cost data over time, especially value for money. However, the national benchmarking tool proposed needs thinking through so we include the right things so valid comparisons can be made. (*The LG Group now have clarified that their proposals are about developing a consistent basic set of metrics, to be agreed with the sector and which also covers productivity whilst allowing a 'flexible fringe' for councils to select those metrics that are suitable for them. The core comparable metrics for councils and services are to be available from April 2011 with further developments from April 2012*)
- There need to be data standards
- The development of the benchmarking tool needs to be sector led not government led (*agreed, being led by LG Group*)

- We need to be able to compare with statistical neighbours where relevant (*Agreed, this will be the case*)
- Who is this benchmarking tool aimed at? If we get it right it will inform the organisation, its members, the sector, as well as inform the public in terms of the transparency agenda
- Qualitative data must not stand alone, it should be accompanied by qualitative data e.g. independent evaluation of a complex outcome
- To get the best from it, it needs to be the single benchmarking source for the sector. But how do you get all authorities using it if there is to be no top-down prescription from government to join?
- Importantly the development of the benchmarking tool needs to be tied to the single data set (see later in this report).

3. An enhanced 'knowledge hub' (to share best practice)

- To be of real value this needs to focus on practicalities and the things you can actually change or influence
- Is some of this knowledge/best practice best provided nationally, sub-nationally, regionally, locally?
- Face to face networking or action learning is often more valuable than web-based knowledge especially if it's focused learning in small groups as it enables participants to leave the sessions feeling empowered to improve
- The 'knowledge hub' could also be used as a sounding board to help co-design services etc
- CAA green flags didn't encourage sharing of best practice as it wasn't face to face and you were forced to find out more about it for yourself. So is the 'knowledge hub' really going to help share best practice?

4. Early warning signals/system

- We need to look at the appropriateness of the LG Group's role in this as we need to be careful it doesn't become a replacement for the inspection burden that has been lifted (*This point has been accepted by the LG Group*)
- We need to look at the councils that have bought the sector into disrepute and ask if an early warning system could have bought that to light sooner? Would it have discovered a Doncaster? A Baby Peter?
- What about whistle blowing being part of this process?

(The LG Group has changed the stance a bit on this following consultation and is talking about doing this via political and professional networking nationally, regionally and sub-regionally).

Way forward in terms of future development of these tools

In terms of the way forward, the LG Group will be providing feedback on their consultation, including what they now intend to do. However, it's already clear these are just to be tools for the sector to use *if it chooses*.

4. Single national data set

As part of Eric Pickles' announcement to abolish the National Indicator Set, he promised a review of the national data collections and an agreement on a single data set to be provided by local government to central government.

CLG is leading on the review to provide a composite list of all the data burdens that the various government departments place on councils (these are the statistical and data returns which local government is required to submit to government) with the intention to reduce the list and then review it on an annual basis. CLG has been asking government departments what they think they will want in future. The single data set is due to be in place by April 2011.

On 17 December, CLG published the draft list, otherwise known as the Single Data List. This list is not to be confused with performance indicators previously used in performance management arrangements such as CAA and within Local Area Agreements (i.e. the National Indicator Set). Instead this list covers the far more detailed and more extensive data returns which underlie such performance indicators and includes a range of information collected for various purposes such as the production of national statistics.

Comments from local government on the draft Single Data List are welcomed by government and the closing date for comments is 4 February.

The Single Data List represents the complete set of data to be collected for 2011/12 and has been produced for transparency purposes and also to begin a process of reduction in undue burden. The list will be open to ongoing scrutiny and challenge and subject to annual review. It currently has the status of 'draft', on the basis that not every return may be included and the list is expected to grow as more returns are identified, in particular requests from other public bodies other than central government departments, which need to be added.

CLG promise a full and frank discussion before the list is finalised by April. This will include the cost of collection if the sector deems it a burden. CLG is hoping the review will lead to a reduction in number, that is the aim, but they don't want to reduce it if the data is deemed useful.

Reducing the burden is only one side of the consideration to be made when reviewing the data returns. Other considerations include delivering improvement in the quality and comparability of data, and the openness and transparency of results.

A great deal of resource goes into submitting vast amounts of data covering all major service activities of local government in terms of financial inputs, activity funded and outcomes achieved. The returns we complete overlap and include duplication of the same information in different formats, made to the different government departments, government agencies and also to CIPFA. Yet for all of this effort this data collection provides limited benefit back to local government and little transparency.

Surely for less effort we can collectively devise a set of returns which provides better quality, open and transparent comparative information, covering the major service areas we all need to keep track of, which meets government's information needs and which provides greater tangible benefit back to local government bodies.

The publication of the draft Single List is the start of a process but we still have a long way to go in order to achieve a sensible position in relation to the issues involved in this area.

We can expect some quick wins through this current consultation but in order to effect real meaningful long term change the current consultation should be considered as only the start of a much longer dialogue, and we need to ensure that this is not seen as just a one off exercise.

We must lobby hard to ensure that the list becomes more comprehensive and covers all the data returns we make to government agencies and that it is considered alongside other returns such as CIPFA statistics. We need to ensure that a process is put in place to conduct comprehensive reviews of all of these returns over a longer time period than allowed for within the current consultation. This will ensure that the burden is genuinely reduced, information benefits are improved and transparency is delivered through improving the existing returns which we already complete, rather than trying to achieve any of these secondary objectives by inventing new collections and publications.

5. CLG inquiry into the audit and inspection of local authorities

Following Eric Pickles' decision to abolish the Audit Commission, the House of Commons Communities and Local Government Committee has initiated an inquiry into the future arrangements in all the areas that previously fell within the responsibility of the Audit Commission, including:

- Audit of local authority expenditure
- Oversight and inspection of local authority performance; and
- Value for money studies.

The deadline was 6 January and we have provided a response. A summary of the key points made in our response is as follows:

- We support the Coalition Government's stance on reducing unnecessary top down bureaucracy, including inspection, and the move towards a decentralised approach to the audit and performance management arrangements for the sector
- To ensure improved value for money and local accountability of the auditors, we would prefer to see local selection and appointment from a pool of approved suppliers
- To ensure consistency and quality of provision an audit framework needs to be developed and monitored by a national regulatory body
- The sector is responsible for its own performance and we are looking out to the public (as part of the transparency agenda) not up to government to tell us how we're doing
- Government must ensure the inspectorates become much more joined up and that the inspection frameworks are rationalised, proportionate and risk-based
- It is right that inspection and intervention will remain for the most vulnerable
- We would expect to see the centrally-imposed data collection burden to be reduced substantially as part of the work to finalise the single data set for local government and for data only to be submitted to government departments where it genuinely adds value.

6. Conclusion

The Coalition Government has taken radical steps to reduce the regulatory burden in terms of the national performance and inspection frameworks.

Across the sector, we will need to ensure we balance the degree of reduction of the regulatory frameworks by ensuring our own performance arrangements are robust. As part of that we will want to use feedback from the public and our customers on what their priorities are and to tell them how we are doing against them through greater transparency.

Whether we will see a return to the national bureaucratic and burdensome processes of the past is likely to be down to whether performance of the sector declines significantly or maybe if we see a change of government.

7. Recommendations

Members are asked to NOTE the report and COMMENT as appropriate.

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