



Securing better outcomes: developing a new performance framework

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localvision

In partnership
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Office of the Deputy Prime Minister
Eland House
Bressenden Place
London SW1E 5DU
Telephone 020 7944 4400
Internet service www.odpm.gov.uk

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ODPM is currently leading the development of a vision of what local government across England should look like in ten years' time. An introductory document 'The Future of Local Government – Developing a 10 Year Vision' was published in July 2004. The present document forms part of a series of documents which are being published to inform the overall vision and the specific issues to be considered within it.

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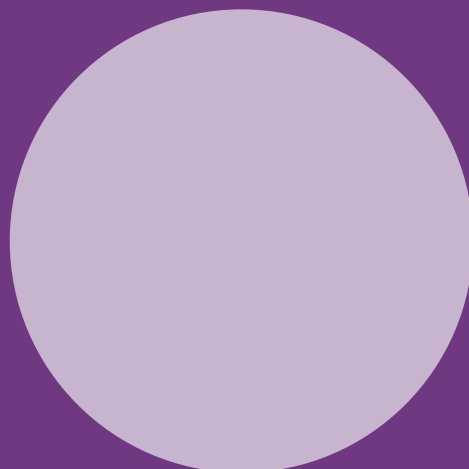
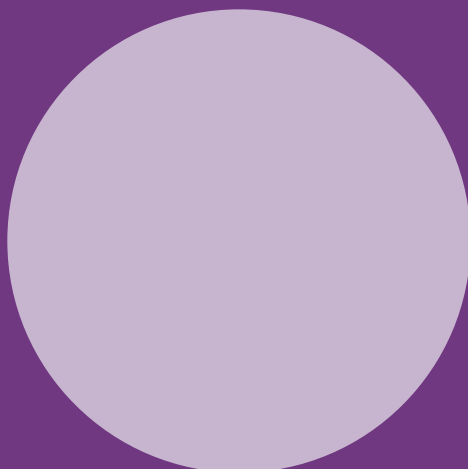
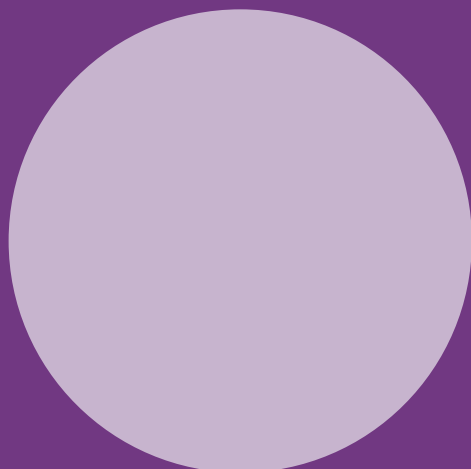
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Tel: 0870 1226 236
Fax: 0870 1226 237
Textphone: 0870 1207 405
E-mail: odpm@twoten.press.net

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Foreword

Local authorities have a crucial role to play in creating sustainable communities in which high quality, cost effective public services promote economic prosperity and social justice.

This Government believes that more decisions need to be made locally so that public services continue to improve and become truly responsive to the needs of local people.

The ODPM's recent 5 year plan, "Sustainable Communities: People, Places and Prosperity," explained our proposals to devolve more power through the town hall. We want to give local people the powers and resources to have a greater influence over the key decisions which affect their community.

We believe that local authorities, working with partners and involving local communities, are best placed to decide and deliver local priorities within a strategic national framework.

The new pilot Local Area Agreements are one example of how we are enabling councils to work in partnership with other organisations in the public, private and voluntary sectors to target resources on local priorities.

Our programme of devolution, reform and modernisation in local public services requires a performance framework which recognises achievement, provides greater opportunity to shape local services to local needs, challenges complacency and encourages innovation and improvement.

In recent years, there has been a great deal of improvement in the performance of local authorities through Best Value and the Comprehensive Performance Assessment.

Two thirds of single tier and county councils are now 'excellent' or 'good'. This improvement has been reflected in significant changes in the culture and leadership of local government.

A lot has been done, but there is a need for further progress and greater consistency in local government performance.

This document invites discussion on ways in which a more flexible performance framework can encourage improved performance that is better tailored to local circumstances.

This new framework should continue to provide the proper level of assurance for central government that national priorities are being addressed.

But we believe that we can work with local government to develop a more devolved approach which will encourage greater participation by local people, stronger accountability to the users of public services, and better prioritisation of resources.

In this way, local authorities can play the most effective role possible in creating sustainable communities – providing value for money services which deliver better outcomes for all.



Rt Hon John Prescott MP
Deputy Prime Minister and
First Secretary of State

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Chapter 1 – Introduction

“All councils should secure a wide range of high quality, cost-effective services, tailored to the needs and preferences of citizens. This requires a constant focus on improvement and a constant challenge to current ways of delivering services. Councils, as representatives of the whole community, are uniquely placed to ensure that integrated services are tailored around the needs of users.”¹

1.1 At the heart of the Local Government Strategy is a vision of central and local government, and other local partners, working together to deliver continuously improving outcomes for all people and places.

1.2 There are a range of pressures, incentives, levers and processes that all impact on the delivery of public services. These all add up to the ‘performance framework’ that helps to drive delivery. Everyone in the delivery chain – from central and local government to citizens and service users – can play a role. To secure the best possible outcomes for all local people, the different elements of this performance framework need to work coherently as a system.

The current performance framework

1.3 In recent years, the performance framework for local government has been developed around the principles of best value which require councils to deliver efficiency, effectiveness and economy and secure continuous improvement in the way they exercise their functions. Best value requires councils to plan, measure performance (through performance indicators), review and challenge service provision. It also gives central government powers to set performance indicators, to intervene in cases of poor performance, and provides powers for inspection.

1.4 Since 2002, single tier and county councils have also been independently assessed, annually, under the Comprehensive Performance Assessment (CPA). District councils have also been through CPA once.

1.5 This system sits within a broader national framework, designed to improve public services. As described in the *Devolving Decision Making Review*², many years of under investment had led to considerable inequality in the provision of public services and sometimes unacceptably low levels of performance and customer satisfaction. The lack of comprehensive and transparent performance information on local services required the Government to adopt a centrally driven approach to reform. This approach matched a significant and sustained increase in resources with centrally set targets to focus efforts. At the same time, local government has been developing its own improvement agenda to help accelerate further the pace of change.

Real improvements in performance

1.6 Recent years have shown real and significant improvements in the delivery of a range of services. Specifically, in relation to council services:

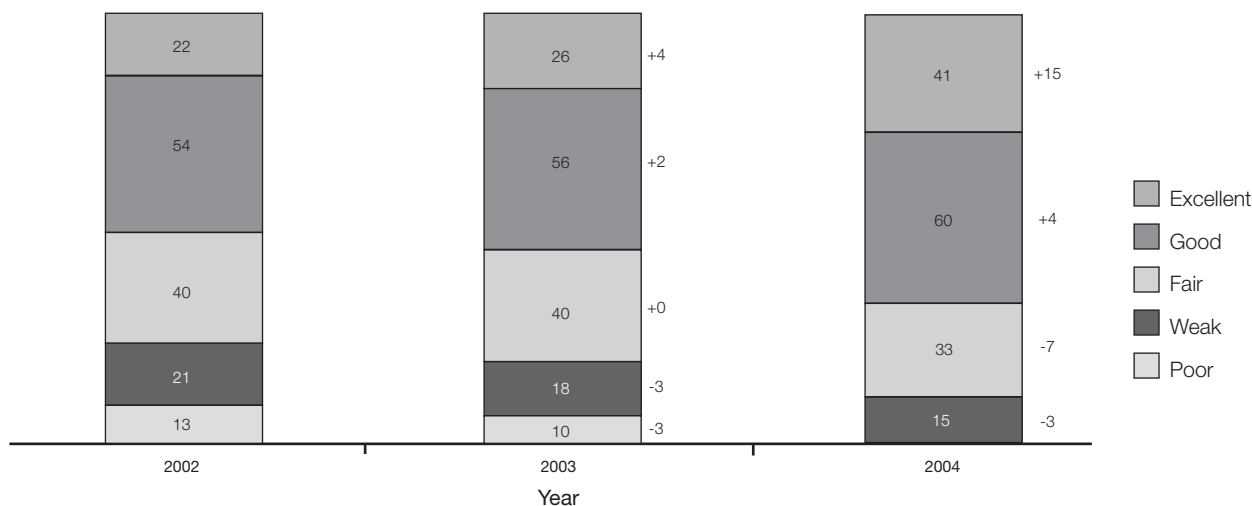
- a basket of best value performance indicators across a range of services shows improvement of 12.5% between 2000/01 and 2003/04;
- CPA results show 17% more ‘good’ and ‘excellent’ single tier and county councils in December 2004 than two years previously, while the number of ‘weak’ and ‘poor’ councils has fallen from 34 to 16;
- on average two thirds of Round 1 Local Public Service Agreement (LPSA) targets have so far been achieved.

¹ ODPM, *The future of local government: Developing a 10 year vision*, July 2004, Product Code 04LGFG02309.

² HM Treasury and Cabinet Office, *Devolving Decision Making Review 1 – Delivering better public services: refining targets and performance management*, 2004.

Local authority performance 2002–2004

NUMBER OF SINGLE TIER & COUNTY AUTHORITIES IN EACH CPA CATEGORY
(net change from previous year given)



1.7 These significant successes reflect the progress and achievements of councillors and officers, working with their staff and local communities to drive improvement. There is also strong evidence³ that the best value framework, and the subsequent development of CPA, has encouraged some significant changes in the culture and management of local government including:

- a greater focus on improvement;
- more effective leadership;
- increased engagement with users and frontline staff;
- more effective use of performance management in the day to day running of services;
- increased working across departments and better partnership working.

Future challenges

1.8 Yet we know that there is more to do. There is still under-performance – in councils and other bodies,

corporately and at individual service levels – and wide variation in performance. For example, in adult social services, the top quartile of councils provide intensive homecare for four times more households than the bottom quartile, and the best performing councils are three times as likely to provide assessments of new clients as the worst performers.⁴ More generally, research findings show evidence of significant differences in services in terms of improvement in CPA scores.⁵

1.9 And there are wider challenges that must be met as we seek to continuously improve public services:

- tackling disadvantage, inequalities gaps and poverty;
- joining up delivery to meet multiple needs and provide more personalised services;
- ensuring that service delivery takes into consideration long term impacts and the needs of future generations;
- maximising value for money from the recent investment in public services;

³ Martin and Bovaird (2005) Meta-Evaluation of the Local Government Modernisation Agenda: Service Improvement in Local Government, ODPM.

⁴ Best Value Performance Indicators (2003/04).

⁵ Martin and Bovaird (2005) Meta-Evaluation of the Local Government Modernisation Agenda: Service Improvement in Local Government, ODPM.

- increasing citizen empowerment and engagement from all sections of the community.

1.10 The Government's Public Service Agreement (PSA) targets, commitments in recently published Departmental Five Year Plans and the conclusions of the Efficiency Review, present a challenging agenda designed to tackle these and other issues. At local level, a look at LPSAs, pilot Local Area Agreements (LAAs) and Sustainable Community Strategies reveals a range of challenges that reflect the particular circumstances of different localities. An effective performance framework is needed to help secure the delivery of outcomes that reflect both pressing national and local priorities.

1.11 While it has proved powerful in helping to drive improvements, significant problems are evident in the current performance framework:

- an overwhelming and insufficiently co-ordinated range of national targets and priorities and related management and monitoring arrangements, which prevent service deliverers from joining up more effectively;
- an increase in inspection to the point where the burdens on the inspected can outweigh the benefits;
- an increasing number of government and inspectorate 'relationship managers' wanting "single conversations" with individual councils;
- burdensome and sometimes ineffective information systems, with problems in reporting, quality and use;
- while some councils have robust, transparent local performance management systems, this is not universal.

1.12 This adds up to a current framework that:

- fosters compliance rather than innovation, with a greater focus on accountability to central government rather than to local people;⁶
- is increasingly rigid, complex, process heavy and resource hungry;
- focuses on extremes of performance;
- provides a limited range of incentives to engage citizens.

1.13 A number of steps have already been taken to address these problems, including:

- a reduction in the number of national PSA targets from over 250 to 110 between the 1998 and 2004 Spending Reviews, and abolition of Service Delivery Agreements;
- delivery of a significant package of freedoms and flexibilities to local government, together with targeted engagement and support for improvement following the 2001 White Paper;⁷
- promotion of Local Strategic Partnerships (LSPs) bringing together councils and other service providers, business, the voluntary sector and communities in an area to develop more co-ordinated approaches to tackle cross-cutting issues;⁸
- agreement through the Central Local Partnership of a set of Shared Priorities between central and local government;
- introduction of LPSAs through which councils have been able to negotiate a mix of stretching targets reflecting national and local interests, with pump-priming and reward grant attached to them;

⁶ Martin and Bovaird (2005) Meta-Evaluation of the Local Government Modernisation Agenda: Service Improvement in Local Government, OPDM.

⁷ DTLR, Stronger Local Leadership – Quality Public Services, CM5237, December 2001.

⁸ Since 2003, LSPs in receipt of Neighbourhood Renewal Funding have been responsible for performance managing delivery of local strategies at the district level. They have a role in challenging each other and delivering improvements.

- development of LAAs, which have a set of agreed outcomes, targets and indicators for the local area which are shared by the council and local partners. The LAA pilots draw on best practice in performance management with the onus on the council and partners to manage their own performance within the LAA framework. They also aim to reduce the burden of central government requirements for monitoring and reporting of performance.

1.14 This document seeks to explore ways in which we can build on some of these initiatives and develop a performance framework that helps secure better outcomes for all people by:

- ensuring greater accountability to users and partners;
- focusing attention on the issues that are most pressing in an area;
- enabling Government to meet its responsibilities in a more strategic and effective way;
- enabling greater flexibility for local innovation.

1.15 The ideas set out in this document are intended to help frame a debate on performance issues as part of our overall local-vision work. We will, as part of that debate, give further consideration as to what steps may be required to give effect to any of the emerging propositions, including the need to legislate in specific areas.

1.16 We have identified a number of principles that we believe would provide a sound basis for the new performance framework, and these are outlined in the following chapter. Some of our ideas about changes could be made in the shorter term, while others are intended to prompt debate about the longer-term development of the framework. A number of the most significant issues that need to be addressed in moving towards our approach for 10 years time are identified in Chapter 9.

Chapter 2 – Principles of a new Performance Framework

Overarching aim of a new performance framework for councils

2.1 Our starting point is **better outcomes for all people**. This involves meeting the range of different needs and ensuring services are accessible, sustainable, equitable, efficient and good value for money. All of these qualities require decisions about services to be grounded in clear evidence of what all people need and want and a thorough understanding of costs and value for money including the potential implications for council tax levels.

2.2 The disparity between the overall decline in satisfaction among customers of local government services – 10% between 2000/01 and 2003/04⁹ – and the significant improvements in other performance indicators needs to be addressed. Analysis of the results reveals that those councils that communicate effectively tend to have higher levels of satisfaction. There is also evidence that local people wish to be more involved in services. More than half of people (55%) say that they would be interested in being more involved in the decisions of their council, and a third of these would like to help their council in planning and delivering services.

2.3 Other evidence¹⁰ shows that current ways of delivering services can make it difficult for disadvantaged people to use them and that they benefit from them less when they do use them. A new performance framework must drive improvements for the most disadvantaged, who often have the greatest need for public services, as well as for the majority. It must provide more effective ways of meeting the needs of, and engaging, the hardest to reach, such as transient groups/frequent movers, isolated older people, the socially excluded, or people with communication or mobility problems.

2.4 Moreover, the challenges facing councils and their partners are frequently complex and often have a different priority and different emphases between places. The Government recognises that it is not possible to continue to drive improvements, tackle remaining under-performance and respond to future challenges through a largely top-down approach across all services. Greater decentralisation and devolution, within a clear strategic framework, will better secure the outcomes of more efficient, personalised and responsive services that meet the needs of all members of the community.

2.5 This suggests a need for a rebalancing of the performance framework, with greater emphasis being placed upon the direct accountability of councils to the public – service users and, indeed non-users – as well as to local partners. Elections remain, of course, a prime source of local accountability but strengthening the relationships between councils, the public and partners will mean enhanced openness and responsiveness and strengthened decision making arrangements between organisations in each area.

Focus on people

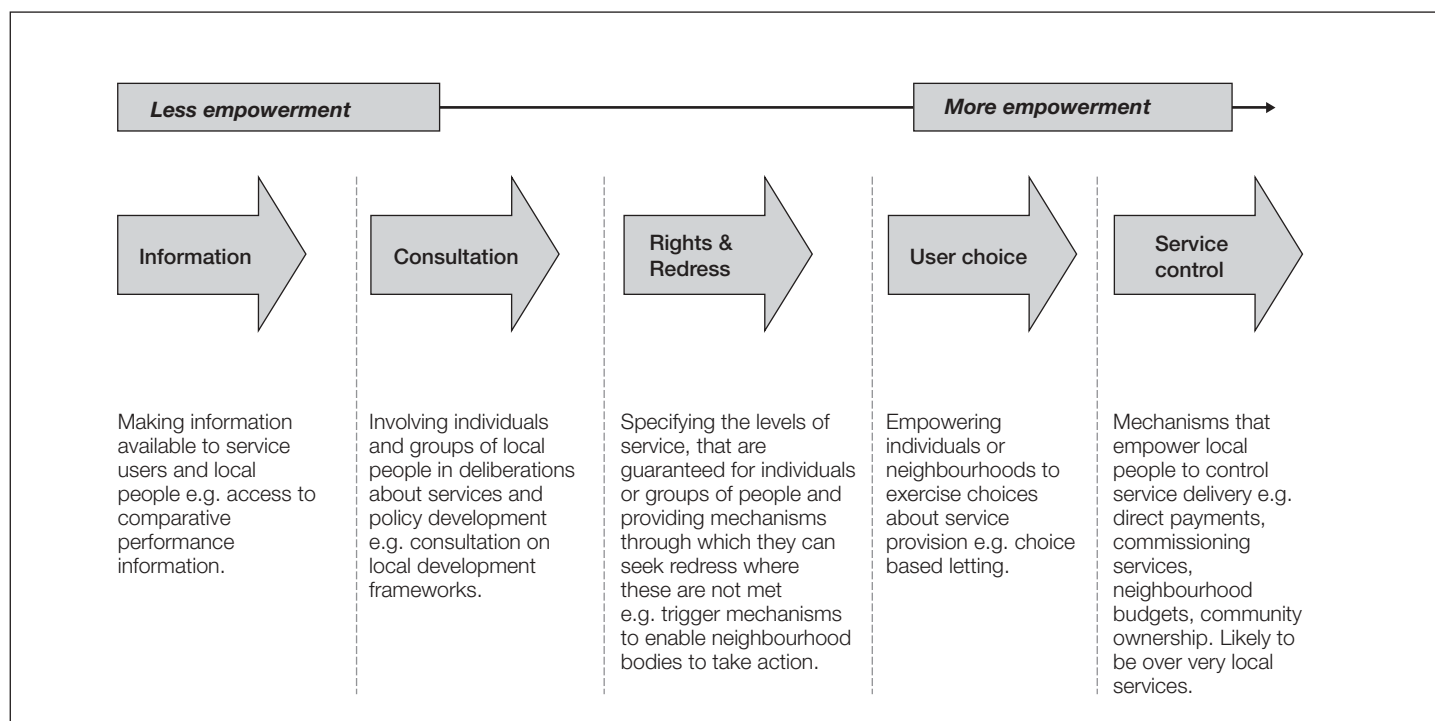
2.6 Strengthened accountability to the public and service users is a basis to better understand and reflect their needs and interests.¹¹ As outlined in the diagram below, the relationship with local people and the degree to which they can be empowered, can take a variety of forms and is reflected in the extent to which councils:

- take into account the views of local people in reaching decisions;
- are held to account for their actions;
- offer means of redress; and
- provide opportunities for empowerment through greater choice, personalisation and control of service delivery arrangements.

⁹ Best Value Performance Indicators General Survey Topline Report, ODPM, June 2004.

¹⁰ Breaking the Cycle: Taking Stock of Progress and Priorities for the Future. A report by the Social Exclusion Unit, ODPM, September 2004.

¹¹ See Putting people at the heart of public services, Office of Public Sector Reform, March 2005.



2.7 Services should be more responsive to the needs of local people. There should be increased opportunities for local people to influence the strategy, priorities, and performance of councils and their partners in delivering services. There should also be more systematic use of information about the views and preferences of all local people in driving performance, for example, by:

- focusing on service improvement and delivering better outcomes on issues of local concern or priority;
- improving the availability, timeliness and quality of service performance information for citizens and users and ensuring councils have high quality local resident satisfaction data;
- offering clearer avenues of redress, particularly in cases of under-performance, or where indifferent performance is persistent;
- personalising services and, where appropriate, offering other mechanisms for users to engage in shaping delivery, such as through choice of service provider.

Focus on areas

2.8 Our vision of better and continuously improving outcomes for all requires better joining up between different local partners in delivery. To facilitate this, a more co-ordinated performance framework working across different local deliverers is, ultimately, what is required. Such a framework should reduce bureaucracy and increase efficiency, reinforcing a clear focus on the provision of improving services. This will be based on a common set of overarching principles, rather than a single framework, to reflect the different nature of local deliverers.¹²

2.9 For this to be effective it will need:

- action at national level to improve consistency and joining up between different parts of Government and a more consistent use of mechanisms to influence behaviour at local level;
- an approach at regional and local level which places more emphasis on councils, Government agencies and other partners working together around common outcomes;

¹² Using a common set of overarching principles builds upon the approach adopted by Neighbourhood Renewal Funded LSPs which can use any framework or system they choose to monitor performance providing it meets core requirements to ensure a robust framework is in place.

- greater consistency of message and flexibility to determine approaches on a devolved basis, with councils taking responsibility for the management of their own performance;
- strengthening the incentives and the accountability between local partners – public, private, voluntary and community – to work together effectively;
- better mechanisms for collective engagement between Government and the bodies operating in a particular place, which will build on a more collective approach by local partners and greater empowerment of Government Offices to manage relationships on behalf of Government departments.

2.10 This co-ordinated performance framework will need to reflect the local leadership role of councils in championing the area, leading the formulation of community strategies, and setting out the vision for the local community in partnership with other agencies. An important example is the central role that the DfES *Every Child Matters, Change for Children* Programme gives to councils in leading change locally on improving outcomes for all children and young people through children's trusts. This critical leadership role of councils in securing outcomes across their area is considered in more detail in the *Vibrant Local Leadership* discussion document.¹³

2.11 A more co-ordinated cross-sectoral performance framework, should be the ambition for a longer term vision. This approach is being developed through Local Area Agreements which require an area based performance framework. However, further consideration is needed about how far this should or could go. We also recognise that there are certain local public services which are of such significance, that it will be important to retain a capability to assess their performance across the country on a consistent basis. Therefore, certain specific frameworks, policing for example, will continue. This document's primary focus is on how, in the first instance, we should move forward for councils.

Principles of a new performance framework

2.12 We want to develop a new performance framework that has local people and service users at its heart and which encourages councils and their partners to become more user-focused. This means giving greater weight to the views of local people and offering the public more choice over the way that services are delivered. We have identified the following principles, which taken together will promote greater local accountability and which we believe should underpin a new framework.

Robust information

2.13 High quality, accessible information is a key underpinning to a more effective performance framework. It is also a critical enabler of devolution as greater transparency provides assurance that removing top-down controls and pressures will not take the focus off delivery.

2.14 Information needs vary across different levels of the framework e.g. the needs of users and the public, the needs of local managers, the needs of local leaders and executives, the needs of partners, the needs of Government. More effective and targeted information systems are therefore required to meet these different needs in efficient, timely ways.

Clear priorities and targets – balancing national, local and other interests

2.15 Clarity of purpose and ambition is vital in any successful performance system. Focusing on outcomes that reflect people's needs and aspirations necessarily requires more opportunity to exercise real local influence. Equally, some issues have wider significance and a purely local perspective will not be sufficient. In addition, Government has wider responsibilities to the electorate as a whole for public services and for public expenditure, that will need to be taken into account.

2.16 So a system that better balances national, regional and local interests and priorities is needed. This will include greater clarity about the strategic national interests that Government needs to see delivered locally. It will also require effective mechanisms for translating these national interests into local action, both directly and through shared and negotiated targets.

¹³ Vibrant Local Leadership, ODPM, January 2005.

Robust performance management within councils

2.17 While performance management has become a much more integral part of councils' culture and processes, there are still significant improvements to be made in its overall quality and consistency. Confidence to shift to a more devolved approach will require further improvements – so that all have the robust performance management systems and cultures of the best.

External challenge and assurance

2.18 While strong internal performance management in councils is critical, independent external challenge is also vital to provide impetus for improvement, promote best practice, and provide assurance to the public and to Government.

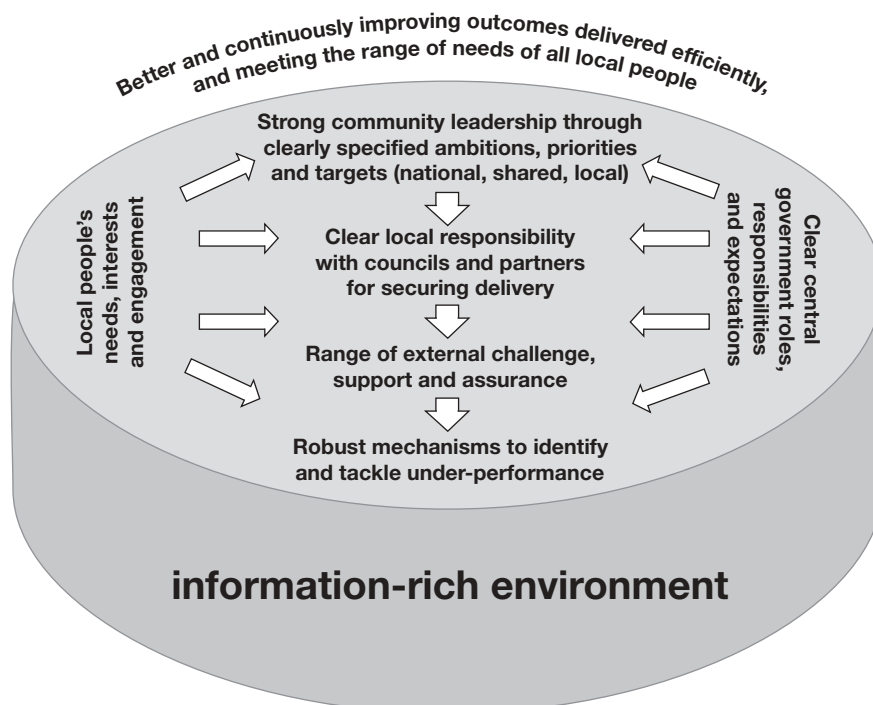
2.19 The role of inspection and audit is clearly critical in this. While they will always be important elements in the performance framework, the Government is committed to finding more effective and less burdensome ways of targeting inspection and audit activity. The extent to which alternative mechanisms of external challenge, e.g. peer review, developing scrutiny and partner review, can facilitate this shift is a critical question.

Tackling under-performance

2.20 While the starting point for a new framework is an expectation that all councils will be able to deliver at the levels of the best, it also needs to recognise that this will not always be the case. Therefore, a range of responses triggered by different kinds of under-performance needs to be determined. In a more devolved system, where responsibility for delivery lies more clearly at a local level, the ladder of responses needs to be much more based on activities from councils, their peers and their partners. In a system which is more focused on the public and users, they need to have clearer triggers and confidence in the responses that will flow. Central government will still have a role as a backstop, e.g. when the nature or implications of the under-performance are significant, when under-performance reflects wider issues, or when other responses have failed.

Pulling it all together

2.21 These different principles need to combine coherently. The extent to which we can make progress on each will influence how far we can develop the whole framework.



2.22 Through the application of the principles outlined in this chapter, we want to develop a new performance framework that:

- makes better use of residents' views and preferences to help drive performance;
- offers clearer avenues of redress to local residents in the event of persistent under-performance;
- increases the robustness of internal performance management and local target-setting;
- achieves a better balance between national and local targets, as local performance management strengthens;
- enables less burdensome performance management and reporting systems.

2.23 The box below summarises what our proposals for a new performance framework could mean for local people, councils and their partners, as well as Government.

Local people

- Opportunities to influence the strategy, priorities and performance of councils and their partners in delivering services
- Timely information and assistance to help people understand the services that are available, the standards they can expect, and how this compares with elsewhere
- Clear avenues of redress where improvement is needed, including trigger mechanisms, particularly in cases of persistent under-performance
- Opportunities to engage in the delivery of services at a number of levels, including neighbourhood
- Greater choice over the way that services are delivered

Councils and their partners

- Services focused around the needs and expectations of service users and local people reflecting diversity
- Accessible and transparent information about performance communicated effectively to all
- Greater freedom to innovate and to set local priorities including in contributing to nationally set outcomes within a clearer framework of accountability
- Sector-wide improved use of robust local performance management to improve services and detect and tackle dissatisfaction and under-performance
- Risk-based, proportionate inspection, audit and regulation delivered through a rationalised landscape of inspectorates
- An increasingly area-based approach to negotiating outcomes and targets with partners, sharing information, designing and delivering services and holding each other to account

Government

- Clear focus on national outcome priorities articulated as key standards and a focused set of national PSA targets with extremely limited number of additional targets
- Best value focused on the achievement of high-level principles, rather than detailed processes
- A proportionate approach to assuring delivery against national priorities
- A strategic integrated relationship management approach through the Government Offices with clear routes for sharing experience and success, providing support and challenge, and tackling under-performance
- Greater emphasis on the views and experience of service users and non-users in all inspections and external assessments.

2.24 The rest of this document considers each of these principles in more detail (Chapters 3 to 7). How these principles will be applied in practice will vary according to different services. The issues impacting upon the way in which individual services will be delivered as we look ahead ten years is another strand of the local:vision work. The further development of the performance framework, as well as our ideas set out in earlier documents on neighbourhoods and leadership, will need to come together in determining approaches to the delivery of services that promote the effective delivery of outcomes. Chapter 8 sets out the scope of the work that we intend to undertake.

Chapter 3 – High Quality Accessible Performance Information

3.1 The first principle of a new performance framework is high quality accessible information. It underpins and enables all the other parts of the framework.

3.2 There is a clear distinction between information, which we are considering in this chapter, and outcomes and targets, which we will explore in the following chapter. Outcomes articulate the aspirations we have for improving delivery of services. Targets set clear, timebound milestones for achieving outcomes.

3.3 The *Devolving Decision Making Review* highlighted the need for timely, regular and robust performance data to support performance management and for this data to be made publicly available to allow citizens to hold service providers to account more effectively.

The current information environment

3.4 There is a huge amount of information about local issues and services that is currently gathered and reported on, to different timetables, and used in different ways:

- central reporting requirements include statutory performance indicators, about 50 local government finance returns throughout the year, monitoring arrangements for different programmes and funding streams;
- councils also have their own internal information systems, including reporting to councillors, to support executive and scrutiny functions, as well as senior managers. These generally incorporate national performance indicators, and locally determined measures;
- councils are required to report to their citizens on performance;¹⁴
- many councils participate in benchmarking clubs to share comparator information;

- performance regimes for different services often have different reporting requirements – in terms of the type of information or indicator used, timescales and methods of reporting, etc. This can create difficulties for local partners trying to work together.

3.5 Despite the extent of this activity, different information needs (at national, regional, local, neighbourhood and individual level) are not always being effectively met. This creates pressures to develop new indicators and measures on top of existing ones, leading to a further proliferation of requirements. And despite the range of information collected, there is a lack of good performance data in some key areas of local government activity. So the resulting information set, which has grown organically rather than been developed systematically, is not coherent and co-ordinated, and best practice is not followed across the country.

3.6 There are also problems with the quality and timeliness of data. Councils' internal data quality management systems are often not as robust for performance data as they are in respect of financial information. Information collection systems also have a significant time lag which impacts upon the ability of management, inspectorates, Government and the public to make effective use of performance information.

3.7 Specifying and collecting data and performance indicators will not in itself mean that people are better informed. Bare facts and figures can miss out the qualitative dimension of service delivery provided by inspection judgements, accreditations and other assurance/standards systems. All this information needs to be pulled together to present a combined picture of performance in an area. At the moment, anyone with an interest in council performance has to access and assimilate a wide range of data sources. Even within councils, information is often not held or managed centrally, meaning opportunities for understanding the bigger picture may be lost.

¹⁴ Recent research suggests that generally people do not feel that their council keeps them well informed. *MORI What drives public satisfaction with local government services*, November 2004 and *ODPM Meta-evaluation of the Local Government Modernisation Agenda: Stakeholder engagement with local government*, March 2005.

3.8 The need to improve the information framework has already been recognised in many places and various steps have been taken to try to improve it.

Area Profiles

Area Profiles, being developed by the Audit Commission, pull together an extensive range of data, information and assessments to produce a comprehensive picture about the quality of life and services in local areas.

The main product from Area Profiles will be an interactive website and data model bringing together all the data and assessments on local areas including: performance and contextual data; the surveyed views of residents and service users; a summary of the regulatory judgments on local services; summary information on the financial inputs and spending patterns in local areas; information on the capacity and contribution of the voluntary and business sectors; and focused data on specific sections of the community such as older people or black and minority ethnic communities.

Area Profiles can provide local people with easy access to more information about local services, making it easier to hold service providers to account.

They can supply a rich source of information and data for councils and their LSPs to review their community strategies and to focus more clearly on the improvements needed in their local areas.

They can also help to rationalise the collection of data and information by national agencies, government departments and inspection bodies, and to enable them to focus more clearly on which local areas need the most help and support.

Contact: area-profiles@audit-commission.gov.uk

Harrow's "Vitality Profiles"

Harrow council in partnership with the ONS, Harrow Primary Care Trust and the Metropolitan Police have developed 'Vitality Profiles' which track the performance of 56 indicators in each neighbourhood of the Borough. The information has been collected on the basis of Super Output Areas which can focus on as few as 1,500 people. The indices are focused on quality of life for residents, businesses and visitors and on the contribution which public services make to these issues. The indices are all taken from existing information collected and provide a rich picture of life in each part of the local area.

The indicators allow the Council to compare performance across the Borough and often to compare Harrow's neighbourhoods with others in London and across the country.

They provide a powerful tool to support improved performance and policy development. They have driven the priorities of the Harrow Strategic Partnership, informed the roll-out of improvements to the public realm in the Borough and helped the response of the Borough to the Tsunami disaster by targeting support to the local populations with links to Southern Asia. They are also being used to target action on areas of deprivation and social exclusion.

The profiles are a crucial part of the Council's radical improvements in performance management using a balanced scorecard approach to drive culture change across all service areas.

3.9 These and other initiatives are all useful steps forward in improving the information environment. However, they are not sufficient to overcome all the problems identified earlier. Nor is there a sufficiently clear common framework for information within which such individual initiatives and developments can be brought together to create a more coherent whole.

Information in a new performance framework

3.10 A new performance framework needs to be based upon a coherent approach to information that meets the needs of local people, neighbourhoods, councils and their partners as well as central government. Better data and information systems are needed to enable:

- councils to have a better understanding of and focus on, the full range of different needs and issues in their area, thus ensuring inequalities are reduced as well as services improved overall;
- councils and their partners to understand and manage their performance better in delivering joint or complex outcomes, and to understand what works in these situations;
- all local people to understand better their council's comparative performance in delivery and in efficiency and value for money and, therefore, to be better able to hold them to account and influence service planning and delivery;
- all local people, including those who are currently most excluded, to make use of increased opportunities for personalisation, including choice, as these are developed;
- peers and partners to develop their role as an alternative form of external challenge to inspection;
- early warnings of failure, under-performance, customer dissatisfaction, or significant shifts in risks, to trigger an appropriate response – be it from users, neighbourhoods, the council, inspectorates, or central government;
- central government to be better informed in setting national ambitions and targets and in understanding performance against those at various levels, including down to neighbourhood level;

- central government to tailor its relationship better with councils and local areas, enabling it to target its challenge, support and engagement/intervention where it is most needed.

3.11 Our initial views are that development of better information systems should be based on:

- **robust definitions** of data and indicators;
- **comparability** of information – common definitions of measures and indicators will be important in areas where national targets or standards are set;
- **stability** in the definition of measures and indicators as far as is possible, to minimise the burden of collection and enable comparisons over time;
- **transparent** systems for gathering and accessing information that minimise bureaucracy and duplication;
- **high quality and timely** data;
- data available at the **right spatial level** to allow service providers to understand different patterns of need across their areas;
- **better aggregation of information** to enable clearer overall patterns of performance to be established at various levels;
- **accessibility** of information to all those who need it;
- an appropriate **balance** between subjective performance information, such as feedback from surveys and focus groups, and quantitative data.

Developing better information and data systems

3.12 Given the potential for better information systems to facilitate improved delivery and greater devolution, it is important that we find ways to start making improvements quickly.

3.13 Some of the key issues that will need to be considered in taking this forward include:

- how to ensure that all councils have the right information – and the systems for analysing and using it effectively – to manage their performance better;
- how to enable data sharing between partners and across sectors;
- how to make information about local strategies, targets and performance more accessible and meaningful to local people;
- how users' views and satisfaction levels can be used to drive performance;
- the extent to which central government needs to prescribe indicators and measures such as Best Value Performance Indicators;
- the extent to which other bodies including local government, could set and define performance indicators that allow comparisons in performance to be made;
- how to handle proposals for any new measures and indicators and avoid duplication;
- how to help improve the accessibility of information;
- how to build on existing examples of real-time systems, and extend them;
- how to ensure robust means of assuring data quality e.g. through specific duties on councils, through partners and partnerships, relying on audit, etc;

- how to develop different approaches for different kinds of data e.g. contextual, performance, etc.

3.14 We would welcome views on how more effective information systems could be developed as part of the new performance framework.

Chapter 4 – Clear and Ambitious Priorities and Targets

4.1 Chapter 3 identified the importance of high quality, accessible performance information. This is particularly critical as a basis for setting clear and ambitious priorities and targets, which are needed to provide focus for delivery. This chapter looks at how determining priorities and setting targets will need to change to support a new performance framework.

A better balance of national and local targets

4.2 National targets have been a prominent feature of the public services delivery agenda since the 1998 Spending Review. They are seen as a successful driver of performance, because of the focus that they provide and because of the evidence of improvement in many areas where they have been used. However, below the national Public Service Agreements (PSAs) identified in each spending review, the growth in, and nature of, some targets set, has highlighted problems:

- targets set and monitored by different Government departments, regional bodies and local partners covering the same service area are often similar, but with different definitions, timescales or reporting arrangements.¹⁵ This makes it difficult for local partners to share targets and deliver on cross-cutting agendas. It also unnecessarily increases the burden of reporting;
- targets are often process rather than outcome based, stifling innovation in service delivery and creating inefficiencies;
- too many targets are centrally set, creating a rigidity which does not allow for councils to respond to local circumstances.¹⁶

4.3 There will continue to be a role for nationally set outcomes and targets for local delivery – to reflect the strategic standards, concerns and commitments of

Government. However, they will need to be better co-ordinated, more strategic and developed with better involvement of local deliverers. In addition, the *Devolving Decision Making Review* recommended a reduction in the top-down, input and process controls associated with the delivery of national PSAs to allow more differentiated approaches to local delivery. A new performance framework must provide the necessary infrastructure for delivery against such legitimate national aims. Yet it also needs to provide sufficient flexibility at the local level to enable councils to deliver national and local priorities in the most relevant, efficient and effective manner.

National priorities and targets

4.4 Good progress has been made against many national PSA targets in recent years, with significant measurable improvements in performance in education, health, crime, child poverty and employment.

4.5 Where the Government's ambitions for improvement sought in previous PSA targets have been achieved, or will soon be achieved, the Government has set PSA standards. These replace the targets, but ensure that performance data will continue to be monitored and reported to maintain the high levels of performance now achieved for key services.

4.6 The Government will continue to develop this approach through the next Spending Review and beyond where we will:

- replace more PSA targets with national standards to maintain rather than continually stretch improvements in key areas as performance, and performance management systems improve, ambitions are met and inequalities in outcomes decline;
- focus national standards and remaining PSA targets on key Government priorities expressed as outcomes;

¹⁵ The Innovation Forum identified that there are 16 organisations involved in setting and/or delivering 15 targets relating to reducing teenage pregnancy. Of the 15 targets, 13 are replicated or are similar but stated differently.

¹⁶ Research carried out by the Cardiff Business School has suggested that targets tend to be most effective in leading to improvements when both the targets and the strategies chosen for their achievement are determined at the local level. Martin and Bovaird (2005) *Meta-Evaluation of the Local Government Modernisation Agenda: Service Improvement in Local Government*, ODPM.

- balance the need for consistency with earlier standards and targets, with the introduction of new priorities that respond to the needs of citizens and service users and are driven from the local level;
- develop the national framework of PSA standards and targets as a result of wide and early consultation at all levels, led by departments;
- ensure there is clear accountability at all levels, not only for maintaining national standards and meeting targets, but also for creating coherence in the way that national priorities cascade to local government.

4.7 We are already making progress. For example, following the Home Office's consultation with stakeholders, including local government and police forces, the 2004 crime PSA simply seeks to achieve an overall reduction in crime, without, as previously, specifying different targets for different categories of crime. In addition, as part of the drive to reduce the number of targets across the public sector, at the 2004 Spending Review, the Government abolished the requirement for central government departments to set Service Delivery Agreements. This represented a reduction of over 500 process and input focused targets.

4.8 Within PSAs, different types of targets will continue to be used – setting stretching ambitions for improvement – but also focusing on inequalities gaps and using floor targets to focus on how services respond to the most complex needs of the disadvantaged. The new floor targets following the 2004 Spending Review are more robust, with a greater range across Government departments, and are intended to ensure that at a local level there is a strong focus on the key challenges of neighbourhood renewal.¹⁷

4.9 Driving the focus on outcomes in future PSAs will see an increased emphasis on cross-cutting issues to which a range of local deliverers will need to contribute. This should help to support the development of greater co-ordination of performance frameworks.

4.10 Outside these national outcomes, councils should not be faced with a myriad of additional input and output controls and targets. The Government is determined to ensure that the number of national targets and data flows not directly related to PSAs or national standards will radically reduce. Departments, regulators, regional bodies and councils and their local partners must all consider the additional requirements they impose on each other in each area. With a clearer focus from the centre on key national outcome priorities it should be possible for all those involved to refocus their performance systems to ensure appropriate devolution and flexibility to the lowest appropriate level.

Local Priorities

4.11 Councils, because of their wider community leadership role and democratic mandate, have a key role in determining and securing consensus around local priorities. These local priorities need to be based upon sound evidence and reflect the diversity of needs in the locality both of current and potential service users.¹⁸ Improvements in the quality and availability of information will support local target setting.

4.12 Sustainable Community Strategies, which all councils must produce, provide the key mechanism for setting a broad range of cross-cutting local targets. Most councils have well established mechanisms to consult and engage both their citizens and partners in devising Sustainable Community Strategies that bring together local priorities and targets. The effectiveness of such mechanisms should be constantly tested and enhanced, particularly to ensure that less vocal minorities are engaged and that the full range of local partners are involved through the Local Strategic Partnership.

¹⁷ The 2004 Spending Review includes a new floor target on reducing smoking, a new floor element added to existing targets on reducing early deaths from cancer, heart disease and strokes and a new floor target on liveability. See Smarter Delivery: Better Neighbourhoods, Neighbourhood Renewal Unit, ODP, January 2005.

¹⁸ For example, local transport plans, first produced by local transport authorities outside London in 2000, are designed to engage local stakeholders in determining what are the priorities locally and how they should be addressed.

4.13 Research evidence shows that the role of councils in relation to Sustainable Community Strategies is evolving and that one of the key difficulties has been in ensuring effective engagement of partners and the sharing of data.¹⁹ The need for Sustainable Community Strategies to address sustainable development more effectively has also been recognised in the new UK sustainable development strategy, *Securing the Future*.²⁰

Shared and Negotiated Priorities

4.14 A clear view of local priorities, evidenced and shared between local partners, provides a more robust basis for entering into negotiations with central government about shared priorities and how national targets should impact locally. This negotiated approach has developed significantly over the last few years from the agreement of the Shared Priorities (see box), through the introduction of Local PSAs and now the piloting of Local Area Agreements (LAAs).

The shared priorities agreed between central and local government

- Raising standards across our schools
- Improving the quality of life of children, young people, families at risk and of older people
- Promoting healthier communities and narrowing health inequalities
- Creating safer and stronger communities
- Transforming our local environment
- Meeting local transport needs more effectively
- Promoting the economic vitality of localities

4.15 It is only by building on this negotiated approach that an appropriate balance of national and local priorities can be agreed for an individual area. LAAs have developed a new negotiated approach to balancing local and national interests in an area. They enable central government and local partners to agree a set of outcomes and targets which reflect national PSAs and local priorities. The first 20 agreements have now been signed. We will continue to develop the LAA approach in these areas and extend the agreements to a further 40 areas from April 2006. We are

developing the concept of LAAs further with the integration of LAAs and LPSAs, the development of a new fourth block of LAAs around economic development and the expansion of the single pot approach.

Improving the interface between central and local government

4.16 Relying more on mechanisms for negotiating priorities between central and local government requires a more focused approach to managing the relationship between Government and individual councils. The need for that type of approach is also driven by a wider range of factors:

- Government needs to better understand the local context and challenges facing councils and their partners;
- at the same time there is a need to enable local councils and their partners to better understand national priorities and concerns;
- for councils, greater coherence is needed across the range of conversations with central government on performance issues. This dialogue should be rationalised where possible and, even where separate engagement is needed on individual service issues, it should take place within a better understanding of the wider circumstances.

4.17 The Government wants to develop a strategic, integrated relationship management approach that supports negotiation and also provides a basis for informed engagement. That engagement should help enable high performance to be celebrated and shared, moderate performance to be challenged and under-performance to be tackled – including ultimately via intervention (tackling under-performance is discussed further in Chapter 7). Such a relationship needs to:

- provide effective communication from the council and its partners back into Government, to help achieve greater flexibility and responsiveness on the Government's part to council requests for support in the achievement of local priorities – providing real

¹⁹ Process evaluation of plan rationalisation and formative evaluation of Community Strategies, 2004, ODP.

²⁰ *Securing the Future: delivering the UK sustainable development strategy*, 2005, HM Government.

benefits to councils seeking to be more proactive and imaginative in their approach to community leadership;

- enable authoritative negotiation with councils and their partners on behalf of Government with a view to supporting the achievement of both local and central priorities;
- be able to keep in touch with each locality, maintaining an up to date picture of performance and context through close contact with the council and its partners and access to their own performance management information;
- form a basis for central government to challenge local government's performance and priorities;
- help channel the capacity in central government to play an active part – where appropriate – in local partnerships.

4.18 Such an approach would need to be tailored to reflect the circumstances of each place. It would need to be proportionate to risk in terms of potential failure to deliver on key priorities, as well as to opportunity in terms of the capacity to use good practice and innovation for wider benefit elsewhere. It is not likely that this wide range of demands will be met in all cases by appointing a single individual as the Government relationship manager. In many situations there will be a need to retain specialist advisers in respect of certain functions, but to provide a more coherent overall framework in which they work.

4.19 Several Departments have taken advantage of Government Offices (GOs) as a foundation for new teams, put in place with the specific purpose of conducting a relationship with some or all councils.²¹ This provides a basis for developing more co-ordinated relationship management. However, strengthening of the GO network is an important development in advancing this ambition. The Budget announced the emerging proposals of the review of GOs. These included:

- a more focused role for the GOs in working with councils and other local partners on performance, and on the oversight of regional strategies, while looking over time to transfer grant administration functions to other agencies;
- new freedoms and flexibilities for the GOs to enable them to join up their activities more effectively across departmental boundaries;
- a transformed and more strategic network, including a higher proportion of staff with professional skills and delivery experience;
- a challenge to departments to decentralise activity from Whitehall to the regions and to integrate this activity into the GOs where this can improve delivery;
- stronger links between GO Regional Directors and departments on policy development, with a particular emphasis on policy implementation.

4.20 These proposals build on the central role of Government Offices in developing Local Area Agreements. The Review's final report will be published this summer. It will include full details of the Government's plans to transform the Government Offices to fulfil their new strategic role.

4.21 There is likely to be a range of circumstances requiring different approaches to be adopted to relationship management which meets the needs of Government and the locality. Indeed, it is likely that the relationship for any particular council would change over time. Important factors would include the negotiation of Local Area Agreements and the need for pockets of poor performance arising in councils or in local partnerships to be tackled. The approach in such cases would – as now – need to reflect the principle that councils and their partners are themselves primarily responsible for ensuring good and continually improving performance.

²¹ Teams include the ODPM's Regional Directors of Local Government Practice, the Community Housing Task Force, the DfT's Delivery Directorate and DfES's regional change advisors.

4.22 We would welcome views on where national targets and standards are most appropriate, and on how councils and their partners can improve the robustness of local target-setting. Equally, we are seeking views on how to build on the development of negotiated approaches to balancing national and local interests in an area, and the development of co-ordinated relationship management between central and local government to support this and engagement in tackling under-performance.

Chapter 5 – Robust Local Performance Management

5.1 A key sign of a strong, self-confident, organisation is that it manages its performance effectively. Performance management should be at the heart of any organisation's drive to secure continuous improvement in delivering high quality, efficient, and user focused services. Robust internal performance management on the part of councils and their partners in the locality is a vital component of our proposals for a new performance framework.

The current experience

5.2 Some of the best councils operate very effective performance management arrangements, which help them secure better outcomes for local people.

Wigan Metropolitan Borough Council uses performance management at a corporate level to identify how services can be improved. It has cascaded its vision, purpose and values, via the 'golden thread', through to revised standards for service plans, strategies, and performance measurement/reporting. It has shared its approach with the Local Strategic Partnership, and a single database now records performance on council priorities and the Community Plan, with an integrated system for the local health partnership.

5.3 However, CPA reveals that many other councils have weaknesses in performance management. Results for 2004 revealed that 56% of single tier and county councils, and 68% of district councils, scored at most 2 out of 4 for performance management. Only 28% of excellent councils scored a maximum of 4 for performance management.²²

5.4 It would appear that some councils do not view robust performance management as critical to the way that they achieve continuous improvement. Indeed some officers believe that performance management

has led to their council neglecting outcomes that could not be measured easily.²³ Others would argue that the multiplicity of overlapping performance management arrangements in operation in local government – some derived from central government and others used by councils themselves – does not provide the basis for a clear and effective system.

Robust performance management

5.5 Considerable work has been done across the public sector and more widely in determining the principles and key characteristics of good performance management. The Audit Commission and IDeA have pooled their knowledge of best practice in the Performance Management, Measurement and Information project (PMMI).

PMMI is a joint IDeA and Audit Commission project to promote a joined up approach on performance management. It aims to:

- build on the experience of those who have developed successful performance management and measurement approaches
- review and signpost existing knowledge within each organisation, and address gaps in that knowledge
- promote a consistent 'industry standard' message
- develop a range of products to better facilitate improvement in authorities.

So far the project has published: guides to performance management for local authority members and officials; a review of performance management models and improvement tools; guidance on service planning and IT performance management systems and case studies of good practice. It is currently working with eight local authorities in an action research programme to look at improvement to performance management and with a wider community of practitioners to develop a series of briefings on more complex areas of performance management.

²² Data from the corporate assessment element of CPA, announced by the Audit Commission in December 2004.

²³ 'Meta-evaluation of the Local Government Modernisation Agenda: Progress Report on Service Improvement in Local Government', ODPM, March 2005.

5.6 The Government believes that responsibility for robust internal performance management lies squarely with councils. However, relaxation of centrally driven controls will clearly be influenced by the degree to which councils adopt best practice. This creates a challenge for local government collectively to improve performance across the sector.

5.7 In the meantime, for councils which have a strong track-record in managing their performance effectively, we are keen to explore opportunities to pilot further freedoms from central prescription about performance management arrangements. We intend to pilot new approaches to performance management which are in line with these principles through the Local Area Agreement pilot areas. Several of these areas are developing innovative approaches to performance management and we will work with them to learn from their experiences.

5.8 Even if a more decentralised system can be established, it is likely that the Government would still require some independent validation or assurance that the arrangements put in place would help deliver key priorities. External validation, however, should be proportionate, tailored, and focused on the achievement of outcomes rather than processes.²⁴

Area-based delivery

5.9 Given the increasing emphasis on the integrated delivery of public services at the level of local areas, councils' performance management arrangements need to be capable of encompassing the contribution of local partners. They also need to reflect councils' community leadership role. Some councils are already exploring options for involving partners in setting targets for improving local services.²⁵

Kent County Council's community plan "Vision for Kent" sets out a strategy for improving the economic, environmental and social wellbeing of the county, and includes goals and targets for its partners (including other public sector bodies, the business, voluntary and community sector), as well as the council itself.

5.10 We are supporting LAA pilots in adopting innovative approaches to performance management in their area (e.g. both Devon and Dorset are considering performance management arrangements across their local partnerships). Other pilots are looking at ways of developing IT systems that can be operated, accessed, and managed by a range of partners and stakeholders.

5.11 We see real benefits in moving towards an area-based approach over time, which involves the full range of services delivered by councils and their partners. In particular, streamlined arrangements could help to remove some of the direct, and indirect, costs associated with different bodies operating separate performance management systems.

5.12 However, this approach raises fundamental issues for councils about their leadership role, and their relationship with partners, including area-based partnerships. It also raises issues for Government about the extent to which service-specific performance management requirements continue to be needed, and how quickly they might be removed. In considering these issues, we recognise that different partners will have different aspirations, reflecting their relationship with councils and central government (e.g. police authorities and health authorities). In the longer term, we will work across Government and with a range of local partners to develop proposals for a performance framework focusing on area-based delivery, which will draw on the experiences of LAA pilots and the new opportunities for neighbourhoods.²⁶

Best Value

5.13 The Government believes that best value should continue to provide the statutory underpinning for performance management in local government, as it does now. However, we want to draw on experience of best value implementation, to consider how each of its component elements would support a new performance framework.

5.14 Our starting point is that the existing high-level duty – to secure continuous improvement in the way in which a council's functions are exercised with

²⁴ LSP research illustrates that greater validation and accountability is being provided through local partners sharing and/or aligning their performance management systems.

²⁵ 'New Localism – Citizen Engagement, Neighbourhood and Public Services: Evidence from Local Government', ODPM, 2005 – highlights the progress by partners in sharing and aligning performance management systems.

²⁶ 'Citizen Engagement and Public Services: Why Neighbourhoods Matter', ODPM, January 2005.

regard to economy, efficiency, and effectiveness – defines what councils should be striving towards and provides a focus for performance management. It has been instrumental in helping to drive improvement in councils.²⁷

5.15 We also envisage the need to retain the following best value provisions which provide the statutory basis for two of the ideas in this document:

- the power to conduct independent inspections;
- the power to take rapid action if performance fails.

5.16 Given the key objective of this new performance framework is to increase local accountability, we envisage that the requirement on councils to consult local people in fulfilling their duties under best value should remain. However, we would welcome views on broadening this to reflect the importance of effective communications and engagement with local people.

5.17 Another element of best value is the requirement to carry out best value reviews in accordance with some broad principles – known as the “4Cs”:

- effectively *consulting* local people;
- *challenging* the current pattern of service provision and who provides the service;
- *comparing* the performance and competitiveness of services; and
- using fair and open *competition* to secure effective and efficient services.

5.18 Recent research suggests that although best value reviews have helped to deliver some improved outcomes for local people²⁸, councils are conducting fewer reviews, preferring to use other mechanisms to drive improvement.²⁹

5.19 Of more concern, however, is that the majority of councils are not rigorously challenging the current pattern of services, effectively comparing their performance, or fully utilising competitive procurement practices.³⁰ This is despite evidence of a correlation between organisational performance, and a positive attitude to these drivers of improvement, including the use of alternative service providers.³¹ It also suggests that councils may be missing opportunities to give users more say in the way that services are delivered, including offering more choice, as a means of improving the responsiveness, accessibility, efficiency and transparency of services.

5.20 We therefore propose retaining, and where necessary strengthening the “4Cs” by making them an intrinsic part of the best value duty, rather than something that is only considered as part of best value reviews. Our intention is to support this approach by building a consensus about the core practices expected in all councils across local government, inspectorates, the private and voluntary sectors and representatives of service users. This would draw upon best practice from local government and the wider economy and promote a consistent approach which could be reflected in external assessments and capacity building measures.

5.21 We propose looking at the requirement to undertake best value reviews and the other provisions for Performance Plans, and Best Value Performance Indicators, to see if they will continue to be needed in the light of the ideas contained in this document.

5.22 The use of alternative service providers and models, and personalising services around the needs and expectations of users and non-users, are being considered as part of the future of local services strand.

5.23 We would welcome views on mechanisms that would provide reassurance to councils, citizens, peers, and partners and give Government confidence to reduce central prescription and controls on internal performance management in councils.

²⁷ ‘Meta-evaluation of the Local Government Modernisation Agenda: Progress Report on Service Improvement in Local Government’, ODPM, March 2005.

²⁸ ‘Changing to Improve: Ten Case Studies from the Evaluation of the Best Value Regime’, ODPM, November 2003.

²⁹ ‘Evaluation of the long-term impact of the Best Value Regime: First Interim Report’, ODPM, 2004.

³⁰ ‘Meta-evaluation of the Local Government Modernisation Agenda: Progress Report on Service Improvement in Local Government’, ODPM, March 2005. “Competitive Procurement”, Audit Commission, 2002.

³¹ ‘Meta-evaluation of the Local Government Modernisation Agenda: Progress Report on Service Improvement in Local Government’, ODPM, March 2005.

Chapter 6 – External Challenge and Assurance

6.1 External challenge is an effective way of driving continuous improvement. It also enables the spreading and adoption of best practice and provides quality assurance for local people, councils and central government. The evidence gained from external challenge is also a key trigger to initiate action in response to under-performance. This is explored further in Chapter 7.

6.2 ‘Challenge’ is one of the fundamental elements of the current performance framework – one of the 4 Cs. Its potential to be a significant driver for improvement has been demonstrated. However, there is evidence that the current application of challenge is variable.³² We anticipate that it will continue to play a key part in the new framework and will need to be developed further as a more area-based focus to performance is developed.

6.3 In the current framework, the most significant source of external challenge and independent assurance comes from audit, regulation and inspection – which is primarily centrally-driven. For councils, the development of peer review as part of local government’s own improvement agenda has also been important over the last few years – and indeed an element of peer review has also been incorporated into the Comprehensive Performance Assessment (CPA). Peers challenging and supporting each other voluntarily is, of course, a very different activity to statutory inspection – even if the latter sometimes has a peer element to it. For the purposes of this chapter, however, we use both as different means of providing external challenge to an individual council’s performance. As we seek to rebalance councils’ accountabilities more towards citizens and partners, we want to explore the potential of new approaches to external challenge that better involve those key stakeholders. If we can do this effectively, this will provide a further opportunity to focus a smaller number of centrally-driven approaches more clearly.

Challenge from local people and users

6.4 Local people and users should have triggers to help secure improvement in a particular service and redress for poor services they have received. This is explored further in Chapter 7. In addition, they should have opportunities to influence the strategy and priorities, delivery choices and performance of a council and its partners more generally. This will depend upon the transparency of information and individual councils’ mechanisms for engaging effectively with all their citizens – both individually and collectively (e.g. through neighbourhoods). We are keen to explore ways for councils and their partners to open themselves up to such challenges from local people and service users, and in particular to engage with people who may be less vocal, such as older people.

6.5 Furthermore, it is key that other forms of external challenge and assurance – from inspectorates, peers and partners – should properly focus on the range of needs of local people and how they are being met. The new CPA methodology from 2005 will incorporate a much stronger user focus. The Children’s Services Joint Area Review methodology is building in specific mechanisms to gather the views of children. These approaches need to continue to be developed more widely throughout all external challenge and assurance arrangements, for example by:

- adopting more user-friendly reporting and focusing greater attention on the delivery of outcomes;
- finding better ways of seeking the views of the public about current services, in various ways, including using satisfaction and opinion data;
- ensuring that performance information is relevant to local people, and enables them to compare the performance of their council with that of other councils.

³² Perceptions and Impacts of the Best Value Regime, University of Cardiff, 2004 pp vi-vii

Peer & Partner Review

6.6 Peer review has become a valued and effective means for many councils of securing external challenge. It also brings benefits to those who participate as reviewers, giving them a broader perspective on best practice across the local government sector. The incorporation of an element of peer review in the CPA has been very widely welcomed. We are interested in exploring with local government, through the Local Government Association's Improvement Board and the Improvement and Development Agency, as well as others who have successfully developed peer-based programmes like SOLACE Enterprises, how peer review can be further developed to build upon its strengths and play a more important role in a new performance framework. This might even sometimes be as an alternative to inspection.

6.7 The development of improvement partnerships between councils in a geographic area could also offer a channel for peer challenge. The different authorities which are members of the improvement partnership could provide challenge to one another to deliver improvements.

6.8 In addition to peer review within the local government sector, as local authorities and local partners work ever more closely together to deliver joint outcomes, there is potential for them to provide challenge to each other. Partners have a shared interest in ensuring that they are performing at the highest level, as under-performance in any one partner could jeopardise delivery for all.

6.9 Some of the most developed Local Strategic Partnerships have built sufficiently strong trust and common focus that the partners are able to provide some degree of challenge to each other. LAAs are reinforcing the focus on partnerships. In particular, the aim is for partners to determine performance management systems to suit local needs and conditions that will underpin delivery of LAAs. These will require partners to share accountability more clearly, which will reinforce the interest in challenging each other's performance.

6.10 We will be looking closely at the arrangements adopted in the early pilots and would be keen to explore means of developing mechanisms for partner review to match those for peer review.

The role of audit and inspection

6.11 The role of audit in determining whether or not an organisation has the necessary checks and balances in place to run its business in a proper way, is well-established and will continue to play an important role in the new framework.

6.12 A new Code of Audit Practice will come into force on 1 April 2005. This will deliver:

- more streamlined audit targeted on areas where auditors have most to contribute to improvement;
- a stronger emphasis on value for money, with a focus on audited bodies' corporate performance and financial management arrangements; and
- better and clearer reporting of the results of audits.

6.13 Over recent years, inspection has proved a very powerful driver of performance improvement. This has been demonstrated in relation to individual services and, with the CPA, corporate strength and capacity. A 2004 survey of council officers for ODPM found that CPA was perceived as the key driver of service improvement.³³ A recent MORI survey on behalf of the Local Government Association³⁴ showed that over 60% of councils believe that inspection sharpens their focus and three in four, while agreeing they often dislike inspection, believe it can – when used effectively – drive improvement.

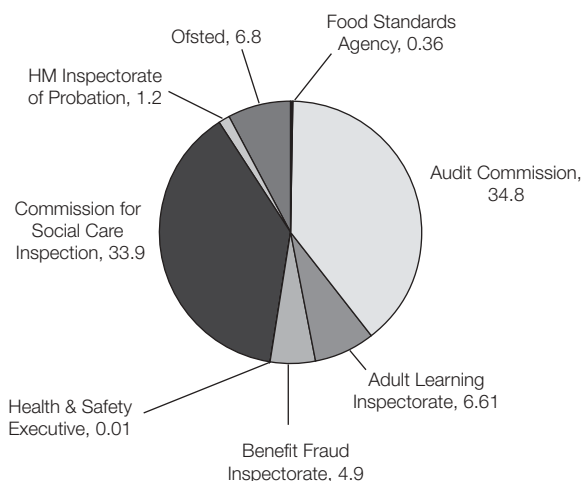
6.14 However, the number of inspectorates has risen in the last five years, with nine new, two expanded, and six reconfigured. The total cost of all public service inspectorates has increased from £250 million in 1997 to over £550 million in 2002/03.³⁵ In 2004/05, the costs to inspectorates of their inspection activity of local authorities was around £90m.

³³ Meta evaluation of the Local Government Agenda: Progress Report on Service Improvement in Local Government, ODPM, 2005.

³⁴ Inspection – Time well spent?, LGA, 2005.

³⁵ Extract OPSR 2003 Inspecting for improvement.

Cost of Inspection of Local Authorities 2004/05 (£m)



6.15 In addition, inspection places costs on the inspected. It is not possible to determine any accurate estimate of these. Some of them are clearly justified because of the assurance and pressure for improvement that inspection brings, but there are concerns that the extent of the increase in inspection has become disproportionate to its benefits.

6.16 The Government remains committed to the use of inspection, but wants to ensure it is focused where it will do most good and offers value for money. In 2003 it agreed 10 principles of inspection and external review.

10 Principles of inspection

Inspection should:

1. pursue the purpose of improvement
2. focus on outcomes
3. take a user perspective
4. be proportionate to risk
5. encourage self-assessment by managers
6. use impartial evidence, wherever possible
7. disclose the criteria used for judgement
8. be open about the processes involved
9. have regard to value for money, including that of the inspected body
10. continually learn from experience

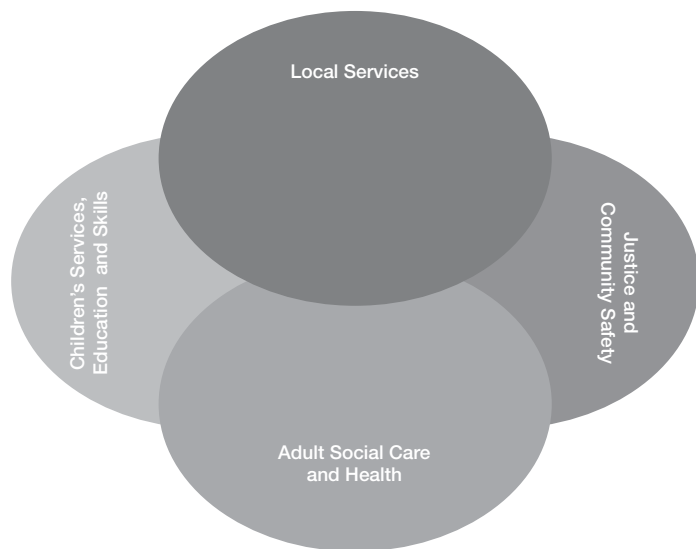
From *The Government's Policy on Inspection of Public Services*, July 2003.

6.17 Departments and inspectorates have sought to embed these 10 principles in any inspection activity that is undertaken. The 2001 White Paper *Strong Local Leadership – Quality Public Services*³⁶ committed the Government to reduce the amount of inspection for the highest performing local authorities. This will have delivered a reduction in overall number of inspections undertaken by the main inspectorates of local government of over 30% in 2004/05 compared to 2002/03. The top performing authorities have had the biggest reductions, with excellent councils having virtually no compulsory inspection.

6.18 The Government is committed to streamlining inspection across all public services by developing better co-ordination and by integrating inspectorates. The Chancellor announced in the Budget that 11 existing inspectorates will be consolidated into 4 streamlined inspectorates. The new inspectorates will be in place by 2008. This new landscape of inspectorates will be more coherent for service users and service providers.

³⁶ DTLR, *Strong Local Leadership – Quality Public Services*, CM5237, December 2001.

A new landscape of inspectorates



6.19 As part of implementing these proposals, a full consultation with stakeholders will be undertaken regarding the arrangements for and governance of the new bodies. This will include ensuring there are effective arrangements for co-ordinating inspection work within and between the four bodies.

6.20 Part of these wider co-ordination arrangements will be a gatekeeper and co-ordination role in relation to the range of inspection activity of local authorities, which will fall to the local services inspectorate. How it undertakes this role, ensuring that the needs of other inspectorates are properly taken into account, and the policy framework within which it will need to operate, need further consideration. However, we are clear that we want to ensure that inspection makes sense from the local authority viewpoint and imposes the minimum necessary burdens, while contributing to improvement and assurance.

6.21 In addition, the Local Services Inspectorate will:

- bring together the current remits and functions of the Audit Commission and those of the Benefit Fraud Inspectorate in relation to English local authorities;
- act as a broker of information and evidence gathered and used as part of local services inspection activity. This role will need to be

developed to fit into the wider information framework discussed in Chapter 3 and will need to fit together with equivalent functions in other inspectorates;

- work in partnership with other inspectorates to develop and undertake joint inspections where they are most appropriate.

6.22 In the short term and ahead of any legislative changes, the Audit Commission will act as “lead inspectorate” for local services inspection. In particular, it will, in the context of its commitment to ‘strategic regulation’:

- work with the Benefit Fraud Inspectorate to bring together their inspection programmes and practices in relation to English local authorities;
- build on the work undertaken so far by the Local Services Inspectorate Forum³⁷ to improve co-ordination of inspection programmes affecting local authorities;
- lead, through the Local Services Inspectorate Forum, the development of greater co-ordination in inspection practices affecting local authorities.

6.23 The significant rationalisation of inspectorates will allow us to co-ordinate the policy framework for inspection better. We are determined to ensure inspection is focused where it can add greatest value. Issues that we want to explore include:

- the balance of inspection of services, organisations and a developing shift towards areas and partnerships;
- how better information systems could enable a shift to ‘triggered’ inspection rather than rolling programmes or regular cycles;
- when alternative forms of external challenge, as explored above, could replace the need for or reduce the size and scope of inspection;

³⁷ The Local Services Inspectorate Forum considers strategic issues relating to the inspection of councils in England. The Forum is made up of the heads of the main inspectorates of local government.

- differentiating between inspection for improvement and inspection for assurance – with a more risk-based approach to the former e.g. inspections triggered by information and evidence of under-performance rather than undertaken on a rolling cycle, and the latter possibly carried out on a streamlined, but random basis;
- how to scope the focus and length of individual inspection events better;
- how to secure effective input from users and local partners.

6.24 We are also interested in identifying current inspection regimes which do not add sufficient value, and exploring ways to refocus them, phase them out or just stop them straight away.

6.25 We would welcome views on:

- i) the scope and roles of a Local Services Inspectorate, on developing a gatekeeper and co-ordination function in relation to local authority inspection and on what is needed to secure the necessary co-ordination across the new inspectorate landscape more widely; and**
- ii) the potential to develop stronger forms of external challenge to councils from users, peers and partners, and ways to refocus inspection and audit where they can add greatest value.**

Chapter 7 – Tackling Under-performance

7.1 Any performance regime needs clear systems for identifying and swiftly tackling under-performance. Existing patterns and approaches to service delivery need to be challenged from within and from outside the council. Citizens and service users have a right to expect action to be taken when services do not match up to the required standard. Enhancing the ways in which councils are held to account for their performance by users, local people and partners as well as by Government, is a crucial part of a new framework, particularly in relation to poor performance. This chapter explores different kinds of under-performance; its early identification; a ladder or range of responses and ways of supporting councils to tackle problems and drive improvement.

7.2 In a new performance framework, there is a need for mechanisms to prevent and respond to under-performance, including:

- at the extreme, service or corporate failure;
- failure to deliver against national or local ambition or floor targets;
- falling quality of outcomes, even if this is from a previously relatively high level;
- unjustifiably lower performance, value for money or efficiency than peers;
- failure to drive continuous improvement i.e. “coasting”.

Clear triggers for action

7.3 The identification of under-performance needs to be based on sound evidence. This needs to include:

- the higher quality, more timely and accessible information that we have already identified as key for a new performance framework

(Chapter 3) – which needs to make areas of poor performance transparent;

- evidence of significant increases in risks that may threaten delivery;
- information and evidence from robust external challenge, that probes beyond indicators and data;
- experience of citizens and users, and of partners in working with councils.

7.4 The experience of people is particularly important given the overall focus of the new performance framework on improving outcomes for all. It is vital that councils have effective systems for capturing the views of citizens and users, and also for enabling them to take action. Satisfaction surveys are key tools and complaints or redress systems can provide valuable information about service issues. Councils need to be more systematic in using residents’ views to help drive improved performance, for example by producing clear service specifications so that people know what standards to expect, and offering service users more choice, including extending the range of service providers.

7.5 But as well as these passive mechanisms, we want to develop ways for local people to convert dissatisfaction into real levers to secure change and improvement. The role of these kind of triggers for local action was recognised in last year’s police reform policy paper, *Building Communities, Beating Crime*.³⁸

7.6 The paper proposed that if the service that a community receives does not meet the standards set out in their local contract with the police, or if there is a particular problem associated with crime or anti-social behaviour, there will be a specific mechanism to trigger action at a number of different levels.

³⁸ Home Office, 2004.

Building Communities, Beating Crime – Triggering Action

The police reform policy paper suggests that councillors could be given a right to trigger action on the part of police and other relevant agencies when they are presented with acute or persistent problems of crime or anti-social behaviour to which local communities have not been able to get an effective response.

Local councillors would be able to trigger three levels of response on the part of the relevant agencies:

- i) obtaining information that was not made available
- ii) attendance by the relevant authority at a local public meeting
- iii) action on the part of a wide range of specified agencies.

Requests for action would be dealt with at the lowest appropriate level. Where no action was taken, the relevant agencies would need to explain why. In certain circumstances, there may be a case for triggering an inspection.

7.7 People need to be able to trigger action of two kinds. The first is where they have failed to receive a service to the required standard – i.e. a complaint by an individual, or a group of individuals. The second concerns a broader failure by the council to secure an effective service across the locality.

7.8 As outlined in the *Citizen Engagement and Public Services: why neighbourhoods matter* document, triggers could operate on a neighbourhood basis with people triggering action when the quality, accessibility and standards of public services in their neighbourhood fall below the level they have a right to expect.³⁹

7.9 In these kind of circumstances, local people could be empowered to trigger:

- the ward councillor to raise the issue with the council executive;
- an internal or external service review;
- a scrutiny investigation.

7.10 Clearly service reviews and scrutiny investigations would have resource implications and there would need to be a process of moderation to ensure that referrals were handled proportionately and appropriately.

A ladder of responses

7.11 Effective councils continuously challenge themselves about their performance and look at areas of actual or potential weakness, whether in corporate or management systems, culture, changing risks (e.g. turnover of key staff) as well as considering external factors such as problems in partner organisations or changes in local circumstances. While the nature of the response and who should respond will vary, it is important that a new performance framework that aims to drive continuous improvement has clear triggers for action and a broad framework for tackling any kind of under-performance.

7.12 The range of responses to such triggers needs to reflect our aim of a more devolved approach overall. It must properly recognise that the performance of councils is the responsibility of elected councillors and their officers. It must also acknowledge that achieving sustainable improvement in a council – especially where performance has fallen below acceptable levels – will normally be best achieved by ensuring that the council itself takes full responsibility for the management and achievement of its own recovery.

7.13 Others can also play an important part in both challenging and supporting action, especially where the council does not provide an effective response or where the under-performance is of a particularly significant or sensitive nature, which could lead to engagement or intervention by Government. Thus a

³⁹ ODPM 2005, p21.

ladder of responses is needed that reflects the nature of the under-performance and the capacity of the council to manage a successful response. This approach is reflected in the LAA performance management framework.

Internal Performance Review

7.14 The first rung on a ladder of responses must be councils' own performance management. Regular monitoring of robust indicators and data, internal challenge and scrutiny, external challenge, clear accountability and leadership are all important. Where councils are commissioning services from other providers, they need to ensure that contracts and agreements include clear performance standards and effective mechanisms for dealing with under-performance. One of the roles of scrutiny, as set out in *Vibrant Local Leadership*⁴⁰ is to consider the performance of the council against targets and assess the extent to which it is meeting its best value requirements. As such, the scrutiny process represents an important internal mechanism for triggering remedial action where there is under-performance. **We would welcome views on whether or not steps should be taken to formalise and strengthen the role of the scrutiny function in this area.**

7.15 The development of freedoms and flexibilities has reflected the view that where councils have strong corporate capacity and performance management systems, these can be relied upon to drive improvement and respond swiftly to problems. Investigating the development of the approaches identified in this paper should address some of the further barriers and burdens that councils have identified. We will continue to consider individual requests for new freedoms as part of Local Public Service Agreement or Local Area Agreement (LAA) negotiations but the aim is to move towards a system in which councils are more empowered, together with their partners, to achieve their priorities with central government involvement being better targeted.

7.16 Nevertheless, even some of the best councils have areas of under-performance that have not been resolved over several years. And some councils seem to lack the drive for improvement or just do not have

the capacity to deliver it. In these cases, something more is needed. As a next rung on our ladder of responses to under-performance, we are keen to explore the potential for either more ownership of responses across the local government sector and/or more use of local partnerships to challenge, support and even engage with councils.

Action between councils

7.17 On the first of these, the Government welcomes the Local Government Association's (LGA) pledge in its manifesto⁴¹ to "ensure that councils support each other ... with a commitment to ensure that no council deserves to be described as 'poor' or 'weak' within three years". More widely, the growth of peer support and interim managers in recent years has established a more flexible approach to sharing experience across local government. The Government has also put in place new powers to enable councils to trade and is supporting the development of franchising as a mechanism to allow high-performing councils to share their expertise.

Kent County Council and Swindon Borough Council have agreed a franchise arrangement within which Kent will support the improvement of Swindon's social services. Experienced staff from Kent will work alongside Swindon's officers, helping to improve management procedures and the service provided to local people. The franchise rests on a commitment to raise the level of performance in Swindon from 0 stars to a level equivalent to 2 stars within a period of 3 years.

7.18 We would welcome further discussion about how the local government family can best be supported in these initiatives and helped to develop other ways of supporting its members in responding effectively to under-performance.

7.19 As the focus increasingly shifts to partners working together in an area to deliver joint outcomes, partners and partnerships will play an increasingly important role in responding to under-performance through strengthened accountability arrangements, for example in the context of Local Area Agreements (LAAs), where partners will be held jointly accountable for the delivery of agreed targets.

⁴⁰ p16, *Vibrant Local Leadership*, ODPM, 2005.

⁴¹ *Independence, opportunity, trust – a manifesto for local communities*, LGA, September 2004.

Central Government Involvement

7.20 There will continue to be an important role for central government in responding to persistent or significant under-performance. Those triggers that will initiate a response from Government are likely to relate to under-performance against national targets; where councils' corporate capacity is under question; where previous efforts to turn around under-performance have not worked; or where it is clear that some of the reasons for under-performance lie beyond the control of the council itself.

7.21 There is considerable experience of Government engagement and intervention – both at service level and, since the introduction of Comprehensive Performance Assessment (CPA), corporately. And there are some significant success stories that demonstrate that engagement and challenge has played its part, alongside a renewed internal focus in individual councils, to resolve problems.

Wakefield Metropolitan District Council

In December 2002, Wakefield MDC was one of 13 councils rated as 'poor' under CPA. The Corporate Assessment particularly criticised the Council's performance management arrangements. Since that report, Wakefield has transformed its approach to performance management.

The new Chief Executive and Corporate Management Team used CPA as a catalyst to develop an integrated, and outcome focused, performance framework to deliver both the community strategy outcomes and its corporate objectives. Productive working with central government, through the ODPM Lead Official, helped ensure a focus on achieving results for citizens. The Council also effectively utilised the national Capacity Building Fund to support developing and integrating the framework. As a result Wakefield was the first council to be released from ODPM engagement, and is one of only 4 councils to achieve CPA category improvements in successive years.

7.22 Different approaches have been taken in response to different services and different degrees of failure – ranging from support and engagement to outsourcing the service. This variety in approaches will continue, reflecting both the problem and the nature of the service in question. However, we are seeking to develop a more co-ordinated approach, which recognises that individual service failures need to be considered in the wider context of the corporate capacity of the council and its performance in other services.

7.23 The experience of engagement with 'poor' and 'weak' councils so far has shown the value of joined up approaches from Government. The use of Lead Officials, Monitoring Boards, etc to co-ordinate Government's interests and support the council in responding to them has proved very powerful.

7.24 The proposal for a broader relationship management framework for co-ordinating the Government's interface with individual councils and areas (see Chapter 4) also provides a basis for a co-ordinated response to under-performance. This does not mean that there will be no individual service interventions, when those are most appropriate. However, these will be considered and developed within the context of a better understanding by Government of individual councils and their circumstances.

7.25 The basis for Government engagement and intervention will continue to be statutory powers contained in the Local Government Act 1999 and comparable legislation.⁴² The onus will be on taking appropriate action to ensure that councils make satisfactory arrangements to deliver continuous improvement. This will mean supporting initiatives that are likely to lead to sustained improvement in both service quality and corporate governance.

⁴² See Best Value and Performance Improvement, ODPM Circular 03/2003.

Support for improvement

7.26 As discussed earlier, local government has taken many steps to promote its own self-improvement in recent years. Councils working together is a powerful lever for further, more rapid change. As well as supporting the Local Government Association's Performance Partnership bodies⁴³ the joint ODPM/Local Government Association Capacity building fund is developing a menu of support which councils can access by:

- creating and managing a localised approach to corporate, thematic and service improvement through membership of an Improvement Partnership;
- utilising and participating in national level improvement initiatives.

7.27 Improvement Partnerships can be formed when a group of councils join forces to plan and manage a joint improvement programme focusing initially around corporate improvement. Councils can already form partnering arrangements as part of the joint fund arrangements and several have done so.

7.28 Opportunities to make better use of skills and expertise within the local government sector in order to achieve better performance are being taken. Partnership working allows councils with proven good performance corporately or in particular services (not necessarily only those with 'good' or 'excellent' ratings overall) to support improvement elsewhere. This can extend as far as formal 'franchising' arrangements within which excellent councils provide the support needed to achieve significant and measurable improvement in under-performing councils.

7.29 The Government believes improvement partnerships can be most effective where they include a shared commitment to achieving ambitious goals – for example, to ensure that each council within the partnership improves by a measurable amount over a defined period. Where such objectives can be agreed

with central government, alongside other locally agreed objectives, the programme can provide financial support to the partnership. If such an approach can be effective in achieving corporate improvement, we should also consider whether improvement partnerships could be extended to encompass service-related objectives and capacity funding.

7.30 Alongside the development of improvement partnerships, there are circumstances where it makes sense for Government, in partnership with the local government sector as a whole, to act as a catalyst for creating improvement programmes that individual councils acting alone or in small groups could not easily achieve. The development of the Local Government Leadership Centre provides one example of such an approach. The Leadership Centre will have a strong role to play in improving the quality and supply of effective local leaders. The Government is keen to explore the potential benefits of these kind of national initiatives.

7.31 We would welcome views on how to ensure that in a new performance framework, under-performance rapidly triggers action, and on the roles of different players in taking such action. We would also welcome views on how support for improvement can best be further enhanced.

⁴³ Formed in 2002, the Performance Partnership comprises of the Local Government Association (LGA) working alongside the four central bodies: the Improvement and Development Agency (IDeA); the Employers' Organisation for local government (EO); the Public Private Partnerships Programme (4ps) and the Local Authorities' Coordinators of Regulatory Services (LACORS). Its aim is to deliver local government improvement.

Chapter 8 – Towards a coherent framework for the future of local services

Introduction – continuing the debate

8.1 The success of a new performance framework will ultimately be judged by the services and outcomes it helps to secure for citizens. And the way in which the performance framework will operate, the precise mix of pressures, levers and incentives at different levels, will not be uniform. Rather it will be tailored depending on the characteristics of different services, priorities, and capacity to deliver.

8.2 This means that any strategy for the future of local government, and the performance framework at its heart, must be rooted in a real understanding of the key issues which will affect it in ten years time. So a key question in the next phase of debate will be how the ideas we have set out so far (on leadership, citizen engagement and the performance framework) will operate together to secure the kinds of outcomes that matter to people.

8.3 This chapter sets out how we intend to approach these issues. It focuses on:

- i. The external context in ten years time – which issues will be more or less important, and what services or outcomes will citizens expect as a result;
- ii. The policy context – what challenges the Government faces and how policy is being framed in response;
- iii. What this means for the role of local government in the future, and the considerations that need to guide our approach.

8.4 We intend to publish a further document later this year which will start the process of drawing these points together into a vision for the future of local services. This will pick up the links to the documents already published. In order to be effective, this vision

will need to be shared amongst all those involved in delivering local services.

The external context in ten years time

8.5 The environment in which local government operates is not static. Over the next decade new challenges and opportunities will arise that will require new responses.

8.6 We cannot predict the future, but we can make informed assumptions as to what might happen based on an analysis of various trends. There are now emerging demographic, technological, societal and environmental trends that will clearly impact upon local services in the future.

8.7 The Government's recently published Strategic Audit identifies many of these trends and the challenges and opportunities they may present in the future.⁴⁴ In order to build on this and others' analysis, we have commissioned an assessment of how these key trends and drivers are likely to shape the future environment for local services.

8.8 The kinds of outcomes citizens will expect, and the services they need, may be quite different in ten years time. An older and more diverse population is likely to need and expect a wider range of services delivered in different ways. New technologies may allow new services to be developed or existing ones to be delivered in new ways. People will increasingly expect local services to keep pace with innovations in providing more accessible and responsive services in other sectors.

Changing Policy Context

8.9 People's expectations of Government, and the policies developed in response, will also evolve to meet these new challenges and priorities.

8.10 The Government has recently published five year plans on all major public services. These set out a comprehensive vision for its priorities and provide the context within which the wider public sector, including local government and other local service providers, will operate in the medium term.

⁴⁴ Prime Minister's Strategy Unit, "Strategic Audit: Progress and Challenges for the UK" (2005).

8.11 Some of the key policy drivers within the five year plans include:

- **Decentralisation and Devolution:** an increase in freedom for the frontline, especially high performing units, to decide how services are delivered; and to a lesser extent for local bodies, including local government, to decide what is delivered.
- **User Focus:** Ensuring that services are tailored around the needs and expectations of citizens not providers.
- **Partnership Working:** Citizens rarely want outcomes that can be delivered by a single provider. Delivering cross cutting outcomes requires providers to come together to co-ordinate their efforts and pool resources. Pilot Local Area Agreements are already providing evidence of the value of this approach.
- **Efficiency:** Improving efficiency and value for money is essential to deliver the results that the public wants to see, and may require fundamental shifts in how services are delivered including merging functions across organisational boundaries.
- **Different Models of Service Provision:** there is increasingly a mixed economy in many areas of the public sector, where users and service commissioners can call on a menu of different solutions and providers, the precise mix of which can be adapted depending on the circumstances.

8.12 These drivers provide the context for the new performance framework outlined in this document, and in many cases, they are already having a real impact on local government. What has received less attention is the aggregate effect that they have, and the extent to which they are being applied coherently across all local services.

The role of local government

8.13 Both external trends and policy drivers are important influences on a vision for the role of local government in ten years time. We intend, as part of the next phase of work on **local:vision**, to reflect these in developing a series of scenarios which describe different possibilities for the future role of local government and their partners in relation to particular issues and services. While our focus is on local government, many of these issues present significant challenges for central government and the wider public sector too.

8.14 The development of these scenarios will be guided by:

- A clearer understanding of **the relative roles and responsibilities** of bodies involved in securing particular outcomes at national, regional, local and neighbourhood level;
- **For each tier of government, the importance of a coherent framework across all services** which is understandable and capable of effective implementation – but allows for appropriate variation to respond to different issues and challenges;
- **The unique role of local authorities within this structure** – as the main body below national government with democratic accountability to represent all citizens and interests within an area.

8.15 We intend to publish a document setting out these scenarios in more detail later in the year. At this stage, we envisage – on the basis of an initial analysis of the trends and principles described above – that, in relation to local services, these scenarios will be built around three key roles for local government:

- Community Leadership
- Developing effective governance arrangements
- Securing effective delivery arrangements

Community leadership

8.16 Councils need to be able to take a strategic view of service delivery across the key 'shared priorities', assessing what needs to be delivered, decided and funded at what level and by whom, based on detailed knowledge of the needs and expectations of citizens and consumers. We set out more detail about this role in *Vibrant Local Leadership*, published in January.

Developing effective governance arrangements

8.17 Within each tier of sub-national government (i.e. neighbourhood, local, regional) councils have a key role, reflecting their democratic mandate, in developing governance arrangements which are fit for purpose. This includes providing an appropriate level of democratic accountability; balancing competing priorities and concerns; and looking after the interests of the whole community, particularly those who are most deprived, vulnerable or hardest to reach.

8.18 We need to recognise that while democratic accountability is an important ambition in itself, the way that it will manifest itself may vary considerably between different services depending on the types of outcomes that are being sought.

8.19 The relationship between decision-making about services and control over spending patterns is a critical aspect of the debate. In particular the relationship between differences in needs, cost, efficiency and political priorities in respect of services at local level and the way in which those services are funded. These issues are also relevant to the Lyons Inquiry into local government funding which is due to report by the end of 2005.

Securing effective delivery arrangements

8.20 Councils will also need to consider what the most effective delivery arrangements are to meet the needs of a diverse community. This will involve:

- bringing together those with the right skills to tailor services effectively around individual users;

- considering the extent to which the council itself takes a direct role in delivering services, and where it develops a wider role in developing supply markets for services and enabling alternative methods of provision;
- considering the scale at which different services are delivered, whether it should be on a regional, local, neighbourhood or individual level.
- balancing the demands for choice, fairness, quality and value for money in service delivery;
- ensuring statutory requirements are met.

8.21 Taken together, all of this implies that local government in ten years time might be very different to today. This discussion document, and those that preceded it, have explored some of the principles which might help us to shape this future. We intend to develop these ideas in relation to different services, building on the debate we have been engaged in so far.

8.22 We would welcome views on all the issues set out in this chapter, and especially on:

- **What are the key external trends that will shape local service delivery over the next decade;**
- **Whether there are other important policy trends which will affect the future environment for local services, and how these policy trends are being experienced by individuals and organisations involved in implementing them;**
- **The three issues set out in paragraph 8.14 above – and the three key roles for local government set out in paragraphs 8.15 to 8.20.**

Chapter 9 – Next steps and developing the long term vision

9.1 A new performance framework to help drive continuous improvements in local service delivery is fundamental to our vision for the future of local government.

9.2 The aim is, however, for a new relationship between local government and its local, regional and national partners to enable:

- the development of a more coherent approach to managing performance which allows for a radical reduction in bureaucracy;
- much greater involvement of local people in the design and delivery of services;
- increased scope for local innovation;
- the flexibility to enable faster and better tailored responses to local circumstances.

9.3 This document has set out a range of issues and questions on a new performance framework, and on the future of local services. These raise a number of challenges for Government, local government and other partners, which can only be addressed through working together.

9.4 To move forward we need an open and inclusive debate on how we can develop a framework that is workable for all councils. This document is intended to help frame that debate. We would welcome views on the issues which we have raised throughout the document, in particular:

- the benefits of a more open and co-ordinated relationship between central and local government;
- the feasibility of developing new information systems;
- the proposed approach to national and local target setting;

- the establishment of robust local systems of internal performance management across all councils;
- how the role of external challenge might be strengthened;
- the potential role for a system of triggers and ladder of responses to tackle under-performance;
- what external policy trends will affect the future environment for local services;
- what are the key roles of local government in respect of local services.

9.5 We want to hear people's views on whether we have identified the right components for a new performance framework; how they fit together; and what steps need to be taken to implement them over time. We are also particularly keen to hear from councils and their partners who are already experimenting with new approaches to managing performance and to build upon their experiences.

9.6 Developing the approaches discussed in this paper is intended to ensure that councils have systems and cultures to challenge performance effectively and drive improvement. However, for a 10 year vision, how far to move towards greater decentralisation and devolution to achieve services that are more tailored and responsive is fundamental.

9.7 Work on the future of local services will address some of this, but we would be grateful for views on what might allow a more profound shift in accountability and what might it mean for central government's role and how it is performed and for councils in terms of providing a framework for local performance management and strengthening local accountability for the delivery of public services; in particular:

- how to provide meaningful and accessible information to local people on how well services perform in their area as a whole and in their particular neighbourhood and how to give them effective means of redress where necessary?

- how to empower and encourage a wide range of local people and service users to engage in shaping services?
- how far the role of councils and of other bodies needs to be better understood by local people so that they can be properly held to account?
- how far local arrangements should be focused on the greater integration of public services through common performance systems across an area?
- how to strengthen accountability between local partners so that, as discussed in *Vibrant Local Leadership*, there is a rationalisation of governance arrangements to streamline decision making and increase its visibility?
- moving from reliance on national systems of inspection and assessment so that strategic regulation is tailored to meet the needs of the area;
- replacing formal monitoring by more reliance on openly accessible information (including for Government).

9.8 We will be taking this debate forward through a series of national and regional seminars, workshops and meetings with local government and representatives of the public, private, voluntary and community sectors (including user groups) over the coming months. The feedback and key issues arising from that debate will be drawn together, along with the issues from discussions on other documents published on local:vision, over the next 12 months into a fuller strategy document.

9.9 Please send your views and comments to:
performanceframework.localvision@odpm.gsi.gov.uk

More details can be found at:
www.odpm.gov.uk/localvision

Glossary

BFI	Benefit Fraud Inspectorate
CPA	Comprehensive Performance Assessment
DDMR	Devolving Decision Making Review
DfES	Department for Education & Skills
DfT	Department for Transport
DTLR	Department for Transport, Local Government and the Regions
IDeA	Improvement & Development Agency
LAA	Local Area Agreements
LGA	Local Government Association
LPSA	Local Public Service Agreement
LSIF	Local Services Inspectorate Forum
ONS	Office of National Statistics
PMMI	Performance Management, Measurement and Information
PSA	Public Service Agreement
SDA	Service Delivery Agreement
SOLACE	Society of Local Authority Chief Executives