

Local Government Self Regulation and Improvement

Purpose of report

For discussion and decision.

Summary

The Board is asked to approve the LG Group's final proposals on sector-led self regulation and improvement which have been developed in the light of councils' responses and members' discussion at the Improvement Board Away Day in November.

Given the centrality of these proposals to the LG Group's offer to councils, a similar report, along with the final proposals themselves, has also been submitted to the LG Group Executive at its meeting on 13 January.

Recommendations

That, subject to any views from the LG Group Executive, the Improvement Programme Board:

1. approve the final LG Group proposals on sector-led self regulation and improvement (attached at **Appendix A**);
2. offer guidance on how best to ensure greater council ownership of the self regulation and improvement agenda - given that many councils have felt inspection and regulation was designed to limit local choice and prioritisation.

Action

Finalise the Group's proposals on sector-led self regulation and improvement for publication and launch.

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Local Government Self Regulation and Improvement

The New Context for LG Group

1. The basis on which the LG Group will support the local government sector to meet its challenges with effect from April 2011 has changed considerably over the last 6 months. Government has previously prescribed a number of central bodies and other bodies such as Regional Improvement and Efficiency Partnerships (RIEPS) and associated governance arrangements. However, under the new arrangements, we will receive Revenue Support Grant (RSG) top sliced from councils through a single mechanism without government regulation or leadership of how self improvement will operate. It now falls to the LG Group to provide the framework by which we move forward from the system of inspection and regulation that is being scaled back.
2. In designing a new approach, the LG Group will also wish to develop new approaches to tomorrow's challenges and commission work in areas such as:
 - 2.1 promoting innovation;
 - 2.2 building capability to promote civil society through local leadership;
 - 2.3 making a success of community budgets / devolution;
 - 2.4 and ensuring that as a sector we utilise freedoms under the general power of competence to, for example, develop new forms of finance such as Tax Increment Finance (TIF) and social impact bonds.
3. So whilst over the next few years, our broader approach to self regulation and improvement will involve the development of a wider range of support in areas that presently do not exist, it is also important that local government clearly sets out its general approach to sector self regulation and improvement through greater transparency and collaborative approaches such as peer review and comparative performance information.
4. For this reason, the scale of councils' response to our consultation on self regulation and improvement is significant. As reported to the Improvement Programme Board at the Away Day in November, we received a material and overwhelmingly positive response from councils about the need to have some new arrangements in place for 2011/12.
5. Councils gave very strong support to the overall principles set out in the consultation document and clear messages about what is needed:
 - 5.1 councils are responsible for their own performance;
 - 5.2 councils have a collective responsibility for the performance of the sector as a whole where councils wish to work with others;
 - 5.3 the agenda must be much broader than just the services provided by councils and support better outcomes for communities as a whole and value for money for public expenditure;

- 5.4 whilst supportive of the suggestion that the LG Group provides tools to support them, councils are clear that such tools should be voluntary and be capable of adapting to local circumstances;
 - 5.5 respondents were also clear that the LG Group should not become some sort of sector owned inspectorate - whilst recognising that we have to manage the risk for the sector as a whole when councils are facing difficulties.
6. In light of the responses and following members' detailed discussions at the Away Day a final set of proposals has been developed and are **attached at Appendix A** for approval and launch.
 7. As well as finalising the proposals themselves, the Board also asked that we develop the LG Group's capacity to meet its own obligations in the new arrangements; in particular, through relatively more people "in the field" to work with councils where support is needed and to work with other local government networks to coordinate activity and support. This is reflected in the *Getting Closer* proposals for a new staffing structure that is expected to be in place from April 2011.
 8. The approach to sector-led self regulation and improvement has also shaped discussions with the Department for Education (DfE) and Department of Health (DH) in relation to assurance regarding services to vulnerable families, children and adults. The Children and Young People Programme Board and the Community Wellbeing Programme Board welcome the recently announced abolition of the annual assessment of all children's and adults services from OFSTED and the Care Quality Commission (CQC) respectively. This was part of our successful *Freedom to Lead* campaign – the precursor to the Group's new proposals for sector-led self regulation and improvement. Ministers have indicated that, in future, inspection and intervention by the remaining inspectorates and government departments will be commensurate with risk rather than apply to all authorities. Officers supporting the Boards have worked with government officials to ensure a coherent approach is recommended to Ministers that supports LG Group policy.
 9. The Department for Education has indicated that improvement must be sector led and not government led and has invited LG Improvement and Development to form a commissioning group involving relevant partners such as children's services networks and DfE itself. The group will commission improvement support to children's services within an overall approach of working supportively with authorities facing problems and reducing the scale of intervention. DfE has also indicated that it will pass over to LG Improvement and Development, as the accountable body, some resources it has previously retained centrally. Similar discussions are at an advanced stage with DH relating to improvement support for social care, public health and NHS transformation. This will greatly assist local government's scope for joined up improvement support. Discussions with some other Whitehall departments are at a more preliminary stage.

10. A communications and engagement strategy for this work is being updated. Subject to Members' views, the main change proposed is to move from a consultative position to one of appropriate leadership on behalf of the sector – setting out what will now be put in place. It is important that the approach to sector self regulation and improvement is owned by councils and particularly by elected Members who often commented that inspection and regulation ran contrary to localism. As well as ownership of the approach itself a strong member input is also needed to support peer challenge and review.
11. In addition to discussions with the political group offices there have also been some very positive discussions with several professional bodies. For example SOLACE is keen to work with the LG Group on branding the work as broad based and sector owned and help identifying at least 24 authorities who would be prepared to have one of the new peer challenges offered as part of the proposed approach. It would also be helpful if authorities represented at senior level within the LG Group were to request a peer review at an early stage.
12. As well as supporting individual councils, the LG Group will wish to ensure studies take place that advise the sector as a whole of further opportunities to reduce costs. The place based productivity work we have commenced is the first step along this path and the next steps will be reported to the next cycle of the Group Executive. At the same time, some councils have commented that the national studies undertaken by the Audit Commission (which may in future be undertaken by the National Audit Office) focus on whether policies are being implemented in a cost effective way, but they do not always comment on whether the policy itself is sensible. In the coming months, the Improvement Programme Board will therefore consider how the sector can best have appropriate capacity at its disposal to comment and evaluate national and local policy options. This further reinforces the sector's wish that we develop a fresh approach to improvement.
13. It is envisaged that subject to more detailed work, authorities not in LGA membership will be outside the system of collaboration and mutual support we provide as local government's trade body.
14. As set out above, the proposals on sector self-regulation and improvement are **attached** as **Appendix A**, for Members' approval.

Opportunities and Risks

15. There are both considerable opportunities and risks. A successful approach towards sector-led self regulation and improvement will strengthen the reputation of the sector to have the confidence to deal with its own issues, even during a period of challenging budgets. An ambitious and effective implementation of self-regulation would also strengthen the LG Group's position with the sector and be a positive reason to remain in membership of local government's umbrella body.

16. However, poor or falling performance by the sector, particular if some councils do not take their challenges seriously or are defensive and do not welcome advice from peer review etc, could adversely affect our reputation and lead to arguments that government should more tightly performance manage issues. Furthermore, independent bodies commenting on sector performance is different to a system of self regulation where the sector could be seen as not sufficiently challenging of itself.
17. This is not a new tension but the abolition of much of the old inspection and performance management framework raises the prominence of self regulation and the visibility with which we will succeed or otherwise.
18. Given the importance of this issue to the LG Group's future success, the Improvement Programme Board will need to tightly monitor implementation and assess risks in liaison with other Programme Boards and keep the LG Group Executive updated, particularly if any barriers develop.

Launch

19. During 2011/12 we will arrange national, regional and thematic events to launch the new approach to sector-led self regulation. LGA Members and partner bodies such as ADASS / ADCS will need to be regularly involved and our aim is to involve every council in dialogue about the new approach and their requirements.
20. The Improvement Programme Board will monitor progress in liaison with other Programme Boards against detailed plans and communicate regularly with Leaders, chief executives and the sector generally about the roll out of the new arrangements.

DRAFT Local Government Self Regulation and Improvement

Foreword by Councillor David Parsons

I have been greatly pleased by the number and quality of responses we have received to the consultation on a new approach to sector self regulation and improvement. The response rate was one of the best there has been to an LG Group consultation with 120 individual councils responding and almost 200 councils responding through their Regional Improvement and Efficiency Partnerships (RIEPs) and other bodies.

Councils agreed with the underlying principles we proposed – that councils are responsible for their own performance; that stronger accountability to local people drives further improvement and that councils have a collective responsibility for performance in the sector as a whole.

Councils agreed, too, that the role of the LG Group should be to support councils by providing tools like peer challenge. Respondents also recognised that there are two key areas where the sector needs to work together – developing an ability to compare key performance information and supporting councils that need help.

But respondents were also clear that any tools developed nationally should not be imposed but made available for councils to use them as and when required. This has always been our intention but as the national voice for local government our role means that we will want to encourage the sector to make use of these tools as widely as possible.

There are clear expectations from government that the scaling back of inspection also requires the sector to step up and ensure we are providing some light touch self-assurance and more importantly support where required as early as possible.

The core tools we are making available will be free at the point of use and paid for by councils through the RSG top slice, and the more use the sector makes of them the more useful they will be both for individual councils and the sector overall. We also will ensure through brokering and market making that services are available from the market that councils wish to see developed.

On the specific question we asked about inspection, respondents felt that safeguarding inspections of services to vulnerable children and adults should continue where they are needed – but that there was scope for greater peer challenge in these areas and for inspection to be more proportionate and focussed on outcomes not process. This view aligns with recent government proposals to cease the annual assessments of all children's and adults services by OFSTED and CQC respectively.

Councils also felt scrutiny had a valuable contribution to make to performance improvement and that any approach should look beyond councils' own services to the wider outcomes being achieved. Both these points are reflected in the detailed proposals we will implement in 2011/12.

Finally there was a strong message that councils want to continue to work with us in developing this approach and some of the specific tools that underpin it. The next section of this publication sets out our overarching proposal for how sector led improvement should be taken forward. We are determined that it is very light touch. It will focus on sharing good practice and an ability to access peer support. The LG Group will maintain an overview of the performance of the sector in order to identify potential performance challenges and opportunities. However, we will seek to achieve this without creating any additional burdens for individual authorities.

Cllr David Parsons CBE
Chairman
LG Group Improvement Programme Board

Background

Our campaign to reduce the burden of inspection on councils has been successful. We've seen Public Service Agreements (PSAs), the Comprehensive Area Assessment (CAA) and burdens such as the Use of Resources and Organisational Assessments abolished over the last few months. At the same time, the government has welcomed the stance taken by the sector to provide more emphasis on self regulation and improvement.

Councils shouldn't be accountable to inspectors; they are accountable to their residents. Ultimately the electorate hold their councillors and councils accountable through the ballot box. In addition, day in day out, councillors and councils are engaging with their residents to ensure that they are delivering the high quality outcomes they deserve. From holding councillor surgeries through to formal citizen panels, councils are constantly seeking ways of engaging with their communities and being held more locally accountable for what they do. Now that the burden of bureaucratic accountability and the centrally imposed national targets have been lifted, they can concentrate even more on listening and engaging with their communities to deliver what they want.

The previous regime of inspectors and government field forces holding councils accountable through inspections, targets, and plans was estimated to cost in excess of £2 billion a year. Clearly this could not continue and the new government is seeking to promote greater local accountability through their drive for greater transparency.

In this paper LG Group sets out our approach to how self regulation and improvement will work in practice. We are not setting out a system that has to be adopted by all parts of the sector and all councils. But we do expect that councils will take steps to enhance the way they are held accountable locally. In addition, councils will continue to support each other, particularly through the use of peers. The LG group will provide approaches to help councils with each of these two objectives and also ensure that inspection does not creep back by keeping an overview of the performance of the sector and the wider regulatory regime in which they operate.

The next sections provide some more detail. The roles and suggestions are not meant to be prescriptive. Councils will choose based on what is best for them which ones they wish to use.

The approach set out in this paper will come into effect from April 2011.

Role of individual authorities

At the very heart of our proposals are two key principles which were overwhelmingly endorsed by our recent consultation paper.

1. Local Authorities are responsible for their own performance and for leading the delivery of improved outcomes for local people in their area.

2. Local authorities are accountable to their local communities. And that stronger accountability through greater transparency helps local people drive further improvement.

Councillors are elected to office with a mandate to deliver particular outcomes for their electorate. More often than not the mandate is set out in the party's manifesto where the public has a right to hold their council accountable for the delivery of these commitments.

How councils go about **strengthening local accountability** will vary from place to place. And we must not forget that councils providing local people with information and engaging with them in many different ways to hold them to account is not something new or that's not routinely done already.

But it is accepted that the lifting of some of the national burdens provides more opportunity to concentrate on local outcomes that local people have had more of a say in. We expect that councils will continue, where appropriate, to:

- a) encourage feedback from their residents through a range of channels including councillors surgeries, satisfaction surveys, complaints, comments and compliments
- b) make use of social media techniques to gather information
- c) use citizen juries, mystery shopping
- d) consult with the public on proposals that affect them
- e) publish regular performance information so that the public can understand how well the council is meeting its objectives (e.g., annual report)
- f) publish on-line all expenditure in line with national requirements in a way that the public can understand
- g) make use of the role of scrutiny to challenge and improve both councils services and those of their partners
- h) take stock of their own performance and identify areas for improvement and risks
- i) make use of opportunities to be challenged by peers
- j) seek and welcome support from the sector as and when required
- k) develop their councillors to fulfil their role in this new environment.

Local authorities also have a **collective responsibility for the performance of the sector** and to collaborate through sharing best practice and actively encouraging and

providing both member and officer peer support. This principle was also widely endorsed by the sector although some councils felt that in the current climate providing peers for others would be harder than in the past. Over the coming year LG Group will review, develop and implement an organisational development model for the sector to promote and/or incentivise collaboration and sharing expertise.

A key aspect of sector led regulation and support is that the sector is willing to provide the peers to both challenge and support others. This has been a key strength of the sector in the past and is even more important in the current challenging environment. In addition, the peers themselves are provided with a learning opportunity which we know from experience they find highly rewarding and use what they have learnt to make improvements in their own authority. Therefore we ask that authorities commit to continuing to provide the high quality peers that are required as a way of helping others but also learning for your own authority too.

Role of the LG Group

The LG Group is an integrated lobbying and improvement organisation for the sector. On lobbying we will continue to campaign for further devolution and for councils to have greater accountability of all public services in their locality. We will also continue to make the case for further reductions in inspection. In particular we will continue to lobby on behalf of the sector for changes to be made to the safeguarding inspection regimes and for a reduction in the burden of reporting to government.

On improvement we will support councils by making available tools for the sector to use as and when required. We will encourage councils to make use of them as there is strong evidence that they help to drive improvement and provide a means for sharing good practice around the sector so that collectively everyone can benefit.

The key tools we are making available will be free to local authorities and we will work with the sector over the coming months to help shape them. In the responses there was strong support for any proposals to look beyond just councils and take into account the wider area and work with partners. We have already piloted some activities which are relevant across an area as a whole and we will develop these and other tools to provide an area dimension so that councils can use them in that way if they want to.

The tools will include:

1. Peer Challenge

We are making an offer to all local authorities to provide, **free of charge**, a peer challenge over the three year period starting in April 2011.

It will be voluntary to have a peer challenge but we know that since April 2007, almost 70% of local authorities have had a peer challenge and we know that during the CPA/CAA era, councils that had a peer challenge improved their ratings to a greater extent than those that did not.

To deliver on such a significant commitment we need help from the sector. We need the sector to make available the high quality peers that are required, particularly Leaders and Chief Executives and senior experts. In order to ensure a cost-effective way of delivering such a commitment we will need the peers and the local authorities to book in advance slots over the coming three year period where they can either give up time to be a peer on a challenge or when they wish to have a peer challenge.

The focus of the challenge will be worked up with each local authority and will be flexible to their needs. However, we expect they will all have some focus on the corporate capacity and leadership of the local authority – because we know these are key factors in council performance and improvement.

In addition, we will continue to offer shorter, sharper more subject specific challenges. It will not be possible for these to be free but the price will be kept to a minimum.

2. Peer Support

We are also offering up to 5 days of free member peer support for all councils which undergo change of control. Experience shows that providing member peer support to a new political administration in a timely manner is welcomed and of great benefit to the council.

In addition, we will continue to provide high quality member peers covering a wide range of areas. We are also actively expanding our peer banks to include experts from business, the voluntary sector and other parts of the public sector including, where wanted by authorities, civil servants.

3. Knowledge Hub

We know that Councils want to learn from each other but find it difficult to find the time or find the right information. Therefore we are investing on behalf of the sector in a new web based service that will create a single window to improvement in local government. It will use Web 2.0 technology and services and build upon the principles of the current community of practice platform, to support networking, collaboration and knowledge sharing.

It will bring people together in one place online to share ideas, knowledge and information. Users will be able to find peers and experts who share their interests, to help each other and develop how they work. It will be a much more co-ordinated and dynamic way of using social media.

The Knowledge Hub will be fully operational by September 2011 and will be free for the sector. It will provide “money supermarket” style capability where improvement services can be compared in terms of customer experience and/or range of costs.

4. Data and Transparency

There is a clear demand amongst members and officers to be able to compare performance with other councils and areas – because it helps you understand your own information and can act as a spur to increase productivity and optimise outcomes.

Therefore, we are creating a free of charge a place within the Knowledge Hub for individual councils to lodge data in an open source environment that gives access to services to help them understand their performance and productivity. These services include:

- Easy access to contextual data of known quality such as demographic and other socio-economic information;
- Help in getting under the skin of council and service productivity;
- On line means to share experience and understanding and find out about best practice;
- Access to analytic expertise in support; and
- The creation of individual and tailored council “dashboards” or agreed sets of data to present relevant data locally.

For councils who want the service, it will also provide a facility and structure to share and compare key data for selective, intelligent comparison with similar (or contrasting councils). We suggest that this would have a core of agreed metrics around cost efficiency and productivity, outcome and achievement, and citizen satisfaction, but with the service offering the ability to go beneath these measures.

We will ask all councils to place their data – such as government data returns on performance and cost - on the hub so that it is open to all users. If councils commission benchmarking clubs other than those provided by LG Group we ask that the data is placed on the hub and drawn from it by those clubs so that all local government performance, outcome, resident survey and cost data is open source to the public. This will ensure a VFM and effective means of local government reaching the highest standards of transparency in the public sector.

5. Leadership Support

The LG Group will continue to provide development support for political and managerial leaders. Our Leadership Academy and Leeds Castle programmes have provided development opportunities for hundreds of politicians. We will continue to provide leadership support for our political leaders and we will be making available **one subsidised place for every council for each of the next three years** on one of our main programmes commissioned from the market.

6. Local Assessment Tools

Following on from the self-evaluation tool the LG group provided for councils under the CAA regime, we intend to develop with the sector a new local assessment tool that

helps councils to work with local people, partners and communities to get a shared assessment of current performance.

Working with the Centre for Public Scrutiny, we will help local authorities make more effective use of scrutiny as a key tool for challenging performance locally.

We will also continue to make available products which it is sensible to invest in once nationally and then provide free of charge to the sector such as the YouChoose online budget simulator. This encourages members of the public to consider where council budget cuts should fall, where efficiencies might be made, and where income might be generated.

7. Learning and support networks

We will support networks of officers and Members at a national and sub-national level working with any sub-national groupings of councils and the relevant professional associations to share good practice and to provide timely support. We will prioritise our support to areas that the sector has said are a priority including children's and adult services.

We will also seek to make use of these networks to inform the wider policy and lobbying role the LG Group plays on behalf of the sector. LG Group is committed to sharing costs with councils' groupings in the interests of ensuring there is no duplication and the best use of councils' and the sector's improvement resources.

LG Group Improvement Board

We all agree that service or council "failure" damages the reputation of the sector as a whole as well as having an impact on the lives of local people and that we have to find some way of managing this risk – but councils don't want the LG Group to become some form of sector owned inspectorate; and we are not going to. Neither will we be able to rule out completely that no council will fall into difficulties in the future. Even the previous regime of inspection and government monitoring couldn't stop failure completely.

But the damage that can be caused by a failure in just one council can have a huge impact on the rest of the sector. For example high profile failures in children's safeguarding have created inspection burdens and difficulties recruiting social workers for all councils.

We also believe there is a risk that if we do not take greater collective responsibility for overseeing the performance of the sector, including the release of peers, then inspection and ultimately government intervention will creep back.

Therefore, the LG Group Improvement Board working with the other programme boards at the LG Group will maintain an overview of the performance of the sector. We will ensure that this role does not create any burdens for local authorities.

We will need to work with councils to find a light touch way to gather the wealth of information and intelligence that already exists in the sector – in political networks, through sub-national groupings and professional associations – so we are able to share good practice more effectively, to spot potential trends and also to identify where things might be beginning to go wrong. We will use that intelligence as a basis for talking with the council about possible improvement needs and offering appropriate support. Our Regional Associates, expanded in number with new roles, will co-ordinate this activity for the LG Group.

The LG Group will meet with the remaining regulators and government to receive information about the performance of the sector from their perspective. These meetings will provide the opportunity for local government to reassure government that sector led regulation and support is a much more effective way of addressing performance failures.

Role of Audit and Inspection

Whilst inspection has been scaled back, external audit will continue. We agree that to ensure the integrity of the spending of public money it is necessary for financial audit to continue. We will wish to ensure though that this does not become inspection by the back door.

We also remain of the view that inspection should only take place in cases where an individual council or the sector more widely agrees that it would be appropriate. Our belief is that often peer challenge is more appropriate and in many cases where inspection is being carried out to dig deeper into known performance issues then it would be even better if sector support was put in place.

Councils accept that inspection of safeguarding should continue for the time being. However, councils are also clear that it should be more proportionate and be based on looking at outcomes rather than processes. The sector is also keen to make more use of peer challenge and the LG Group will continue to provide support in this area.

Role of Central Government

Central government will retain powers to intervene but they should be used as a last resort. Serious corporate failure is very rare in public bodies and we expect any concerns that government have to be raised with the individual local authority and the LG Group so sector led support can be provided where necessary. We believe that this approach is much more preferable than the Secretary of State directing a body to carry out an inspection of an authority.

Government departments should cease to issue Improvement Notices on individual councils and work with LG Group to support those Councils.

Next Steps

Sector led regulation and improvement is already happening to a large degree and the approach set out builds on this but in a way that does not impose any additional burdens on councils but does reinforce the principle of collective responsibility.

We do not underestimate the challenge of this approach at a time when councils are having to make significant savings and take some very difficult decisions on behalf of their communities.

We will work with the sector over the next few months to refine the tools that the LG group are making available to ensure that they are what councils want and can be adapted where necessary to local circumstances.

We will publish updates on each of the proposed offers over the next few months.

Key roles in the new approach

Local people and communities will hold councils to account

- Participating in council consultation exercises
- Utilising on-line expenditure information
- Utilising published performance information
- Attendance and participation in local meetings
- Participation in any council self assessment/scrutiny activities
- Challenging elected members/ward councillors
- Through local elections

Councils will

- Be responsible for their own performance
 - Build strong performance management systems across the council and local partnership
 - Share and compare key performance data as appropriate – including best practice
 - Take advantage, as appropriate of LG Group support offer
 - Citizen engagement and accountability
 - Peer challenge
 - Peer support
 - Offer peer support – and assimilate learning
- Be accountable to local people and communities
 - Engage local people in priority setting etc
 - Make performance information publicly available in ways that local people can understand and use

The LG Group will

- Continue to lobby for further reductions in assessment, inspection and reporting

- Provide tools for councils to use to strengthen engagement, accountability and performance improvement
- Liaise with councils and offer support to those facing challenges.

Inspectorates will

- Provide external challenge for high risk areas such as adult and child safeguarding – but reforming their current approach so that it is more risk based and proportionate
- share concerns about poor performance with the sector to enable improvement support to be offered in advance of any further inspection
- coordinate inspection plans to minimise the burden on individual councils

Government will

- minimise their data collection and reporting requirements on councils
- allow the sector to deal with any performance issues facing any particular council before considering any form of intervention

If you have queries or questions you are welcome to contact dennis.skinner@local.gov.uk and nick.easton@local.gov.uk.