

**By:** Paul Carter, Leader of the Council  
Roger Gough, Cabinet Member for Support Services and  
Performance Management  
and Robert Hardy, Director of Improvement and Engagement

**To:** Cabinet 12<sup>th</sup> October 2009

**Subject:** Corporate Assessment Performance Improvement Plan

**Classification:** Unrestricted

---

## **1. Summary**

1.1 It is increasingly clear that the potential reputational damage to local government of what is emerging from CAA is huge.

1.2 KCC's experience of the CAA in practice has offered nothing to re-assure us that this is less-bureaucratic 'reduced burden' or will result in insights into our own performance of which we are not already aware and working to improve.

1.3 The role of external auditors in relation to the use of public finances and that of external regulators in relation to safeguarding the lives of vulnerable children and adults is recognised as valuable. This wider regime is not.

## **2. Concerns**

2.1 The principle behind the CAA - of judging the impact on residents of public services on their quality of life - is hard to argue with. As Kent County Council we have been leading an approach similar to this through our Public Service Board and through the Vision for Kent.

2.2 Serious concerns remain about the level of subjectivity that is required for inspectors to make a judgement on Kent's performance.

2.3 There are too many uncertainties of methodology, too many questions over the training and experience of inspectors, too much confusion about how this will work in two-tier areas for local government to have confidence in the process as it currently stands.

2.4 As Kent County Council, we have identified a number of points of principle and actual practice that make us question whether the Audit Commission and its fellow inspectorates have the necessary skills to undertake meaningful assessments at either the organisational or area level.

2.5 KCC's formal response to CAA consultation in October 2008 included reservations about the flaws in the process and concerns about the capacity of the Audit Commission staff. See *Appendix 1*

2.6 The notion of this new process being a 'reduced burden' compared to CPA appears to be utterly false – with the requirements of Ofsted for example being almost identical to the previous regime, if not more onerous.

2.7 The so-called reduction in performance indicators is more imagined than real. For education, children's services and adult social care the data returns and information demands have if anything increased – even though less of this now directly feeds into performance indicators, Whitehall still requires it!

2.8 Within the CAA organisational assessment, I do not consider the National PIs to be necessarily fit for purpose in determining organisational performance on some key services (such as Highways) or our own organisational and political priorities set out in our key priorities document *Towards 2010*. Many of the NIS PIs do not relate directly to service delivery priorities, nor do they measure actual outcomes if drawn from perception-based surveys.

2.9 The value and usefulness of the Place Survey and the National PIs which rely on it as a way of measuring outcomes remains highly questionable. Perception data on its own is not particularly representative or useful in judging the performance of local authorities. Satisfaction data from actual service users is likely to be more accurate and therefore of more value to assessment of actual outcomes.

2.10 The methodology for combining of the Use of Resources assessment with the Managing Performance assessment into a single score for the Organisational Assessment offers too much scope for Audit Commission (AC) subjectivity in arriving at that overall score.

2.11 This is not to argue that more AC resources should be throw at inspection, but at the same time as taking on a significantly more challenging regime through CAA, they have reduced the quantity of staff working on it, so it's little wonder that they appear to be unable to cope.

2.12 What KCC's Chief Executive proposed to the Chairman of the Audit Commission in his letter of October 2008 (*Appendix 2*) was a set of principles to act as the test against which the usefulness of external inspection should be judged.

- Does the learning the organisation gains from external inspection merit the time, money and distraction that the inspection causes?
- Is this relentlessly focused on evidence of improved outcomes, not on the processes that lead to improvement?

- Is the input of service users and residents based on their actual experience of services not merely survey-based perceptions?
- Is the assessment of the authority and its partners based on delivery of the policy choices they have made, rather than the choices the Inspectors would like them to have made?
- Are the inspectors competent practitioners in the appropriate professional field?

2.13 CAA has reached a point where it seems clear that the inspectorates have failed these tests, not least the one that ought to demonstrate that the inspectorates represent good value for money to the taxpayers.

2.14 Whatever the final verdict on KCC is, this remains a flawed and expensive process which risks the credibility of the inspectorates and may be as serious as to jeopardise future working relations.

### **3. Working with the Audit Commission**

3.1 The initial feedback from the AC demonstrates that they had failed to understand the transformational nature of excellent local government and were still locked-into a risk-averse and compliance-driven model of assessment

For example –

i. There is a lack of clarity / integrity about what a level 4 score should be - so the have tended to err on side of caution - suspect we will see swath of 3s across country as they have “no idea what excellent looks like”

ii. There is a sense that non AC auditors are much more relaxed about awarding level 4 for Use of Resources than AC staff – so this cannot be a level playing field

iii. Successfully managing complex multi billion demand driven finances at county level is seen same as managing what might be termed low risk, small scale service that would not warrant much management. This inherently penalises counties.

iv. KCC has successfully managed within budget for coming up to 10 years. Sustained excellence does not seem to be valued as highly as going into financial crisis and fighting your way out of it. Maintaining this record seems to be taken for granted.

3.2 KCC officers took the AC at their word that there was no need to produce a Self Assessment (SA) for the Use of Resources assessment. In all our discussions we have been told we only need to produce a summary 1-2 pages of what we have achieved in 08/09 as they would be able to source the public evidence to back it up.

3.3 Inspectors and auditors had the recent track record of recent inspection at Corporate Assessment, JAR, Youth Justice, Supporting People and the KASS Independence Wellbeing and Choice service inspection to draw on, plus their accumulated knowledge from years of Use of Resources assessments under CPA, plus the Annual Audit & Inspection letter, reported to Cabinet in April 2009.

3.4 What has been provided is a long list of published documents, POC and Cabinet Reports, monitoring reports and updates covering the KCC priorities, plus reports related to *Towards 2010* and on delivering outcomes set out in our Medium Term Plan. Particular attention was paid to providing additional information on the new element of UoR relating to Environment Resources.

3.5 One of the reasons given by the AC for KCC not needing to do a Self Assessment is that they would have access to all our public documents and could therefore make most of the necessary judgements themselves, only coming to us to fill any gaps. This hasn't been the case. Officers have been asked for documents/information that is actually already in the public domain, readily available on our website, such as our procurement strategy.

3.6 Officers were told several times that the AC did not want to see reams of supporting evidence and did not want to be sent lots of documents. At this stage, just setting out what we had done would be sufficient. However, whenever officers did this, they were then asked for evidence to support it. For example, officers were asked whether there had been a budget consultation for 09/10 budget. A short statement was provided saying when and where it had happened and the format it took. Officers were then asked where the evidence for this could be found!

3.7 The AC has appeared uncertain about and unable to deal with longer-term priorities and projects which span over a number of years. Whilst they have been clear that they understand projects do not necessarily start and end within one financial year and that is not what they are looking for, they have struggled to show how activity undertaken working towards a longer-term outcome will be counted (if at all) under the new UoR system.

3.8 There has been a lot of confusion in our discussions with the AC about exactly what they are looking for. The new 'outcomes focus' is unfamiliar territory for auditors used to dealing with the old UoR and they have struggled to define clearly what they want from us or even be consistent as to what they feel constitutes an 'outcome'.

3.9 They are also unclear about whether or not they count activity that occurred during the 08/09 period, which is working towards longer-term outcomes but where it is too soon to see or be able to measure and validate that outcome (i.e. a Gateway opening). At one point officers were told only outcomes that occurred in 08/09 were needed, but then they were told that

activity that represents a milestone on the way to an outcome would be taken into account, but how they identify these remained unclear.

3.10 All this suggests the inspectors are struggling to determine for themselves what is meant by an 'outcome' and how they apply this to corporate/functional UoR Key Lines Of Enquiry (KLOE).

3.11 One of the biggest issues has been getting the AC to be clear on where the gaps are, to make it possible to provide further information/evidence. This was asked for repeatedly in all conversations with the AC but we never received a direct answer. Again, it was just 'we are looking for outcomes' rather than we need more evidence of where you do 'x'.

3.12 They cannot articulate what 'Excellent' looks like and although they have never said so publicly, there has been a clear impression created that whatever level of achievement used in the past to secure a score of 4 will now automatically be treated as a 3, rather than judged on its own merits.

3.13 In any objective test of KCC's competence the only outcomes that matter for UoR are that we have managed demand, invested in our policy priorities and stayed on budget. All these are acknowledged by the Audit Commission, but they still appear intent on down-grading KCC!

3.14 A summary of KCC innovations and accolades is attached as Appendix 4. This was submitted to the Audit Commission in a last ditch attempt to get them to acknowledge the reality of KCC achievements, not merely the extent of our compliance with their formulae.

## **4. Next Steps**

4.1 The timetable to the formal announcement in December is as follows (*extract from the Audit Commission letter of July 31<sup>st</sup>*) –

### **CAA Timetable – key dates**

*“ • By 9.00 am on Monday 19 October 2009 we will e-mail to you the full narratives and scores that we will be reporting for your organisation. If you have any questions or observations please discuss these with your CAAL in the first instance.  
• If you wish to request a review of the organisational assessments, including a use of resources or managing performance score or any exercise of discretion in combining the use of resources and managing performance scores to reach an overall score for the organisational assessment, you must send written notification of your application no later than 5.00 pm on Friday 23 October 2009. We will tell you how to do this in our letter of 19 October. In the meantime details of the review procedure can be found on our website at <http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/reviewprocedurecaa.pdf>  
• Should you request a review we will keep you informed of the progress of your request. We will notify you of the outcome by 5:00 pm on Friday 27 November 2009.  
• By 5:00 pm on Friday 4 December 2009 you will receive a copy of the full narrative and scores for your organisations. This will be provided under embargo and we would ask you to respect this embargo.*

• *The results of all CAA 2009 assessments will be published on the **oneplace** website on Thursday 10 December 2009.*”

4.2 Looking to the future, it is hoped that the CAA as a process will be halted. Rather than another lengthy exercise to find a role for the inspectorates, KCC should propose the following set of principles to shape what local government does for itself to assess the effectiveness of all local public services.

4.3 Locally-elected politicians should be taking control of an assessment process which asks the following questions -

- Are the managers and leaders of the organisation focused on improving outcomes, not on the processes that they hope will lead to improvement?
- Is there input to policy and service design by service users and residents based on their actual experience of services not merely survey-based perceptions?
- The assessment of the authority and its partners must be based on delivery of the policy choices they have made, not simply their compliance with central Government agenda.
- That what’s happening is making a real difference to local people.

## **5. Recommendation**

**Unless KCC receives a positive response from the Audit Commission to the submission referred to in para 3.14 above, Cabinet is asked to consider whether to continue to support the CAA process.**

In the event of deciding not to continue, Cabinet would have to seek the consent of the full council to a policy of non-co-operation with all aspects of the CAA from now onwards.

Background documents are attached in appendices 1 to 3

### Appendices –

1. Formal response to CAA consultation Oct 08 Cabinet report - *attached*
2. Chief Executive’s letter to Michael O’Higgins – Oct 08 - *attached*
3. Internal CAA Note of 22 May 09 - *attached*
4. Summary of innovation and accolades Sept 2009 - *attached*