



Meeting **Corporate Strategy and Coordination Standing Select Committee**

Date **14 FEBRUARY 2005**

agenda item number

Report of the Assistant Chief Executive

CONSULTATION ON PROPOSALS FOR THE COMPREHENSIVE PERFORMANCE ASSESSMENT FROM 2005

Purpose of Report

1. To inform the Committee of the Audit Commission's Proposal for Comprehensive Performance Assessment (CPA) from next year and seek the Committee's views for inclusion with comments to be sent back to the Commission.

Background

2. The Comprehensive Performance Assessment is an annual evaluation of all upper tier Councils undertaken by the Audit Commission. In December 2004 Nottinghamshire County Council was classified as an Excellent Council, the top category. In 2003 the Council had been classified as Good.
3. The CPA was established in 2002 for a three year period and a full review of the process at this point was announced early in this first cycle. An initial consultation document was put out in January 2004 and a further report was published by the Commission in May responding to the comments and reporting on how ideas were developing. Pilots of each aspect of the new approach have been conducted with a number of Councils (including Essex County Council) throughout the year and the results of this are built into the current proposals.

Overall approach

4. The Audit Commission's new proposals for the CPA are based on an acceptance that it has been a useful tool in promoting improvement in local government. The purpose of the review is to ensure that the CPA continues to focus on the right things, continues to be sufficiently challenging and takes account of the Commission's objective to reduce the burden of regulation and inspection.
5. Many of the key aspects of the new proposals remain the same;
 - ◆ Individual service blocks, which will be given an annual score

- ◆ A corporate assessment will be undertaken of the Council's organisational capacity
- ◆ A use of Resources judgement will be made and updated annually
- ◆ The three elements will be brought together in an overall assessment given annually and giving each council a classification such as 'fair' or 'excellent'.

6. The main changes proposed are as follows:

- a) Service blocks will be revised to bring together Children's and Young People's services into a single block.
- b) The Use of Resources Block will be substantially changes to include an explicit judgment of value for money and to show efficiency savings through the Annual Efficiency Statement.
- c) The Corporate Assessment will be modified to include judgments on:
 - the promotion of user focus and diversity
 - achievement of the shared priorities of national and local government
 - management of resources and value for money
 - community leadership and leadership of partnerships
- d) The overall assessment which brings these elements together will:
 - use rules rather than a scoring system
 - include a direction of travel statement.

Corporate Assessment

7. In place of the nine themes in the current corporate assessment the Commission are proposing *five*:

- ◆ Ambition for the community
- ◆ Prioritisation
- ◆ Capacity
- ◆ Performance management
- ◆ Achievement

8. Achievement will be evaluated against a compressed set of the shared priorities agreed by national and local government. These are:

- ◆ Sustainable communities and transport

- ◆ Safer and stronger communities
 - ◆ Healthier communities
 - ◆ Older people
 - ◆ Children and Young People (Assessment provided by the Joint Area Review by Ofsted and CSCI)
9. New Key Lines of Enquiry are being established to build in greater consideration of new factors including user focus and diversity. These will be integrated into the judgments of each theme. Scores from one to four will be given to each theme and rules will be applied to derive a single corporate assessment score.
10. The corporate assessment will be undertaken at the same time as the Joint Area Review (JAR) by Ofsted and the Commission for Social Care Inspection (CSCI.) Upper tier authorities will be subject to only one corporate assessment and JAR during the next three year cycle of CPA. Given our excellent status and top classification for education we are likely to be towards the end of this period.

Use of Resources

11. This annual judgement will be based on annual audit work and will use key lines of enquiry to judge four themes:
- Financial planning and management
 - Financial standing
 - Internal controls
 - Value for money

Each theme will be scored from one to four and rules will be applied to derive a single resources score.

Service Blocks

12. Block score for Children and Young People will be provided by Ofsted but will follow a common structure agreed between the inspection agencies. Environment and Culture judgments will be made by the Audit Commission and three sub blocks have been defined for each.
13. The Adult Social Care review will be undertaken by CSCI and for the first year will follow a similar pattern to last year's assessment. The assessment is to undergo a further review in 2006.
14. The basis of assessment for Audit Commission assessed services is set to change significantly with a move away from judgments based on inspections towards greater dependence on performance indicators. There is recognition that the performance indicators set are still limited and the document talks of

identifying further indicators already reported to government departments and using suitable information from individual authorities. These points will need further exploration during the consultation process.

15. A new set of criteria are proposed for scoring service assessments and service inspections. Scores of 1 to 4 are to be given. "A service that does not deliver minimum requirements for users" will score a 1, while "A service that delivers well above minimum requirements for users" will score a 4.

Overall classification

16. The Commission is considering if there is merit in moving from five to four classifications perhaps merging "weak" and "poor". In either case the overall judgment would be drawn together by the application of rules covering the service blocks, use of resources and corporate assessment. For example with a 3 for corporate assessment we would need to get no less than a 3 for all Level One services (Children and Young People, Social Care for Adults and Use of Resources) and no less than a 3 for all Level Two Services (Environment and Culture) in order to be classified as excellent.
17. In addition the Commission are suggesting that each year a direction of travel judgement should be made and published as part of the statement prepared by the Relationship Manager. The judgement would be made by assessing the corporate assessment themes using available knowledge and documentation. Authorities would receive a direction of travel statement from the following list:

Progressing strongly

Progressing well

Making only limited progress

Falling behind

Implications for the County Council

18. Overall Judgement
 - (a) The standards across the new CPA are being set at a higher level to promote continuous improvement. As a result the Authority will need to continue to improve its service delivery and organisational ability or it will not retain its current excellent classification
 - (b) The move from using a scoring system to using rules to draw together different parts of the judgement means that it is vital to improve the weakest areas of performance as they will hold back the overall assessment.
 - (c) The rules as currently proposed require a Council with a Good corporate assessment (a score of 3) to score 3 for each of its Level 1 and Level 2 services in order to be classified as excellent. Therefore, to retain Excellence it will be necessary to raise our score for Adult Social

Care from 2 to 3 or we will only achieve the classification of Good when it is reassessed this December.

Corporate Assessment

- (d) The new CPA should reduce the amount of inspection the Council receives as there will be only one Corporate Assessment in the next three year period and this will be done together with the Joint Area Review of Children's Services.
- (e) Because of excellent status we are unlikely to have another corporate assessment until 2007. The programme is expected to be published in the near future.
- (f) The change in the themes evaluated in the Corporate Assessment and the inclusion of achievement against national and local government's shared priorities raises the importance of community leadership, user focus and our promotion of equality and diversity.
- (g) The Key Lines of Enquiry that will be used for the Corporate Assessment imply high standards for Councils and will involve further development work for the Council to meet them.

Use of Resources

- (h) The Use of Resources judgement will be undertaken annually and draw on annual audit work. The Value for Money element is new and will involve a self assessment. Value for money will be judged from a community wide perspective and will take account of full long term costs and benefits.
- (i) The new Use of Resources block represents a shift from simply assessing financial probity to assessing how well Councils use their resources. Last year Nottinghamshire, along with a large number of other Councils, scored 4 (the top score) for Resources. The requirements of the new assessment will present a challenge to achieve Level 3.
- (j) The Use of Resources judgment will also draw on the Annual Efficiency Statement and the ODPM is considering whether the Value for Money Self Assessment could be combined with this.

Service Blocks

- (k) In keeping with the Audit Commission's objective to reduce the burden of inspection the service block judgments will make less use of inspection results and rely more on performance indicators.
- (l) Service blocks evaluated by the Audit Commission will no longer make use of percentile rankings which put weight on how well one council performs relative to all others. Instead minimum and "well above minimum" standards will be set for each performance indicator. Rules will then be applied to determine the block assessment. Our current evaluation in both the Environment and Culture block owes much to

strong inspection scores so it will be necessary to ensure that key aspects of performance meet the standards that are set.

- (m) Comments on the new Annual Performance Assessment of Children's Services will be brought to Cabinet in a separate report.
- (n) No major changes have been proposed for the CSCI judgement on Adult where low performance by the County in just one aspect of the service has a disproportionate effect on the final evaluation. As already pointed out a low score in this service block can prevent us from retaining excellence. It is, therefore, planned to raise our concerns about the way this evaluation is arrived at with both the Audit Commission and CSCI.

Direction of Travel

- (o) The new Direction of Travel statement will give a fuller picture of the Council's position and will give the opportunity to demonstrate that it is still actively working to improve its services and organisational ability even when there is no change in classification. It is unclear at present how the Audit Commission Relationship Manager will arrive at the judgement.

Comments to the Audit Commission

19. In summary, it is proposed that the main comments made are as follows:

Overall judgement

- (a) The principle of moving to rules is supported as it will encourage a consistent level of improvement across all services and is easily understandable.
- (b) As the new CPA formula and corporate assessment is set at a significantly higher level than the previous assessment there is a danger that a lot of Councils will be classified at a lower level this year even though they are steadily improving. This could give the wrong impression to the public about the progress being made in local government. Is there, therefore, a case for considering retaining the standard of the current classifications other than poor that would drop out and adding an additional classification (Exemplary?) at the top, above excellent.
- (c) With the adoption of the rules approach an Authority might achieve the same block scores that last year meant it was classified as excellent but this year be downgraded to Good. By the time the new CPA formula is finalised the performance year, being assessed will have come to an end so the scores that contribute to the CPA will be beyond influence. There would seem to be a case for not downgrading Councils in these circumstances.

Corporate Assessment

- (d) The Key Lines of Enquiry set a very high standard for Authorities and are very prescriptive. This might lead to too rigid a framework to take account of different approaches in different Authorities.
- (e) Clarification is needed on whether it is necessary to meet all the requirements of all the questions to achieve the level or would there be discretion on the part of the inspection team.

Use of Resources

- (f) The broader scope of the Use of Resources block and the new emphasis on value for money is welcomed.
- (g) As with the Key lines of Enquiry for the Corporate Assessment they seem to be very detailed and over prescriptive.
- (h) Clarification is needed into whether it is necessary to fully meet every question and what evidence will be required to demonstrate that a requirement is met.
- (i) The standard required for Level 3 appears so high that consideration should be given to thinking whether it could represent the standard for Level 4.

Service Blocks

- (j) While there is no objection in principle to greater dependence on performance indicators there is a concern in both the Environment and Culture block about the limited number of performance indicators available and how well they reflect the totality of the service.
- (k) The move from use of percentiles to standards is welcomed but it will be necessary to consult over the standards that are set.
- (l) The principle of using broader performance information is supported though there is a question over whether particular performance information will be comparable or equally applicable to all Councils.

Direction of Travel Statement

- (m) The principle of a Direction of Travel Statement is supported but more information is needed on how this assessment is to be arrived at.

Future Action

21. The Committee's views on the above comments are sought to inform a detailed response which will be sent to the Audit Commission by the Cabinet Member for Resources and Best Value before the end of the consultation period.

22. The detailed implications of the requirements of the CPA 2005 together with the points arising from the 2004 Corporate Assessment will form important inputs to the Councils Annual Improvement Plan for next year.

Statutory and Policy implications

23. This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, Crime and Disorder, Human Rights and those using the relevant service. Where such implications are material, they have been described in the text of the report.

Recommendation

24. It is recommended that the Committee records its views on the proposals and the suggested responses to the new CPA formula and note the implications for the Council.

Andrew Muter
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Director of Resources' Financial Comments

There are no specific financial implications arising from this report. [NS 24/01/05]

Legal Services Comments

There are no legal issues pertaining to this report. [PDH 26/01/05]

Background Papers Available for Inspection

Proposals for comprehensive performance assessment from 2005: consultation document – Audit Commission

Electoral Divisions Affected

All