

## **COMPREHENSIVE PERFORMANCE ASSESSMENT: CONSULTATION PAPER**

### **1 SUMMARY**

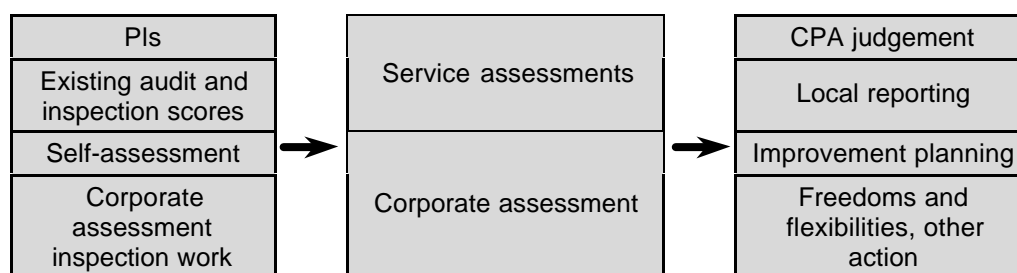
- 1.1 This report provides details of the second consultation now produced by the Audit Commission in respect of the comprehensive performance assessment framework to be applied to local authorities. Members are asked for any comments that they may have on this latest consultation, which have to be submitted to the Commission by 9 August 2002.

### **2 INTRODUCTION**

- 2.1 The latest consultation from the Audit Commission follows on from that produced in March and considered by Council in April. Like the first consultation paper, it focuses on the emerging framework for single tier and County Councils. A further consultation is promised specifically in respect of District Councils, but as yet that has not been published.

### **3 WHAT IS COMPREHENSIVE PERFORMANCE (CPA)**

- 3.1 The aim of CPA is to help Councils improve their own performance and deliver service improvements. It includes:
- Helping Councils identify the actions they need to take to deliver improvement.
  - Ensuring that audit and inspection of Councils – and services – are proportionate to performance.
  - Ensuring that the best Councils receive significantly reduced audit and inspection.
  - Ensuring that external audit, inspection and regulation are properly co-ordinated and support improvement.
  - Streamlining other forms of external regulation; and
  - Providing a baseline assessment for the allocation and negotiation of freedoms and flexibilities.
- 3.2 CPA will also identify Councils where intervention is required to protect services to local communities.
- 3.3 Under CPA, all authorities will be assessed, scored and categorised. The framework for reaching CPA judgements is set out below:



## **4 CONTENT OF THE CONSULTATION PAPER**

4.1 The latest consultation focuses on the categories to be used in the final CPA judgement, the way in which evidence on service delivery and corporate capacity to improve is to be combined, and the principles underlying improvement planning.

4.2 The Audit Commission is also seeking comments on:

- the treatment of cross-cutting issues; diversity and community cohesion; and the context including social deprivation and resources in the assessment framework;
- proposals on weighting and rules to reach a judgement on current performance;
- the approach to measuring corporate capacity to improve; and
- proposals for reaching individual service judgements.

### **Changes to Categories**

4.3 The categories used to describe an authority's performance was a key issue raised in the first round of consultation in March/April. Many felt the suggested categories of high-performing, striving, coasting and failing were ambiguous and did not reflect both existing performance and a Council's capacity to improve. In response to this, the Commission has put forward two options for consideration and comment.

#### **Option 1 – A Five Category System**

4.4 This option would replace the original proposals with a five category system that places additional weighting on current performance. It would retain an element of weighting on improvement to ensure incentives within the system. There would be an opportunity for a ladder of progression from the bottom to the top category. The five categories would be excellent, good, fair, weak and poor.

4.5 Under this option:

- Authorities that have very good services would always be categorised as 'excellent' and those that have poor services would always be categorised as 'poor' regardless of their score on improvement.
- Authorities that have relatively good services and have proven capacity to improve would also be categorised as 'excellent'. The Commission advise that on the basis of existing service information and corporate assessments carried out so far, very few authorities have excellent current services across the board but a number have good services and excellent proven capacity to improve, and would therefore fit in this box.
- A number of authorities have relatively good services and proven capacity to improve. However, the improvement is not sufficient for them to be considered excellent and so they would be categorised as 'good'.
- There are authorities that have relatively good services but are not improving, or falling back. These authorities would be categorised as 'fair', as would authorities that have relatively poor services but are improving.
- Authorities that have relatively poor services that are not improving or falling back would be categorised as 'weak'.

4.6 In addition, a distinction would be made in the 'poor' category between authorities that provide poor services and have no capacity to improve, which would be considered for intervention, and those that have capacity to improve, which need tailored support to help sustain improvement.

**Option 2 – A Revised Four Category System**

4.7 A possible concern about Option 1 is that it would still be confusing to local people who would not understand their Council being labelled 'excellent' when their experience was that services had weaknesses. The Commission also feel, that there is a risk that authorities placed in the middle of five categories might feel complacent and not have a strong incentive to improve. In addition, some Council's that have fairly poor services which are not improving or falling back are likely to share many of the characteristics of 'poor' services.

- 4.8 As a result, the other option proposes four categories similar to the five category system but with additional emphasis on current performance. The four categories would be excellent, good, fair and poor.

**Overall Assessment Framework**

- 4.9 The overall assessment framework brings together information to form judgements on overall current performance and proven capacity to improve. These will be used to determine the final categorisation.
- 4.10 The Audit Commission's March consultation proposed that CPA should be based on the following elements:
- Service judgements.
  - An auditor judgement of financial standing and stewardship, and performance management; and
  - A judgement of corporate capacity to improve through the corporate assessment process.
- 4.11 The first two elements would be based primarily on existing information. The last judgement would be reached by a process of self-assessment followed by corporate inspection by teams led by the Audit Commission.
- 4.12 The key concerns raised in the first consultation on this were as follows:
- The groupings are too direct service based and did not sufficiently reflect the cross-cutting work carried out by Councils;
  - Community leadership issues are not addressed, particularly in relation to community cohesion;
  - CPA judgements need to take into account the impact of deprivation and other contextual issues on performance, such as a lack of resources.
  - There should be simplification of the service blocks used in CPA;
  - The relative weightings of national as opposed to local priorities.
  - The way in which service judgements would be combined to reach an overall judgement.

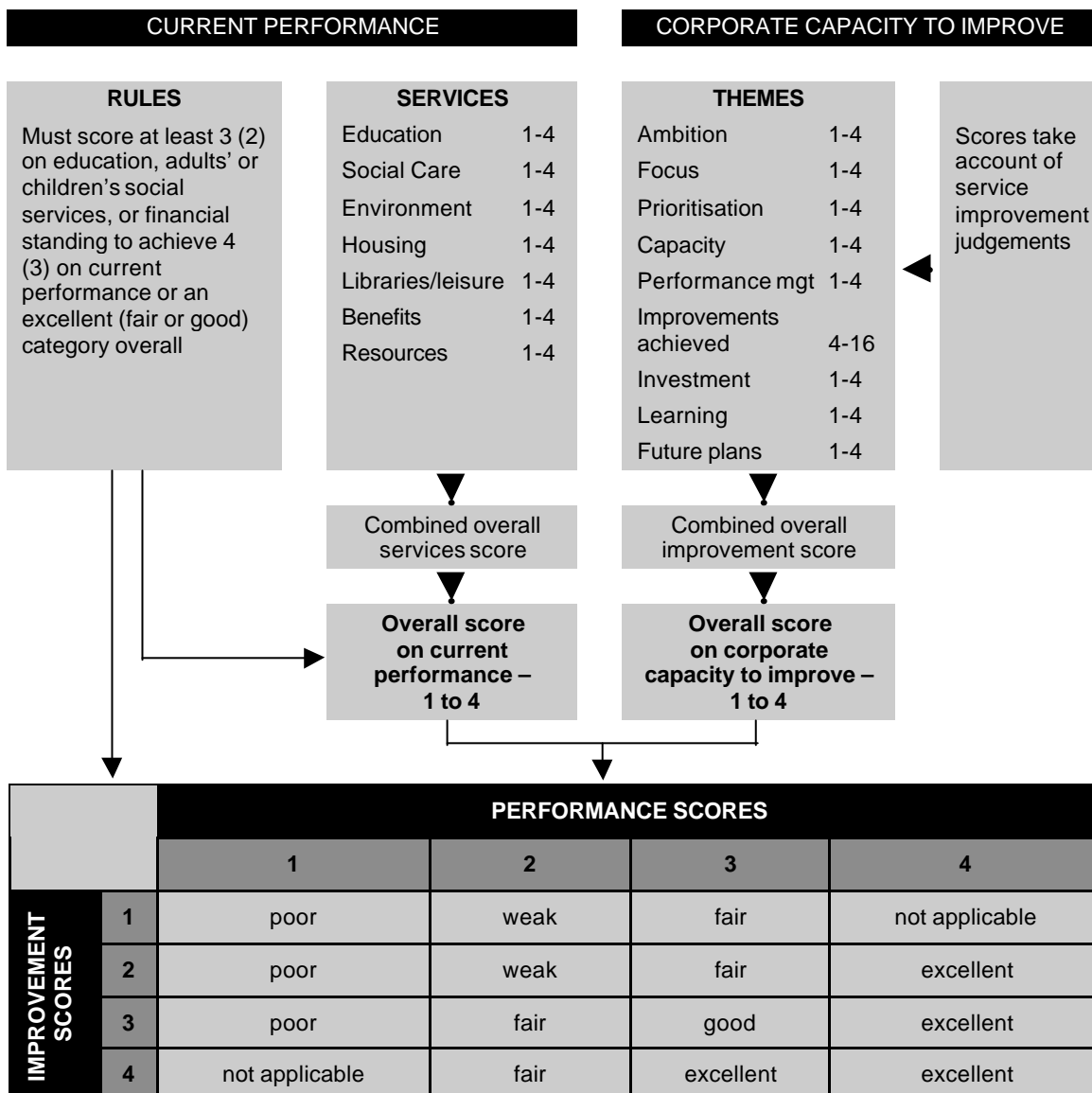
- How the corporate assessment would be used to judge corporate capacity to improve.
- 4.13 In response, the Audit Commission maintain that there are good reasons for keeping a strong service component within CPA including:
- Public perception of Councils often being based on their experience of direct service delivery; and
  - Councils only being able to exercise their community leadership functions effectively if they are effective deliverers of direct services.
- 4.14 The Commission have now recognised that national and local priorities can focus on cross-cutting issues and aim to address these through developing the approach to corporate assessment. Similarly, the Audit Commission plan to use the corporate assessment process to assess the effectiveness of Councils in responding to diverse community needs and developing community cohesion in selected areas.
- 4.15 However, the Audit Commission does not at this stage intend to adjust overall CPA results to take account of deprivation or level of resources. The consultation paper does propose the inclusion of a new 'use of resources' block covering financial management and financial services, people management and asset management.
- 4.16 The Commission say that it will use external auditor judgements on financial management and stewardship, and other sources including corporate health best value performance indicators, corporate inspections and government assessments of asset management plans and capital strategies for assessment in this area. Other changes in respect of Districts will undoubtedly be included in the District Consultation paper.
- 4.17 The current paper outlines that the general principle that the Commission proposes in reaching a judgement on current performance is that an authority that scores an average of less than 2 on service judgements is poor on current performance and an authority that scores an average of more than 3 on service judgements is excellent on current performance. This means that a Council would have to score 3 on most things and 4 on at least one other to be considered an excellent Council overall. Similarly a Council would have to score 2 on most things and score 1 on at least one other to be considered poor on current performance.
- 4.18 For single tier and County Councils the Audit Commission is proposing further qualifications to the scoring mechanism on current performance:

- No Council should score a 4 on overall current performance (or be ranked within the 'excellent' category) if its current performance on education, adults' or children's social services, or financial standing, was rated at 2 or less.
- No Council should score a 3 or more on overall current performance (or be ranked within the 'excellent', 'good' or 'fair' categories) if its current performance on education, adults' or children's social services, or financial standing, was rated at 1.

4.19 The corporate assessment process is being revised in the light of experience of the pathfinders. Revisions include:

- Amendments to the self-assessment guidance to increase focus on priorities for improvement.
- The development of themes which will be used in the scoring process.
- Use of round table meetings to enable authorities to set out the key issues they are seeking to address.
- Increased emphasis in guidance on community leadership and equal opportunities.
- The developing of area profiles to help assess key issues authorities should be prioritising.
- An increased focus in the key lines of enquiry on priorities for improvement (rather than priorities overall) to reduce the potential overlap with current service judgements.
- The development of the self-assessment and corporate assessment as the basis for subsequent improvement planning.
- The use of proportionate inspection which ensures sufficient evidence is collected to reach a judgement.
- A quality assurance system for corporate assessments, including guidance, evidence collection systems, quality visits and checks.
- A customer management approach which actively seeks feedback from all councils (over and above the quality assurance work) during and after their corporate assessment.
- National moderation of corporate assessment scores to ensure consistency in judgements.

- 4.20 The Consultation Paper advises that the Audit Commission has now completed 70 corporate assessments and is rolling out the methodology to all single tier and County Councils. The key issue now is how the scores for individual areas measured in the corporate assessment are combined to reach an overall score.
- 4.21 Corporate capacity to improve will be scored on each of nine themes used in the corporate assessment: ambition, focus, prioritisation, capacity, performance management, improvements achieved, investment, learning and future plans on a score of 1 to 4, with 1 being poor capacity to improve and 4 being excellent capacity to improve.
- 4.22 The Audit Commission proposes to give all these elements of the corporate assessment a weight of 1 apart from improvements achieved which will have a weight of 4.
- 4.23 The Audit Commission is also changing some of its original proposals on service assessments. For example:
- Criteria for judgement for housing, environment and leisure have been amended.
  - Changes have been made to the proposed performance indicators used within service assessments for housing, environment and leisure.
  - Changes have also been made to the way in which performance indicators are measured, including the treatment of 'bunched' PIs and PIs for which there are national targets.
  - Where concerns have been expressed about availability and usefulness of performance indicators (e.g. in the case of libraries and leisure), the Commission is proposing putting a higher weight on inspection judgements.



### Improvement Planning

- 4.24 Following discussion with Government, other regulators and stakeholders, the Audit Commission outlines that it believes the key principles that should underlie this process are as follows:

#### Council's own improvement planning

- 4.25 Improvement planning should inform how the Council will deliver the community strategy and tackle top priorities for improvement over a rolling three-year period:
- Improvement planning resulting from CPA should replace existing planning processes, rather than adding to them.

- Improvement planning should fit in with local government's own planning cycles, including service and financial planning and the budget cycle.
- Authorities should lead improvement planning, including identifying additional capacity or support they require.

**Regulation Planning**

**(a) assessment:**

- The degree to which external regulators engage directly with an authority's improvement planning should depend on the CPA service and corporate categories authorities are in;
- Corporate assessment should be less frequent, the better an authority's score on corporate capacity to improvement;
- Work with authorities on a proportionate and co-ordinated inspection and audit programme should begin once sufficient information is available from the corporate assessment and service judgements and does not need to wait until the announcement of the final CPA service and corporate categories;
- The proportionate and co-ordinated audit and inspection programme should be informed by national priorities.

**(b) government action:**

This should include:

- General deregulation applicable to all Councils;
- Deregulation, support, or intervention depending on the CPA service and corporate categories a Council is in;
- Negotiated deregulation as part of Local Public Service Agreements.

**(c) general:**

- The approach to improvement planning by all external regulators – including inspection, audit, central government policy makers, and government offices in the regions – should be effectively co-ordinated and linked to authorities' own improvement planning.

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**5 OFFICER COMMENT**

- 5.1 This is the second consultation produced by the Audit Commission in the past few months in connection with Comprehensive Performance Assessment. Like the first, it focuses on single tier and County Councils, which is where the Commission's work priorities in terms of delivering the CPA rest at present. However, further consultation is promised shortly specifically in connection with Districts.
- 5.2 Two things are apparent from this latest consultation - that the Audit Commission is still developing its approach to CPA as it goes along and secondly, that it appears to be responding in part to some of the comments being made.
- 5.3 The overall local authority classifications have been reconsidered and changes are proposed, particularly in terms of terminology. That said, all authorities will still find themselves in a league table classification. In addition, the consultation's detail on methodology, relative weightings and rules now put forward offer little by way of reassurance of the 'objectivity' of what is proposed. With the emphasis placed on scoring and weightings, there is concern too, that as with best value, the CPA is concentrating on process, which appears to be becoming more complex. It is to be hoped that in developing the methodology, the focus on local authority improvement is not lost. More needs to be done around improvement and what guidance and support there will be for authorities to deliver an 'improvement agenda'.
- 5.4 There is some concern too, around the introduction of the 'use of resources' block. If this same category is applied in a district context, it is likely that districts will suffer on the basis of their smaller resource and capacity base.
- 5.5 From the experience of the County Council, and other single tier and County authorities who are currently going through the process, it is clear that the CPA will involve considerable Member and Officer resources over the next 12 to 18 months. Members have already agreed that work around the CPA will be a key task for this Committee in the Autumn cycle.

**6 RESOURCE IMPLICATIONS**

- 6.1 Whilst the Council has already increased its resources to take on board the processes and procedures arising out of the Best Value Regime, considerable Member and Officer input will be required as the CPA regime is introduced and developed.

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**7      LEGAL IMPLICATIONS**

- 7.1    The CPA is a key part of the Government White Paper on Local Government and is an extension of the Best Value regime as outlined in the Local Government Act 1999.

**8      RECOMMENDATION**

- 8.1    That Members consider the further Consultation Paper now published by the Audit Commission in connection with the CPA and comment accordingly. (CEX)

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