

LOCAL GOVERNMENT TASKFORCE  
PERFORMANCE MANAGEMENT SUB GROUP  
REPORT & RECOMMENDATIONS  
JUNE 2006

## CONTENTS

<u>SECTION</u>		<u>PAGE</u>
<b>1</b>	<b>Introduction.</b>	<b>3</b>
<b>2</b>	<b>Performance Management – definition.</b>	<b>4</b>
<b>3</b>	<b>The current position.</b>	<b>5</b>
<b>4</b>	<b>Objectives of a new system.</b>	<b>6</b>
<b>5</b>	<b>Principles for a Performance Management system.</b>	<b>6</b>
<b>6</b>	<b>The need for clarity of roles.</b>	<b>7</b>
<b>7</b>	<b>Proposals for delivering objectives.</b>	<b>8</b>
<b>8</b>	<b>Legislation required.</b>	<b>12</b>
<b>9</b>	<b>Cross cutting issues with other sub-groups.</b>	<b>13</b>
<b>10</b>	<b>Implementation.</b>	<b>14</b>
<b>Annex A</b>	<b>Membership &amp; Terms of Reference for sub group.</b>	<b>15 - 20</b>
<b>Annex B</b>	<b>Report on study visit.</b>	<b>21 - 27</b>
<b>Annex C</b>	<b>Current position in respect of Best Value legislation.</b>	<b>28 - 37</b>
<b>Annex D</b>	<b>Performance management systems in other jurisdictions.</b>	<b>38 - 55</b>
<b>Annex E</b>	<b>Development of an Improvement Body for NI.</b>	<b>56 - 60</b>
<b>Annex F</b>	<b>The role of audit.</b>	<b>61 - 78</b>

# Local Government Taskforce

## Performance Management Sub Group

### A new performance management system for Northern Ireland

#### 1. Introduction

1.1 The Review of Public Administration (RPA)<sup>(1)</sup> consultation document noted that “effective performance management will be critical to the successful reform of public administration”. The task set for the Performance Management Sub Group has been to research the various options that are available for an effective performance management system and then to recommend options for consideration.

1.2 The Sub Group / Project Team met on six occasions over two months leading to the production of this report. The Sub Group’s agreed terms of reference and composition are set out in **Annex A**. These Terms of Reference require the sub group to produce the following outputs:

“The Sub Group will prepare a report by the end of June on all the issues listed in paragraph 6. In particular the report will highlight:

- (a) the key issues members of the sub group identified that will have an impact on future arrangements for a system of continuous improvement/ performance management in district councils in NI;
- (b) the views registered about those issues and the areas where there was a broad consensus on the best way forward;
- (c) legislative proposals for any matters that need to be included in the forthcoming Local Government Restructuring (NI) Order; and

(d) a plan of travel on how best to take forward further planning for and implementation of new continuous improvement/performance management arrangements for local government.”

- 1.3 The views expressed represent the views of the whole group unless indicated to the contrary and, in those situations, the different views are explained.
- 1.4 At the final meeting of the Sub Group on June 27<sup>th</sup> there was a discussion about the value of a new system of performance management being able to work across local and central government boundaries. There was broad support in principle for this concept but time did not permit for this discussion to be concluded and it was thus left unresolved.
- 1.5 The sub group has also undertaken a study visit to Nottingham City and Nottinghamshire County Councils to discuss performance management frameworks. A record of this visit is presented at **Annex B**.
- 1.6 The Sub Group’s work has been substantially assisted by the contribution from the elected members of the five constituent political groups. Those members do wish it to be clear that their contributions have been made as individuals and are not to be seen as representing the views of their political parties. They also wish to record that their engagement on the issues around performance management has been in the context of an extremely challenging and pressurised timetable for the production of this report.
- 1.7 The work of the sub group has been greatly assisted by the support and advice of the Improvement and Development Agency (IDeA) officer and member peers.

## **2 Performance Management**

- 2.1 The Sub Group believes that performance management can usefully be defined as –

“Taking action in response to actual performance to make outcomes for citizens better than they would otherwise be.”

### 3 The current position

- 3.1 Unlike other neighbouring jurisdictions, there has so far been no overall performance management framework introduced for councils in Northern Ireland. Best Value legislation<sup>(2)</sup> does exist already, but is generally not thought to have had a significant effect in improving the overall performance of local government. A number of councils have adopted voluntary arrangements and, whilst there are a number of very good examples of effective performance management arrangements in operation, there is no consistent pattern across all councils.
- 3.2 Prior to the introduction of the Best Value legislation, a consultation process resulted in a wide range of concerns about the potential impact of what was being proposed. The result was that a very limited statutory regime was introduced. The Sub Group has studied the background to this outcome; associated material is attached to this report as **Annex C**.
- 3.3 The Sub Group believes that one of the critical issues to resolve is the position of the auditor and believe that one of the key features within a performance management framework is that there should not be any sanction role for the auditor. In particular, it should be made clear that the auditor does not have any role to impose surcharge in connection with any issues relating to performance of councils.
- 3.4 When the Best Value legislation was introduced in 2002, no formal role for the auditor was incorporated. Although there is a statutory requirement at present for all councils to pursue best value principles, there is no sanction if they fail to do so and neither the auditor nor any other organisation has any jurisdiction if a council ignores these provisions. The Department of the Environment through the Minister has such a power, however, there has been no recent attempt to exercise it.
- 3.5 There is no requirement on councils to produce performance information on a consistent basis and thus there is no method by which a council's overall performance can be measured or judged against similar councils.
- 3.6 The Sub Group has examined the systems that exist in other jurisdictions and has considered the strengths and weaknesses of each. These are summarised in the attached **Annex D**.
- 3.7 The Sub Group believes that the existing best value provisions have not generated a sufficiently effective or consistent approach across councils and that a fresh approach is now required as part of a new performance management framework through the introduction of a consistent system that will apply to all of the new councils, which would also enable them to fulfil their community planning responsibilities.

## **4 Objectives of a new system**

4.1 When considering a new system, the Sub Group believes that it should fulfil the following objectives –

- To provide accountability to the citizen and to place the needs of the citizen at the heart of everything that local government does.
- To ensure ownership by councils and elected members.
- To enable a commitment to continuous improvement and to encourage shared learning across councils.
- To provide effective performance management in councils and to enable valid comparisons across councils.
- To have sufficient flexibility to be able to demonstrate delivery of national standards and locally agreed priorities.
- To allow new councils to plan and resource their objectives to deliver measurable results and to have consequences for non-delivery.

## **5 Principles for a Performance Management system**

5.1 The Sub group believes that any new system should be designed around the following principles –

- a framework which provides a range of assessment methods including self assessment, peer review and performance indicators.
- be focussed on continuous improvement
- be outcome and citizen focussed
- provide value for money
- be targeted and risk based
- be delivered in partnership
- enable comparisons across councils
- be affordable (resources)
- be transparent and fair
- be easily understood and capable of implementation
- retain flexibility and provide opportunities for innovation and flair

## 6 The Need for Clarity of Roles

6.1 In drawing up proposals, the Sub Group has identified the need to clarify the roles of four different bodies who will be involved in the new arrangements: -

- a. the **Local Government Auditor** (auditor) whose role would be to provide an independent assurance to the council of the Performance Management Framework, working with the sector.

The auditor would not have an enforcement or sanction function;

- b. the **Minister** who, through the Department of the Environment or other relevant government department, should be given statutory power of last resort to intervene in councils if their performance so required it;
- c. a representative body able to speak for local government in discussions with central government and the Minister; members of such a body should be drawn from the representative body for elected council members. The Sub Group is aware of the proposal which is emerging from the Central – Local relations Sub Group for the creation of a **Partnership Panel** and the Sub Group believes that the creation of such a Panel is the best way forward;
- d. a **Development Agency** whose role should be to oversee the improvement process which would provide external challenge and peer review and build capacity. The framework recommended by the performance management sub group is dependent on the establishment of such an agency in Northern Ireland to provide this service. The Development Agency would be chaired by an elected member and be comprised of elected members from the constituent councils.

6.2 The Sub Group believes that these bodies should be established as soon as possible to help the establishment of the new arrangements. In respect of the Development Agency proposal ((d) above), the Sub Group has considered three options for how such a body could be established and also believes that there may be a need for some transitional process in view of the scale of local government in Northern Ireland. **Annex E** to this report sets out some of the background research undertaken and the three options developed. The Sub Group recommends that some further work is undertaken to develop this concept.

## 7 Proposals for delivering those Objectives

In order to meet the declared objectives set out above, the Sub Group believes that the key features of a new performance management framework should consist of the following three inter-connecting elements –

- **A new statutory duty to secure best value and continuous improvement**
- **A requirement to publish performance indicators in respect of a number of nationally and locally agreed priorities**
- **An Improvement Service run by local government for local government which will include elements of Self assessment and periodic peer review**

Taking each of these in turn –

### 7.1 A new statutory duty to secure best value and continuous improvement

- 7.1.1 The Local Government (Best Value) Act (Northern Ireland) 2002 introduced a requirement for all councils to make arrangements to secure continuous improvement. There was however no prescribed audit role.
- 7.1.2 There remains a statutory power of intervention to the Minister which originates from the Local Government Act 1972. This power has not been exercised recently and it is unclear whether it could be utilised in the event that a council failed to comply with the best value requirement in the 2002 Act.
- 7.1.3 In 2006 the local government auditor (the auditor) has been given a new statutory power<sup>(3)</sup> to undertake value for money assessments in councils. However, if a council fails to adopt the recommendations of the auditor, there is no authority for any body to intervene.
- 7.1.4 The Sub Group believes that these provisions do not instil confidence and, therefore, a fresh start should be made with the introduction of new legislation. The Sub Group has reviewed the audit systems that exist in other jurisdictions. These are summarised in an **Annex F** to this report.
- 7.1.5 The Sub Group believes that a revised role for the Auditor is critical in designing a new system. The Sub Group proposes –

- The auditor would provide an independent assurance of the Performance Management Framework, working with the sector.
- The auditor should not be given an enforcement role; instead this should be reserved to the Minister through the relevant government department; if a council needs to improve, the responsibility for this would lie in the first instance with the Development Agency and the Minister would only be drawn in when all other support had been unsuccessful.
- The auditor should instead focus on the assurance process and adherence to the collation of agreed performance indicators.

7.1.6 In making this proposal, the Sub Group wishes to acknowledge and recognise the very real challenges for the NI Audit Office in moving towards the proposed new role of the auditor in the performance management framework outlined within this report. Issues of capacity and skills will need to be addressed at an early stage to ensure that auditors can carry out their new role, which complements, but goes beyond a purely financial focus.

7.1.7 The view of the Sub Group is that a fresh start should be made with new legislative provisions that –

- Re-emphasise the statutory Best Value obligation first imposed in 2002;
- Provide a default power to the Minister to intervene if necessary, as a last resort;
- Establish a clearer role for the auditor to provide an independent assurance of the performance management framework together with the retention of the powers to undertake financial and value for money assessments alongside his other duties.

## **7.2 A requirement to publish performance indicators in respect of a number of nationally and locally agreed priorities**

7.2.1 The Sub Group has considered the current arrangements which exist in Northern Ireland and believes that a new nationally agreed system is required. The Sub Group is, however, anxious to avoid the imposition of a large number of performance indicators which will prove costly and bureaucratic to administer and may have little relevance to the lives of those that the council represents.

- 7.2.2 Those chosen should therefore be seen as adding real value, be meaningful to local citizens and enable them to assess their satisfaction with the performance of their local council. The indicators should be agreed as part of the negotiation of local area agreements and the community planning process and thus link with council priorities and objectives.
- 7.2.3 The Sub Group believes that councils should be required to publish identified indicators. Indicators will be developed and agreed through a consultative process. The Sub group also believes there should be a requirement to produce and publish a Corporate Plan to identify the medium term objectives together with relevant targets and indicators that the council is pursuing. Both of these requirements will help to enhance local accountability and to permit comparison between one council and another. The method of publication should be left to the discretion of each council, however the format should provide for comparability.
- 7.2.4 The Auditor should be required to audit compliance with this duty but enforcement should lie with the Minister through the relevant government department.
- 7.2.5 The Minister, through the Department, will have statutory authority to specify Performance Indicators, agreed after consultation with the central / local government Partnership Panel.
- 7.2.6 The new Performance Management framework should try to ensure a clear “golden thread” between the Community Planning objectives of a council and its own corporate and service plans. The proposed requirement for all councils to produce a Corporate Plan, as well as a Community Plan, should help towards this objective.
- 7.2.7 The Sub Group proposes that –
- there should be a small number of nationally and locally agreed indicators and targets.
  - these indicators should be agreed after consultation with representatives of local government through the Partnership Panel; the primary objective of the identified objectives would be to focus on outcomes for the local community.
  - each Council should report and publish the indicators annually, in a format that enables comparability.

### **7.3 An Improvement Service run by local government for local government which will include elements of Self assessment and periodic peer review**

7.3.1 The Sub Group has considered the different systems that have been introduced in England, Ireland, Wales and Scotland to support the improvement of performance, and through a focused Study Visit has observed at first hand systems in place in Nottingham City Council and Nottinghamshire County Council. Having done so, the Sub Group believes that the introduction of a system of Comprehensive Performance Assessment in a style similar to that existing in England would be inappropriate for Northern Ireland. It does believe, however, that there is a need to introduce a form of assessment which will encourage the pursuit of improvements across the whole of local government sector and is attracted by certain elements of the systems that exist in other jurisdictions.

7.3.2 The Sub Group believes that any agreed improvement service must be run by local government for local government. The creation of a Development Agency is seen as an essential ingredient of this process.

7.3.3 The Sub Group believes that the following arrangements would best suit Northern Ireland: -

- Each Council should be subject to a Peer Review every four years, to coincide with the political cycle, with the review taking place within the first two years of the political term.
- Prior to each review, the Council would be expected to complete a self assessment.
- The format of the self assessment should be designed by representatives of local government through the Development Agency.
- Each review should be conducted by accredited peers external to the council; this process would be overseen by the Development Agency.
- After each review, each Council should be required to publish the result and to adopt an Improvement Plan for the following four year cycle.

7.3.4 An alternative view expressed is that, as a variation to the above proposals, it should be left up to each council as to whether they wish to bring in external peers as part of the process.

7.3.5 The Sub Group has considered whether there should be a formal rating system as a result of these periodic reviews. There are a range of views on this point. Some members of the Sub Group believe that such a system would be divisive and that the sector will be too small to enable meaningful comparisons. Others believe that there is some merit in introducing a rating system but that this should be deferred for the time being. If such a system is introduced, there is general agreement that this should be designed by representatives of local government through the Partnership Board and that a range of models should be considered.

## **7.4 Improvement Service**

7.4.1 A key element of the performance management framework recommended by the sub group is the establishment of a Development Agency. The Sub Group has briefly considered improvement support provided to local government in other jurisdictions. Some common themes have been identified and a number of options and recommendations on the way forward are proposed. Details of this work can be found at **Annex E**.

7.4.2 The potential options for the establishment of a Development Agency include:

- Explore the possibility of Northern Ireland developing a regional association with the IDeA. The Welsh Local Government Association, for example, has one seat on the Board of Directors of the IDeA but still maintains its independence from the Local Government Association.
- Develop an improvement body specifically for the local government sector in Northern Ireland.
- Develop an improvement body for all or some elements of the public sector in Northern Ireland.

## **8 Issues requiring legislation**

8.1 In the light of the conclusions reached, the Sub Group believes that there is a requirement for primary legislation to provide for –

- a general duty to secure best value and continuous improvement.
- a default power of last resort to the Minister through the relevant government department to intervene where the performance of a council so requires it.

- a requirement on councils to produce a Corporate Plan and an Improvement Plan and to publish identified performance indicators.
- a power to issue subordinate legislation in respect of performance indicators and relevant Performance Management requirements.
- a power to issue advisory guidelines and codes of practice in respect of Performance Management.
- a role for the auditor in providing an independent assurance of the performance management framework.

## 9 Issues for referral to other groups

9.1 There are several other issues that should be referred on to the other Sub Groups. These may also require legislative authority but these points should be progressed via referral to the other groups identified -

- GOVERNANCE - the need for approval of council policies to be a matter reserved to the full council.
- SHARED SERVICES – the need to explore the potential for a common IT Portal in respect of Performance Management.
- HUMAN RESOURCES – the need to look at a “golden thread” link between corporate performance and individual employee performance agreements.
- COMMUNITY PLANNING – the sub group recognise that there are very important linkages between community planning and performance management and recommend that these issues are brought forward in a joined-up way.
- CENTRAL / LOCAL RELATIONSHIP - the sub group recognise that there are very important linkages between central / local government relationship and performance management and recommend that these issues are brought forward in a joined-up way.

## 10 Preparing for Implementation – plan of travel

10.1 The sub group believes that further work needs to be initiated and undertaken in the following areas, to prepare for the introduction of a Performance Management Framework within councils:

- Briefing provided throughout the wider elected member group across all councils.
- Capacity building with elected members, officers and within related bodies.
- The development of a Performance Management and self assessment framework.
- The role of a Development Agency and appropriate funding mechanisms.
- The development of transitional arrangements.
- In any future work on the planned changes, it is essential that the role of members is at the forefront of the process.

*Cynthia Smith*

**CYNTHIA SMITH**

**Chair, Local Government Taskforce Performance Management Sub Group**

**30<sup>th</sup> June 2006**

Footnotes:

*1 The Review of Public Administration in Northern Ireland; further consultation paper, March 2005.*

*2 The Local Government (Best Value) Act (Northern Ireland) 2002.*

*3 The Local Government (Northern Ireland) Order 2005.*