



MAKING LOCAL DEMOCRACY WORK

# Locally Defined Targets: Better Performance Management

INDEPENDENT INTELLIGENT INFORMATION

**Seismic changes in local government occur in cycles, like volcanoes. And right now we are on the edge of a new eruption, peering down into the crater wondering whether the bubbles beneath may soon engulf us.**

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## Foreword by Mike Burton, Editorial Director of the MJ

Seismic changes in local government occur in cycles, like volcanoes. And right now we are on the edge of a new eruption, peering down into the crater wondering whether the bubbles beneath may soon engulf us.

The hot ash spurts up the Lyons Review into funding and function, the David Miliband examination of structure and neighbourhoods will lead to a local government bill late in 2006, the debate over what happens after CPA, the impact of Gershon efficiency targets with more shared services and outsourced back offices, the drive for more muscular LSPs and LAAs and local joined-up services. And all this happens against a backdrop of a changing national political landscape with a new Prime Minister in the wings and ambitious politicians jockeying for power and position with public services as the battleground.

Yet much of the thinking on this is still fluid. Conclusions and opinions are far from confirmed. So this paper from the LGIU is especially timely and a vital contribution to a debate which could change the face of local public services for the next decade and beyond.

The LGIU paper sees the heart of the issue as about the level of balance between national and local powers, with opinion moving towards more localism. It sees local authorities therefore as the natural community leaders through their infrastructure and democratic mandate with a formal power of scrutiny over partners similar to health scrutiny powers.

The paper also argues that LAAs are the ideal vehicle for joining up delivery locally but should be extended to include funding for all public services such as the local arms of national agencies currently accountable to Whitehall. Examples cited are Job Centre Plus, the much-criticised Learning and Skills Councils, RDAs, police and PCTs.

The paper argues that as LAAs develop, their power poses a threat to Whitehall, meaning that ministers inevitably lose interest in the whole process. It therefore proposes that the final approval of agreements should move from ministers acting on civil servants' advice to a third party such as a national inspectorate.

The paper also argues that inspections should be localised. Suggestions that neighbourhoods could take over some of the role – a view not dissimilar to comments by David Miliband – needs further exploration in my view. As yet these neighbourhoods have no formal structure or popular mandate and could well end up as single-issue interest groups with narrow agendas. However, wider use of the peer review process which this paper backs must surely be welcomed so long as peers have some incentive, financial or otherwise, to help their colleagues.

The LGIU paper ends on an optimistic note. There are huge opportunities for local authorities which they need to pro-actively pursue. For there is a growing sense in the corridors of power that the present centralised system does not work. However, it is offset by scepticism that local government can deliver the goods. It is down to local authorities and associations like the LGIU to convince the public that indeed they can and will.

**The perception of local government over the last ten years is that of a delivery agent for central government. Tightly wrapped in performance targets and reliant on central government funding, this has been an inevitable outcome.**

# Chapter 1: What the Future May Hold for Local Democracy

There are significant signals to suggest that a consensus is building around the premise that to meet the ever increasing demands of consumers, government must become more joined up at the local level. The Government now appreciates that in order to deliver consumer choice it must ensure first that local needs and structures are addressed.

At the start of 2006, the LGIU launched a major campaign: Making Local Democracy Work. It aims to meet the forthcoming public policy challenges that the Government faces at a local level. The approach will be holistic: covering finance, the nature of central local relations, devolution and local government powers, the representative framework, and community empowerment. All these aspects will play an important part in delivering a revitalised local democratic framework that empowers representative and participative democracy. This pamphlet looks specifically at central and local relations in performance management. The LGIU believe that to fully realise joined up public services, the Government must first create a more effective performance framework. It will be argued that this must be applied at the local level. To make local democracy work, user focussed services need joined up government backed by a locally designed performance framework.

The ODPM has already laid the foundations in its local vision debate through two documents: Local Area Agreements (LAAs) and Securing better outcomes: developing a new performance framework. Meanwhile, David Miliband MP, Minister for Local Communities, has identified the need to take the debate on local accountability forward in the run up to the next Spending Review in 2007; and Phil Woolas MP, Minister for Local Government, has highlighted that a sustained improvement in performance management is needed if 'double devolution' is to be realised.

The LGIU will argue in this pamphlet that if reforms to joined up government and to the performance framework are successful, then a new settlement will be created which would enable the following positive outcomes:

- Whenever citizens can benefit from joining up local services, councils will be their first choice to coordinate and lead the process.
  - Local partners and central government will be confident that councils are best equipped to lead on joining up services.
  - Councils will be confident that they have the skills, resources and authority to do the job.
- Citizens will feel confident that whenever they have problems with local public services or public policies, their council will be able to help because the council is equipped to influence all local public service. Nationally set targets will be dramatically reduced in number. They will only be outcomes. The performance of local services will continue to improve.
- Councils and other local public services will rarely work directly towards these national targets. Instead they will have adapted them to local circumstances.
- Public service staff will have far greater understanding of, and commitment to, the targets to which they work.

**As a result:**

- Councils will no longer feel pressure to perform coming down from either Whitehall, or national inspectorates.
- The pressure will come from their citizens, peers and their local partners.
- National government will be more effective because national pledges are being met more through local initiatives.
- Action to improve poorly performing councils will happen much more rapidly. Intervention will be more decisive.
- This intervention will come from local partners, other councils and local people.
- As a result of these and other reforms, there will have been a transformation in the entrepreneurial capacity of council staff.
- Working for a council will be seen as one of the most exciting and challenging careers.

**Joined up public services are vital because people want services designed around their needs, not the convenience of the providers. This will almost always require multi-agency co-operation.**

## Chapter 2: Joining Up Public Services

Many of the hardest challenges that government face, like crime, or environmental protection, can only be tackled through effective multi-agency working. LGIU strongly supported the arrival of LAAs. They have far greater potential to help join up services than any structural reorganisation could deliver and are a consensus-based solution. However, realising their potential depends on organisations finding different ways of working together. This in turn demands new capabilities both for individuals and organisations.

There are changes to the rules that will make LAAs work better. These need to be supported by changes in skills, attitudes and relationships. Below we suggest changes to the system that will deliver better results. But this cannot be achieved without putting the development of the local government workforce as a higher priority. That is why we return to this subject later in this paper.

There are two core benefits to LAAs: firstly, the chance to create common goals for many local partners; secondly, the chance to back these goals up by pooling funds and other resources. The first round of LAAs has revealed obstacles to achieving these core benefits. However, to make local democracy work, these obstacles need to be removed.

### **We propose:**

**The scope of resources that can be pooled should be progressively extended to include all funding for all local public services, including the local arms of national agencies that are accountable to Whitehall departments. This would include for example Job Centre Plus, Learning & Skills Councils, RDAs, Police and PCTs.**

**The issue of accountability, responsibilities and probity of partnerships should be fully addressed so that the citizen understands who is responsible if things go wrong and the role of the democratically elected council is clear.**

Government Offices (GOs) will need enhanced resources, skills and authority over central government departments and their local and regional delivery bodies so that they are better able to broker any agreement between different levels of government, be that local, regional, or national.

All public partners in a local area should have a duty to contribute positively to the local community plan and the Local Area Agreement. Local business representatives should also be included where possible. The local council should have a formal power of scrutiny over the partners, similar to the existing health scrutiny powers, to examine if they are fulfilling this duty.

As GOs' role expands, it will be important that the GO provider function does not damage their role, or reputation, as an impartial broker. This is a major challenge, which can be combated through significant improvements in communication systems. This will ensure that potential partners understand the constraints on each other before they begin to negotiate agreements.

**To tackle this we propose:**

Public listing of all council proposals and the government responses, made during LAA negotiations, ensuring both openness and understanding. This might best be achieved on a user-friendly website.

Central government needs to design lighter touch performance monitoring and financial control mechanisms for LAAs that do not undermine the goals of joined up service strategies.

As the system develops and competence in forming LAAs increases, so local partners will become more ambitious in their goals. This will inevitably challenge central government staff to change their working methods. As this occurs there is a risk that the system will be discredited because of the suspicion that Whitehall rejection of possible agreements reflects producer self-interest and not dispassionate judgement. At this point we recommend:

**Final approval of agreements should move from Ministers acting on the confidential advice of civil servants. Instead, Ministers should decide on the basis of third party, public advice. This third party might be part of the new role for national inspectorates.**

LAAs are a radical approach. That is why, on their own, these changes cannot deliver a transformation in joined up government. There need to be consequential changes to the performance management system. More than in previous reforms we need greater focus on developing new skills amongst public service staff at local, regional and national level. LAAs demand (and encourage) a change in organisational culture: Whitehall needs to become better at stepping back from direct management and operational control. Local government needs to be more pro-active in taking on new and uncertain goals.

**The ODPM has already begun calling for improvements to a range of technical aspects of performance data. LGIU supports these calls and believes they should go further.**

## Chapter 3: Defining Performance

There is a need to develop ICT systems that can manage larger amounts of data and present them in more accessible forms. Investment is essential.

While this recommendation is not politically contentious, it is technically challenging. It highlights the importance of placing the emphasis on staff to make local democracy work.

The key policy decisions on performance data concern how performance is defined. The current system is ineffective. Many failings are widely recognised. For instance, they focus on processes not outcomes; they are too burdensome; they stifle innovation; and finally a duplication of Whitehall targets between departments means not enough linkage between cause and effect.

A top-down system also has put the need for national comparability ahead of the need for measures that drive performance. Too often one-size-fits-all measures have little meaning to staff working on the ground. The result is a focus on game playing instead of achievement.

Performance improvement through performance data depends on staff commitment. The old system sacrificed commitment to neat league tables. Locally defined joined-up performance measures provide a solution that will increase staff commitment, enhance the rate of improvement and provide national assurance that devolution does not lead to setting easy challenges.

LAAs can be the foundation for building a performance framework that delivers this step change in quality.

**Under this new performance framework proposed by the LGIU:**

National government restricts itself to setting outcome goals, usually the Public Service Agreement (PSA) targets set by HM Treasury.

The local arms of national agencies receive specific targets based on these goals. So too will councils for some of their work.

Councils re-design these goals to create unified multi-agency performance measures at local level.

This re-design is based on negotiation to create LAAs with their local partners.

All local partners take on accountability for the relevant PSA targets whenever they scrap Whitehall performance measures. One partner would be given lead responsibility for ensuring that the target was met by all the relevant partners and a protocol for accountability, responsibility and probity would be put in place.

As a result, national government retains sanctions against failure to deliver the major outcomes it has specified in PSAs, whilst Local Councils escape micro-management from Whitehall. Other public services escape Whitehall micro-management and performance measures relate to improvement over time in a locality.

**The current top-down inspection system is now in a cycle of declining returns and even the inspectorates have recognised that the system must be drastically cut back.**

## Chapter 4: Driving Improvement Through Local Accountability

Measurements of performance do not guarantee change in performance. Under the old system, councils and other local public services receiving low scores could expect to be 'named and shamed' and possibly to receive more visits from Whitehall staff. Performance has improved, but this was always a very blunt instrument. Many organisations only made cosmetic, or marginal improvements to fit in with the rigidity of the system.

LGIU believe that citizens are entitled to a system that drives performance improvement far more effectively. An effective performance system depends on the pressure to improve coming from the bottom-up from peers and partners, rather than from the top-down.

The basis for judging if there were problems with performance would be the locally negotiated performance measures described in the previous section. In normal circumstances, national inspectorates would no longer need to make the decision to inspect. Citizens would instead be given rights to trigger action. Action to tackle poor performance of local services could be triggered by decisions of neighbourhood, or interest group forums following a negotiated agreement on outcomes between the neighbourhood or interest group and principal council. LGIU will explore this further in a later publication in this series.

There would be safeguards to ensure that the council and partnership did not waste unnecessary time on minor or vexatious complaints, which might reduce the capacity of the organisation to address real performance improvements. Action could also be triggered through peer assessment or through partner action.

Area wide action could be triggered by a decision of a minimum number of neighbourhoods, minimum number of signatories to local petitions, or through area committees. The relevant partner would be obligated to address the failure in a specified period. If this failed, the next step would be via the relevant council scrutiny committee, who would make SMART recommendations to the council's executive and to the LAA partners. To match the joined up delivery systems described above, councils would be empowered to scrutinise all local public services and policies in the same way that they are now empowered to scrutinise health services. This would empower the ward councillor. A range of processes could be recommended and used by the lead partner or the council's scrutiny committee. These could include peer assessment and inspection, the use of expert advisors from the local government family, mediation where there is conflict, whole system problem solving processes involving all stakeholders, secondments, etc.

If partnership work and local scrutiny did not resolve performance issues, a third stage of local decision making would empower citizens and the partners, who had made agreements within the LAA to bring in national inspectorates to investigate.

In normal circumstances, national government and national inspectorates would only be empowered to carry out an inspection when more than one partner had made a formal complaint and stages 1 and 2 above had been actioned. Government offices would need to be brought in to facilitate the inspection and to negotiate action following the inspection. 'Reserve power' cases for inspection where fraud, or other criminal behaviours were suspected would need to be maintained.

Where national government was brought in as a result of the council losing the confidence of its partners, there would be an expectation that the intervention would be more directive resembling current procedures for councils categorised as 'poor' under CPA. The system has been described in terms of councils' accountability. However, it should be noted that this approach to driving performance would apply to all local public services.

**A council should have the power to call in national inspectorates to assess local PCTs, police forces and so on.**

**As the system develops and councils become increasingly skilled at leading all local services and used to using peer inspection, it may become possible to replace national inspection with peer-to-peer performance assessment.**

Such a system might work on the basis of councils within a region acting as a family group. For the system to work, there would need to be incentives for councils to demand higher performance from each other. One form of incentive worthy of investigation might be for families of councils to gain greater control of GO policy in return for managing each other's performance. The bottom-up approach to driving improvement will release councils from the bureaucratic pressures of a one-size-fits-all national inspection regime. In the new system a loss of confidence in performance would be the result of judgements made by stakeholders that also had detailed local knowledge.

As a result, intervention might well be less frequent. However, it would be a far greater cause of concern. To reflect the greater competence and legitimacy of local stakeholders, intervention will need to be more decisive.

More decisive intervention policies may well be little more than a formal listing of existing powers but, as with LAAs, the important change may not be in the extent of these powers, but their increased legitimacy with other partners.

**In addition the LGIU recommends:**

**A significant expansion of Improvement Partnerships. Our goal should be to reach a position where councils within a region have set up arrangements to ensure that they can help failing peers address their performance failures, through training, consultancy, secondments and so on.**

**Ultimately failing performance is least well addressed by national intervention, it is best addressed by other councils in the vicinity. It should be an aim of the local government family to develop an intervention system that is robust enough to ensure:**

- that national government prefers to use the local government family as its agent for intervention.
- that citizens see local government as a swifter and more effective route to improved standards.

**So far, ODPM has not produced a report on the implications of the local vision debate for the skills of public service staff. However, important as staff development is now, it will become far more important as the new system develops.**

## Chapter 5: Public Service Skills

LAAs demand a range of new technical skills in managing data, use of information systems, or negotiating deals, to name just a few.

New working styles are needed to build trusting relationships with large numbers of partners. This may not be cutting edge, but the success of new systems relies on these skills far more heavily than the current top-down approach. The Government is increasingly demanding new skills from its workforce but without the right investment in training to enable this. Otherwise, policy goals will not be realised and a disconnect will remain.

As the performance framework is strengthened through devolution, a similar range of new demands will be placed on staff through local government and other local public services.

Without staff equipped to operate in the new system, it is possible that government could push through all the right reforms and yet fail through lack of people to make a success of the system. This challenge is even more acute because of demographic time bombs that lie a few years in the future.

The management of councils and other public services is old relative to other industry sectors. In the next ten years, a generation that populated middle and senior management will have retired creating a shortage of internally developed future leaders with the skills required for the new world. At the same time, the rest of the economy is expected to increase its demand for professional, technical and managerial staff by up to 60%.

A vital lesson for both national and local government is that improving outcomes will demand a far higher priority being placed on new initiatives to attract young people to choose a career in local public service.

Furthermore, to cope with the rising skills challenge central and local government will need to work in partnership to develop and deliver a local governance skills college. This organisation will draw on both public and private sector expertise to ensure 21st century local government professionals are effectively trained to deliver consumer-led public services. The college could become the hub of all training in local government and use e-technology to keep councils updated on new developments and training needs. It will be a vital innovation in ensuring the delivery of joined up governance.

If we cannot ensure that careers in public service come to be seen as the most challenging, rewarding and exciting of careers, then it may be that reforms which might have worked will fail for lack of the people to deliver them.

**We have argued in this pamphlet that to make local democracy work we need a further commitment to join up public services at a local level.**

## Chapter 6: Summary of Recommendations

Local communities will flourish in a system which enables a bottom-up approach avoiding the need for a rigid system of rules and targets. When intervention is necessary, it is best performed at a local level and is led by local councils. We have broken up the recommendations in this pamphlet into four key areas as follows:

### **Joined Up Public Service**

- 1.** The scope of resources that can be pooled in LAAs should be progressively extended to include all funding for all local public services, including the local arms of national agencies that are accountable to Whitehall departments.
- 2.** GOs will need enhanced resources, skills and authority so that they are better able to broker any agreement between different levels of government, be that local, regional, or national.
- 3.** Public listing of all council proposals and the government responses, made during LAA negotiations, would enhance both openness and understanding. This might best be achieved on a website.
- 4.** Central government needs to design lighter touch performance monitoring and financial control mechanisms for LAAs that do not undermine the goals of joined up service strategies.
- 5.** Final approval of agreements should move from Ministers acting on the confidential advice of civil servants. Instead, Ministers should decide on the basis of third party, public advice. This third party might be part of the new role for national inspectorates.

## Defining Performance

- 6.** National government should restrict itself to setting outcome goals, usually the Public Service Agreement (PSA) targets set by HM Treasury.
- 7.** The local arms of national agencies receive specific targets based on these goals. So too will councils for some of their work.
- 8.** Councils re-design these goals to create unified multi-agency performance measures at local level.
- 9.** This re-design is based on negotiation to create LAAs with their local partners.
- 10.** All local partners take on accountability for the relevant PSA targets whenever they scrap Whitehall performance measures.
- 11.** A council should have the power to call in national inspectorates to assess local PCTs, police forces and so on.
- 12.** As the system develops and councils become increasingly skilled at leading all local services, it may become possible to bring in peer-to-peer performance assessment.

## Intervention

- 13.** A significant expansion of Improvement Partnerships. Our goal should be to reach a position where councils within a region have set up arrangements to ensure that they can help failing peers address their performance failures, through training, consultancy, secondments and so on.
- 14.** Ultimately failing performance is least well addressed by national intervention, it is best addressed by other councils in the vicinity. It should be an aim of the local government family to develop an intervention system that is robust enough to ensure: that national government prefers to use the local government family as its agent for intervention, that citizens see local government as a swifter and more effective route to improved standards.

## Public Service Skills

- 15.** A vital lesson for both national and local government is that improving outcomes and joining up government demands that a far higher priority is placed on developing new policies that will attract far more talented young people to choose careers in local public service. A new local government college acting as the hub of information on skills will need to be incorporated into the local government family to ensure that the skills challenge is met effectively.

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