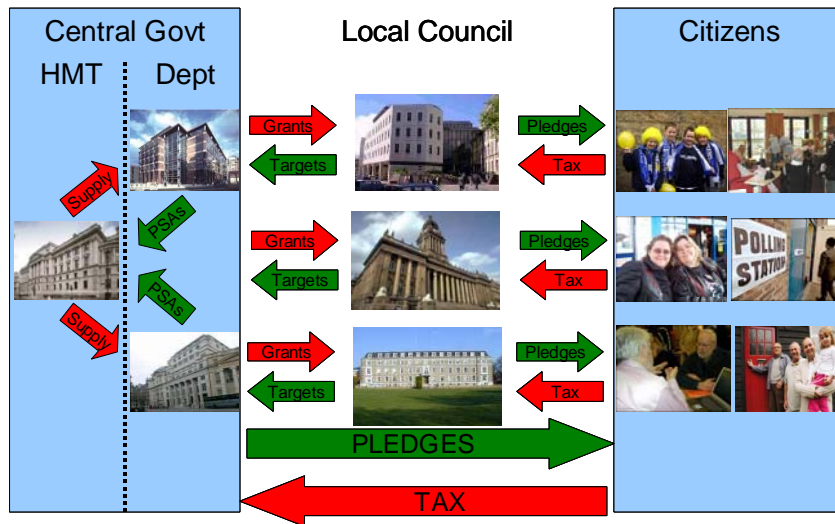


# 'TRUST IS GOOD, CONTROL IS BETTER'?

## Refocussing the control framework



Essex County Council  
Strategic Policy Unit



## **'Trust is good, control is better'? Refocusing the control framework**

An interesting gap has developed in the local government debate.

As the government prepares a White Paper on local government, and Sir Michael Lyons moves closer to his final report, it is clear that we have reached consensus that local government should be burdened with fewer centrally-imposed targets. All we have to do is decide which ones to get rid of.

But deciding which targets to throw on the bonfire of regulation turns out to be rather hard.

This is the trap which bureaucracy has set for a generation of deregulatory initiatives and quango-hunts. So far, it has worked every time. No target, however lunatic its impact or perverse its effects, exists without someone who saw a reason for introducing it. Every piece of data has an owner, and that means an advocate. Often, administrators' and inspectors' job descriptions are at stake. So to ask "What shall we stop doing?" is to start a series of hand-to-hand negotiations with vested interests. The result can never be more than marginal change.

This officers' paper argues for another approach. Tussling over what to scrap is not only a waste of time and effort. It also reverses the burden of proof that should structure any challenge to inefficiency. The real question is not what we don't want, but what we do. And central government already has a ready-made answer to that question in the Public Service Agreement (PSA) framework.

PSAs embody Ministers' delivery contract with the taxpayer. Start from there, and it suddenly stands out as a glaring anomaly that local government reports to the centre for aspects of delivery that Ministers themselves are not accountable for.

As the government conducts a new Comprehensive Spending Review, it will be reviewing its suite of PSAs. If it believes the targets it chooses next Spring are as close to the right set of performance measures for Ministers as possible, there is no reason whatsoever for them - at least - to impose any other target on local government.

Strategic Policy Unit  
Essex County Council  
May 2006



## **'Trust is good, control is better'? Refocusing the control framework**

Public Service Agreement (PSA) performance reporting shows that HM Treasury has 89 objectives and 110 targets for the governance of the United Kingdom.<sup>i</sup> 54 of these targets relate to the work of local government.

Yet, the number of targets balloons as objectives cascade down from central government. Treasury analysis of the health and education sectors suggested the front-line health service faced 206 targets, while schools had 207 to meet (in addition to 307 LEA-imposed targets).<sup>ii</sup> Our own research has shown that in 2006/07, Essex County Council will need to report on at least 372 externally-imposed indicators.

**Table 1 – Externally selected indicators, Essex County Council 2006/07**

<b>Indicator</b>	<b>#</b>
Annual Performance Assessment	120
Best Value Performance Indicators	112
Best Value Performance Indicators Survey	13
Joint Area Review	69
Performance Assessment Framework	47
Public Library Service Standards	11
<b>Total</b>	<b>372</b>

### **Too much of a good thing?**

Targets can serve a useful purpose, setting organisational direction, indicating aspirations, and assessing progress toward strategic objectives. A relevant target, when met, provides citizens reassurance that service improvement has occurred.

To mean anything, though, targets need to be targeted. The regulatory equivalent of carpet-bombing, where scores of targets are set which have little or no significance beyond the confines of the regulator's office, is unnecessary, burdensome, and expensive. Both Treasury and the Audit Commission have acknowledged that setting too many targets is debilitating.<sup>iii</sup>

The decision to reduce the number of inspectorates from 11 to 4 highlights the central government view that a multiplicity of regulators is the key problem behind the control framework. While a reduction in the number of inspectorates is welcome, will the regulatory burden lessen? Local authorities have long been promised earned autonomy, and a lighter touch for those organisations that perform well. Yet it all still feels somewhat onerous.<sup>iv</sup>

Self-assessment, an increasingly common feature of the inspection landscape, is a misnomer. Regulators still provide a tight assessment

framework, in many cases going so far as to prescribe the format of any response, leaving the self-assessing authority to populate a common template with the relevant data.

It also costs. Essex County Council's Children's Service spends c. £70,000 each year on self-assessment – excluding the regular internal performance improvement work one would expect any high-performing authority to undertake. Smaller services' budgets are disproportionately affected. Our Adult Community Learning service is a case in point. 2.4% of its funding is spent on self-assessment – not far short of the service's 2005/06 efficiency savings.

Whilst reducing the amount of time an inspectorate needs to spend inspecting, the inspected authority has to divert resources onto the self-assessment programme. The opportunity cost associated with this reassigning of resources appears to have escaped central government's calculations.

Philip Hampton has addressed the issue of over-regulation of the business community.<sup>v</sup> The control and regulatory frameworks that relate to the public sector need to receive similar scrutiny and analysis.

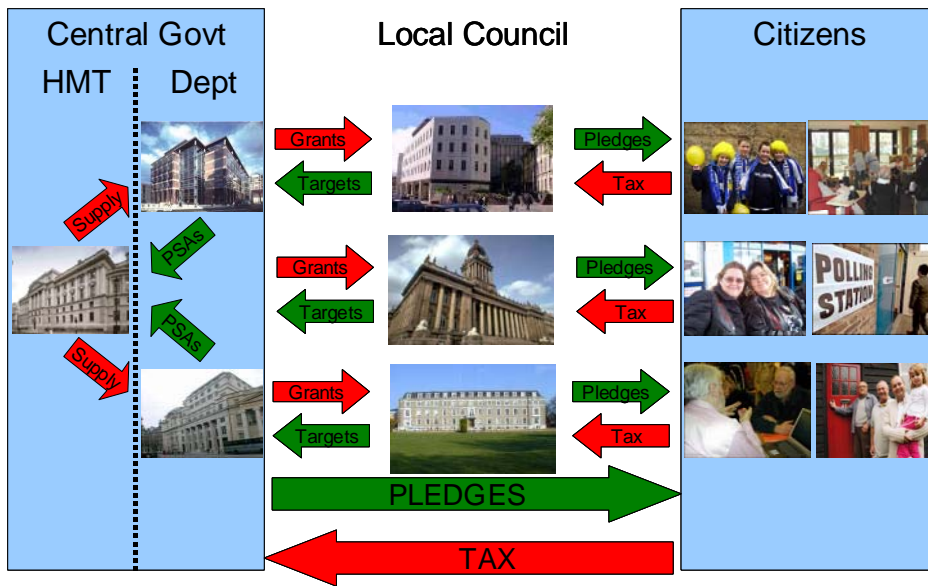
### **Targets, targets everywhere**

Essex County Council acknowledges the importance of internal benchmarking and target-setting and advocates the use of benchmarking clubs with locally-selected neighbours to compare performance and promote best practice. This paper addresses the issue of externally-imposed targetry which appears to have little to do with performance improvement and a great deal more to do with the exercise of control.

If the UK can be governed using 110 performance targets, why does Essex County Council need to report 120 Annual Performance Assessment children's service indicators and 112 Best Value Performance Indicators – not to mention additional PAFs, JARs, and PLSSs?

The answer lies in the complex accountability and control framework that exists to regulate relations among central government departments and between central and local government – see Diagram A. It is a system that saps energy, dilutes delivery capacity, and increases cost.

**Diagram A – The complexity of the control framework**



As PSA targets percolate through a department from Minister to junior civil servant, targets spawn sub-targets, sub-targets spawn indicators, agendas are pursued, and schemes are gold-plated.

Table 2 shows how the number of indicators that local authorities are monitored against is far greater than the number of PSAs agreed between Treasury and other departments.

It is not uncommon for services to need to provide five Best Value indicators for each relevant PSA target. When additional requests from other regulators – for example the Office for Standards in Education or the Commission for Social Care Inspection – are factored in, the ratio soars. The regulatory burden placed on Essex County Council’s Children and Young People’s service is a case in point: government has 5 PSA targets that relate to this service, the service has 13 Best Value indicators, but a total of 157 central indicators – a ratio of 1:31.

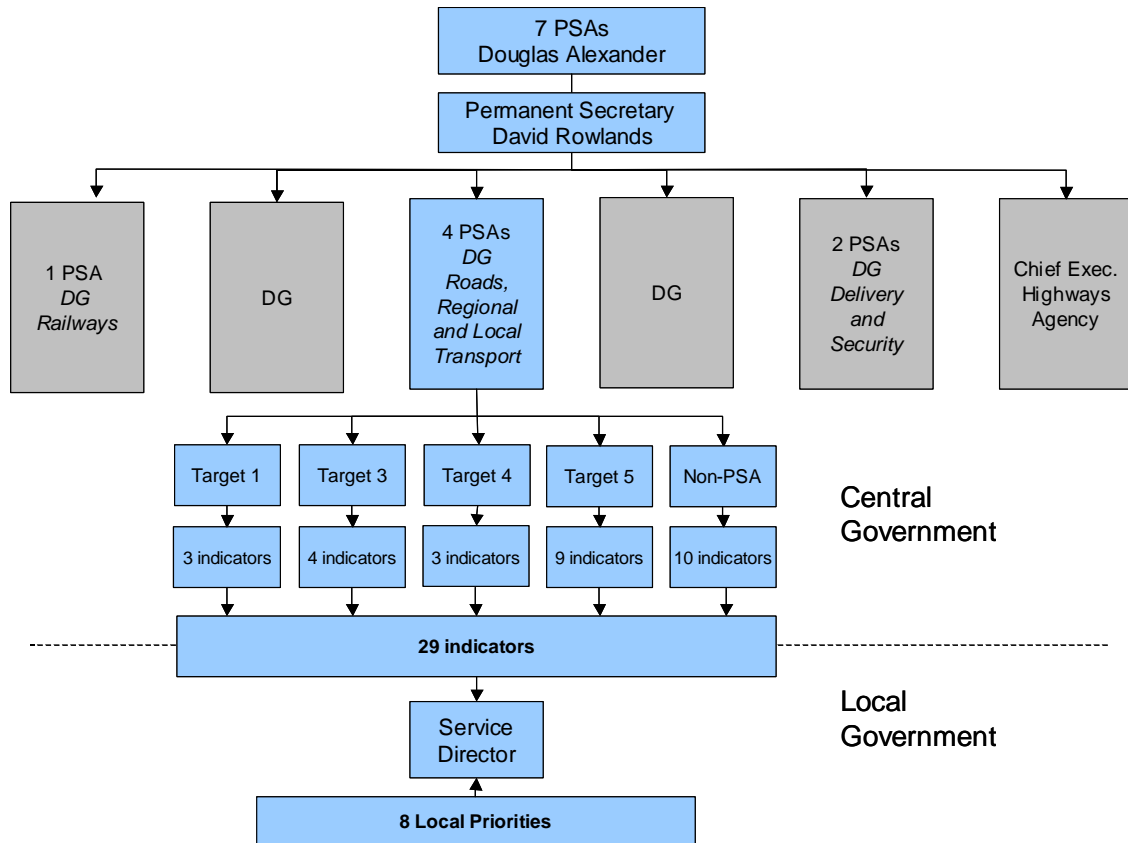
**Table 2 – Ratio of Local Government related PSA targets to Best Value and other central indicators, selected Essex County Council services, 2006**

	PSA targets	Best Value	Indicators		
			Central	Ratio PSA:BVPI	Ratio PSA: Central
All	54	111	372	1:2	1:7
Adult Social Care	4	12	29	1:3	1:7
Children and Young People	5	13	157	1:3	1:31
Community Services	5	26	26	1:5	1:5
Environment & Commerce	2	18	18	1:9	1:9
Highways and Transportation	4	29	29	1:7	1:7
Schools Service	7	12	44	1:2	1:6

Ratio rounded to nearest whole number

The desire to impose a form of bureaucratic control over local authorities grows. As each PSA is sub-divided, individual teams add layers of complexity – Diagram B shows how the 4 Department for Transport PSA targets that relate to county council services become 29 targets - 19 PSA-related, plus 10 non-PSA measures.

**Diagram B – Example of cascade leading to additional regulatory burden, Department for Transport PSAs**



At the local level, the Service Director is faced with potentially 29 centrally-imposed targets – in addition to 8 local priorities.

Essex County Council's Highways and Transportation service is not exceptional in this regard, as the following, non-exhaustive, table shows:

**Table 3 – Central Best Value and local indicators, selected Essex County Council services, 2006/07**

	# PSA indicators	# central Best Value indicators	# local indicators	Central & local total
Adult Social Care	4	12	11	23
Children and Young People	5	13	15	28
Community Services	5	26	21	47
Environment & Commerce	2	18	13	31
Highways and Transportation	4	29	8	37
Schools Service	7	12	14	26
<b>Total</b>	<b>27</b>	<b>110</b>	<b>82</b>	<b>192</b>

Central government, then, is not alone in target-setting. Too often, local authorities have taken a gold-plating approach, adding too many local targets to the mix. Essex has been guilty of this in the past. It is not easy to focus on the essentials. It is easier, although markedly less effective, to adopt a scattergun approach, producing a mass of targets to ensure those issues that truly matter are addressed.

Essex County Council's Corporate Plan seeks to counter this tendency.<sup>vi</sup> A concise document, listing 27 priorities and 101 ways in which success will be measured, it sets out the most important things we want to deliver for Essex's 1,300,000 residents over the next three years.

**Case study – subverting the PSA process**

Departments frequently ask local authorities to focus on targets outside of the PSA framework.

The Department of Culture, Media and Sport (DCMS) is responsible for library services nationally. Central government has decided to focus its energies on other areas of the department's remit – as a result, libraries are not mentioned in the DCMS' 4 PSA targets.

Yet at the local level, DCMS' Public Library Service Standards mean councils have to measure progress against 11 indicators, including the time taken to replenish the lending stock on open access or available on loan.

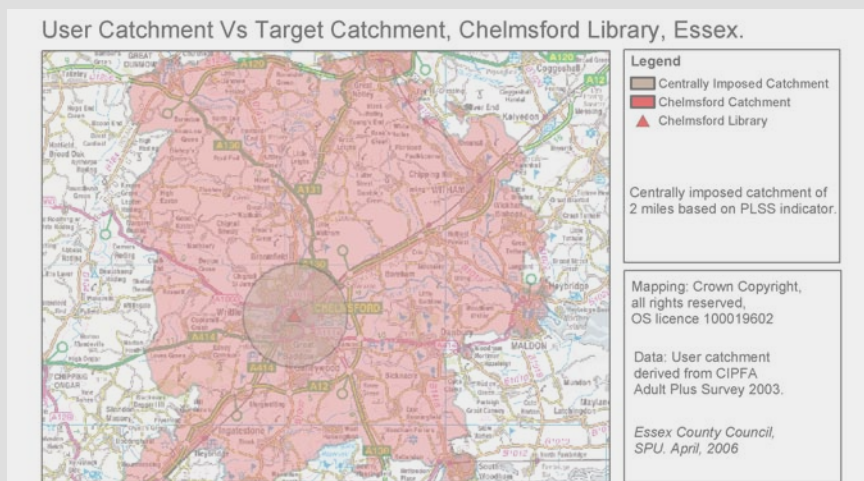
## Funding, or diluting, the delivery of priorities?

The Spending Review is a contractual process. Treasury buys outcomes from other departments. In return, departments promise to deliver PSA targets. Departments then provide grants to local authorities and other bodies to deliver outcomes. It is here that the process gets bogged down.

Departments demand additional requirements. The contractual relationship that exists between Treasury and individual departments is lost as the number of targets increase without a commensurate growth in funding. Original PSA priorities become subsumed within a gamut of targetry. Focus is lost.

### Case Study - control before customers

DCMS specifies that 85% of a shire county's population should live within two miles of a static library. This figure is used as an indicator in the PLSS framework. Yet, as the map below shows, a two-mile catchment has little relation to patterns of real use.



85% of the users of the main library in Chelmsford, live in an area that stretches 12 miles to the north, 11 miles to the east, 13 miles to the south, and 8 miles to the west of Essex's county town. The 2-mile indicator does nothing to improve service delivery. It is, at best, irrelevant, and, at worst, a barrier to customer focus.

It doesn't need to be this way – the Local Area Agreement (LAA) programme has seen Essex partners agree to pool or align funding in order to deliver local *and* national priorities.

Essex's finalised LAA contains:

- 14 priorities;
- 45 targets; and
- £880 million of funding.

The Essex Partnership, the county Local Strategic Partnership, recognised that for a target to be achieved, ownership, accountability and delivery had to be intertwined. The performance management framework that has been put in place to deliver Essex's LAA (see Annex A) actively devolves ownership of individual targets down to delivery lead level.

As much data can be collected as is considered necessary to deliver the target, however in reporting terms headline data is all that will be required. The Essex Partnership would rather see front line energies channelled into developing innovative delivery than dissipated by excessive administration.

### **An alternative framework**

Targets should be effective, comprehensible, and manageable.

#### **A formula for effective delivery of targets**

Scores of priorities militate against effective prioritisation.

We contend that all but the most superhuman of managers struggle to retain focus on, and ensure delivery of, more than half a dozen targets. Therefore, organisations should limit the number of targets they set to between 3 and 10 per senior board member.

Maximum deliverable targets = number of board members accountable for delivery x 3-10

In other words, a body with 10 board members, should have a *maximum* of 100 targets, and is likely to function best with around 50.

The PSA process, at central government level has, with an average of 5 PSA objectives and 7 PSA targets per ministerial portfolio, produced a manageable set of priorities and a deliverable number of targets.

Contrast this with the welter of targets faced by the typical local authority Cabinet Member or service director. Self-evidently, the more priorities or targets a manager has, the less able they are to have any true priorities.

It is also axiomatic - or should be - that central government's PSAs are its own delivery contract with the nation. If they are correctly framed, central government should be indifferent to how they are achieved.

So it would be (a) more effective and (b) more in line with real accountability if the delivery contract between local government and government departments focused on the PSA targets, treating them as the outcomes purchased through non-hypothecated grant, and let the local authority deliver them without the additional burden of supplementary targets. An obvious vehicle for

such a contract would be a more developed form of Local Area Agreement, which would allow:

- aligning of targets between central and local government agencies locally;
- the establishment of a coherent set of common local priorities to complement national targets; and
- pooling funds and collective performance management

In this way, Essex's Highways and Transportation Service Director would have a manageable 10 targets (4 PSA and no more than 6 local priorities) – not the current 37 (see Diagram B) which deprive both central government and Essex County Council of the prioritisation they need.

Departments could purchase additional outcomes by means of specific grants, grounded in a contractual relationship between the locality and the centre. If, for example, DCMS felt that library stock replenishment was a key strategic objective, it could fund authorities to deliver this objective within its 6.7 years standard. If there were reluctance to support a policy with additional funding, one could assume the target was less important.

Local voters would see services meeting targets based on both local priorities and national PSA priorities – not second and third derivatives of PSA priorities, or, worse still, departmental additions that do not even feature in central government's list of priorities.

Such a system would have a number of advantages over the status quo. It would be:

- less expensive – in terms both of compliance at the local level and opportunity cost locally and centrally;
- more user-friendly – with a clear relationship between what is desired and what is to be delivered; and
- better able to ensure service delivery – fewer targets would lead to greater focus and reduce the opportunity to hide poor delivery behind a raft of Byzantine indicators

## Conclusion

The Audit Commission recently said the 'core purpose of public sector regulation...[is]... providing assurance'.<sup>vii</sup> We would not disagree. Who should be assured, government or citizen? Treasury wants to know its priorities are being addressed, that the money it gives to departments is being used to deliver its strategic objectives. The citizen wants to be assured of the quality of the services they receive, services that relate to local demands and priorities. Our proposed framework would refocus the control framework. It would ensure both central government and citizens felt the targets a local authority met were targets that would improve delivery.

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## **Annex A - Essex's Local Area Agreement: Proposed Performance Management Arrangements**

*In March 2006, Essex concluded a Local Area Agreement with central government. Essex's LAA saw [xxx] organisations pledge £880 million to improve the quality of life of Essex residents.*

The proposed performance management model assumes:

- First level performance management will be done 'on the ground' by target leads and contributors
- Block partnership leads will be responsible for managing performance issues within their block, reporting progress to the Executive and leading discussion on performance improvement where needed
- County Council officers, at least to begin with, will provide any necessary overview for the Executive and GO-East and also support block and target leads in their performance management roles

Target leads are at the heart of these arrangements, responsible for ensuring an effective transition from target agreement to delivery, and it may be worth considering a 'job description' for these key roles.

There needs to be a simple mechanism for aggregating the experience on the ground, through the block partnerships, to the Executive and GO-East and this will be considered further in discussion with block leads.

## Performance Managing the LAA

### Target development

For each target, need to clarify/agree:

- Definition
- Source of data
- Who collects
- How often
- Baseline (2005/06)
- LAA target (2008/09)
- Interim targets
- Lead accountability
  - organisation
  - individual

Target  
schedules

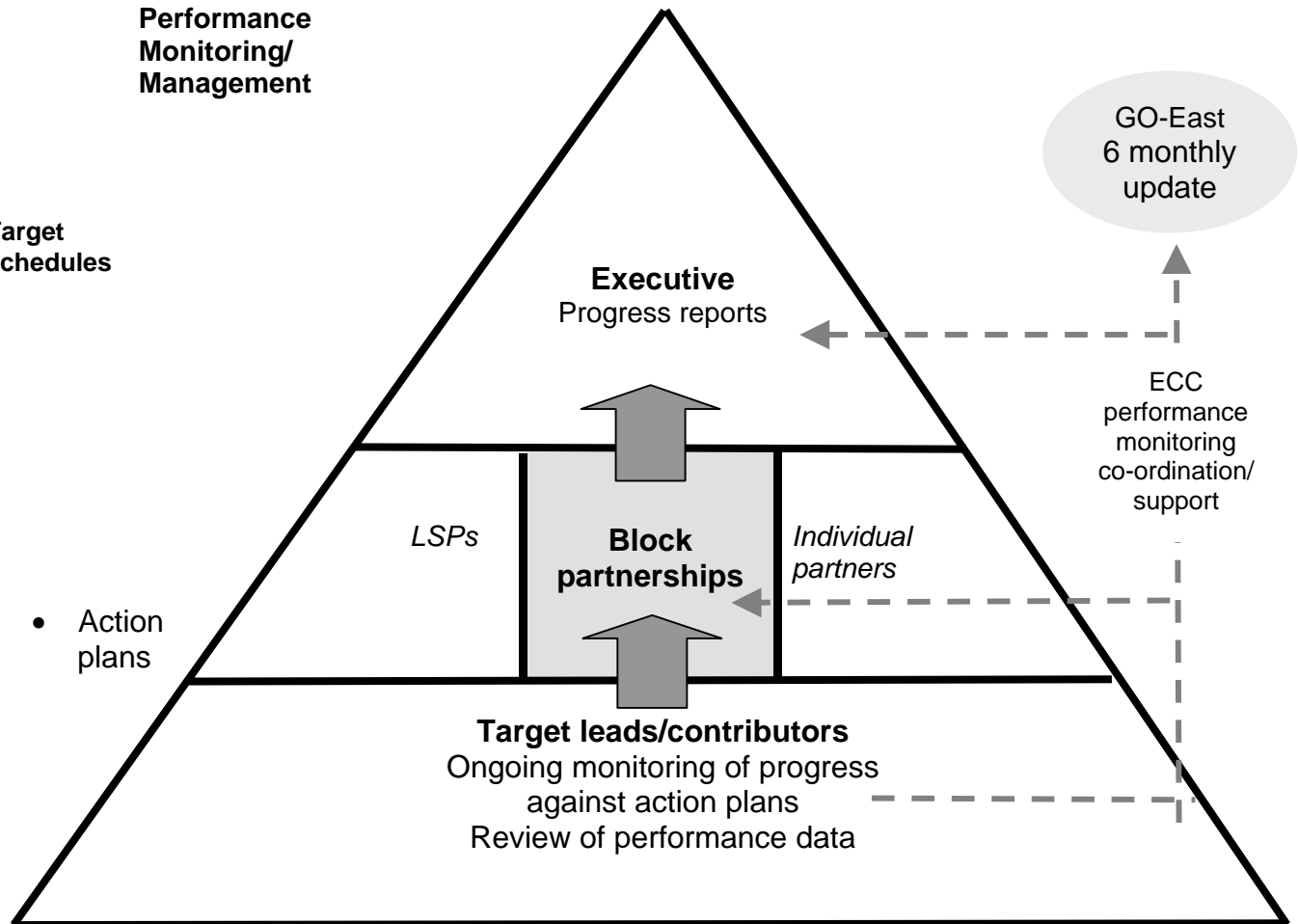
- Coverage, e.g., all Essex, or specific localities, schools etc

- Action plans

- Contributors
  - in principle support
  - active involvement (& what)
- Action plan (activities/resources\*)

\*If Reward target, identify pump priming activity

### Performance Monitoring/ Management



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<sup>i</sup> Accessible online at: [http://www.hm-treasury.gov.uk/documents/public\\_spending\\_and\\_services/publicservice\\_performance/pss\\_perf\\_index.cfm](http://www.hm-treasury.gov.uk/documents/public_spending_and_services/publicservice_performance/pss_perf_index.cfm)

<sup>ii</sup> Her Majesty's Treasury, *Devolving decision making: 1- Delivering better public services: refining targets and performance management*, (March 2004), pp. 12-13.

<sup>iii</sup> *Devolving decision making*, p. 11. The Audit Commission put it thus: 'Centrally imposed targets and the associated performance monitoring and intervention are perceived to stifle innovation, addressing the failures of the worst performers while holding back the majority. Likewise, regulation is perceived to be a burden which is subject to a law of diminishing returns and which must now be rolled back, in both the public and private sectors', Audit Commission, *The future of regulation in the public sector*, (March 2006), p. 4.

<sup>iv</sup> *Devolving decision making*, p. 21. See the recent Audit Commission paper where, tantalisingly, more autonomy is again proposed: 'It should be possible therefore, and in our view it will also be desirable, to design a regulatory regime which excludes a large number of authorities from its more onerous provisions', *The future of regulation*, p. 31.

<sup>v</sup> Philip Hampton, *Reducing administrative burdens: effective inspection and enforcement*, (March 2005).

<sup>vi</sup> Available online at:

<http://www.essexcc.gov.uk/vip8/ecc/ECCWebsite/dis/gui.jsp?channelOid=15858&guideOid=72058>

<sup>vii</sup> *The future of regulation*, p. 13