# COMPREHENSIVE PERFORMANCE ASSESSMENT
## A REFLECTION ON THE EXPERIENCES OF ENGLISH LOCAL AUTHORITIES

## VOLUME 1

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Comprehensive Performance Assessment:

A reflection on the experience of English local authorities

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# i.  Thesis summary

The changes introduced by successive governments in the United Kingdom have had a significant impact on the way performance is measured in the public sector.   Comprehensive Performance Assessment (CPA) was one of many initiatives introduced by 'New Labour' as part of their modernisation agenda.   Comprehensive performance assessment (CPA was introduced to provide a more integrated performance framework for measuring the performance of local authorities in England. The focus of this initiative was on continuous improvement in the quality and delivery of the services offered by local authorities (ODPM, 2005). At the time of its introduction, CPA was seen as the most ambitious attempt yet to measure the performance of a set of public sector organisations (Boyne and Enticott, 2004). CPA lasted from 2002 to 2008 and during that period the empirical evidence supports the claim that there had been a noticeable improvement in the services offered by local authorities but despite this evidence, the CPA framework has been subject to extensive criticism. The purpose of the present study is to provide a better understanding of a significant period in the history of English local authorities.

This is a qualitative study. The thesis combined the experiences of practitioners in local authorities and representatives of the Audit Commission in a reflective study. Data was gathered from an online questionnaire followed by semi-structured interviews. The main focus of the study will be to recount the experiences of practitioners in making a judgment on

whether CPA has improved performance in English local authorities, and defining some of the contributory and hindering factors to the successful performance of local authorities.

## ii.    Acknowledgments

I would like to thank the staff at Aston University especially Prof Stan Brignall, my supervisor, for his encouragement, patience, understanding and support over the years.

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To the support staff: Rosaleen, Sue (no longer at Aston), Jeanette and her team in appreciation.  Being a distance learner, you were my first contact and very often you went out of your way in helping me to resolve the issues.

I wish to express sincere thanks to the representatives of the local authorities and the Audit Commission that took part in this research. The author is extremely grateful for their contribution, their candour and their time.

Finally, to family and friends, I appreciated your support and encouragement throughout this long journey. This would not have been possible without your help - I will be eternally grateful.

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Abbreviation used within the document

| | |
|---|---|
| AC | The Audit Commission |
| BV | Best Value |
| BVI | Best Value Indicator |
| BVPP | Best Value Performance Plan |
| CAA | Comprehensive Area Assessment |
| CCT | Compulsory Competitive Tendering |
| CLG | Department for Communities and Local Government |
| CPA | Comprehensive Performance Assessment |
| CPS | Centre for Public Services |
| DETR | Department of the Environment, Transport and the Regions |
| EFQM | European Foundation for Quality Management |
| IDeA | The Improvement and Development Agency |
| IGPM | Institute of Governance and Public Management |
| LGiD | Local Government Improvement and Development. |
| NPM | New Public Management |
| ODPM | Office of the Deputy Prime Minister |
| OECD | The Organisation for Economic Co-operation and Development |
| OFSTED | The Office for Standards in Education, Children's Services and Skills. |

# 1. Introduction

Pollitt and Bouckaert (2000) observed that in the last two decades there has been a pandemic of public sector reforms. These reforms stemmed from an international movement intent on making fundamental changes to management structures, processes and practices in the public sector. The term New Public Management (NPM) became a generic label for that shift (Hood, 1995). Key government initiatives were introduced to improve performance within the public sector. These initiatives increased pressure across the sector to show real improvements. Governments across the globe reorganised and restructured public organisations in an effort to produce better services (Boyne, 2003; Boyne *et al.* 2003). A continuous theme of this period has been an emphasis on performance measures as a means of achieving improvement. The greater emphasis on output, controls and results led to more explicit, measurable standards of performance (Hood, 1995). Governments were at the forefront of efforts to implement new performance measurement systems (Atkinson, Waterhouse and Wells 1997; Cavalluzzo and Ittner, 2004). Whilst the use of performance indicators and targets was not new, it can be argued that the various NPM initiatives in the 1990s introduced more dimensions and discourses regarding the implementation, use and outcomes of performance measurement in public management (Johnsen, 2005; Hood, 2007).

NPM in the UK in the 1980s and early 1990's focused on reforming the British Civil Service. The Thatcher Conservative Government started by reducing the size of the Civil service; the privileges of the civil service were curtailed and performance- related pay introduced. Along with incentives, a business culture was introduced, competition was a strong theme in government, and some areas were privatised. Annual efficiency plans and benchmarking was introduced into the public sector (Budge *et al.*, 2007). The Thatcher government introduced Compulsory Competitive Tendering (CCT) to local government in the 1980's. The period also saw the growth of quasi-governmental organisations, often referred to as

quangos.     The changes made in this period were aimed at reducing waste, bureaucracy and over- government.     The programme of improvement in local government that was started by the Conservative government was accelerated under the New Labour government, but whilst the focus of the Conservative government was on efficient public services, New Labour emphasised continuous improvement; placing quality and the expectations of the service users at the heart of their reforms.

New Labour summed up their rationale for introducing changes as a need "to see vibrant, innovative and responsive local government delivering high quality public services for their communities" (extract from the Chancellor's Budget statement, March 2004). Better means of determining and measuring performance were needed to support that change and this led to the introduction of the Best Value (BV) framework and Comprehensive Performance Assessment (CPA) initiatives, amongst others. Comprehensive Performance Assessment at the time of its introduction was seen as the most ambitious attempt to measure the performance of a set of public sector organisations (Boyne and Enticott, 2004; Wilson, 2005; Game, 2006).

Whilst performance measurement and performance measurement systems were not new to the public sector, and more specifically local government, the demands of CPA were new. CPA created a list of characteristics that would shape the outcome of an assessment. The onus was on the local authorities to collect and maintain the data for the assessment. Lockwood and Porcelli (2011) described CPA as an elaborative evaluation exercise to gauge how effective money is being spent on local services and stated that it may well be the only performance system that numerically scores and rewards elected representatives.

It was well publicised, and the Audit Commission have provided extensive evidence to show that there were significant improvements in services across all local authorities during the

period of CPA. The general conclusion was that CPA had transformed the way performance was managed and measured within local government. Comprehensive Performance Assessment marked a significant period in the history of English local authorities. The lessons learned and experiences gained can benefit or influence future performance initiatives.

The timing of this study was significant as the researcher intends to provide a reflection of the experiences of practitioners during a unique period in the history of English local authorities. The research will provide an overview of the CPA years and the methodology of CPA in judging the performance of English local authorities. This study will examine CPA as a deliberate strategy to drive improvement in local government; the changes CPA brought about; and more specifically, the impact that this specific initiative had on the improvement of local government in England. At the time of writing this thesis, the study carried out by Game (2006) was the only one that closely reflected the issues that arose in this research. Games' (2006) research was undertaken during the early CPA years, providing an overview of the process of CPA. Most of the previous work done on CPA focused on the validity and concerns of the CPA framework (Freer, 2002; Broadbent, 2003; Andrews, 2004; Wilson, 2004; 2005), Boyne and Enticott, 2004; McLean *et al.*, 2007). These concerns will be discussed further within the document. The later studies were focused on CPA in relation to specific aspects of improvements in local government. Andrews (2004) explored the statistical relationship between deprivation and the performance indicators used for the first round of CPAs. Woods and Grubnic (2008) looked at the theoretical linkages between the CPA of local government and the balanced scorecard. Murphy *et al.* (2011) examined the CPA regime on the provision of council tax and housing benefits distributed by local authorities. The present study was carried out at the end of the CPA years, making this research the only summative study of the CPA era; furthermore, it incorporates the views of several stakeholders.

The first question is:

Has CPA improved the performance of English local authorities?

The results of the above investigations should enable the researcher to summarise practitioners' perceptions of whether performance improved under CPA. This discussion will be examined against a background of performance management, performance measurement, NPM and the issues of NPM.

The research will also attempt to identify the essential characteristics of a successful authority under *CPA*. These characteristics will be further examined against the theoretical perspective of the characteristics of successful organisations identified in the literature. The published statistical evidence indicates that performance in English local authorities improved during the CPA years. This research considers if practitioners share this view, and if so, was CPA the sole driver of such improvements? It is hoped that a better understanding of what brings success will, at the same time, make it easier to deduce the causes/reasons for underachievement in local government, and provide a basis for helping failing authorities to move forward in a structured way.

The next pertinent question is:

Was CPA just a means of collecting and reporting performance or was it much more? From an academic perspective, should CPA be classified as a performance measurement system or a performance management system?

In order to answer this question, the researcher examined the current literature on performance measurement and management and proposed a framework against which CPA will be judged.

The structure of this discussion will be as follows:

Chapter 2 explains the Comprehensive Performance Assessment (CPA) Framework. Comprehensive performance Assessment was positioned as a New Public Management initiative.

Chapter 3 discusses the concept of New Public Management (NPM), its origin and how New Public Management influenced thinking on public sector reform.

Chapter 4 examines the various strategies used to reform local authorities in England from 1980-2010. The researcher has confined the discussion to 2010 as CPA was replaced in 2008 by Comprehensive Area Assessment and the decision to abolish Comprehensive Area Assessment in 2010 meant that there is now no overarching process for measuring performance in English local authorities.

Chapter 5 examines the issues and challenges posed by reforms in local government.

Chapter 6 presents the research justification and methodology. The researcher also outlines ethical considerations and the limitations of the research.

Chapter 7 discusses the findings of the research. The researcher examined the results of an online survey questionnaire, archival published data and interviews with practitioners in answering the research questions. The discussion is guided by nine (9) themes identified in the literature.

Finally, Chapter 8 reflects on the questions presented in this research. This chapter draws conclusions as to whether the research questions were answered, and also identifies future areas of research.

This is a reflective study of a performance initiative that was intended to drive improvement in English local authorities. The conclusions of the research are based on the shared experiences of a limited sample of practitioners from local government and the Audit Commission and as such may not be sufficient enough to generalise. The intention is to provide a better understanding of a phenomenon in a unique period in the history of English local authorities.

# 2. Comprehensive Performance Assessment (CPA) explained

The Local Government White Paper 'Strong Local Leadership - Quality Public Services' in December 2001 announced the introduction of Comprehensive Performance Assessment (CPA). CPA was one of many new public management initiatives introduced by the New Labour government. The focus of CPA was to drive continuous improvement in the quality and delivery of the services offered by local authorities (ODPM, 2005).

CPA was introduced to provide a more integrated performance measurement framework to assess the performance of individual services and the overall performance of local authorities in England. It was intended that CPA would help those local authorities that found it more difficult to assess their own performance in delivering service improvements (Audit Commission, 2002(c)).

## 2.1 The CPA framework (2002-2005)

The CPA framework was proposed in 2002 for reaching judgements on the overall performance of English local authority. A summary of the framework is set out in the diagram given in Figure 1 below:

ABILITY TO IMPROVE
Self-assessment and corporate assessment

ASSESSMENT FRAMEWORK

OVERALL ASSESSMENT
– Excellent
– Good
– Fair
– Weak
– Poor

PUBLIC REPORTING

IMPROVEMENT PLANNING

Benefits
Social care
Environment
Libraries & leisure
Use of resources
Education
Housing

CURRENT PERFORMANCE ON SERVICES
Inspection judgements, auditor judgements, performance indicators and Government assessments of councils' plans

Figure 1: Original framework of Comprehensive Performance Assessment (CPA)

A diagrammatical representation of the original Comprehensive Performance Assessment (CPA) framework. (Source: Audit Commission 2002(b), p.2)

Referring to the diagram above, the CPA framework brought together judgements about core services and the use of resources in making a judgement of an authority's performance. There were *seven core services*: education, social services, housing, environment, libraries, leisure and benefits. The overall CPA judgement was reached by combining the overall scores of the performance of core services and the use of resources. These scores are combined with an audit judgement and a judgement of the council's ability to improve. The data used to score each of the services relied on and was done in consultation with other agencies, for example Ofsted, the star ratings published by the Department of Health, and

data published by the Benefit Fraud Inspectorate. A weighting system will be used to arrive

at the final CPA score.

A summary of the CPA weighting system is given below:

## DETERMINATION OF CORE SERVICE SCORE FOR AN AUTHORITY - 2002 CPA ARRANGEMENTS

1 Current scores on services range from 1 to 4, with 1 being lowest and 4 being highest[2]

2 Weighting between services is

|  | WEIGHT |
| --- | --- |
| Education | 4 |
| Social services (average of children's and adults' score) | 4 |
| Environment | 2 |
| Housing | 2 |
| Libraries and leisure | 1 |
| Benefits | 1 |
| Use of resources | 1 |

3 Maximum and minimum scores are as follows (counties in brackets):

|  | MINIMUM | MAXIMUM |
| --- | --- | --- |
| Education | 4 | 16 |
| Social services | 4 | 16 |
| Environment | 2 | 8 |
| Housing | 2(0) | 8(0) |
| Benefits | 1(0) | 4(0) |
| Resources | 1 | 4 |
| Libraries and leisure | 1 | 4 |
| Total | 15 (12) | 60 (48) |

4 Combining scores to reach an overall judgement (before application of rules) - applying principle that weighted average of less than 2 gives an overall core service score of 1 and weighted average of more than 3 gives an overall core service score of 4

|  | SINGLE TIER | COUNTY |
| --- | --- | --- |
| 1 = lowest | LESS THAN 30 | LESS THAN 24 |
| 2 | 30 TO 37 | 24 TO 29 |
| 3 | 38 TO 45 | 30 TO 36 |
| 4 = highest | MORE THAN 45 | MORE THAN 36 |

5 Application of rules (apply to overall category):

Rule 1 Must score at least 3 (2 stars) on education, social services combined star rating, and financial standing to achieve a category of excellent overall

Rule 2 Must score at least 2 (1 star) on education, social services star rating, and financial standing to achieve a category of fair or above

Rule 3 Must score at least 2 (1 star) on all other core services to achieve a category of excellent overall

Figure 2: How the weighting was used to score authorities under CPA.
(Source: Audit Commission, 2002, p.8)

With reference to Figure 2 above, the weighting system placed a higher weight on education and social service (a weighting of 4), with benefits service, libraries and leisure and use of resources each having a weighting of 1.

CPA judgement was rule-based and scores were arrived at using the assessment rules below:

Rule 1: Must score at least 3 (2 stars) on education, social services combined star rating and financial standing (use of resources) to achieve a category of excellent overall

Rule 2: Must score at least 2 (1 star) on education, social services star rating, and financial standing to achieve a category of fair or above

Rule 3: Must score at least 2 (1 star) on all other core services to achieve a category of excellent overall

The rules of the assessment framework prevented an authority being categorised as 'excellent' if it achieved a score of 1 (out of 4) on any of the individual service blocks as illustrated in the Table 1 below.

Table 1: Example of the results and the scoring (CPA framework)

| Authority name | Essex | Kent | Lewisham | Bexley |
|---|---|---|---|---|
| Authority type | County | County | London | London |
| Overall CPA score | Good | Excellent | Good | Excellent |
| Council ability to improve | 3 | 4 | 3 | 4 |
| Overall service score | 3 | 3 | 3 | 4 |
| • Education | 3 | 3 | 3 | 3 |
| • Social care (children) | 3 | 3 | 2 | 3 |
| • Social care (adults) | 2 | 3 | 3 | 3 |
| • Environment | 3 | 2 | 2 | 4 |
| • Housing | N/a | n/a | 3 | 3 |
| • Libraries and leisure | 3 | 2 | 3 | 2 |
| • Benefits | N/a | n/a | 4 | 3 |
| • Use of resource | 4 | 4 | 3 | 3 |

An illustration of the results and scoring using the original rules of CPA framework.
(Source: Audit Commission, 2002(b)).

In Table 1, Kent scored 3 and above in all categories except for environment and libraries and leisure. Interpreting Rule 1, having a score of at least 3 (2 stars) on education, in the combined star rating for social care, and for use of resources would entitle Kent County Council to be granted an overall score of excellent but Kent also needed to satisfy Rule 3. Rule 3 required that Kent County Council must also ensure that the minimum score in the other core services should not be less than 2 (1 star) in order to achieve an overall score of excellent. London Borough of Bexley was in a similar position, with scores of 3 and 4 for education, in the combined star rating for social care and financial standing (use of resources) along with none of the other services scoring below 2. The London Borough of Bexley was also awarded an overall score of excellent.

Now let us compare the situation in Bexley and Kent to that of Essex County Council. This authority had scored 3 and above in all services except for adult social care. According to

Rule 3, a score of 2 in the combined star rating for social care would have prevented an overall score of excellent, and Essex was instead given a score of good. Lewisham also scored 2 in the combined star rating for social care and was also given an overall score of good.

Using these rules, a poor score in environment and leisure did not significantly affect the overall score given to an authority. The weighting system was important in making a judgement as it defined success and failure. Scores of 1 or 2 represented underperformance. Success under CPA hinged primarily on getting good scores in education and the combined star rating for social care.

The service scores were combined with the scores of the corporate assessment in arriving at an overall score. The corporate assessment covered the way in which councils manage their corporate performance and how they responded to service failure. The purpose of the corporate assessment was designed to give assurances about the capacity of authorities to operate effectively without close supervision or control. This score given for the corporate assessment was based on self-assessment followed by an external corporate assessment carried out by a small team. The team comprised of an auditor, an inspector as well as officers and councillors from 'peer' councils. The self-assessment required the local authority to respond to four simple but challenging questions about their own performance:

- What is the council trying to achieve?
- How has the council set about delivering its priorities?
- What has the council achieved to date?
- In light of what the council has learnt, what does it plan to do next?

The answers to these questions were used to report on the council's strengths and weaknesses and to make a judgement about the authority's ability to improve. When making

a service judgment, the Audit Commission will routinely take account of the experience of service users by talking to them directly, holding focus groups, carrying out surveys of users and by trying out the services for themselves. The overall judgements about service performance and about the council's ability to improve are combined to form an overall assessment of each council, placing each authority in one of five categories: excellent, good, fair, weak or poor.

Overall performance was judged as follows:

Table 2: Classification/judgement given to the CPA authorities

|  | During consultation | Categories defined |
|---|---|---|
| Excellent | Top performing | Well above minimum standards. |
| Good | Striving | Consistently above minimum standards |
| Fair | Coasting | Adequate, just meeting minimum standards |
| Weak or poor | Under performing | Below minimum standards with little or no improvements |

An explanation of the classification/judgement given to the CPA authorities.

Table 2 combines the categories used in the initial consultation document to form the overall judgement on the services of the authority: top performing, striving, coasting and underperforming. The terms used in the initial consultation were subsequently changed to excellent, good, fair, weak or poor when the CPA framework was rolled out in 2002. The meaning of the judgement is summarised in Table 2 above and Appendix 1 gives a more detailed explanation of the representation of each classification of an authority under CPA. Poor performing authorities offered inadequate services and did not have the leadership and managerial capacity or focus to improve services. A poor score given as a result of CPA would have deemed that the named authority would have been unlikely to improve without

external support. Poor performing authorities received either a directed approach to support their effort to improve or 'or were subject to a form of government intervention.

The threat of government intervention or any action of intervention came only in the event of continued poor performance. Engagement with the whole authority and/or the possibility of intervention in respect of the poor performance of an individual service could be expected following a critical inspection report or poor performance information. The Secretary of State, under Section 15(3) of the Local Government Act 1999, exercised powers of intervention when there was clear evidence that an authority was failing either to discharge its functions adequately or to meet its statutory obligations. The intervention protocol sets out a range of intervention options. The form and the extent of engagement and intervention reflected the type and seriousness of failure along with the need for effective improvement. The consequences for poor performance will be examined later in this document.

The original framework lasted until 2005. CPA evolved in response to changes in the operational and regulatory environment, rising public expectations, and the performance of local government itself (Audit Commission, 2005). Based on feedback and further consultation, CPA was modified and the new Harder Test was implemented.

## 2.2 CPA: The Harder Test

Whilst the overall principle of the assessment remained the same, this new framework was intended to make it a tougher test for authorities. The aim of the new Harder Test was to help authorities to maintain momentum and focus in delivering improvement priorities. It was built on the previous framework but featured a much greater emphasis on service users, value for money (use of resources) and much less on inspection of services. The overall performance categories in The Harder Test were changed to distinguish the new framework from the old: excellent, good, fair, weak and poor names were no longer used in respect of single-tier and county councils. Instead, performance was categorised as 4 stars, 3 stars, 2 stars, 1 star and 0 stars, with 4 being the highest. Table 3 shows how these categories compared to the previous ratings.

Table 3: The star rating

| Star rating | Previously | Categories defined |
|---|---|---|
| 4 | Excellent | Well above minimum standards. |
| 3 | Good | Consistently above minimum standards |
| 2 | Fair | Adequate, just meeting minimum standards |
| 1 and 0 | Weak or poor | Below minimum standards with little or no improvements |

Showing how the star rating introduced under "the Harder Test" compares to those of the previous framework. (Source: AC, 2005)

There were fewer themes in the Harder test, down from nine (9) in the pre-2005 framework (referred to on page 20) to five (5) shown in Figure 3 below.
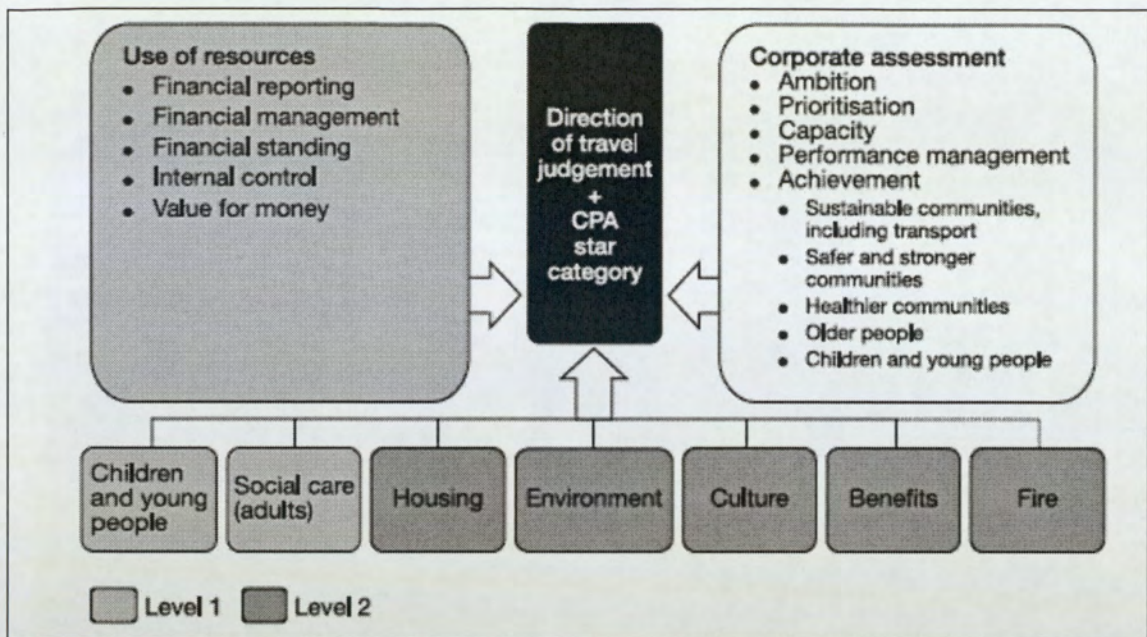
Figure 3: The revised framework for CPA                    (Source: AC (2005)

The five themes were:

- direction of travel;

- use of resources based on the work of the appointed auditors;

- a periodic, much stricter corporate assessment;

Including the annual service assessment that was done in two parts:

- Annual service assessments by the Audit Commission (environment, housing, culture) and the Benefit Fraud Inspectorate (Level 2); and

- Level 2 services - provided to the Audit Commission by the Office for Standards in Education (children and young people), the Commission for Social Care Inspection (children and young people and adult social care).

Authorities were still required to show that they were clear about what they were trying to achieve, how priorities were set and delivered, and clear action planning in light of what was learnt. A more stringent corporate assessment was carried out for each authority by the Audit Commission every three years. The process still included a self-assessment but

had a more strategic approach to regulation and reflection on previous assessments. The corporate assessment extended the assessment to include a focus on an authority's community leadership role and charted achievements by looking at five areas: sustainable communities and transport; safer and stronger communities; healthier communities; older people; and children and young people (as shown in the figure above).

The corporate assessment reported on the contribution of the authority to the quality of outcomes for children and young people. This assessment was done by a Joint Area Review, which was led by OFSTED and the Commission for Social Care Inspection. To facilitate this, very often the Joint Review was carried out at the same time as the corporate assessment. The use of resources again looked at how well a council manages its money. There was an explicit 'value for money' judgement within this and although this was part of the auditor function, it was used to form an opinion on the overall leadership of the authority. For the first time, a direction of travel assessment was introduced. It was a judgement about how well authorities were complying with their duty to make arrangements to secure continuous improvement. The direction of travel gave clear labels that indicated the progress made; the four labels were:

- improving strongly;

- improving well;

- improving adequately; and

- not improving adequately (or not improving at all).

CPA remained rule-based but the Harder Test changed the rules for scoring.

A more detailed explanation of the rules can be found in Appendix 2: *CPA - The Harder Test explained*. The overall judgement under the Harder Test was made using the following rules summarised in the table below:

Table 4: Weighting for the Harder Test

| Corporate assessment | Level 1 assessment (children and young people, adults' social care and use of resources) | Level 2 assessment (housing, environment, culture and benefits) | Category |
|---|---|---|---|
| 4 | None less than 3 | None less than 2 | 4 stars |
| 4 | None less than 2 | No more than one less than 2 | 3 stars |
| 4 | No more than one less than 2 | No more than one less than 2 | 2 stars |
| 4 | Any other combination | | 1 star |
| 3 | None less than 3 | None less than 3 | 4 stars |
| 3 | None less than 2 | None less than 2 | 3 stars |
| 3 | None less than 2 | No more than one less than 2 | 2 stars |
| 3 | Any other combination | | 1 star |

An example of how the weighting was used for the Harder Test
(Source: Audit Commission 2005 p.6)

Using the sample of authorities in Table 1, the result of the judgement in 2005 was used to interpret the rules of the Harder Test above. This interpretation is further summarised below:

Table 5: Interpretation of the results (Harder Test)

| 2005 | | | | | | |
|---|---|---|---|---|---|---|
| Authority name | | | Essex | Kent | Lewisham | Bexley |
| Authority type | | | County | County | London | London |
| Overall CPA score | | | 4 stars | 4 stars | 3 stars | 4 stars |
| | | Direction of travel | Improving Strongly | Improving Strongly | Improving well | Improving well |
| Corporate assessment | | Ability to improve | 3 | 4 | 3 | 4 |
| | | | | | | |
| Service score | | | | | | |
| · Social care (children and young people) | | Level 1 | 3 | 3 | 3 | 4 |
| • Social care (adults) | | | 3 | 3 | 3 | 4 |
| • Housing | | | n/a | n/a | 2 | 3 |
| • Culture | | | 4 | 2 | 3 | 2 |
| • Benefits | | | n/a | n/a | 4 | 3 |
| • Environment | | Level 2 | 3 | 3 | 2 | 4 |
| | | | | | | |
| Financial reporting | | | 3 | 3 | 2 | 3 |
| Financial management | | Use of | 3 | 3 | 3 | 3 |
| Financial standing | | resource | 3 | 4 | 3 | 3 |
| Internal control | | | 2 | 3 | 2 | 3 |
| Value for money | | | 3 | 3 | 3 | 3 |

Interpretation of the results of the assessment of the under the new Harder Test framework. (Source: The author)

Kent County Council, for example, with a corporate assessment of 4 combined with no Level 1 service assessment less than 3 and no level 2 service assessment being less than 2 was awarded 4 stars. On the other hand, Essex County Council, with a corporate assessment of 3, no Level 1 service assessment being less than 3 and having no Level 2 service assessment less than 3, also qualified for 4 stars.

London Borough of Lewisham on the other hand had a corporate assessment of 3, no Level 1 service assessment less than 3 but had more than two Level 2 service assessment scoring less than 3. It therefore only qualified for 3 stars.

The threats of government intervention for continued poor performance remained in the revised framework.

CPA lasted from 2002 to 2008, and during that period the empirical evidence supports the claim that there was a noticeable improvement in council services.[1] CPA also remained rules-based.

CPA was ambitious for its time. It was proposed as one of many NPM initiatives that were started under the New Labour government in an attempt to improve local government. It was also argued that CPA was the accumulation of several other initiates to improve performance in local government.

Through CPA, the government was able to demonstrate its commitment to continuous improvement in local government, but, despite the wide-ranging success of CPA, the framework was subject to extensive criticism (Boyne and Enticott, 2004). The author will discuss some of the issues later, and the initiatives and measures that led to the introduction of the Comprehensive Performance Assessment. But before we look at these, it is important

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[1] Audit Commission (2005). The Harder Test: Scores and analysis of performance in single tier and county councils. *Statistical evidence will support this claim of success.*

that the reader forms a better understanding about the drive towards better public management.

In the next chapter, we will briefly examine the concept of NPM.

# 3.  New Public Management

*"The reform of local government management can be seen as part of a wider set of public sector reforms which are characterized by the umbrella heading of 'New Public Management' (NPM)"* (Lapsley and Pallot, 2000, 215).

We have earlier positioned Comprehensive Performance Assessment (CPA) as a new public management (NPM) initiative in local government, but in order to fully understand why CPA was classed as a NPM initiative, it would be useful to provide a brief historical perspective on the development of NPM itself.

NPM was an international movement intent on making fundamental changes to management structures, processes and practices in the public sector. The initiatives that came out of that process had far-reaching implications on the way the public sector was managed. CPA was one such process.

In this chapter, we will be examining the arguments that can be used to explain new public management and the theoretical concepts that influenced the development of NPM.

## 3.1 The origins of New Public Management

NPM's origins are in public-choice theory and managerialism. It was the development of administrative thought that started in the United States. Public choice theory was about the use of the methods and tools of economics to explore how politics and government works. The US is thus the best reference point to start any discussion of the theoretical developments of NPM (Gruening, 1998). Until the end of the 1970s, the international study of public administration was the study of American public administration (Toonen, 1998). So the researcher's first step on this journey to understanding the drive to having better public services started with the study of public administration in the USA.

The study of public administration dates back to the political system of the US in the late nineteenth century. It began in a time when US public administration was in a state of disrepute. The administrative mechanisms in the US were dominated by the spoils system— administrative positions were distributed to those who contributed to the victorious party's electoral success (Gruening, 2001). It was a time of incompetence, inefficiency and corruption (ibid. citing Weber, 1956, S. 839ff.; Van Riper, 1987; Stone and Stone, 1975; Schachter, 1989).

Woodrow Wilson's classic, "The Study of Administration" (1887) sought to establish public administration as an important field in its own right (Kettl, 2000; Gruening, 2001). Wilson (1887) argued that "administration is the most obvious part of government; it is government in action; it is the executive, the operative, the most visible side of government, and is of course as old as government itself" (p.198). He presented a strong argument for the science of administration. Administrators were better able to organise the process of government, to make it more business-like, to strengthen and purify its organisation, and to crown its duties with dutifulness (ibid., 201). It was against this background that a movement called the

Progressives was developed to reform the politics and administration of public organisations. The Progressives pursued the separation of politics and administration. They argued for a more interventionist state, tenured, neutral and with competent administrators and a sound financial management. Gruening (1998; 2001) argued that the main reform successes of the Progressives were the invention of a career civil service (Pendleton Act 1883), the invention of the line item budget and the rollback of parties and corruption (Lee, 1995; Eisenach, 1994; Waldo, 1948). Woodrow Wilson, Frank Goodnow, and Frederick Cleveland were noted progressives; they all argued for the necessity of this separation of politics from administration. The message of separating politics from administration was the strategy of that period (Kettl, 2000; Lynn, 2001; Gruening 1998; 2001). This argument was based on the position that administrators were professional; they worked alongside their political counterparts in the efficient management of public organisations and to support public reforms. The argument supporting the position was that policy makers needed to delegate power to administrators, as policy makers could not possibly cope with the complexity of government programmes. Policy makers should be able to delegate power and be secure in the belief that the chain of democratic accountability ensured their ultimate control over administrators. An organisation was a bureaucratic model where control and authority were exercised through the hierarchy. These assumptions led to the development of traditional public administration, also referred to as classical public administration. The approach of traditional public administration was grounded in organisational theory, which was highly influenced by scientific management. The focus was on the hierarchy, authority, process, and structure of public organisations.

The champions of traditional public administration were the first to use performance indicators to benchmark the efficiency of public organisations; one purpose behind this was to identify corruption (Gruening 1998). With reference to today, the purpose of the use of indicators would be greater transparency and greater accountability. The advocates of the traditional

public administration model "saw virtually no barrier to its ability to improve government, if only, government administrators can be protected from political meddling" (Kettl, 2000, 9). As a consequence of these reformers, civil servants were recognised as professionals and a civil service system was established, with examinations and interviews specifically tied to recognising specialities (Hood, 2000; Toonen, 1998; Gruening, 1998; Knill, 1999; Kettl, 2000). In the 1920s, these reformers of the public sector built a theory of organisation that was supplemented with the concept of management. A public manager was asked to follow POSDCORB, which stands for Planning, Organizing, Staffing, Directing, Coordinating, Reporting and Budgeting (Gruening, 2001; 1998 citing Gulick, 1937). Academics and practitioners were involved in the efforts to streamline and consolidate organisations, and to standardise administrative procedures. (ibid.)

The dominance of traditional public administration and the separation of politicians and administrators lasted until the 1940s. After World War II, academics began to reassess and seriously question the principles of traditional public administration (Gruening, 2001). Some questioned whether it is possible or desirable to separate politics from administration. Some viewed public administration as one of a number of political processes by which people achieve and control governance whilst others questioned whether public administration should be seen as a science (Lynn, 1998). Simon argued that the principles of administration are not scientific but inconsistent proverbs that were drawn from common sense. Simon suggested that the field of public administration was prescriptive but unscientific, hence not only frequently wrong but, above all, inconsistent or contradictory in its prescriptions. Simon's work set the tone and direction for the neo-classic public administration. His dissertation "Administrative Behavior - A Study of Decision making in Administrative Organization" contained the buzzwords of an era: behaviour, decisions and organisation (Gruening, 1998). Simon's book looked at how organisations can be understood in terms of their decision process. He

asserted that "decision-making" is the heart of administration instead of the previous assumption of organisation structure (Kettl, 2000; Gruening, 1998). In the theory of bounded rationality, Simon postulates that there are stark limits to our attentiveness and to our interests in searching for complete answers when satisfactory approximations will do. Humans are rational and the need to find simple modes of operation shapes our behaviour. That behaviour is defined by opportunity costs and transaction costs. He analysed administrative behaviour in relation to decision premises: how behaviour is influenced by decision premises: how these premises in turn can be modified by the behaviour; and how organisational structure (given the organisation's objectives) can influence the decision premises of individuals within it so that decisions carried out by individuals will be consistent with the organisation's objectives. The neo-classical public administration movement especially added a focus on analysis and a change (tendency) from a bureaucratic towards a rational and analytic management style. Simon's discussion was very influential in the neo-classical public administration movement.

Despite these criticisms, classical public administration not just survived in the progressive structures of practical government in theory but as a consequence others were coming up with other approaches, which seriously questioned this basic beliefs of the public administration scholars. By the 1950s and early 1960s, public administration suffered from a lack of a theoretical guide and a comfortable disciplinary home (Kettl, 2000).

Kettl (2000) noted that the strength of the classical model is that it promoted greater technical expertise and power to the administrator without threatening democracy and accountability. The classical model is built on the assumption that:

- the execution of public policy can be separated from those that initiate the policies;
- management could and should be done well; and

- because management is so important, efforts should be made to get it right.

It was clear that politics did influence public administration but how exactly was still unclear. Academics recognised that the understanding of public administration required careful analysis of how administrative behaviour is linked with political institutions. The re-assessment and questioning of traditional public administration led to a global management reform movement, which was christened "New Public Management".

## 3.2    A historical perspective of New Public Management

The Public Management Committee of the OECD[2] defined New Public Management (NPM) as the emergence of a new paradigm for public management, aimed at fostering a performance-oriented culture in a less centralised public sector (OECD, 1995).

NPM emerged against criticism of the failure of the traditional classical model for managing the public sector. It was developed to provide practical solutions to the operational problems confronting governments and is based on the belief that governments have a responsibility to steer the delivery of public services (Dunn and Miller, 2007). NPM is based on the assumption that being responsible for the delivery of public services does not necessarily mean that they must be delivered by public organisations.

Prior to NPM, the public sector operated on two assumptions (Hood, 1995):

- that the public sector should be kept sharply distinct from the private sector in terms of continuity, ethos, methods of doing business, organisational design, people, rewards and career structure.

- to maintain buffers against political and managerial discretion by means of an elaborate structure of procedural rules designed to prevent favouritism and corruption and to keep arms-length relations between politicians and the entrenched custodians of particular public service trusts.

The basis of NPM lies in lessening or removing differences between the public and private sectors and shifting the emphasis from process accountability towards a greater element of accountability in terms of results.

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[2] The Organisation for Economic Co-operation and Development (OECD)

NPM was a blueprint for and a paradigm of governmental transformation. It was a paradigm shift in administrative thinking; it re-defined the role of the public sector in the economy (Howlett, 2003).

NPM is characterised by:

- a closer focus on results in terms of efficiency, effectiveness, and quality of service;
- the replacement of highly centralised, hierarchical structures by decentralised management environments where decisions on resource allocation and service delivery are made closer to the point of delivery, and which provide scope for feedback from clients and other interest groups;
- the flexibility to explore alternatives to direct public provision and regulation that might yield more cost-effective policy outcomes;
- a greater focus on efficiency in the services provided directly by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organisations; and
- the strengthening of strategic capacities at the centre to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically flexibly, and at least cost (Mathiasen, 1999, p.92).

One of NPM's central themes is to stress the importance of public managers' discretionary space or freedom to manage (Hood, 2000). NPM embraced managerialism and was often referred to as a pattern of policies and practices on the organisation of public services (McLaughlin and Osborne, 2002). It is based on the belief that management theories can transform public sector organisations and not just the previously held views of relying on policy makers. It placed a greater focus on results and increased value for money, devolution

of authority and enhanced flexibility, strengthened accountability and control, a client and service orientation, strengthened capacity for developing strategy and policy, introducing competition and other market elements, and changed relationships with other levels of government (Howlett, 2003). Instead of thinking in terms of due processes and rigid frameworks for service provision, institutions and individuals were encouraged to focus more on improving the results of public interventions. This included exploring alternatives to direct public provision (Mathiasen, 1999; OECD, 1996). The NPM debate and reforms introduced more dimensions and discourses on the implementation and use of performance measurement and the outcomes in public management, with performance management gradually becoming an integral part of any improvement initiative (Bouckaert and Peters, 2002).

NPM was a global movement and the trends of early NPM reforms are summarised in Table 6 below. The table lists seven possible dimensions of change (Hood, 1991; 1995) and identifies the different values that were emphasised within this model for change.

Doctrine (1) promoted a shift towards greater disaggregation of public organisations into separately managed corporatised units for each public sector product. All public services were provided through semi-anonymised organisations within a single aggregated unit, with detailed service-wide rules, common service provision in key areas of operation.

Doctrine (2) encouraged greater competition both between public sector organisations and between public sector organisations and with the private sector.

Doctrine (3) saw a move towards greater public sector management practices, which are broadly drawn from the private corporate sector.

Doctrine (4) stressed discipline and parsimony in use of resources and actively searching for alternatives, less costly ways to deliver public services instead of laying the emphasis on institutional continuity, the maintenance of public services that are stable in volume terms, and policy development.

Doctrines 1 - 4 provide a distinction from the traditional structure of public sector organisations while doctrines 5 - 7 below discuss NPM in relation to the issues of how explicit standards and rules were exercised by management and professionals to provide greater accountability.

NPM required a change in management practice to provide greater accountability and saw the introduction of the following:

Doctrine (5) saw a move towards more hands-on management (a more active control of public organisations by visible top managers wielding discretionary power) as opposed to the traditional public sector style of hands-off management involving relatively anonymous bureaucrats at the top of organisations, carefully fenced in by personnel management rules designed to prevent favouritism and harassment.

Doctrine (6) encouraged more explicit and measurable (or at least checkable) standards of performance for public sector organisations in terms of the range, level and content of services to be provided.

Doctrine (7) attempted to control public organisations in a more homeostatic style according to pre-set output measures (particularly with pay based on job performance rather than rank or educational attainment).

Table 6: Doctrinal components of the early values of New Public Management

| No. | Doctrine | Meaning | Changes from the traditional approach | Typical justification |
|---|---|---|---|---|
| 1 | Shift to disaggregation of units in the public sector | Break up of formerly 'monolithic' units, unbundling of V-form management systems into corporatised units around products, operating on decentralised 'one-line' budgets and dealing with one another on an 'arms-length' basis | Replaces the belief in uniform and inclusive public sectors to avoid underlaps and overlaps in accountability. This new structure erodes single service employment. More arm's-length dealings and devolved budgets. | Need to create 'manageable' units, separate provision and production interests, gain efficiency advantages of use of contract or franchise arrangements inside as well as outside the public sector |
| 2 | Shift to greater competition in public sector | Move to term contracts and public tendering procedures | Encouraged greater competition both between public sector organisations and between public sector and private sector organisations. | Rivalry as the key to lower costs and better standards |
| 3 | Stress on private-sector styles of management practice | Move away from military-style 'public service ethic', greater flexibility in hiring and rewards; greater use of PR techniques | Stress on public sector ethic, fixed pay rules and hiring rules, model employer orientation centralised personnel structure and jobs for life | Need to use 'proven' private sector management tools in the public sector |
| 4 | Stress on greater discipline and parsimony in use of resources | Cutting direct costs, raising labour discipline, resisting union demands, limiting 'compliance costs' to business | Replaces stable budget base and establish norms, minimum standards and union vetoes | Need to check resource demands of public sector and 'do more with less' Less job security |
| 5 | 'Hands-on professional management' in the public sector | Active, visible, discretionary control of organisations from named persons at the top, 'free to manage' | Removes the paramount stress on policy skills and rules. Encourages greater freedom to manage and fewer general procedural constrains on handling contracts, cash, staff and more use of financial data. | Accountability requires clear assignment of responsibility for action, not diffusion of power |
| 6 | Explicit standards and measures of Performance | Definition of goals, targets, indicators of success, preferably expressed in quantitative terms, especially for professional services | Qualitative and implicit standards became the norm along with performance audit | Accountability requires clear statement of goals; efficiency requires 'hard look' at objectives |
| 7 | Greater emphasis on output controls | Resource allocation and rewards linked to measured performance; breakup of centralised bureaucracy-wide personnel management | Stresses procedure and control by 'calibration'. Introduction of resources and payment based on performance | Need to stress results rather than procedures |

Source: Adapted from Hood (1991: 1995)

It was a global movement for change but OECD acknowledged that there was no single model for public reform and the differences amongst countries can be seen in the emphasis and take-up of particular preferences from the possible alternatives for reform (Howlett, 2003). The values of progressive governments in the UK over the past two decades have reflected elements of the seven doctrines (above) with some of the policies having been widely deployed by governments seeking to modernise and transform their public sectors.

It was noted that the early emphasis of NPM was on mirroring what was seen as critical aspects of private sector modes of organising and managing resources (Dawson and Dargie, 1999), which is consistent with Doctrine 3 above. A strategy to lower cost, matching resources to tasks with the primary concern being "to 'trim fat' and avoid 'slack'" was also a popular policy of successive governments around the world (Hood, 1991). A shift to greater competition (Doctrine 2 above) was seen as one way of lowering the cost of public provision.

Dunleavy et al. (2006, 470) summed up the focus of NPM in three themes:

"Disaggregation — Splitting up large public sector hierarchies in the same way that large private corporations earlier moved from U-form to M-form (multi-firm) structures; achieving wider, flatter hierarchies internally; and re-specifying information and managerial systems to facilitate this different pattern of control.

Competition — Introducing purchaser/provider separation into public structures so as to allow multiple different forms of provision to be developed and to create (more) competition amongst potential providers. Increasing internal use was made of competition processes to

allocate resources (in place of hierarchical decision making). The "core" areas of state administration and public provision were shrunk, and suppliers were diversified.

Incentivisation — Shifting away from involving managers and staffs and rewarding performance in terms of a diffuse public service or professional ethos, and moving instead toward a greater emphasis on pecuniary-based, specific performance incentives."

The themes above are also reflected in Hood's doctrines (Hood 1991; 1995) and the various paths to public reforms globally.

Table 7 below shows how the three themes above were translated and adopted as strategies for driving improvement in public services. These strategies were adopted by various governments around the world in achieving better public services, some of which are still very relevant today and are being used by different governments as they strive to improve the performance of public sector organisations. Organisations have adopted strategies that best suit their aims and objectives.

Table 7: Strategies deployed under themes

| Themes | Strategies deployed in reforming public organisations |
|---|---|
| Disaggregation | Purchaser-provider separation |
| | Agencification |
| | Decoupling policy systems |
| | Growth of quasi-government agencies |
| | Separation out of micro-local agencies |
| | Chunking up privatised industries |
| | Corporatisation and strong single organisation management |
| | De-professionalisation |
| | Competition by comparison |
| | Improved performance measurement |
| | League tables of agency performance |
| Competition | Quasi-markets |
| | Voucher schemes |
| | Outsourcing |
| | Compulsory market testing |
| | Intra-government contracting |
| | Public/private sectorial polarisation |
| | Product market liberalisation |
| | Deregulation |
| | Consumer-tagged financing |
| | User control |
| Incentivisation | Re-specifying property rights |
| | Light-touch regulation |
| | Capital market involvement in projects |
| | Privatising asset ownership |
| | Anti-rent-seeking measures |
| | De-privileging professions |
| | Performance-related pay |
| | PFI (private finance initiative) |
| | Public-private partnerships |
| | Unified rate of return and discounting |
| | Development of charging technologies |
| | Valuing public sector equity |
| | Mandatory efficiency dividends |

Examples of the various strategies deployed under the three themes above.

Source: Dunleavy et al. (2006; 471)

Some of the strategies in Table 7 are still being used today whilst some have been wholly or partly reversed. In the UK, for example, we have had a deliberate strategy to reduce the number of agencies (quangos) and there have been variations on the policy of outsourcing but, on the other hand, we have seen increased use of consumer-tagged finances in the form of payment by results in the National Health Service and the funding formula used by the Department of Education. There was also a growing use of league tables across the public sector. Often the strategies adopted were influenced by an attempt to reach a politically negotiated consensus (Brignall and Modell, 2000) and this, in turn, led to differences in the application and the applicability of new public management reforms.

Hajnal (2004) categorised the public sector reforms into one of two clusters: approaches emphasising the institutional factors whilst others focused on the administrative culture. The administrative reforms have not been identical, nor have they always addressed the same aspects of administrative structure and performance (Howlett, 2003). Knill (1999, 114) noted that there were two types of administrative systems that support government reforms:

*Autonomous administration* refers to constellations where the capacity for administrative reform is low, with administrative change being basically restricted to incremental self-adaptations by the bureaucracy.

*Instrumental administration*, by contrast, relates to configurations with a high potential to transform substantially existing administrative arrangements, given that there is a government committed to do so. The instrumental administration will consider the institutional vetoes that can restrict potential reforms.

Britain was characterised as being an instrumental administration system as "given the concentration and centralisation of political power, which is typical for the Westminster model, British governments are to a lesser extent confronted with institutional veto points, implying that the potential for more radical and comprehensive policy innovations is much higher" (ibid. 127).

Institutional changes in response to administrative reform in the public sector saw changes in political leadership, institutional and legal entrenchment of the administrative system, and the political influence of bureaucracy on decision making (Hajnal, 2004; Knill, 1999, Hood, 1991), all of which, under the Westminster system, needed the approval of parliament.

Hood (1991; 1995) identified seven doctrines, which represented the different values that were emphasised as managers and politician sought improvements. NPM crossed several disciplines and sub-disciplines and their influences may be useful in understanding public reforms (Mathiasen, 1999). Reforms potentially have implications for contingency theory as there was no single model for reform; however, a detailed study of contingency theory is outside the scope of this research. Whichever approach is adopted in securing better public service, it is essential that there is a clear strategy; for example, are the policies aimed at economy or efficiency? The researcher will now look at some of the theories that have influenced thinking on public reform.

The discussion will start with the popular consensus that NPM has its origins in public-choice theory and managerialism (Lynn, 1998; Kettl, 2000). Managerialism is a set of beliefs and values that are centred on the role management can play in promoting the improvement of public sector organisations. It emphasises the separation of administration from politics, giving managers more flexibility and the freedom to manage whilst at the same time holding

them accountable for results. Managerialism in public management was strongly influenced by private-sector practices.

In contrast, public choice theory emphasises the role to be played by political authorities as elected representatives in governance. The public choice approach sees politics as being present in both the formulation and the implementation of policies. Public choice uses the methods and tools of economics to explore how politics and governments work (Butler, 2012). Public choice is about articulating and pursuing public will or the public interest through politics. Public choice prescription for improving public organisations is:

- having more competitive public service markets; and
- forcing public agencies to produce more information on their performance.

The strategies for improvement using the public choice theory are based on the assumption that public agencies have traditionally had a large share of the national market in services and have been unduly protected from the pressure of competition. This monopolistic position is assumed to have led to poor performance because public officials have little incentive to keep their costs down or to find innovative methods of service delivery. The discussion on public choice shifted the balance of power from administrators to politicians, pressure groups and the public at large.

At the heart of all NPM is agency theory. "In the chain of delegation, theoretical attention is on "the people" or "voters" as principals and their elected representatives as agents, and on elected representatives" (Lynn, 2006, 148). Alternatively, we can have organised interest groups as principals and managers as agents. The agency theory was a way to explicitly consider how voters (as principals) could get parliamentarians (as agents) to do what they wanted, or how parliamentarians (as principals) could get senior officials (as agents) to carry

out government policies properly (Mathiasen, 1999). The definitions of agent and principal are even more important in separating politicians from administrators and in deciding whose interests will be served.

Emphasis on outcomes and output initiated the need to develop quantified targets for measuring outputs and introduced at the heart of public sector reforms a greater emphasis on the way public performance is measured. NPM reforms introduced a variety of performance measurement and management practices. Although performance measurement has a long tradition within public policy and management, the emphasis of NPM was on performance indicators that measured efficiency, effectiveness and equity (Johnsen, 2005). The debate on public choice introduced market economics into the public sector. Strategies included a policy of contracting-out and the competitive tendering of public services. Managing by results and linking budgets to programmatic performance (Durant, 2008; Osborne and Gaebler, 1992) were also the result of the emphasis on outcomes in NPM reforms.

As a result of NPM, legislative bodies and the public were more informed about the behaviour of government managers (and the results of the actions taken by them (Cavalluzzo and Ittner, 2004 citing Flynn, 1986; Scott, 1987). The adoption of NPM principles saw resultant changes in the structure and legal format of transformed public organisations. This included the creation of semi-autonomous agencies and changes in the role of political leadership and in ministerial responsibilities. The changes in the legal format were used to improve accountability as the roles of agent, principal or politician, and administrator are separated. "While individuals, groups, classes and states have their specific interests, they pursue them in the context of existing formal organizations and rules and norms that shape expectations and affect the possibilities of their realisation" (Howlett, 2003, 476). Structure and behaviour were joined together in a distinct administrative style, which had an impact

on the ideas that actors held, as well as their assessments of what was feasible in a given situation (ibid.). Administrative culture shaped the opinions, presumptions, values and attitudes of a given organisations. There were changes in the perception of values and belief in the role of the public and civil servant, the objectives to be achieved and the criteria by which success and output should be measured (Horton, 2006). Titles of managers in the public sector were changed to reflect the private sector. It became common to refer to the head of an organisation as the Chief Executive or even a Director.

As a result of NPM, "all governments must now govern in a context where there are greater demands for accountability for performance on the part of a better educated and less deferential citizenry, more assertive and well organised interest groups and social movements, and more aggressive and intrusive mass media operating in a highly competitive information-seeking and processing environment" (Lynn, 2006, 136). NPM initiatives saw a fundamental departure from what had previously been considered as core characteristics of the global public administrative system.

The idea of the wholesale shift from old public management characterised by bureaucracy and hierarchy, to NPM by efficiency, responsiveness and flexibility has been challenged (Newman, 2002). "The modernizers or reformers can be seen as agents of change who have significant influence in shaping and interpreting the implementation of reforms" (Lapsley, 2009, 4) but as the roles of the agents and the politicians were re-defined, NPM either promoted or discouraged strong executive leadership in the public sector. Also the measures that were put in place to control the agency problems did not solve all of the potential issues relating to the agency theory. Further, there were problems delegating responsibilities and accountability for decision-making. In the traditional public administration model, rules and regulations were the established norm. Agents may or may not have the discretion

needed or the direct responsibility to implement the policies of government. Clear assignment of responsibilities was necessary where there is accountability (Hood, 1991). Also having smaller units and semi-autonomous units devolved responsibility and was seen as being a more efficient organisational structures, but political accountability for decisions must be maintained within this structure.

A greater emphasis on output introduced more measures. Defined measures were used to monitor and reward performance and to allocate resources but the introduction of such measures posed specific challenges for the public sector. Quantitative performance indicators were and still are a central theme of contemporary public service reformers (Hood, 2007) but qualitative measures were also introduced. The problems of measuring the delivery of services will be developed later as we examine the NPM initiatives in English local government. The experience of NPM varied, as did the challenges. Ferris and Graddy (1998) noted that the challenge facing scholars in public management was being able to provide a framework that could explain the promise of the NPM initiatives, both theoretically and in practice. The researcher will attempt to do so in the next chapter when looking at the various local government initiatives introduced in the past two decades aimed at improving the performance of local government and, more specifically, in the review of CPA as an NPM initiative.

# 4. Public Management Reforms: with specific reference to local government in England (1980 - 2010)

"The UK has played a pivotal role in the development of the New Public Management paradigm - and can arguably claim to be the birthplace" (McLaughlin and Osborne, 2002; 1)

It was previously acknowledged that NPM initiatives in the 1980s saw far-reaching changes in the way that public sector organisations were managed. NPM also introduced market mechanisms into the public sector and important changes were made to the nature and structure of public organisations and to the delivery of public services. Table 8 is a summary of the new public management initiatives in English local authorities, starting with Compulsory Competitive Tendering (CCT) in 1980; each will be discussed in turn. Please note that budgets have always been the traditional way of managing the provision of public services. Resources are allocated through grants and funding formula. Budgets still play a key role in the financial management of public services. They were used, and still are used, to monitor performance and to make judgements on financial control. Budgets are at the heart of any drive for greater accountability in the public sector and it is for these reasons that they have an overarching role in the process of change.

Table 8: NPM initiatives in English local government 1980 - present

| PERIOD | Initiatives | |
|---|---|---|
| 1980 - 1997 | CCT | B |
| 1999 - 2010 | BVF | U |
| 1999 - 2010 | Beacon Council | D |
| 2002 - 2008 | CPA | G |
| 2008 - 2010 | CAA | E |
| 2010 - 2015 | LOCALISM (Total Place) | T |
| | | S |

Summary of the NPM initiatives in English local government 1980 - 2015

## 4.1 Budgeting

Budgets were one of the earliest performance measurement systems and have been in existence since the early twentieth century (Johnson and Kaplan, 1987). Budgets have had an important function in both the private and public sectors (Mayston, 1998 citing Emmanuel *et al.*, 1990; Horngren and Sundem, 1996; Wildavsky, 1975). Empirical evidence has shown that budgets were used and are still being used as a means of evaluating performance, whether they are formally sanctioned or not (Otley, 1978). The budget, when used as a control mechanism, conveys the wishes of management; the assumption is that the individuals to whom the budget is communicated will undertake the required action to meet the budget requirements. Budgets, by providing standards against which performance can be assessed, play an important role in directing and evaluating the performance of individuals and segments of organisations (Hanson, 1966; Otley, 1978; Burns and Waterhouse, 1982) and are often the basis for formulating any corrective actions (Hanson, 1966). The aim of the budget process is to minimise the differences between actual performance and the desired conditions (ibid.), whilst maintaining the emphasis on financial performance (Burns and Waterhouse, 1982). Budgets are also used as part of the allocation process and are a means of authorising expenditure and setting specific organisational goals, such as increasing sales or reducing costs (Dunbar, 1971). Though the ways in which budget data are used to evaluate performance in organisations varies, and will have significantly different effects on organisations and individuals (Hopwood, 1972; 1974) they are still very much at the heart of management of public services. The NPM movement saw an endless list of accounting-based financial management techniques being used in the pursuit of reform (Guthrie el al., 1999). Osborne and Gaebler (1992) saw the budget as the single most important lever to drive change in the public sector. Innovative budgeting was the first attempt to provide greater accountability within the public sector and to improve performance

(Nutley, 1999). This was particularly so because the public sector has limited financial resources but the demand for services is limitless. In these circumstances, budgetary control may be the single most important tool for financial control (ibid.). The budget, when used as a means of allocating resources, provides an opportunity for the manager to use those resources to make a difference. The annual/quarterly budget reviews allow managers to address some of the primary concerns of public accountability, namely, knowing how well money is being managed and highlighting whether too much money has been spent on the wrong things.

The public sector has experimented with incremental budgeting, zero-based budgets, zero-based reviews, programme-based budgeting and devolved budgeting (Nutley, 1999). Performance-based and devolved budgeting in the public sector was seen as a significant shift from the traditional forms of budgeting. Planning, Programming, Budgeting Systems (PPBS) has its origins in the 1960s with the process of transforming budgets from a line by line document to a programme budget. This form of budgeting was intended to re-orientate decision-making toward a planning focus, allowing top managers to evaluate the efficiency of existing strategies. The theory behind performance-based budgeting is that managers should be held accountable for results but should be allowed to shift inputs as needed in order to achieve these results (Bourdeaux, C and Chikoto, G.; 2008). The system devolved the holding of budgets down the hierarchy and transferred the financial and other responsibilities for the delivery of public services to decentralised units. The aim of devolved budgeting was to ensure that the person with responsibility for the decisions was also responsible for the financial implications of those decisions (Nutley, 1999). "The use of an explicit funding formula to determine the total size of the available devolved budget, ... provided the potential for incorporating considerations of equity for disadvantaged groups into the management and allocation of resources, alongside those of economy, efficiency

and effectiveness" (Mayston, 1998, p.44). Devolved budgeting is still being used much less so than programme-based budgets. The benefits of having devolved budgets are:

- There are clear consequences of not remaining within the budget and these are sufficient to get individuals to modify their behaviour;
- Budget holders are made aware of the issues around over-spending or under-spending in any period and the potential implications that these may have for future service provision.

The overall effect of devolved budgets meant that financial management was no longer seen as the responsibility of the accountants alone (Nutley, 1999). Although budgets dominated measures in the public sector, the other measures introduced were mainly to emphasise that the emphasis of performance measurement was not only on cost but also on whether organisations were providing adequate services without wasting limited resources (Kloot and Martin, 2000). It was argued that strategic objectives should guide these budgets (ibid.). "If you do not spend it, you lose it" was a well-known adage in the public sector (Osborne and Gaebler, 1992) and managers who were aware of this were less inclined to be efficient. This practice undermined the benefits of the devolved process, and from this perspective prompted changes in the way budgets were used by different organisations.

Though traditional budgets and devolved budgeting are still being used widely, it is recognised that they are of limited use when measuring and evaluating performance. Innovation in budgeting stimulated a need for better performance information and widened the scope of performance measurement, but the use of budgets to measure performance was criticised, and, as a result, the role of budgets evolved. By the mid-1960s, the focus on budgeting had shifted from cost determination and financial control to the provision of information

for management planning and control (Ittner and Larcker, 2001). This was amidst criticism from several noted researchers such as Johnson and Kaplan (1987), Ballantine and Brignall (1994), Langfield-Smith (1997), Otley (1999), Ittner and Larcker (2001), Cavalluzzo and Ittner (2004) and many others. It was acknowledged that the short-term financial measures linked to budgets had become invalid indicators of organisations' performance. The challenge given to researchers at that time was to "develop new and more flexible approaches to the design of effective cost information, management control and performance measurement systems" (Johnson and Kaplan, 1987, 224) and the use of non-financial indicators was encouraged. The solution to improving performance was seen in multi-dimensional performance frameworks that would either supplement or replace traditional budgets (Ballantine and Brignall, 1994). Researchers rose to the challenge and the result was the development of more balanced performance measurement systems (Bourne et al., 2003). By the mid-1990s, the emphasis of budgets had shifted to the creation of firm value through the identification, measurement, and management of the drivers of customer value, organisational innovation, and shareholder returns (Ittner and Larcker, 2001). A diverse set of "new" managerial accounting techniques were introduced, which focused on promoting value creation (Brignall, 2008).

The discussion on specific initiatives to improve English local authorities starts with compulsory competitive tendering (CCT) and will then go on to discuss the Best Value Framework, Beacon Awards and a critical discussion of Comprehensive Performance Assessment (the key focus of this study).

## 4.2 Compulsory competitive tendering (CCT) - (1980 - 1997)

CCT was first introduced in 1980 when the Local Government, Planning and Land Act made competitive tendering compulsory for some housing maintenance and highway work. It was the first attempt by the Conservative Government to increase the extent of private provision of local services (Painter, 1990). It was a central feature of Conservative party policy (Wilson, 1999) and was the main strategy for driving improvement in the public sector from the period 1980 - 1997 with the aim of reducing 'waste, bureaucracy and over-government'. The introduction of CCT required the UK public sector to be periodically subjected to a defined range of service ... "to competitive tender" (Higgins *et al.*, 2005). The Conservative Party argued at that time that the selfish motives and monopoly powers of bureaucrats led to oversupply and inefficiency in the public sector. They saw the introduction of competition into public services via CCT as a solution to the problem of inefficient and oversupply (Boyne, 2002). Under CCT, rival agencies would submit bids to deliver a specified quantity and quality of service and the contract would be awarded to the lowest bidder, resulting in lower cost per unit of output, and eventually leading to lower spending in the local government system as a whole. CCT encouraged greater competition both between public sector organisations, and between the public sector and the private sector. It was administered in conjunction with traditional budgetary controls.

"The 1988 Local Government Act widened the scope of CCT further to include seven additional specified services: building cleaning; other cleaning (mainly street cleaning); refuse collection; education and welfare catering; other catering (such as staff canteens); grounds maintenance; and vehicle maintenance." (Pinch and Patterson, 2000, 268)

Management of sports and leisure services was added through secondary legislation in 1989.

"Local authority manual work was the principal target of both pieces of legislation, but an eighth service category, management of sports and leisure services, was added through secondary legislation in 1989. .... The legislation fore shadowed the further extension of CCT in England to a range of professional services, beginning with housing management, legal services, and construction and property services in 1994, and information technology, finance and personnel services in 1995". (Pinch and Patterson, 2000, 268)

The policy of CCT was consistent with Hood's second doctrine (mentioned in Table 6). This common legislation imposed market economy within local government. It also dictated the services to be subject to CCT.

Under this Act, local authorities may not carry out these services in-house unless the authority had followed a formal bidding process and had won the contract. The contract need not have gone to the lowest bidder but the awarding committee needed a good reason for not awarding it to the lowest bidder (Painter, 1991). Where contracts were provided by the in-house team, a Direct Service Organisation (DSO) was created. A direct service organisation was an in-house department operating under monopoly conditions to provide local services. Where DSOs were created, they were set up as separate trading accounts and under CCT, the existing in-house team (the DSO) competed with private sector providers. Guidelines existed to ensure fair competition, including ring-fencing the DSO and a minimum rate of return on assets (5 per cent) for some services. The expectation in setting charges for the services provided was either break-even or to generate a surplus but the DSO should not set charges too low to encourage cross-subsidisation (Pinch and Patterson, 2000; Seal, 1999).

The first round of contracts began in 1989 (Painter, 1991) and records showed that most of these were won by in-house teams. The statistics below highlight another trend - the varying proportion of tenders that were won in-house. The term in-house was also used in relation to contracts won by another local authority as the service remained in the public sector. Table 9 also shows the variation in the value of the contracts awarded in-house.

Table 9: CCT contracts held by private sector

| | Volume of contracts | | Value of contracts | |
|---|---|---|---|---|
| | % | % | % | % |
| Category of contract | 1991 | 1997 | 1991 | 1997 |
| Building cleaning | 40.2 | 56.2 | 14.1 | 30.7 |
| Refuse collection | 27.2 | 38.5 | 21.3 | 36.6 |
| Other cleaning (mainly street cleaning) | 24.8 | 36.0 | 19.0 | 29.9 |
| Vehicle maintenance | 23.1 | 30.1 | 14.3 | 24.3 |
| Catering (education and welfare) | 1.5 | 29.7 | 0.6 | 22.1 |
| Catering (other) | 24.6 | 40.9 | 21.1 | 29.0 |
| Grounds maintenance | 31.4 | 46.9 | 17.8 | 32.3 |
| Sports and leisure management | n/a | 25.8 | n/a | 15.7 |
| All contracts | 30.3 | 43.5 | 15.7 | 29.0 |
| Note: professional services are not included since the full impact remained uncertain | | | | |

CCT contracts held by private sector firms in England and Wales, 1991 and 1997.
Source: (Pinch and Patterson, 2000, 269)

The private sector was most successful in winning building cleaning contracts. Pinch and Patterson (2000, 269) noted that "the DSOs (the in-house contracts) generally won the higher value contracts, capturing 71% of the estimated £2.4 billion per annum of local authority work under contracts at June 1997". Painter (1991) also noted that the higher rate of in-house contracts was found in Labour-controlled councils and in areas where trade union movement was particularly strong. This was in complete contrast to Conservative-led authorities where complete or partial privatisation was introduced in over half of the services.

Also given in Table 10 below is the break-down of private sector contracts awarded by regions in 1997.

Table 10: CCT contracts won by the private sector

|  | BC | RC | OC | VM | CE | CO | GM | SL | Average % of |
|---|---|---|---|---|---|---|---|---|---|
|  | % | % | % | % | % | % | % | % | all contracts |
| North | 24.1 | 21.4 | 19.0 | 8.3 | 52.4 | 35.7 | 25.6 | 19.4 | 25.7 |
| Yorkshire and Humberside | 30.6 | 16.7 | 0.0 | 0.0 | 34.5 | 12.5 | 25.3 | 5.9 | 15.6 |
| North West | 20.7 | 33.3 | 8.0 | 0.0 | 11.8 | 14.8 | 21.8 | 6.2 | 14.6 |
| East Midlands | 65.0 | 32.5 | 25.0 | 40.0 | 24.0 | 47.4 | 42.1 | 26.2 | 37.8 |
| West Midlands | 46.2 | 25.0 | 33.3 | 46.7 | 8.0 | 18.2 | 59.6 | 8.5 | 30.7 |
| East Anglia | 29.3 | 40.0 | 51.7 | 81.8 | 0.0 | 50.0 | 38.3 | 23.8 | 39.4 |
| South East | 70.0 | 38.9 | 63.2 | 42.1 | 40.9 | 55.6 | 65.4 | 42.1 | 52.3 |
| Greater London | 61.9 | 50.0 | 48.4 | 40.9 | 44.0 | 48.4 | 53.9 | 45.5 | 49.1 |
| South West | 65.5 | 52.4 | 34.4 | 45.5 | 47.1 | 71.4 | 54.1 | 36.4 | 50.9 |
| Wales | 22.4 | 2.9 | 7.1 | 4.5 | 0.0 | 28.6 | 19.2 | 8.7 | 11.7 |
| Scotland | 7.5 | 10.6 | 0.0 | 9.5 | 7.7 | 57.1 | 10.5 | 1.6 | 13.1 |

*Notes:* BC, building cleaning; RC, refuse collection; OC, other cleaning; VM, vehicle maintenance; CE, catering (education and welfare); CO, catering (other); GM, grounds maintenance; SL, sports and leisure management; AV, average of all contracts.

CCT contracts won by private sector companies by region, June 1997 (%).
Source: Derived from LGMB, 1997 (Pinch and Patterson, 2000; 269).

There were a lower proportion of in-house contracts in London Borough Councils mainly because London contained some of the advocates of private sector provision, notably Westminster, Wandsworth and Merton (Painter, 1991). By 1997, it was evident that the private sector was more successful in London and the South East; Table 10 highlights this North-South divide.

The programme of the third Thatcher government elected in 1987 was very explicit about its intention to reorganise and restructure Britain's local government system (Cochrane, 1991).

"On 1 April 1986 the Greater London Council (GLC) and the six English metropolitan county councils (MCCs) - Greater Manchester, Merseyside, South Yorkshire, Tyne and Wear, West Midlands, and West Yorkshire - ceased to exist. Created respectively in 1963 and 1972 by Conservative governments, but all Labour controlled by the early 1980s, these directly elected councils were abolished in accordance with the Local Government Act 1985, arguably the single most controversial piece of legislation of the second Thatcher Administration" (Leach and Game, 1991, 141).

The rationale given for the change in structure was:

"First, elected metropolitan government was functionally superfluous; its abolition would save money and streamline the cities.

Second, lacking real functions, GLC councillors had trespassed into inappropriate spheres of policy. For example, the GLC leader Ken Livingstone's interventions on questions of world war and peace and the politics of Northern Ireland were considered outside the constitutional ambit of councillors.

Third, the GLC and MCCs had broken the expenditure targets set by the government since 1981-82" (O'Leary, 2003; 194).

The Metropolitan County Councils (MCC) and the Greater London Council (GLC) were seen as being wasteful and unnecessary tiers of government and the abolition of the GLC and the metropolitan council was intended to save money and streamline cities. The new structure of local management was intended to provide a system which is simpler for the public to

understand, as the responsibility for virtually all services rested with a single authority (Leach and Game, 1991).

The powers of the metropolitan counties and the GLC were decentralised. The responsibilities of MCC and GLC were transferred to various types of successor authorities, including joint boards, joint committees, residuary bodies, 'special purpose' agencies, 32 London boroughs councils (or 33 with the City of London) and 36 metropolitan district councils. In each of the six MCC areas, three joint boards were to be established to run the police authority, the fire service (and eventually civil defence) and passenger transportation (ibid.).

This strategy of decentralisation/disaggregation was covered under yet another of Hood's doctrines discussed earlier. The costly tendering process was only required if the authority wished to try to retain services in-house. If an authority decided simply just to privatise a service, then it did not have to engage in competition at all. The Secretary of State had the power of intervention as he could close down a local authority trading unit (DSO) or could have directed that a tender be re-specified and re-advertised (Pitch and Patterson, 2000).

CCT put the focus on cost and output; price rather than quality was the key determinant of success (Pinch and Patterson, 2000, 269) and local authorities were given specific targets under CCT. They were required to set up separate trading accounts for each of the specified services. Building cleaning must break even, whilst for the others it must make a return of at least 5% on the capital employed. Also, the introduction of performance-related bonuses was designed to drive productivity.

Whilst CCT was successful in creating competition and breaking the monopoly of public provision within local government public services, it was strongly criticised by the then-opposition Labour government and at a national level highlighted three specific concerns about CCT (Boyne et al., 1999; Higgins et al., 2007).

Firstly, concerns were raised that the focus on cost had diverted attention from the issue of service quality.

Secondly, the prescriptive nature of the regime's tendering requirements had led to overly high transaction costs and mitigated against the establishment of long-term 'partnerships' between authorities and private contractors as opposed to transitory market relationships.

Third, CCT was seen as limited in its potential to encourage better performance in areas of local government activity that did not lend themselves to an external contracting process (Higgins et al. (2005) citing Labour Party publications, 1989, 1991, 1995).

Academics and politicians were also critical of CCT. Much was written about the fact that CCT changed the composition of the public sector workforce and had a significant impact on the labour market in England and Wales (Harrop, 1999; Painter, 1991; Pitch and Patterson, 2000; Wilson, 1999). The intensification of work practices and the introduction of performance bonuses resulted in the replacement of older staff with younger people more able to cope with the new demands (Pinch and Patterson, 2000).

CCT systematically worsened the pay and conditions of workers providing public services (Pinch and Patterson, 2000). Wilson (1999) noted that CCT had disproportionately affected poorly paid workers. "CCT has provided a poor deal for employees, employers and local

people" (ibid. citing DETR, 1998, 6). He noted that female workers suffered most under the scheme. Part-time staff (the majority of whom are women) had been particularly adversely affected by increasing casualisation, and a widely reported practice has been to reduce the normal number of hours worked to below the statutory 16-hour threshold for enhanced employment protection rights - affecting entitlements to redundancy pay, maternity leave, holidays and holiday pay (Pinch and Patterson, 2000). Below are two examples (as recent as 2013) of claims against two city councils for unequal treatment of women:

Birmingham City Council v Abdullah and others, in which it ruled that 170 women who worked for Birmingham City Council that they can proceed with equal pay claims against their former employer in the civil courts. The Court of Appeal agreed these former council cleaners, cooks, caterers and care staff can take their compensation battle to the High Court. The Court of Appeal decision breaks with English legal tradition which has always seen equal pay claims contested at employment tribunals, where cases must be brought within six months of a person leaving their employment. Thousands of female council workers who had been denied access to compensation over a row about equal pay could now receive a pay out after a ruling in the High Court. The ruling reopens the prospect for thousands of women who retired or changed jobs, until now denied the right to make claims because they had left it too long, to make claims. It also vastly increases the equal pay liabilities of councils, health trusts and other public sector organisations facing equal pay challenges. Birmingham City Council has a potential bill of £890 million.[3] *http://www.birminghampost.co.uk/news/local-news/birmingham-city-councils-equal-pay-3907199*

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[3] Last year, another group of 174 female former care, cleaning and catering workers known as the Abdullah Group, who had retired, won the right to make back-dated claims against the council. The rise has pushed Britain's largest local authority a step closer to being forced to sell off assets to clear the debt, with large properties like the NEC Group, Birmingham International Airport, the New

A legal bill for a long-running equal pay dispute at Coventry City Council has risen to £2.3million. But a full council meeting heard that an end is finally in sight - with more low-paid female workers set to receive six years of back-pay. It will bring their historic earnings into line with men doing similar jobs, after the former Tory administration at Coventry City Council failed in the High Court to block back payments to staff, including dinner ladies, care assistants and office workers.

The legal bill was more than £1million when the Tories lost power in 2010. They blamed union intransigence in failing to reach an agreement before they imposed a new "Single Status" equal pay scheme in 2005 in response to national legislation. Disputes at industrial tribunals and the High Court since then have centred on whether hundreds who mainly gained pay should also have been entitled to six years of back pay, covering the period from 1999 to 2005.

Read More: http://www.coventrytelegraph.net/news/coventry-news/coventry-taxpayers-face-30million-equal-3084951

A national agreement was reached with the unions in 1997 aimed at re-organising pay and rewards in local government, enabling councils to ensure, in theory, that all staff received equal pay for work of equal value. This was called the Single Status agreement. The deal sought to end an unfair pay system that favoured male workers by ensuring employers implemented a common pay scale for all jobs, and harmonised terms and conditions based on equal pay and equal status for part-time staff.

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Street Grand Central Shopping Centre and the council's vast bank of land and buildings under consideration.

Personnel Today (27/05/2007) noted that with just four days left to implement the Single Status agreement, more than two thirds of the 410 local authorities in England and Wales would miss the deadlines despite having had 10 years to sort the issue out. Costs could have escalate to £5bn in back-pay liabilities and future wage bills.[4] The said article also provided a break-down of the potential regional equal pay liabilities.

This failing of CCT has had a significant impact on local authorities.

Other criticisms levelled against CCT included the fact that the efficiencies would only materialise if the proposals/bids for service delivery were credible, and also that the measure of quality under competitive tendering was based solely on the views of service managers, whose perceptions of the change in standards may be remote from the experience of direct consumers or the views of the wider public. Quality of output under CCT was assessed mainly on the basis of the contract specification (Boyne, 2002). Senior officials in a local authority were themselves budget maximisers, and were more likely to retain and reallocate any expenditure savings resulting from CCT within the general local authority budget (ibid.). Managers were aware of the well-known adage in the public sector: if you do not spend it, you lose it. The overall effect of CCT was that budgeting remained more or less constant, whilst incurring the additional transaction costs associated with CCT.

The then-Conservative government championed CCT. With Labour in opposition, it was not surprising that many Labour majority councils resisted implementing CCT; they sought instead to circumvent or bend the rules (ibid. citing Colling, 1993; Shaw et al., 1994).

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[4] 2007: Councils have until 31 March to implement single status deals. More than two-thirds of councils are expected to miss the deadline. http://www.personneltoday.com/articles/27/03/2007/39877/equal-pay-for-council-workers-whose-bill-is-it-anyway.htm

The following additional issues were raised about the limitations of CCT.

CCT resulted in a temporary monopoly for the supplier for the period under the contract. At the end of the contract, CCT required that the bidding process be repeated. As a result, local authorities could not guarantee a long-term relationship with any of their current service suppliers.

The effects of the saving under competitive tendering may also be contingent on the contest between parties for political power and rivalry between local authorities for economic development and financial resources. Boyne (1996), making reference to Downs (1957), noted that politicians who are seeking to maximise votes are unlikely to tolerate massive inefficiencies.

It was also argued that the introduction of legal contracts and formal monitoring in local service production may have resulted in dysfunctional behaviour from staff, lower work effort, work to rule, and if work was transferred to an external agency under CCT, the trust would need to be rebuilt.

Boyne (2002) argued that there was competition among local authorities as they responded to the preferences of residents, and at the same time tried to meet the requirements of CCT: the supply of services at near the minimum cost. CCT did not imply that equal results could be expected from competitive tendering in all services and in all parts of a local government system. Instead, the effects of tendering were more likely to vary in line with the market power of local service producers, the source of their revenue, the strength of competition between political parties, and the intensity of rivalry between local councils (ibid.). The introduction of compulsory competitive tendering in the UK epitomised the market

reforms in the public sector (Hall et al., 2003). The policies of the Conservatives have been very divisive. The recent death of ex-Prime Minister Baroness Margaret Thatcher was a timely reminder of yet another significant period in local government.[5]

The Labour party won the general election in 1997 and in 1999 CCT was abolished and replaced with New Labour's policy of Best Value (BV).

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[5]  http://www.dailymail.co.uk/news/article-2306165/Margaret-Thatcher-death-parties-The-Lefts-sick-celebration-Brixtons-streets.html

## 4.3   The Best Value Framework (1999 - 2008)

Best Value (BV) was part of New Labour's wider modernisation agenda. It was the first NPM initiative from the New Labour government. *"Best value, as set out in the Local Government Act 1999, represents one of the most far-reaching changes for local services in the last 20 years."*    (Audit commission 1999, 3)

BV was intended to remove/address the issues that caused the dissatisfaction with CCT and to provide greater flexibility and freedom in how services are reviewed (Higgins et al., 2005). The concept of Best Value was a new way of thinking for most local governments in the United Kingdom and it represented a significant shift away from the previous practice of CCT. The New Labour government defined Best Value as a duty to deliver services to clear standards, covering both cost and quality, by the most economic, efficient and effective means available (Audit commission, 1999, 3). This emphasis on *cost and quality* was not surprising given Labour's criticism of CCT.

The key changes introduced under Best Value were that "performance (or quality), and expectations (the needs of users, customers and 'stakeholders') were now deemed to be as important as price".[6]

New Labour's policies on improving local government were announced in the Queen's Speech in November 1998. The Labour government emphasised at the time that Best Value would be about setting and monitoring performance. New audit and inspection arrangements were

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[6] Source: Eleventh report, Government Select committee on environment, transport and regional affairs, July 1998, accessed on 02/12/2010 via
http://www.publications.parliament.uk/pa/cm199798/cmselect/cmenvtra/705/70507.htm#n3).

to be introduced, with 'hit squads' being sent in to councils deemed to be failing. "Conversely, high performers will become 'beacon' councils (a concept that will be explained in the next section) and will be regarded as centres of excellence. They may also enjoy greater financial autonomy. In short, rewards for 'success' and penalties for 'failure' are likely to be significant". (Wilson, 1999, 50).

Martin (2000) noted that although the philosophy of Best Value was new, it drew heavily on Osborne and Gaebler's (1992) prescription for 're-inventing government', and was in keeping with 'New Labour's' declared ambition to maintain a focus on outcomes. There was a willingness to devolve responsibility to those who could achieve those outcomes and a stated intention of intervention to ensure desired results where necessary (Martin, 2000, citing Blair, 1998). Best value also embodied doctrines 6 and 7 of Hood's NPM doctrine (Table 6) about explicit standards and measures of performance as greater emphasis is placed on output.

The Labour government took the view that "if service quality was to be addressed effectively then it was important that service performance should be rigorously reviewed, made more accountable to users" (Higgins et al., 2005, 224).

Best Value built on the existing duty of local authorities to make proper arrangements for securing economy, efficiency and effectiveness in their use of resources (Local Government Finance Act 1982). The Local Government (LG) Act 1999 made all local authorities Best Value authorities and bestowed a statutory duty on all local authorities (including police and fire authorities) to obtain best value by securing economic, efficient and effective services and to secure continuous improvement in the way in which their functions were exercised. The proposal for securing Best Value was strongly rooted in a concern with securing 'value

for money'. BV reflected some of the views of CCT but widened the scope of legislation that existed under CCT to include all services. Best Value placed a duty on all authorities to deliver services to clear standards by the most economic, efficient and effective means available (Audit Commission, 1999). Continuous improvement was measured in terms of the '3Es':

- Economy - providing services at the lowest cost
- Efficiency - maximising quantity and quality of work for the cost
- Effectiveness - delivering what is needed

The key objectives of New Labour were translated into stated targets referred to as Best Value Indicators (BVI) and these indicators were used to rigorously review service performance. It was the start of what Hood (2007, 100) described "as the phenomenon of public management by numbers".

Each Best Value authority was required to meet specified standards over a specific period and performance was measured and compared based on a number of common national indicators (referred to as Best Value Indicators (BVI)), as well as agreed local indicators. Appendix 3 presents an example of a list of Best Value Indicators that would have been included in a Best Value Performance Plan (BVPP). The initial indicators ranged from BV1 - BV200. The list of indicators does not necessarily include two hundred and these were not necessarily recorded or assessed in the given order. Having the Best Value Framework (BVF) for reviewing performance meant that there was now a national framework with clearly defined targets (BVI), by which every authority would be measured. The targets were centrally imposed and served as benchmarks against which every local authority was judged. The framework also recognised that the responsibility for authorities varied by type and as such some indicators may not apply to all. What Best Value did,

which was also very different, was to enable comparison of local authorities based on common indicators by type of authority.

Best Value was a self-assessment process that assessed performance against agreed national and local targets. The BVI expressed defined national standards while local indicators reflected the individual circumstances of the local authority.

The process of Best Value started with a Best Value Performance Plan (BVPP). Each authority was required to prepare a BVPP. The BVPP was "the principal public document that identifies each authority's assessment of its past and current performance against nationally and locally defined standards and targets, and its vision of future priorities and targets for improvement" (Audit Commission, 1999, 6). It included a statement of the authority's vision of the future and the document had to clearly indicate key priorities and targets for improvement for the next five years. In addition to the strict guidelines above, all BVPPs were to be published by the 31 March each year. Appendix 4 provides an example of a BVPP.

The next stage of the process was the Best Value Review (BVR). This BVR included a scrutiny of all of the authority's functions within a five-year cycle. The proposed dates on which each review should take place and the stated objectives of each review were to be specified within the BVPP. BVR required authorities to apply the principles of best value (the '4Cs'): challenge, comparison, consultation and competition, and they were to demonstrate that they had applied these principles to all of their services:

- Challenge why and how a service is being provided

- Compare performance with others, including the top 25% of similar councils

(See Chartered Institute of Public Finance and Accountancy (CIPFA) - nearest neighbour model, example given in Appendix 5). The local authority can use the list to select suitable authorities to benchmark their performance against. In the example given, London Borough of Croydon is bordered by the London Borough of Bromley and Sutton but for benchmarking purposes should be compared to Enfield and Ealing.

- Consult people with a vested interest in how they are affected by current or proposed changes.

- Compete within fair competition rules as a means of securing efficient and effective services. Competition should be a consideration when deciding on the provision of services.

Like CCT, Best Value saw competition playing an important part in improving performance in the public sector, but unlike CCT, tendering and working with partners to deliver improvement was an option (Higgins et al., 2005). Best value authorities were encouraged to use partners in all aspects of service delivery and there was also a much greater emphasis on cost, quality, explicit standards and measures of performance. The review should have allowed services to identify what was needed in order to improve. At the end of each review, an action plan was prepared, setting out the actions that needed to be taken to achieve the desired improvement of the functions being reviewed.

The Audit Commission (AC) was the appointed external auditor for local government. In the normal course of the audit the AC would "make recommendations for improving economy, efficiency and effectiveness in the provision of local authority services and of other services provided by bodies subject to audit; and for improving the financial or other

management of bodies subject to audit" (AC (1999) citing Audit Commission Act 1998, section 33).

The scope of the audit prior to Best Value was mainly to give an assurance on value for money and financial regularity. Regularity covered the work that led to an auditor's opinion on the financial statements, a review of financial systems, the legality of significant financial transactions, the authority's financial standing and its arrangements for preventing and detecting fraud and corruption. Assurance on value-for-money was mainly satisfying the auditors that the authority had made proper arrangements for securing economy, efficiency and effectiveness in their use of resources. The auditors also reviewed the authority's systems for producing performance information (quality of information) in coming to a judgement on value-for-money.

The introduction of Best Value extended the scope of the audit to include an additional element. Under Section 7 of the Local Government Act 1999, the external auditors (AC) were also expected to report on the Best Value Performance Plan (BVPP).[7]

The audit work needed to give assurance on the BVPP, and the work done was broken down into three main elements as detailed below and shown in Figure 4:

1.     A review of the extent to which an authority's BVPP has been prepared and published in compliance with the legislation and statutory guidance;

The auditors were expected to see a BVPP that contained all of the information specified in the Local Government Act 1999 and to audit and report on the full versions of authorities'

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[7] AC (1999)

BVPPs. Auditors had to check whether summary plans were fair and accurately reflected the full plan. The auditor had to confirm that the BVPP included a summary of the authority's progress in meeting the immediately preceding year's performance targets, and how its performance compared with that of other organisations.

2.    A review of the systems set in place by the authority for collecting and recording specified performance information;

The auditors were also expected to review whether the authority had adequate arrangements for collecting, recording and publishing the required performance information, but were not required to form a view on the accuracy or completeness of the information and the assessments that the authority had published, or on the realism and achievability of the plan.

3.    The corporate review and management arrangements .

The corporate assessment was a key part of the best value review. It was based on the assumption that for authorities to achieve the continuous improvement envisaged by the best value legislation, they would need to have effective corporate management arrangements in place. The assessment encompassed a review of:

- performance management arrangements;
- corporate approaches to the "4Cs";
- a corporate best value review;
- developing and managing the review programme; and
- dealing with internal and external challenges.

The auditors had to review the corporate processes (by reference to a number of sources of evidence including those from other inspectorates - for example OFSTED and the Social

Services Inspectorate) to form an opinion of how the authority is managed. The audit work also involved liaison between the auditors and best value inspectors to look at authorities' functions that did not come under an existing inspectorate, such as housing, environmental services, libraries and refuse collection, in order to form a judgement on the way the authority was managed. The corporate assessment was an important element of the audit in terms of scrutinising the authority's approach to best value.

A summary of the Best Value Review process is given in Figure 4 below:
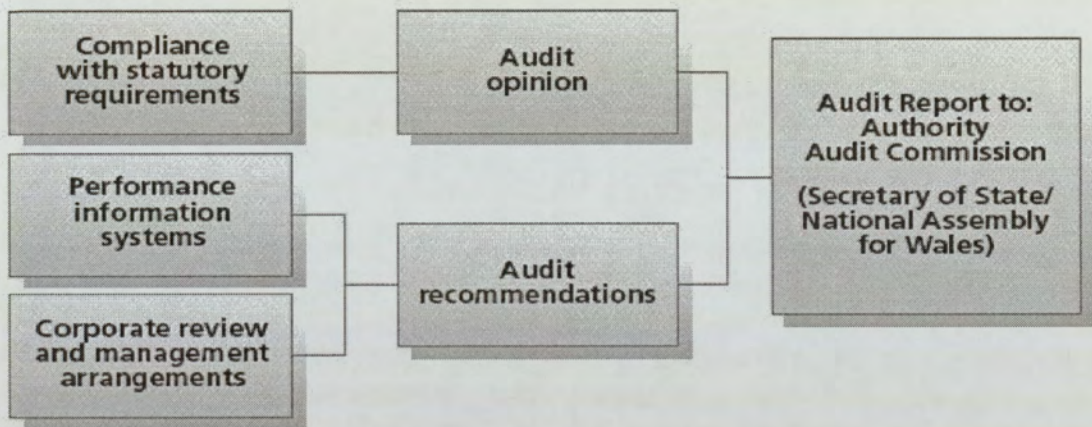


Figure 4: The component of a Best Value review          (Source: Audit Commission (1999)

At the end of each inspection, the inspectors had to make two judgements:

(1)     The quality of services and rate them with a score from 3 stars (excellent) to 0 stars (poor); and

(2)     Would they improve in the way that best value requires? - rated on a scale that runs from 'yes', to 'probably', to 'unlikely', to 'no'.

The final report had to set out the evidence that led to these conclusions. The report showed how the services inspected compared with those of other authorities, or with different services within the same authority, and made recommendations to help the authority to achieve best value. Key recommendations were brought together in a single management

letter at the end of each audit year (an example of which can be found in Appendix 6). The final results of the inspection were published annually. Authorities that were making improvements and achieving good reports were in a strong position; however, poor performance had to be investigated.
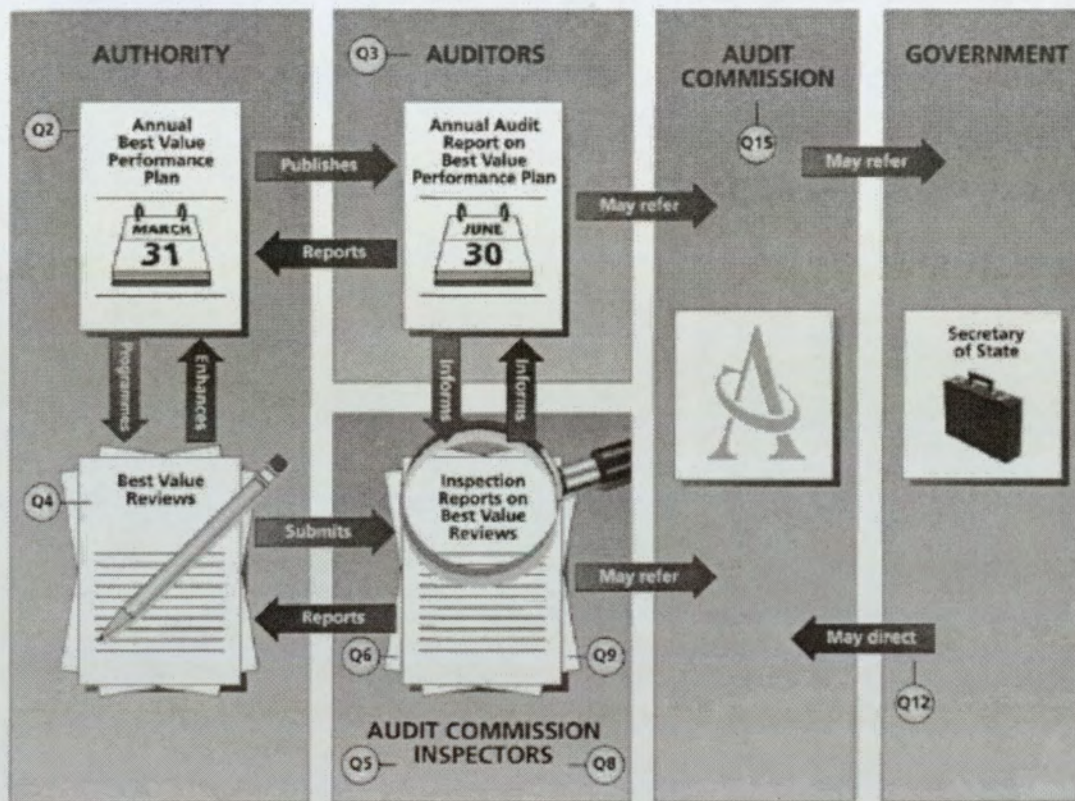


Figure 5: Process of the Best Value Review                    Source: AC (1999b, p.2)

The Best Value framework outlined specific procedures for dealing with poor performance. The best value legislation gave the Secretary of State a range of new intervention powers wherever there was clear evidence of serious or persistent failure by a local authority in the delivery of services. According to the ODPM, the term *intervention* 'was used to refer to action by the Secretary of State in exercise of his powers under Section 15 of the Local Government Act 1999 and under other comparable legislation that applies to specific services or circumstances ...... Using his statutory powers, The Secretary of State can direct the local authority to act within a specified period to:

•   prepare or amend a recovery plan;

- make sure a function is carried out so as to achieve specified objectives or priorities;

- take consultancy advice;

- appoint interim management;

- enforce appropriate levels of delegation;

- secure the function from a specified provider or put the function out to tender;

- appoint a nominee to exercise certain specified functions of the authority;

- take any other action that will secure the necessary improvements".

(ODPM, 2004,1)

Failure was defined as (AC, 1999b, 9) "a failure of substance (for example, failing to meet government standards or targets, or a failure of process (for example, where procedures set down as necessary for securing best value are not being followed".

The term engagement was used to refer to non-statutory action taken with regard to an authority where there was serious concern regarding a substantial failure that might lead to statutory action if satisfactory improvement was not achieved.

"Intervention and engagement were words that were often used synonymously but both terms refer to central government imposing their influence on authority to improve. In most cases, it was much more convenient to engage with a person appointment by the Secretary of State rather than being compelled to do so" (Lead official, ODPM)[8].

The form of each intervention will depend on the nature of the problem and also on the scope of the statutory powers (ODPM, 2004, 2). For example, for poor and weak

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[8] Extract from interview with the Lead Official involved in supporting a failing authority

authorities, intervention means that support and guidance will be made available to assist these local authorities to identify appropriate priorities to be addressed in their recovery or improvement plans. A lead official will also be appointed to support their efforts to improve. The Lead Official's role would include assessing whether the council had the capability to develop, possibly with external support, and the capacity and commitment to deliver improvement.

The need for "intervention" or "engagement" usually occurs when the failure is much wider than an individual service; it usually implies failure of operations and service delivery across multiple services. Please note that intervention existed under CCT but the powers of intervention allowed the Secretary of State to close down any trading units (DSO) not meeting the required targets, or the power to direct that a tender be re-specified and re-advertised (Pitch and Patterson, 2000). Best Value extended the power of the Secretary of State to take any action that will secure the necessary improvements including putting the entire function out to tender, which could have resulted in a private sector organisation or another local authority being asked to take control of the delivery of the service area. The Secretary of State could also appoint a nominee to manage the functions of an authority.

The following examples of how the powers of interventions were used in local education authorities. These actions against failure were reported to the Select Committee on Education and employment.

*London Borough of Hackney.* Nord Anglia Education plc were awarded a contract to run the School Improvement Service (from July 1999) and Ethnic Minority Achievement Service (from April 2000).

*London Borough of Islington.* Cambridge Education Associates were awarded a contract to take over responsibility for the education service.

*Liverpool.* The Government decided not to proceed with outsourcing Liverpool's education services as a result of significant improvements made in the management and delivery of the authority's education services. A monitoring board has been established to oversee a contract between the Council and its education service prepared by external consultants.

*London Borough of Haringey.* Following OFSTED's inspection in September 1999, external consultants were appointed jointly with the DfEE to advice on action required to address issues identified in the inspection report.

*Bristol.* External consultants were appointed to recommend action on issues identified by OFSTED.

*London Borough of Southwark.* External consultants recommended an interim management team be appointed, comprising a Head of School Improvement (from the local authority sector), a Head of Policy and Resources (from the private sector) and a Head of Pupil and Student Services. The authority has also advertised for a strategic private sector partner to provide education services.

*Walsall.* Consultants have been appointed to advice on action to address issues identified by OFSTED. They are considering the case for outsourcing the LEA's services.

*Leeds.* Consultants have been appointed to advice of action to address issues identified by OFSTED. They are considering the case for outsourcing the LEA's services.

*Rotherham.* Consultants have been appointed to advice on action to address issues identified by OFSTED. They are considering the case for outsourcing the LEA's services.

*Sheffield.* Consultants have been appointed to consider issues identified by OFSTED. The LEA have made arrangements for interim management support of special educational needs service and for revision of the LEA's educational development plan.

*Sources: Select Committee on Education and employment (7th Report)*

Another difference was that CCT was applied to specified services whilst Best Value "encapsulates all local authority services" (Higgins et al., 2005, 226). Best Value also made the process of tendering a voluntary option. Best Value recognised that there were circumstances where external agencies were more efficient, but local public opinion may be in favour of direct provision by the council even if this was more expensive (Boyne et al., 1999). Also Best Value encouraged the partial provision of services so it was no longer necessary for the external contractor to have to make an all-or-nothing bid for service delivery (Higgins et al., 2005). The use of outsourcing and private public partnerships in delivering better public service varied across services and geographical areas as local authorities reacted to the demands of Best Value. In a survey carried out in 2005, it was noted that four out of ten authorities did not consider competition when deciding on service provision (ibid.). Higgins also noted that "in nearly three-quarters (74.6 per cent) of cases it was reported that services had continued to be provided on the same basis as before, with 60.2 per cent remaining fully in-house" (ibid. 229) and noted that most of the gains made by external contractors under Best Value concerned services that were not previously exposed to CCT (ibid. 234).

Best Value also addressed two of the weaknesses of CCT:

- A lack of valid and comprehensive measures of service expenditure; and

- not having in place a clear measure of service quality.

The BVF provided a clear and consistent measure of quality and allowed comparison with other authorities and the start of a dynamic period characterised by "a proliferation of performance measures in public management and growth in the accompanying performance measurement industry" (Johnsen, 2005, 9).

In addition, to support local choice, and in order to facilitate a stronger process of planning and setting of local priorities, legislation was brought in to change the way local authorities were governed and managed. It was felt that:

"Councils must have political management structures which are effective and command respect. The current committee system is confusing and inefficient, with significant decisions usually taken elsewhere. Many councillors have little influence over council decisions, yet spend a great deal of their time at council meetings. The result is that people do not know who is running their council".

(Source: DETR, 1998, 4)

The LG Act 2000 gave local authorities a choice of four forms of government (Budge et al., 2007). The new models of political management for authorities separated the executive role from the backbench role and provided important and clear roles for all councillors. The following models were proposed:

- "A directly elected executive mayor with a cabinet. The mayor was elected by local people and was supported by a cabinet appointed from among the councillors.

- A cabinet with a leader. The leader was elected by the council, and a cabinet consisting of councillors either appointed by the leader or elected by the council.
- A directly elected mayor with a council manager. The mayor was elected by local people, with a full-time manager appointed by the council. (DETR, 1998)

These were all adopted and an alternative arrangement was approved for authorities with a population of less than 85,000 or who had rejected a referendum for an elected mayor. The leader and cabinet proved to be the most popular system of governance (ibid.) with 82 per cent of authorities choosing this option (Budge et al., 2007).

Best Value was not without its critics. In reference to the aim of Best Value, the then Minister for Local Government and Housing, Hilary Armstrong MP, was quoted as saying: "What we, as a government, are seeking to do is develop a statutory framework so that people will have the information they need through clear performance indicators, through targets, some of which will be set locally, and then through effective demonstration that an authority has met a particular target".

Best Value was perceived as being a highly prescriptive regime, and under such a regime, the government might have been in danger of stifling innovation by local authorities. The minister was quoted as saying, "...if the duty is defined too tightly this may unhelpfully stifle local authorities" (ibid. 32). She also noted that in order for some of the key elements to work (for example monitoring improvement, making comparisons and identifying failures), some standardisation of definitions was clearly desirable.

One of the themes that ran throughout the debate about Best Value was the tension between a need for national prescription (to set a clear framework and provide support for

local authorities) and a desire to promote local flexibility. The duty to consult with the local community under the Best Value framework would imply that this system placed greater emphasis on customers' needs, and authorities needed the flexibility to respond to those needs. Authorities were expected to use benchmarks and compare their own performance with that of other councils, and, where appropriate, other service providers, by reference to performance indicators. This presented another problem as no two authorities have the same circumstances and same local needs. The challenge was therefore to find suitable comparisons, and to set up a system that would enable them to collate the management information needed to compare. The need for good performance data was emphasised within the Best Value framework. The introduction of Best Value encouraged the creation of a better approach to measuring and comparing similar organisations. The CIPFA Nearest Neighbours Model attempts to adopt a scientific approach to measuring the similarity between authorities, taking many of these variables into account. This model was created in the late 1990s and has been modified over time. The model takes account of many issues but at the same time recognises that each local authority is unique.

Table 11 below is an example of how a version of the model was used to find the neighbours of London Borough of Bexley and that of Kent County Council. This model is still available for use and more details can be found by accessing the following link http://www.cipfastats.net/resources/nearestneighbours/.

The CIPFA nearest neighbour model will be explained later in this thesis as it was used to identify the population sample for this study. Benchmarking Clubs were also set up to support the comparison of services. This was used extensively, and the research will later look at the benefits of using the benchmarking club.[9]

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[9] http://www.cipfa.org/services/benchmarking/about-cipfa-benchmarking-clubs

Table 11: CIPFA's Statistical Nearest Neighbour Model

| Select Authority Comparison Using the Nearest Neighbour Model | London Borough of Bexley | Select Authority Comparison Using the Nearest Neighbour Model | Kent County Council |
|---|---|---|---|
| TO | London Boroughs | TO | County Councils |
| | | | |
| Results of Comparator Groups | | Results of Comparator Groups | |
| | | | |
| 1 | Sutton | 1 | Essex |
| 2 | Havering | 2 | Hampshire |
| 3 | Redbridge | 3 | Lancashire |
| 4 | Merton | 4 | Gloucestershire |
| 5 | Enfield | 5 | Worcestershire |
| 6 | Hillingdon | 6 | Northamptonshire |
| 7 | Harrow | 7 | West Sussex |
| 8 | Hounslow | 8 | Warwickshire |
| 9 | Croydon | 9 | Cheshire |
| 10 | Kingston-upon-Thames | 10 | Bedfordshire |
| 11 | Bromley | 11 | Staffordshire |
| 12 | Greenwich | 12 | Hertfordshire |
| 13 | Waltham Forest | 13 | Nottinghamshire |
| 14 | Barnet | 14 | Somerset |
| 15 | Barking and Dagenham | 15 | Cambridgeshire |
| | | | |

Source:  *Results of a search using CIPFA's Statistical Nearest Neighbour Model*

The duty to improve was bestowed by the LG Act 2000 as a statutory duty. This duty can only be removed with the approval of parliament. Changes were made in the LG Act of 2007 to remove some of the reporting elements of the CPA/BV regime in order to allow a smooth transition to a new local performance framework, Comprehensive Area Assessment (CAA), but the changes did not remove the duty bestowed by the original Act to improve the quality of local services.

## 4.4    Beacon Awards (1999 - 2010)

Beacon Councils were another of New Labour's initiatives in the Modernisation agenda. Beacon awards were first introduced in 1999. The Beacon Scheme was first outlined in the white paper Modern Local Government: In Touch with the People (DETR, 1999) and was intended to allow the pace for change to be set by "the best in local government". The idea was that best practice can be identified and shared.

The Beacon Scheme continued until 2010 and was one of the longest-standing policy elements within the government's drive for modernisation in local government. Participation in the scheme took the form of

- Becoming a beacon;
- Visiting and learning from a beacon authority;
- Participating in other activities with beacon authorities to spread best practice.

The Beacon Scheme (BS) was the brain child of The Department for Communities and Local Government (DCLG) but the programme was managed by The Improvement and Development Agency (IDeA) (now known as Local Government (LG) Improvement and Development). The purpose of the scheme was to reward and celebrate excellence in 'best value' authorities in specific service areas. There was the general expectation that all best value authorities would be involved in the Beacon Scheme. The Beacon scheme encouraged "collaboration" and this added a fifth "C" to the four already identified in Best Value to the process of improvement. Each year, the government varied the theme for the Beacon scheme; the theme chosen depended on what the government deemed to be important to the day-to-day lives of the public. The winning authorities held the status for a year and

during that period worked with the Improvement and Development Agency (IDeA) to share good practice.

The philosophy of this scheme was very much the same as that of the Best Value framework - modernisation and improvement. It recognised that these objectives could be achieved through a planned programme of inspection and continuous assessments. This scheme, however, put the onus on the participating council to apply to be recognised. It was possible for all Best Value authorities, even those that were failing, to be recognised for outstanding work in a specific area(s) of service delivery, even though these practices may not have been evident in the rest of their authority. Recognition meant reward; government grants were available to Beacon councils to fund a programme to spread their best practice; being seen as a Beacon provider would enhanced an authority's status. Having the Beacon logo was motivational as it represented clear vision, excellent services, and a willingness to innovate and specifically; the award had the ability to recognise sections or specific services within the authority. IDeA reported that for many authorities, the real reward was being able to see the difference they were making on people's lives - just entering for a Beacon caused authorities to examine their performance as a team and ask questions that might otherwise not have been asked. To gain an award, the receiving service had to show its commitment to excellence by actively promoting partnerships within the scheme, either by visiting other authorities, having road shows, and/or through participation with other councils.

A survey carried out by the Institute of Governance and Public Management (IGPM) (DCLG, 2008, p.11) identified that the three greatest benefits of Beacon status were: raising the council's national profile; boosting staff morale; and gaining knowledge and ideas from other authorities. Beacon status had associated costs, the first of which was that it took resources

away from service delivery, and secondly, it was hard to sustain innovation (DCLG, 2008). Specific concerns were expressed about the cost of submitting an application and of disseminating activities while holding Beacon status (DCLG, 2007).

The Beacon scheme lasted ten years and was hailed as a success.

"458 awards given (24 per cent success rate); with 50 per cent of the local government sector attaining beacon status; one per cent of best value authorities have secured the award and early applicants such as Westminster City Council, London Borough of Camden, London Borough of Wandsworth, South Tyneside Metropolitan Borough Council, and Wigan. (Source: IDeA, Beyond Beacon - ten years of illumination)

"The key drivers of applications were: to raise the profile and improve (or maintain) the reputation of the council and/or the service; to reward and recognise staff. Learning opportunities are a factor amongst those with experience as a Beacon but less so than the other factors" (DCLG, 2007, 29).

The Beacon scheme also attracted peer exchange and visiting delegations from many countries, including; Israel; United Arab Emirates; South Africa; India; Japan; Bosnia; Sweden; Holland; Italy; France; Spain; Australia.[10]

Despite its success, the scheme was criticised for being expensive, and, given that it was grounded in what local authorities were already doing, critics questioned whether it really showcased how well authorities were doing, or whether it was just another form of bureaucracy. The report from the IGPM (DCLG 2008, 30) also noted that in order for

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[10] http://www.localinnovation.idea.gov.uk/idk/core/page.do?pageId=17800228#contents-4

all of the potential benefits to be fully realised, the Beacon scheme needed to be clearly linked with other elements of public service reform.

The Beacon scheme ended in March 2010 and was replaced by the new Local Innovation Awards Scheme. The new scheme, in keeping the objective of the Beacon scheme, also sought/recognised innovation and improvement but was extended to include awards to partnerships that demonstrated innovative services, ideas and new ways of doing things. Emphasis was placed on those areas that brought and bring real benefits to citizens.

## 4.5 Comprehensive Performance Assessment (CPA)

*"Local authorities have recently undergone the most ambitious attempt to measure the performance of a set of public sector organizations in the UK (and possibly anywhere)."* (Boyne and Enticott, 2004, 11)

The comprehensive performance assessment (CPA) framework was discussed in detail in chapter 2. The reader is reminded that the CPA framework was introduced to find a common way to drive continuous improvement in the quality and delivery of the services offered by local government in England (ODPM 2005). The decision to introduce CPA was based on the premise that local authorities needed a powerful external prompt in order to identify and address weaknesses (Martin et al., 2013). The Best Value framework preceded CPA and, at the time of its introduction, CPA was seen as an extension of the work done under the Best Value framework. However, unlike Best Value, which only looked at the performance of individual services, CPA provided a more integrated performance measurement framework which used the information on the individual services to form a judgement of the local authority's overall performance. The CPA did not replace Best Value but was managed concurrently with it to drive continuous improvement.

At the time of its introduction, CPA was described as a performance measurement framework to support best value. CPA was also described as a system introduced by which all local authorities would have their overall performance regularly externally evaluated and scored (Game, 2006). Like CCT and Best Value, before the aim was to see improvement in the management of local services, but CPA placed enormous emphasis on engaging with poorly performing authorities. "Any relaxation of control is confined largely to those authorities judged .. to be the highest performers, while those at the other end of the scale are subject to a

degree of central intervention that Conservative governments would not have dared" (ibid., 407).

The Labour initiatives of Best Value and Comprehensive Performance Assessment led to "significant improvements in the performance of English local authorities in terms of: corporate capacity, the quality and responsiveness of some key service, and the ability to work in partnership with other agencies. Local government has also delivered significant efficiency gains, and there is evidence of an increase in public satisfaction with many services" (Grace and Martin, 2008, 12).

The period of inspection under CPA was well documented and the Audit Commission has provided empirical evidence to support the claim that there was a noticeable improvement in council services during that period [11].

"Councils across the country are continuing to improve the services they are providing to local people. Over 70 per cent of councils are improving strongly or improving well" (Audit Commission 2005, 2).

"Forty-two per cent of councils (62 councils) performed at the highest level (4 stars) in 2008, more than in any other year of CPA reporting. Twenty-seven councils maintained their position as 4 star councils for the fourth year running" (Audit Commission, 2008).

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[11] Audit Commission (2005). The Harder Test: Scores and analysis of performance in single tier and county councils. *Statistical evidence will support this claim of success.*

Radical changes were also seen in the political and management arrangements, which led to wide-ranging changes in the way local government was managed (Wilson, 2005). Through CPA, the government was able to demonstrate its commitment to continuous improvement in local government.

The significance of these changes will be discussed later in this thesis but, despite the wide ranging success of CPA, the framework was subject to extensive criticism (Boyne and Enticott, 2004).

It was noted by Nick Raynsford[12] (2003) that there were still big variations in performance across local authorities. Geddes and Martin (2000) commented that at times the initiatives for improvement were sending mixed signals to local governments. There was some contradiction between central control and the encouragement of local autonomy; there was the promise of new flexibilities, freedom and light touch inspection whilst at the same time authorities were being asked to respond to demanding targets set for continuous improvement.

A summary of further criticisms of CPA is given below:

The use of performance indicators (PIs) was problematic (Wilson, 2004; Broadbent, 2003) and led to gaming (Wilson, 2004 citing Pollitt, 1989) as managers became more skilled over time at "working the system".

The process of CPA required a change in culture (Wilson, 2005 - emphasising the position of the Labour government). Taylor (2009) reminded us of the direct link between performance indicators (PI) and the values of an organisation, and the fact that if PIs were politicised

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[12] http://www.lgcplus.com/cpa-driving-up-council-standards/1247818.article

or likely to attract negative media coverage, it was very unlikely that PIs would be viewed positively by managers.

Concerns were expressed about being able to justify the cost and time involved in undertaking the review against the benefits derived from the process (Wilson, 2005; Martin, 2004). The pressure to complete the inspection and review on time meant that people were only concerned with 'what gets measured gets done', and were not necessarily concerned with getting the process done properly, and there was a strong possibility that authorities were neglecting those outcomes that were not being measured under CPA.

There were also criticisms of the process of CPA. There was concern that consultation and feedback was seen mainly as a task to be completed in the review process, and that lessons learnt were not being used to improve service delivery (Dowson et al., 2004).

Wilson (2005) reported that a significant percentage of chief executives and leaders felt that the classifications given under the CPA assessment framework were not a fair reflection of their authority's overall performance and a few sought legal redress (Boyne et al., 2004). The London Borough of Ealing was one such authority.

"Ealing Council has dropped its judicial review challenge of the comprehensive performance assessment after its score was upgraded. The Audit Commission used its CPA disputed judgement process after Ealing challenged parts of its corporate assessment report, which contributed to its "weak" CPA rating in December. The corporate assessments examine the council's performance against nine themes to form a judgement on its capacity to improve. As a result of the review, Ealing's achievement score within its corporate assessment has been amended from two to three. This has raised the overall score from "weak" to "fair".

Ealing claimed that the council's "recent transformation" of children's social services was further evidence of improvements." (Source: reported on 24/04/2003 on http://www.communitycare.co.uk/ )

The expectations (quantified as targets) under CPA reflected a corporate view rather than public expectations thus creating a potential expectation gap, where the expression/translation of improvement and/or excellence is the expectation of the government but not necessarily that of the public. This entire argument of success centred on the definition of improvement, and Hodgson et al. (2007, 357) made reference to a definition given in Boyne (2003): "a closer correspondence between the perception of actual and desired standards of public services".

Questions were also asked about whether CPA could legitimately be regarded as an appropriate tool for assessing the quality of a local authority's performance (Wilson, 2005), and whether it was appropriate to categorise councils into "high performing" or "low performing" groups across all services (Wilson (2005) citing Boyne 1997; Broadbent 2003). Hodgson et al. (2007) argued that excellence is not always sustained over a long period.

In addition to the above, another key discussion was that the process could sometimes prove counterproductive. This was explained by the overlap and duplication within the recording and reporting process of CPA, in order to meet the reporting and legal requirements of central government. This argument, along with some others above, was consistent with the problems inherent in a traditional performance management framework.

The main focus of CPA was always on how well councils delivered services for local people and communities. During the years of its existence, CPA evolved/changed in

response to public consultation. The first change was in 2005, when a modified CPA framework, referred to as "the Harder Test" was introduced.

The process of CPA effectively created:

"a league table of local government performance, with those in the premiership receiving more control over their budgets and more freedom to sell services, and those in the relegation zone being forced to accept an intensive package of government help."
http://society.guardian.co.uk/bestvalue

"The best councils already use processes similar to CPA to deliver improved services for local people. They are clear about their priorities and continually look for ways to improve. CPA aims to help those councils that find it more difficult to judge their own performance and deliver service improvements" (AC, 2002, 2).

On average, most local authorities had at least two or more inspections each year. Many approved of the general principles behind CPA, particularly its promise to reduce the burden of inspection for good performers (http://society.guardian.co.uk). The CPA results determined whether central government would grant the council in question any 'freedoms', such as less ring-fencing of grants, freedom from capping, an inspection 'holiday' and the ability to trade. Most significantly, top-performing authorities were no longer required to review all of their services as a matter of course. Best Value reviews were then focused instead on the services that were highlighted by the CPA as being in need of review.

CPA lasted until 2008 and was replaced by a new framework, the Comprehensive Area Assessment, in April 2009. CAA promised to be everything its predecessor (CPA) was not: light-touch, joined-up, locally focused and accessible to the public. CAA is

outside the scope of this paper, but it is important to mention that CAA was seen as a natural extension of CPA. The first CAA judgements on 152 areas and 402 organisations were published on the Oneplace website on 9 December 2009, but even as this was taking place, another phenomenon was taking place - preparation for a general election.

In May 2010, a new government was sworn in, which announced within days its intention to abolish CAA. The reasons given were:

"Too much power has been sucked out of communities and into Westminster eroding trust in politics, and sapping responsibility and initiative with stifling bureaucracy... Central Government needs to stop the costly top-down monitoring that is engulfing councils and start trusting them to do what is right locally".

(Source: http://conservativehome.blogs.com/localgovernment/2010/07/pickles-cuts-more-red-tape.html)

A formal announcement was made and CAA was abolished with immediate effect from 25th June 2010. This announcement meant that CPA marked the most significant period in local government history during the New Labour era.

## 4.6 Comprehensive Area Assessment

Comprehensive Area Assessment (CAA) came out of criticism of CPA. CAA was introduced in April 2009; the emphasis was still on continuous improvement. It was intended to be a catalyst for further improvement, with greater focus on better local outcomes, more effective partnership working, more responsive services and better value for money. This new performance framework was intended to provide greater alignment between the local authorities and other local service sectors.

"Out go heavy-handed, target-driven Comprehensive Performance Assessments. In comes the light-touch, joined-up Comprehensive Area Assessment regime, headed up by your own personal 'lead'. At least that's the theory...

If the rhetoric is to be believed, the public sector is about to enter a new dawn in performance management. The Comprehensive Area Assessment, which replaces the Comprehensive Performance Assessment in April 2009, promises to be everything its predecessor wasn't: light-touch, joined-up, locally focused and accessible to the public....

There will be no 'inspection event' to prepare for, with assessors gathering material from publicly available sources and organization's own performance management data. Instead, a 'single assessment framework' will assess the services provided by councils and their partners, yielding reports - published via a new web reporting tool - that are expected to 'resonate with the public'" (Public Finance, 6 December 2008)

CAA retains some of the features of CPA's approach to inspection and assessment. The emphasis on accountability, quality and the impact of public services to local people was

very much the same but differ in approach in three important respects: There was an area assessment, an organisational assessment and it was forward-looking, focusing on continuing and lasting improvements and risks to achieving outcomes, rather than past performance.

The area assessment looked at how well local public services were delivering better results for local people across the whole area. The area assessment focused on agreed priorities and how likely they are to improve in the future.

The individual service assessment developed during CPA and Best Value continued under CAA. These assessments provided assurances on the performance of services in meeting the needs of local people. For the first time, the assessment looked at how successfully local organisations are working individually and together to improve their area.

The organisational assessments for councils combined the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of council service performance.

The area and organisational assessments were both judged against a common set of performance indicators, which were set centrally - the National Indicator Set (NIS). The National Indicator Set was a single agreed set of indicators and these were the only indicators on which the central government was able to set targets for local government. In 2008, when CAA was introduced, there were 198 national indicators for English local authorities and local authority partnerships.

CAA was designed to be flexible and adapt to such changes. An example given was:

"We will judge how well councils and their partners understand the local impact of the recession and how well they are responding using the tools and influence available to them to mitigate the impact on their communities and prepare for the upturn" (AC, 2009, 5)

These indicators were intended to provide greater clarity about the balance between national and local priorities. CAA was also intended to link the area assessment and the organisational assessments are managed so they support partnership and individual accountabilities.

The area assessments were not scored; instead, red and green flags were used. Green flags represented exceptional performance or outstanding improvement, which resulted in proven delivery of better outcomes for local people that were sustainable. This was considered best practice.

A red flag reflected significant concerns about the prospects for improvement, not current performance. A red flag meant that inspectorates have jointly judged that something different or additional needs to happen to improve outcomes. A red flag applied where one or more of the following existed and where not enough was being done to tackle the concern:

- performance is poor, slipping or not improving;

- service or outcome standards are unacceptable;

- improvement is not on track to achieve a target;

- locally agreed priorities do not reflect evident and pressing need;

- insufficient account is being taken of inequality; and

- insufficient account is being taken of people whose circumstances make them vulnerable or who are at risk of avoidable harm.

Good or very good practice was not sufficient to earn a green flag, nor is rapid improvement that regulators are not confident can be sustained. Green flags were used to highlight innovative practice that has promising prospects of improving outcomes for local people that we consider others can learn from.

Also, before a red flag was given, the assessor will need to consider whether:

- the local partnership is aware of the concern;
- plans to improve the areas of weakness are robust and if there is evidence of improvement; and
- significant weaknesses or failings, such as poor governance, are likely to prevent sustained improvement.

CPA was a framework for local authorities while CAA was sold as being part of the wider performance framework for local services. CAA was more ambitious than the CPA. It did not simply assess how well local authorities were performing. It looked more widely at what it was like to live in the communities they serve.[13] (Public Finance, November 2007)

CPA emphasised collaboration and CAA continues to do the same but has a stronger push towards collective working and closer collaboration between services.

CAA brought together, for the first time, judgments from the following independent inspectorates to provide an overview of how well local organisations achieve priority outcomes. The inspectorates were:

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[13] Steve Bundred was chief executive of the Audit Commission - Pf November 2007

- the Audit Commission;

- the Care Quality Commission;

- Her Majesty's Inspectorate of Constabulary;

- Her Majesty's Inspectorate of Prisons;

- Her Majesty's Inspectorate of Probation; and

- Ofsted.

The CAA approach is certainly different. A range of inspectorates' accounts feed into an assessment of councils, health bodies, police and fire services conducted by a new figure called a CAA lead. Taking Local Area Agreements and Sustainable Community Strategies as their starting point, assessments will aim to establish how far each area is meeting its own locally set priorities. The organisational assessment focused on councils and public bodies, while an area assessment examined outcomes.

Summary

CAA promised to be everything its predecessor (CPA) was not: light-touch, joined-up, locally focused and accessible to the public. Though CAA is outside the scope of this paper, it is important to mention that CAA was seen as a natural extension of CPA. The first CAA judgements on 152 areas and 402 organisations were published on the Oneplace website on 9 December 2009, but even as this was taking place, another critical event was developing - the preparation for a general election.

The Labour party lost the general election in May 2010 and a new Coalition-led government was sworn in. Within days of being appointed the coalition government announced its intention to abolish CAA. The reasons given were:

"Too much power has been sucked out of communities and into Westminster eroding trust in politics, and sapping responsibility and initiative with stifling bureaucracy.... Central Government needs to stop the costly top-down monitoring that is engulfing councils and start trusting them to do what is right locally".

(Source:http://conservativehome.blogs.com/localgovernment/2010/07/pickles-cuts-more-red-tape.html)

A formal announcement was made and CAA was abolished with immediate effect on 25 June 2010. This announcement meant that CPA/BV marked the most significant period in local government history during the New Labour era and the end of an era which underpinned the philosophy of a structured programme of continuous improvement in local government services in England.

This, however, did not remove the duty bestowed by Best Value on local authorities to improve (DCLG, 2011) - see full details in Appendix 7.

LOCALISM

As this thesis was being written, the Localism Bill was being passed through parliament. This new bill is aimed at providing:

- new freedoms and flexibilities for local government;

- new rights and powers for communities and individuals;

- reform to make the planning system more democratic and more effective; and

- reform to ensure that decisions about housing are taken locally

The result would be new powers and freedoms for town halls. Is this NPM initiative a shift towards disaggregation, as it certainly plans to delegate more responsibility to local authorities? The study of localism, however, is outside the scope of this thesis.

In the next chapter, the writer will discuss the academic and theoretical issues of these NPM initiatives in local government, with more specific reference to England where possible.

# 5. New Public Management: The challenges and issues for English local authorities

The previous chapter provided a summary of the various New Public Management (NPM) initiatives in English local authorities. The discussion of NPM in general reminded us that the decision of the UK government to adopt NPM was the outcome of the conviction by politicians with strong beliefs in the merits of the private sector business model of management for all organisations and the commitment of senior civil servants who willingly engage with NPM policies to deliver outcomes (Lapsley, 2009). The aim of NPM was to bring greater efficiency to public services through the use of competition. The academic community has also acknowledged that the UK played a pivotal role in the development of the New Public Management paradigm "and can arguably claim to be the birthplace" (McLaughlin and Osborne, 2002; 1).

NPM presented specific challenges for local government. Compulsory competitive tendering (CCT) was the start of that journey, and in Section 4.2 we discussed the influences that CCT had on local government. The researcher will now go on to explore some of the issues and challenges that CCT and the other initiatives brought to local government. Whilst the process of CCT and the impact of these initiatives were extended to other sector in the UK, and the issues identified may be relevant to the other sectors, this discussion will emphasise the impact on English local authorities.

Compulsory competitive tendering (CCT) legislation introduced market-like disciplines to the many local authority functions and was extended with the introduction of the Best Value Framework (BVF). At the same time, a new infrastructure of audit, inspection and intervention was created to police the Best Value regime (Martin and Geddes, 2000) and a culture of indicators and performance measures was developed to support greater accountability in the

public sector. The discussion below will address some of these challenges that were specific

to local government in England.

## 5.1 Legislative and constitutional reforms

Lynn (2003; 63) noted "the history of public management in Great Britain, is necessarily, perhaps even primarily, a constitutional history". The relevance of this statement to NPM is mainly because of the way in which the constitution of the United Kingdom defines the powers of the organs of the state and the duties of the institutions of the state to the citizens of the United Kingdom. The constitution makes Parliament the supreme legal authority in the UK. The sovereignty of Parliament is the most important principle of the UK constitution. The duty of Parliament is to examine what the Government of the day is doing; it has the powers to set taxes, debate the issues of the day and has the power to create and rescind laws.

Parliament is made up of two distinct Houses; the House of Commons and the House of Lords and it is headed by the Monarch (The Head of State).

The House of Commons is made up of elected Members of Parliament (MPs) from all parties. The members of the House of Commons represent the interest of their constituents. They consider the proposal of new laws and can scrutinise government policies by asking ministers questions about current issues either in the Commons Chamber or in Committees.

The House of Lords is the second chamber of the UK Parliament. This house is independent from, but complements the work of the elected House of Commons. The Lords share the task of making and shaping laws and checking and challenging the work of the government.

The Head of State appoints the Prime Minister; the Prime Minister heads the government of the day and the Prime Minister will normally be the accepted leader of the political party that commands the majority of the House of Commons.

Whilst the Houses of Parliament creates laws and has the power to terminate existing legislation, the decision of the government is made by the cabinet. The cabinet is the ultimate decision-making body of government. The purpose of the cabinet and its committees is to provide a framework for ministers to consider and make collective decisions on policy issues. The cabinet meets regularly to discuss the most important issues for the government and is accountable to Parliament for any collective decisions made. Cabinet appointments are mainly made from the elected members of parliaments (MPs), the majority will be senior ministers of the government in power. By the same token and by virtue of the makeup of the cabinet the concentration of power to make decision will rest with the government of the day.

One of the key principles underlying parliamentary decision making is that of collective responsibility. The principle of collective responsibility is summed up below (House of Commons, 2004):

A minister of the government must not vote against government policy; a minister of the government must not speak against government policy and all decisions are decisions of the whole government.

Whilst incorporating a mechanism for Ministers to be able to express their views frankly and freely in private, they should maintain a united front when decisions have been reached. Decisions which evolve around major issues of policy or those that are of critical importance to the public will be subject to collective responsibility.

Ministers are bound by all decisions of Cabinet, even those taken in committees of which they were not members and which may not have reached the full Cabinet. Decision that are the sole responsibility of a single Minister and which do not significantly engage collective responsibility as defined above need not be brought to Cabinet or committee.

As discussed earlier, the NPM initiatives involved major changes of policy and have had significant impact on the provision of public services. Major policy changes had to be ratified by parliament and, to ensure compliance, constitutional changes were made. These constitutional changes became Acts of Parliament and bestowed a duty on Ministers and public servants to ensure that their obligations under the statute are met. Given below are examples of constitutional changes that were made to ensure that NPM were adopted across English local government.

The Thatcher administration came to power in 1979 with the stated aim of controlling inflation via the use of monetary policy. The Thatcher government therefore set about reducing and controlling all public expenditure particularly at a local level, as well as protecting ratepayers from increasing rates bills. Acts of Parliament were used to grant powers to ministers or to place statutory duties on ministers to comply with a directive from central government. The Local Government, Planning and Land Act, 1980 was the first of many more legislations to ensure that local government complied with the will of central government on local spending. The statute made it a duty to comply with a request from central government regardless of the local area political orientation. The Local Government Act 1985, and The Local Government Act 1988, were intended to streamline local services, reduce the monopoly that local government had over public services and to increase local accountability for local spending and to permit the changes needed to support the New Public Management initiatives in the United Kingdom.

The Best Value Framework was introduced by New Labour government in Local Government (LG) Act 1999. This Act made all local authorities Best Value authorities and bestowed a duty on all local authorities to secure continuous improvement. This Act also set out the powers of the auditors and gave the responsibility for the inspections and compliance audit to the Audit Commission.

The CPA framework was introduced in the Local Government White Paper 'Strong Local Leadership - Quality Public Services'. The white paper detailed the purpose and the intent of CPA as a framework for improving public services reforms. This was against a background that a duty to improve existed within the Best Value framework. Consistent with previous changes, the LG Act 1999 provided detail guidelines and the rationale for CPA and which was later amended in 2000 to ensured compliance. The emphasis of the change in the LG Act in 2000 was in the way the inspection was carried out. The Local Government Act 2007 was used to introduce Comprehensive Area Assessment (CAA) and it bestowed a duty on local authorities to cooperate with local and partner agencies in driving local improvement. The Sustainable Communities Act 2007 promoted the sustainability of local communities and encouraged the improvement of the economic, social or environmental well-being of the authority's area or part of its area. The Acts extended the scope of CPA and gave the power to central government to bestow duties to the local authorities and its partners, ensuring compliance and that they would act in the best interest of their citizens. These latter Acts are outside the scope of this document but the researcher does again emphasis that each of the NPM initiatives had to be supported by Parliament and, by having the initiative enacted by law, they were enforceable.

In summary NPM reforms in the United Kingdom must be approved by Parliament if they are to be enforceable and to ensure compliance by all parties, these reforms were

incorporated into the statues.  In each case the reforms were proposed by the government of the day. Applying the principles of collective responsibility, along with the fact that the government of the day will have the combined voting majority, the proposals usually have an easy passage through parliament.

## 5.2 Institutional reforms

NPM emphasised the balance of power between central and local government. England had a tradition of decentralised powers in local government. Local authorities were created by Acts of Parliament as statutory bodies. Local government institutions and financial systems evolved to meet the needs of a shifting and changing local population caused by urbanisation. Local government was built and developed around the need to provide the population with 'public goods' (Travers and Esposito, 2003).

These powers of local government are summed up in two basic principles:

- Mandamus ('we command') as noted above: If an Act of Parliament says they have a duty, it is a statutory obligation and by making it a duty, local authorities are obliged to fulfil it to meet certain commitments.

- Ultra Vires ('outside their powers'): A local authority must not act beyond the legal powers granted to them.


Any changes to the powers granted to local government must be enacted by parliament. The functions and powers of local authorities have always been determined by what central government thinks is appropriate.


For the first three-quarters of the present century, the United Kingdom had a bipartite local government system; parts of the country had a two-tier structure, whereas the remainder (mainly the large cities) had unitary, all-purpose local authorities (Johnston and Pattie, 1996). By the 1970, local government had seen a rapid growth in local expenditure and an increasing reliance on government grants. The structure reforms of the seventies also created larger authorities and more control from central government as they sought to make local government more accountable. Local government was stripped, wholly or partly of various powers. There was increased oversight and regulations, confining the role of local

government. The constant in all this was that the powers of local authorities were still defined by parliament and their duties were usually set out in a number of statutes. A typical local authority would have a mixture of statutory duties and discretionary powers. In summary, there are certain things a local authority must not do (as they have no legal authority to do so) and certain things they must do (as they have a legal obligation to do so).

The current system is as follows:

Single tier authorities are: Metropolitan Authorities, London Boroughs councils, Unitary or Shire Authorities

Two tier authorities are comprised of: County Council and District Council

The Local Government Act of 1972 introduced the current two tier structure to local government in England and clearly defined the responsibilities of the local authorities. This Act abolished all administrative counties, county boroughs, urban districts, rural districts, urban parishes and municipal boroughs. New metropolitan and non-metropolitan counties were created in their place and these counties were in turn divided into districts. Each county was administered by a County Council and each district by a District Council (Budge et al., 2007). The responsibilities on an authority depended on the type of authority (guidance on the structure of local authorities and the services they provide is given in Appendix 8).

The NPM initiatives also introduced changes in the executive arrangement of local authorities. CCT was one of many attempts by Central government to make local government more accountable. The introduction of CCT caused a shift from local government to local governance in which elected local authorities became one of a number of bodies governing at local level (Wilson, 2003). This period under CCT saw the creation of semi-autonomous

contracting departments (direct service organisations - DSOs) in order to create the separation between the contracting function and the client function, multi-level partnerships with central government departments, Government Offices for the Regions (GOs), Regional Development Agencies (RDAs) working together with the DSOs, private sector and voluntary organisations to manage and deliver public services. The arrangement under CCT meant that elected members became less central to the delivery of public services. Local government was a frequent collaborator, and where in house services (DSOs) were used to provide services these departments became more commercially orientated and more critical of their own costs and services. There was a significant shift in roles from one of control over public services to one of facilitation of services (Ogden, 1995).

Further institutional changes were introduced under Best Value (BV). BV was promoted on the promise that it would provide local authorities with greater flexibility and freedom in how they went about reviewing services and securing improvements in those services (Higgins et al, 2005). The then Prime Minister argued that:

> "The heart of the problem is that local government needs recognised leaders if it is to fulfil the community leadership role. Committees have their place but as a way of providing community leadership they are weak vessels. People and outside organisations need to know who is politically responsible for running the council" (Blair, 1998, p. 16).

This argument highlighted an earlier discussion on the separation of the executive role from that of political representation. The benefits of that shift were: executive were given legitimacy to exercise political leadership, there was transparency of authority and also enhanced accountability as those exercising power could be held to account (Hambleton, 2000). The BV framework promoted strong leadership at the local level.

The LG Act (2000) changed local political management arrangement in England and Wales. The new executive structure one of the four options for leadership:

## MODEL 1

A directly-elected mayor, appointing an executive of two or more councillors:

- Mayor to be elected by normal local authority voters, with normal term of office of four years
- Size of executive limited to 10% (rounded down) or 15 of total Council, whichever is smaller
- Preference for odd number within executive
- Mayor selects executive

## MODEL 2

A Council Leader appointed by the Council with an executive of councillors:

- Leader elected by the full Council and executive of councillors would either be appointed by the Leader or also elected by the full Council
- Council Leader is accountable to Council and not local electorate and can be replaced by the Council

## MODEL 3

A directly-elected mayor, with a Council manager:

- Mayor directly elected to give political lead to officer/manager, to whom strategic policy making and day to day decision making delegated.

And a fourth model was proposed for district councils with a population below 85,000 (or for some exceptions when it was deemed 'most suitable' e.g. Brighton and Hove).

MODEL 4

Local authorities can also choose a modified committee system which represented a balance between the old committee system and the executive cabinet system. There is still a council leader but decision making is done by politically balanced executive committees representing the key policy areas such as education, social services and environment rather than by individual executives. This model included the option for an overseeing committee chaired by the leader of the council, such as a Policy and Resources Committee, but this committee will not have the power held by the cabinet in the models above.

A council elected leader and cabinet system was the popular option for managing local government. A smaller number of communities have voted for a publicly elected mayor and cabinet. A small number have gone for the modified committee system, and at the time of writing, only one (Stoke on Trent) for option 3.

In previous discussion we touched briefly on the uniqueness of London and The Greater London Authority Act 1999 saw the creation of the Greater London Authority (GLA). This act defines the powers, structure and leadership of the GLA. Leadership is based on an elected Mayor together with an elected cabinet; it was set up more like a regional government than a local authority in that it has strategic responsibilities and oversees a number of agencies. Its functions and powers differed from that of a typical UK local authority (Hambleton, 2000). Following the creation of GLA in 2000, Ken Livingstone the leader of the abolished GLC was elected to lead the newly established GLA (refer back to section 4.2 for the discussion of the abolishment of the GLC).

Changes in structure coincided with institutional changes. Changes were introduced to facilitate CCT. New Labour also introduced changes in the LG Act that was essential for the support of Best Value, Comprehensive Performance Assessment and Comprehensive Area Assessment. These changes were introduced to facilitate the freedom needed at the local level for continuous improvement. These changes had major implications for the leadership as well as the management of the organisation as NPM initiatives were being implemented. The changes encouraged local autonomy but this was done against a background of local government still being mostly funded by grants from central government. Against this background there certainly needed to be a balance if one is to manage the inherent contradiction between central control and the encouragement of local autonomy.

## 5.3 The accountability and the agency relationship

Governance of local authorities is done by a body of elected councillors. The votes in the election give the councillors the mandate to represent the electorate and, with that the expectation that local elected councillors (as their representative) will act in the best interest of local citizens. By the same token, the political party having the majority votes and permission to lead the country might not be the party leading the authority. Inherent in the relationships above is the contradiction that local governance may or may not act in the best interest of the citizens nor might it want to act in the best interest of the government of the day.

It has previously been noted that agency theory is at the heart of all NPM. The relationship between local government, elected politicians and the public can be expressed as:

Consultative: - Citizens consulted but play no direct part in decision making, e.g. consultative and liaison committees with local voluntary groups or service user groups (sports associations).

Informative: - Accepts citizens want relatively arms-length relationship with local authority. Information distributed proactively, e.g. one-stop information shops, hot-lines, and e-government.

Participative: - Citizens share in decision making and service provision, e.g. non-elected individuals are co-opted onto decision making bodies: tenants have devolved responsibility for running estates and in being parent-governors.

Professor George Jones OBE, Emeritus Professor of Government, London School of Economics in a report to the parliamentary select committee noted that:

"What has been happening for the last 30 or so years is that increasingly the central government has seen local authorities as their executive agents, no different from other parts of the central government departments".14

Local authorities' main role is service provision: providing and/or managing the services that central government requires.   Local government (the organisation) in that capacity is acting as an agent of central government and would be expected to implement the policies laid down by central government but, unlike traditional organisations, the agency relationship between local government and central government is much more complex.   In the context of local government, the officers and employees are agents of the local authority but the principal relationship is still unclear.

"In non-profit organizations, it is unclear who should be regarded as the principal (Anheier, 2005; Brody, 1996; Miller, 2002; Ostrower & Stone, 2006). Although there are no owners in the sense of shareholders, there are organizational stakeholders who have a stake in the organization and whose utilities are affected by the non-profit organization's activities or the lack thereof (Jegers, 2008). 2005)" (Van Puyvelde et al., 2012; 432).

Further, it is unlikely that the objectives of all stakeholders will be identical.   Should the officers and employees be acting in the best interest of the politicians or in the best interest of the tax payers?   The elected members (MPs) and officers act as agents of the public in providing information, addressing their concerns and working with them to resolve problems and issues but, referring back to the principles of collective responsibility, are also bound by the decisions of the Cabinets.   Inevitably conflicts of interest will arise between their role

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14  http://www.publications.parliament.uk/pa/cm200809/cmselect/cmcomloc/33/33i.pdf

constituency as Member (representative of the local electorate) and their role as a representative of the government. Examples of how potential conflict of interest at a local level may arise could be a decision taken at the national level to close a local hospital or school. In event that a conflict of interest does exist, the expectation is that the politicians will:

> "avoid criticism of Government policies, confine themselves to comments which could reasonably be made by those who are not Ministers, and make clear that the views they are putting forward are ones expressed in their capacity as constituency MPs" (House of Commons, 2004; 21).

Delegation of power is another example of how the agency relationship is applied in local government. Within the agency relationship, the principal delegates' responsibilities to another and those accepting that delegate is the agent. The officers of the local authorities in their capacity as agents have the powers to discharge their statutory functions. The agency law does not provide for an agent to re-delegate functions to another agent, however the LG Act 1972 does permit local authorities, by agreement, to delegate further any of their functions except precepting[15], levying the council tax, and functions specifically imposed on statutory committees (ibid. Section 101.1)"16. Local government officers and employees can further delegate the powers along with the authority down the chain of command to deliver improvements and this was again re-enforced as authorities were bestowed a duty to improve (Section 15; LG Act 2000). The Act allows local authorities to delegate their responsibilities to other local authorities; or to any of their own committees or officers but should not normally delegate to any commercial or voluntary body or private person. Contracting commercial organisations or private persons entering into a contract with the

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[15] Refers to a legally-binding instruction to collect a specific amount in Council Tax

[16] Local Government Act 1972 and Local Government (Scotland) Act 1973

local authority to provide goods and/or services which were previously provided by the local authority are outside the scope of permitted delegation. In this arrangement, the local authority retains statutory responsibility for the functions (services) and will be accountable for the actions of the company to which the service were outsourced.

It has been previously argued that NPM required a separation of the principles of public administration from the politics of managing public sector organisations (Section 3). In general, the responsibilities for leadership and decision making in local authorities rests with the political leader and cabinet executive but this responsibility can be delegated to a committee, sub-committee, and an officer of the authority or a joint committee with another local authority. Unless the authority states otherwise, committees may further delegate to officers. Sub-Committees can also further delegate to officers and officers with delegated powers can delegate to other officers but this does not release the delegating officer of the responsibility for the activity being delegated. When officers further delegate their powers, it is expected that a record is made in writing, and where a responsibility has been further delegated there is nothing to prevent the person who was originally given the responsibility from dealing with the tasks themselves or from withdrawing or amending the delegation[17].

Officers are agents and their role is to provide professional and impartial advice to the elected leaders (councillors) and, as noted above, can be assigned the responsibility for managing the services. The Chief Executive Officer (CEO) is the most senior administrative function of the local authorities and the CEO has line management responsibilities for the other officers. Effective management would require a rich interaction between all senior officers and elected members (councillors) individually or via the committee system, the rules

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[17] The LG Act 2000 (section 15, 18, 19 and 20).

of delegation above must be followed but one would expect leadership to come from elected politicians.

The agency model in relation to the effects of contractual behaviour between two parties: principal(s) and agent(s) and makes the assumption that the agent is motivated by self-interest (Jensen and Meckling, 1976; Ogden, 1993; Eisenhardt, 1989) and therefore cannot be relied upon to pursue unselfishly the interest of the principal. There is an underlying assumption that the goals of the principal and the agent may conflict. In traditional organisations this problem would be resolved through the use of appropriate measures and incentives; usually by having agent's salaries linked to measures of output. The output measures are intended to limit the divergence of interest between owner and agent and to minimise the agent's cost. By linking pay to performance, individuals are motivated to exert more effort and increase pay through performance. Rewards were and still are popular means of encouraging goal congruence. The role of rewards in improving performance is covered in a later section.

Issues relating to motivation and performance can be complex but it is important that in designing a performance framework that the selected measures should also reflect what is important to the principal and should provide direction to the agents (managers) (Rotch, 1993; Datar et al., 2001). Measures provide further opportunities for goal congruence. The organisation should at the same time have a system in place to penalise bad work. Reward encourages a high level of performance and or promote a desired behaviour, in contrast, that desired behaviour that are not rewarded tend to be neglected (Kerr, 1975).

The discussion above touched on several aspects of the agency relationship in local government. The agent /principal relationship is still very unclear. Should the elected

members be attempting to meet the needs of the tax payers (the principal)? Are they acting in the best interest tax payers or the in the best interest of the ruling political party? Should they be agreeing with government of the day based on collective responsibility, even if it means going against the preference of local tax payers? Several questions still remain and it would suggest that the agency model cannot be used to fully explain the relationships within local authorities.

Central government undoubtedly has a dominant role in the setting priorities in local government. This influence may help, or quite the opposite, hinder the process of local improvement. We have already noted that the responsibilities of the elected representatives often conflict and create inevitable tensions between the needs of the local authorities and that of central government. This relationship can also create tensions and conflicts with key interest groups in local communities. Local government in the UK by mandate has a level of independence but the powers of local government can be weakened by the legislative powers of the government of the day. The result would be that local elected MPs and officials are required to undertake specific courses of action even if it would mean going against their own conviction and/or displeasing the local electorate. The government is clearly a major stakeholder of a NPM initiative and in delivering improvement locally. The role of the government, the elected members, and tax payers in the agency relationship is a very large and complex area and cannot be fully justified in this thesis but this brief discussion would be useful in understanding NPM in the UK.

## 5.4 Measuring performance

It was noted earlier that Best value started with a culture of indicators; the measures were developed to promote greater accountability in the public sector. Though performance measures existed in local government before, the focus was not as far reaching and holistic as those introduced under the Best Value framework. We discussed earlier about the range of BV indicators; how the framework was used for measuring performance at a service level (BVF); that the use of BV was later extended at an organisation level under the CPA framework and its principles of strongly influenced the proposal of CAA extending this concept of measurement and greater accountability at the local partnerships. In this section, the researcher will briefly examine the challenges that the process of measuring performance posed. The first of which is:

"Managing performance is highly dependent on the availability of a well-designed performance measurement system which provides a clear linkage between strategy and human behaviour" (Sharman, 1995, 2).

Effective performance measurement systems are built around key performance measures; both financial and non-financial measures (Fitzgerald and Moon, 1996; Medori and Steeple, 2000). Measures are used to gauge success, and reporting of these measures is mainly to promote increasing accountability and improvements in performance. A performance measurement system (PMeS) can be summed up as a tool for collecting, organising, monitoring and reporting management information to aid decision makers. The main purpose of a performance measurement system is to co-ordinate, direct and focus the attention of decision makers on results (Kloot and Martin, 2000), enabling them to determine what actions are required (Rose and Lawton, 1999). A system for measuring performance should not be disconnected from the strategic planning process (Atkinson et al., 1997).

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Measures should be: derived from strategy, related to specific targets, aid continual improvement, be simple to understand, precise, be exact about what is being measured, and provide timely and accurate feedback (Cavalluzzo and Ittner, 2004). The process of performance management in the public sector is much more complex than that of the private sector since the public sector has to recognise and define the needs of a diverse group of stakeholders (Sharma and Gadenne, 2011). Literature on performance measurement in the public sector is centred on the three Es: economy, efficiency and effectiveness (Flynn, 1997; Boland and Fowler, 2000). Collectively, these measures enable managers to quantify the efficiency and effectiveness of decisions and actions (Neely et al., 1996; Cavalluzzo and Ittner, 2004) and are an integral part of the process of managing performance (Lebas, 1995). There is also the expectation that a performance measurement system must have a supporting infrastructure for collecting, sorting, collating, analysing, interpreting and disseminating data (Kennerley and Neely, 2003).

Consistent with the expectation of effective performance management, local authorities must have a system in place to gather, sort the raw data and to identify and trends in the existing data. These trends will be analysed and interpreted to judge performance of services (within the BVF) and the overall performance of the authority as a whole (as with CPA). An essential component of New Labour's NPM initiatives was having high quality accessible performance data (ODPM, 2005). The inspection frameworks for reviewing performance in both BV and CPA looked for evidence of a transparent system of gathering and accessing information, timely data and comparable data. Local authorities had to demonstrate the use of an appropriate balance between qualitative and quantitative performance data but the process of collecting performance information should be cost effective (Neely et al., 1996). For many, the challenge was finding a system that was cost effective. Authorities had to

weigh up the benefits of having measures against the cost of collecting the performance data.

The information generated from the raw data is disseminated to inform decisions making. This process does require specific skills and personnel to process, analyse and interpret the data. The next challenge was to design and implement an appropriate measuring system given the following:-

Firstly, the nature of the output of service organisations is intangible as it is consumed the moment it is produced; it is an abstract thing and cannot be reasonably stored (Mills and Margulies, 1980). This is in complete contrast to manufacturing organisations; as the output in the service sector would be difficult to count, measure, inspect and verify the output of most services in advance of delivery to the customer (Fitzgerald and Moon, 1996).

Secondly, employees and consumers must interact in order for delivery to be complete (Mills and Margulies, 1980). The direct face-to-face interaction between the client/customer and the producer/ employee is an open system, in which the service organisation directly influences and is influenced by, the client/customer segment of the environment. This face to face contact also provides an added complication in finding the balance between supply and demand and at the same time controlling the quality of output (Fitzgerald and Moon, 1996). Products of the public services are mainly heterogeneous; the services provided vary depending on the way the product or service is organised (Mills and Margulies, 1980; Fitzgerald et al., 1991). Other services may be standardised with few choices, they may be oriented towards problem solving or be tailored specifically for the individual client

or customer. Invariably, organisations will adopt one or a combination of the above approaches to service delivery.

These differences in service orientation can collectively affect how performance is measured. From a performance measurement perspective, the problem is ensuring consistent quality of the service from the same employee day to day, and being able to compare employees delivering some or similar services (Fitzgerald and Moon, 1996). The goals, scope and/or competitive priorities identified by top management will determine the chosen approach to service provision.

Arnaboldi and Azzone (2010) identified four specific issues that could impact on any attempt to measure performance in the public sector. These are: the diverse nature of public sector services, the wide range of users, the difficulties in defining targets and the lack of competencies. These issues are further developed below:

The diverse nature of the public sector would make the adoption of private sector systems and styles of management practices a difficult transition. The uniqueness of the public sector would not support the universal application to the different types of institutions. The resulting implications would be the proliferation of indicators which are then not acted upon by managers (ibid. citing Chow et al., 1998; Modell, 2001). This could have happened as Best Value was imposed on all local authorities.

As the emphasis of performance management moved to the users of the services, and public managers and policy makers shifted their attention from procedural compliance to output delivery, many public sector organisations adopted approaches that directly involved citizens in performance measurement design.

In defining targets for performance which is much more difficult in the public sector. Benchmarking was often seen as a possible solution. However, this posed another problem, as it was often difficult when comparing institutions with different organisational circumstances (ibid. citing CIPFA, 2008).

Arnaboldi and Azzone (2010) noted that often the job of designing the system was delegated to internal managers and they may not at the time had the competencies needed to support such a development. This could be a major hindrance during the development of the system and could can lead to its abandonment or to subsequent unintended consequences (ibid., 207 citing Lawton et al., 2000; Popper and Wilson, 2003; Smith, 1995; Wang and Gianakis, 1999).

Given that the measures within the CPA framework were centrally imposed some of the issues above may not be relevant but this fact in itself can create additional problems for measurement. The statutory duty bestowed by the BV framework meant that local authorities had to comply. Inherent in that process, consistent with issues of performance measurement systems, was the risk that the well-known adages "What gets measured gets done" and "you get what you measure" may prevail (Kennerley and Neely, 2003). These adages are a timely reminder of the importance of selecting appropriate measures (Kloot and Martin, 2000; Otley, 2009).

Measures are also used as a means of maintaining organisational control (Ballantine & Brignall 1994). Measures were used to monitor the contractual obligations across the organisation (Atkinson et al., 1997). A system of measuring, monitoring and evaluating performance are pre-set conditions which govern how organisations are controlled. This

system is a primary part of the control process and is embedded within the organisational structure (Ouchi, 1977). They define the structural relationships of an organisation.

A typical organisation will have both formal and informal structures. The formal organisational structure represents the formal relationships and determines the responsibilities and accountabilities of organisational participants (Ferreira and Otley, 2009). The formal structures are the result of deliberate decisions and an organisational design intended to maximise effectiveness (Rank, 2008). The structure will determine how tasks and responsibilities are divided amongst work units both vertically and horizontally. Politicians and officers in local government are bound by rules in the management of the organisation and in the performance of their statutory duties. The LG Act, defined the structure at the top of the organisation (refer to section 5.2 above) but relationships to manage and to support the Chief Executive Officer needed to be defined internally. Established rules and procedures provided a means for defining appropriate behaviours and the application of the rules enabled individuals to organise their activities to benefit themselves and the organisation (Olson et al, 2005). Given that officers are bound by rules one would expect very bureaucratic relationship and very formal organisational structure within local authorities.

The informal structure however does exist in every organisation. They are relationships that are defined by implicit association, personal relationships and not fixed by any legal arrangements. It is an emerging network generally built and maintained to run alongside the formal structure (relationships) rather than replacing them (Rank, 2008 citing Brass, 1994). The overall effect of having informal ties may vary in organisations but Rank (2008 citing Brass 1994) noted they can either run alongside their formal relationships, complementing an organisation's formal structure or they were substituted for a considerable number of disregarded formal work contacts (ibid.). These informal cooperative can exist

between managers of the organisation and between managers and staff of the organisation and collectively the informal relationships can influence decisions and strategy. These informal relationships can be the basis for a silo culture within an organisation.

Output quantifies performance. The process of evaluating performance helps the organisation to assess their current position in relation to where they were before (Lebas, 1995). Output is compared to express standards and output may also be compared to specific behaviour. Any evaluation must include a decision on what constitutes acceptable performance. The selected measures that are collated, analysed and are interpreted. They report the consequences of decisions that were already taken. Output is the primary feedback system to report whether actions or outcomes are consistent with organisational expectations (Euske et al., 1993). Benchmarking internally and externally was one way of enabling evaluation (Lawson, 1995; Fitzgerald and Moon, 1996). Monitoring and evaluation performance were central to both Best Value and CPA frameworks. Evaluation of the services and the organisation as a whole was done through a process of audit, inspections and regulations (OPDM, 2005, 29). The emphasis of both CPA and BV was on an organisation's ability to deliver better outcomes for all people. Star ratings were awarded to indicate how successful the authority was in achieving its overall objective, (the process of inspection and the meaning of the star ratings were explained earlier in Chapters 2 and 4).

Benchmarking was used to measure an authority's performance against national targets, specific goals or priorities, and average or median position of benchmark data or best practice. Comparing indicators over time and between various organisations makes results more meaningful (Kates et al., 1996). Implicitly, benchmarking introduced competition into performance with the use of league tables (Fitzgerald and Moon, 1996). Earlier mention was made of the fact that CPA and BVF were supported by the CIPFA benchmarking club. The Beacon

scheme, which ran concurrently with CPA, also allowed authorities to demonstrate success in a range of activities. The ratings, scores, judgement of successful was encouraged a spirit of competition into the sector.

Evaluation of performance may be either an objective or subjective assessment of performance (Langfield-Smith, 1997; 219), or a process which combines both forms of assessment (Ferreira and Otley, 2009) in making a judgement of success. This is most important when making evaluating individual performance. This emphasis on output (referred to also as diagnostic controls (Langfield-Smith, 1997 citing Simons, 1990) depends on the reliability of the current measures. An objective performance evaluation assessment will have detailed performance targets, measured by a clear set of metrics and clearly defined weighting (Hartmann and Slapnicar, 2009). There should be no scope for ambiguity in the weightings; assessment should be based only on the actual results, and, typically, objective assessments do not allow for adjustments to the agreed standards of performance nor to their weightings. Under subjective performance evaluations, the specific weightings placed on the various dimensions of performance are unknown to the evaluee and determined subjectively by the evaluator (Ferreira and Otley, 2009). Evaluation in CPA seems to have been grounded in objectivity, as it included measures, weighting and rules for scoring.

How this evaluation process was extended to individual performance is not very clear and this again will be explored further during the research.

## 5.5 Defining success

Throughout history, performance measures have been used to measure the success of an organisation (Kennerley and Neely, 2003). These measures are interpreted by management in order to identify how well the organisation is doing; how well they are doing in relation to set objectives and how employees' performance met the needs of the organisation. Despite the progress made in finding better ways of measuring performance, the definition of success, what constitutes successful performance and defining improvement in the public sector are being contested (Boyne 2003; Hodgson et al, 2007; Downe et al, 2010).

In the private sector measuring success is often based on data derived from the financial statements; measures as profit, return on investment, share-holder value creation and these numbers are then benchmarked performance against competitors. Performance and success in the public sector on the other hand is multi-dimensional and dynamic (Boyne 2003). Having different kinds of outcomes makes the task of defining measures of success both more complicated and more interesting unlike the private sector. Having multiple stakeholders, each having their specific interests and their own definition of performance, makes public sector performance a multi-dimensional concept (Jackson, 2011). Performance in the public sector is defined in turns of (ibid.):-

Output – how much is being produced?

Outcome – what was achieved?

Quality – of output/service, for example speed of response.

Cost – how much did it cost to carry out the activities; to produce the output; to achieve the outcomes?

Activity – the activities performed in order to produce outputs and achieve outcomes

The above provides a basic model to measure performance in the public sector. Performance indicators express the standards achieved or to be achieved (Jackson, 2011). These measures are an unbiased estimate of true performance. Success or failure is expressed in relation to whether the defined standards are achieved.

Though measures are still at the heart of performance, there are still variations on what constitutes improvement and success. The definition of successful performance and being able to make a judgement on improvement has evolved over time (Hodgson et al, 2007; Grace and Martin, 2008, Boyne, 2003). Successful performance under CCT centred on market mechanism and was consistent with what was considered traditional values of New Public Management. The New Labour government defined successful performance in terms of their ability raise standards in public services and this notion defined improvement and success.

Performance was judged on a scale, the meaning of which was explained earlier and summed up below:

Table 12: classification / judgement given to the CPA authorities

| Previously | | | Categories defined |
|---|---|---|---|
| Top performing | Excellent | 4 | well above minimum standards. |
| Striving | Good | 3 | consistently above minimum standards |
| Coasting | Fair | 2 | adequate, just meeting minimum standards |
| Under performing | Weak or Poor | 1 | below minimum standards with little or no improvements |

An explanation of the classification / judgement given to the CPA authorities.

A score of 1 and 2 will be classed as failing and will require investigation.

Failure was defined by the Audit Commission (AC 1999b p.9) as "a failure of substance (for example, failing to meet government standards or targets) or a failure of process (for example, where procedures set down as necessary for securing best value are not being followed)" and the consequences for failure was clearly defined within the model.

The duty bestowed on local authorities was to improve; the ratings were used to define the level of improvement. Hodgson et al (2007, 357) suggest that improvement is concerned with the notion of whether a situation is better than it was. Improvement can be measured by the extent to which there is an upward shift in an organisation's performance - and this shift is judged. This interpretation of improvement is consistent with that of New Labour's view at the introduction of BV and this theme when across all of their effort to secure improvement in local government but the improvement was expected year on year; the expectation was continuous improvement. Unfortunately, judgement was often relative - 'in the eye of the stakeholder' and was also open to the possibility that different stakeholders may have different perception of whether that improvement has taken place. The Audit Commission was the body appointed to evaluate whether improvement did take place.

Amidst all of the above, academics are still debating on an appropriate framework for assessing the effectiveness of performance in the public sector. *"In spite of the growth of interest in performance management a precise definition of the concept is elusive." (Smith and Goddard, 2008, pg 120)*

## 5.6 Performance measurement versus performance management

"Performance management is about the arrangements an organisation uses to get the right things done successfully (Lawson, 1995, 2)".    It is the process by which the organization integrates its performance with its corporate and functional strategies and objectives (Kloot and Martin, 2000 citing Bititci et al., 1997) and Lawson (1995) noted that despite continuing searches, no single approach or technique for managing performance has to date been able to secure consistently high levels of organisational and managerial performance.    This quest for higher performance adopted one of two contrasting approaches - process focused (operational) or people based (*ibid*).    The focus on processes/ operation emphasised the measurement of performance - collecting measures for a snap shot picture of a situation - rather than on management.    The management process which is about using data to make decisions and drive improvement was de-emphasised (Barnes and Radnor, 2008).    The people approach on the other hand saw improvement through getting the right people in the right job, in the right number, with the right skills leading and consequentially motivating higher performance.    Whatever approach is adopted, it must be supported by clear processes and procedures if good ideas are to be successfully implemented.

A summary of different perspectives on performance management (PM) and performance management systems (PMS) is given below.    Key themes from the discussion will be extracted in proposing a framework for assessing comprehensive performance assessment (CPA) as a tool for managing performance.

Smith and Goddard (2002; 2008) provided a simplistic model for a performance framework. They perceived that performance management has four building blocks:

- formulation of strategy;
- development of performance measurement instruments;

- application of analytical techniques that seek to interpret these measures

- instruments designed to encourage appropriate responses to performance information.

Lawson (1995) saw an effective performance management system as one that: articulates vision; establishes key results, objectives and measures at business unit level; identifies business process objectives and key indicators of performance for those processes; identifies and installs effective departmental measures; monitors and controls key measures; manages improvement, but benchmarks against best practice and is prepared to be innovative in meeting shortfalls in their own performance when compared to competitors.

Broadbent and Laughlin (2009, 283) provided a useful summary on the current thinking on the performance management system, "it is concerned with defining, controlling and managing both the achievement of outcomes or ends, as well as the means used to achieve these results at a societal and organisational, rather than individual, level".

Kloot and Martin (2000) citing (Ghobadian and Ashworth, 1994) suggested that an integrated, holistic performance measurement system having all the characteristics listed below would be a performance management system:

Multiple measures; identifying trade-offs between various dimensions of performance; an ongoing and evolving process; capturing both efficiency and effective dimensions of performance; enabling management to plan and aid decision making designed to meet requirements of different organisational levels; qualitative and quantitative measures; linking measures to corporate objectives; avoids measures becoming ends in themselves and a system that does not allow the manipulation of measures by managers.

It is for the above reason that it is generally accepted that performance management and performance measurement could not be separated but a distinction should be drawn between them (Barnes and Radnor, 2008; Lebas, 1995). The performance measurement system is part of a process by which management teams manages improvement (Brignall, 2008). A performance measurement system has been defined as a set of structured performance measures and associated processes which defines how the management uses the performance measures to manage the performance of the organisation (Lebas, 1995)[18] and can also be seen as "a set of metrics (measures) used to quantify the efficiency and effectiveness of actions" (Neely *et al*, 1996, pg 424). Performance measures are an integral part of a performance management system, the measures signal where effort is required (Euske *et al*, 1993). The aim of any performance measurement system would be to enable "goal congruence" in implementing organisational strategy (Anthony & Govindaranjan, 2001). Historically, performance measurement systems had been developed as a means of maintaining organisational control (Nanni et al, 1990 cited in Ballantine & Brignall, 1994) and are designed to provide a defined method of measuring output against objectives. They should be capable of identifying deviations to enable subsequent alternatives and corrective actions to be taken. This suggests that the development of performance measures and the subsequent monitoring of these performances measures were critical to the success of a performance measurement system (Ballantine & Brignall, 1994 also citing Otley and Berry, 1990). Much of the early literature on performance management systems has been categorized under the heading of management control systems (Ferreira and Otley, 2009). The consequence was that research in this field was restrictive (*ibid*). Research efforts were concentrated on measures, often of individual performance and appraisal schemes (Broadbent and Laughlin, 2009 citing Kloot and Martin, 2000).

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[18] *(http://www.dmem.strath.ac.uk/csm/Services/IPMS/ipmsaudit.htm#1*

Otley (1999), in an attempt to define performance management, posed a set of questions which should be addressed when developing a framework for managing organisational performance. These questions were originally grounded in a management control system and were developed to provide a better understanding of the expected/ key characteristics of a PMS. The questions are as follows (Otley, 1999: 365):

1   What are the key objectives that are central to the organisation's overall future success, and how does it go about evaluating its achievement for each of these objectives?

2   What strategies and plans has the organisation adopted and what are the processes and activities that it has decided will be required for it to successfully implement these? How does it assess and measure the performance of these activities?

3.  What level of performance does the organisation need to achieve in each of the areas defined in the above two questions and how does it go about setting appropriate performance targets for them?

4   What rewards will managers (and other employees) gain by achieving these performance targets (or, conversely, what penalties will they suffer by failing to achieve them)?

5.  What are the information flows (feedback and feed-forward loops) that are necessary to enable the organisation to learn from its experience) and to adapt its current behaviour in the light of that experience?


Ferreira and Otley (2008), in their attempt to find a single approach or technique for managing performance to secure consistently high levels of organisational and managerial performance, proposed a more general descriptor to capture a holistic approach to the

management and control of organisational performance. The questions above (Otley, 1999) were further developed by Ferreira and Otley (2009) in their attempt to find a single approach or technique for managing performance, and to secure consistently high levels of performance, proposed a more general descriptor for performance management.

A 12-question PMS framework was proposed by Ferreira and Otley (2009; 268) and this is outlined below:

1. What is the vision and mission of the organization and how is this brought to the attention of managers and employees? What mechanisms, processes, and networks are used to convey the organization's over-arching purposes and objectives to its members?

2. What are the key factors that are believed to be central to the organization's overall future success and how are they brought to the attention of managers and employees?

3. What is the organization structure and what impact does it have on the design and use of performance management systems (PMSs)? How does it influence and how is it influenced by the strategic management process?

4. What strategies and plans has the organization adopted and what are the processes and activities that it has decided will be required for it to ensure its success? How are strategies and plans adapted, generated and communicated to managers and employees?

5. What are the organization's key performance measures deriving from its objectives, key success factors, and strategies and plans? How these are specified and communicated and what role do they play in performance evaluation? Are there significant omissions?

6. What level of performance does the organization need to achieve for each of its key performance measures (identified in the above question)? How does it go about

setting appropriate performance targets for them, and how challenging are those performance targets?

7.  What processes, if any, does the organization follow for evaluating individual, group, and organizational performance? Are performance evaluations primarily objective, subjective or mixed and how important are formal and informal information and controls in these processes?

8.  What rewards – financial and/or non-financial – will managers and other employees gain by achieving performance targets or other assessed aspects of performance (or, conversely, what penalties will they suffer by failing to achieve them)?

9.  What specific information flows – feedback and feed-forward –, systems and networks has the organization in place to support the operation of its PMSs?

10. What type of use is made of information and of the various control mechanisms in place? Can these uses be characterised in terms of various typologies in the literature? How do controls and their uses differ at different hierarchical levels?

11. How have the PMSs altered in the light of the change dynamics of the organization and its environment? Have the changes in PMSs design or use been made in a proactive or reactive manner?

12. How strong and coherent are the links between the components of PMSs and the ways in which they are used (as denoted by the above 11 questions)?

New Labour's attempt to find a single framework for measuring the performance of all local authorities was criticised. It was debated whether BV and CPA were a performance framework to improvement in local authority. It was argued that they were both just a system for measuring performance. These conversations took place at a time when

academics were still debating what would be an appropriate performance framework for measuring organisational performance in generally. This challenge of finding a single framework for measuring performance in the public sector was even greater given the uniqueness of the service sector. CPA was an attempt at meeting that challenge and in the process addressed the challenge of defining success.

From a research perspective, given that there was no single framework that can be applied in assessing CPA as a performance management system; the researcher brought together the different thoughts above in proposing a single framework for evaluating CPA as a performance management system. The framework proposed uses the questions posed in Otley (1999) as a base but places greater emphasis on a process approach to a performance management consistent with Smith and Goddard (2002, 2008). The proposed framework is explained below:

| Strategy | | |
|---|---|---|
| Formulation | Implementation | |
| Clearly defined | Agreed measures | |
| Established priorities | | |
| Management theory | | |
| | | |
| | | |
| Measurement of performance | | |
| Performance measurement system appropriate, appropriate measures; precise and clear about what is being measured; aligning measures to strategy | | |
| Data quality | | |
| Technology | | |
| | | |
| Monitoring results and evaluating performance | | |
| Monitoring | Evaluating | |
| Comparing actual to standard | Agreeing to minimum standards | |
| Reporting | Individual versus corporate performance | |
| Monitoring and evaluation are ongoing | | |
| | | |
| Rewards | | |

Leadership (CF)  Culture (CF)  Structure (CF)  Communication (CF)

Figure 6: A proposed framework for assessing a performance management system
(Source: The author, 2010)

The key components of the framework are:

1. Strategy, vision, mission, continuous improvement and objectives linked to strategy and clearly defined priorities.

2. Measurement of performance and a system for collecting and monitoring performance information

3. Monitoring of results and evaluating performance

4. Rewards for good performance

5. Control and information flows within the performance management system

Although each of these components is shown separately, in practice they are not all clearly visible, and are not distinctively separate within a performance management system. The proposed framework also acknowledges that success means different things to different people and one must also emphasise that some factors are visible and actionable (McDonald, 2004 citing Cooper, 1999), while other factors are not always visible. The visible factors are explicit enough to make the selection of appropriate measures straightforward (Tuomela, 2005). The factors that are not immediately visible provide the underlying cause of success or failure and can get in the way of success. These are usually tougher to address within a performance framework and for the purpose of this paper will be referred to as critical factors (CF).

A more detailed discussion of each of the key components of the proposed framework will now follow, and, where possible, the role of the critical factors will be emphasised.

## 5.6.1 Strategy, vision, mission, continuous improvement and objectives linked to strategy and clearly defined priorities.

Strategy has been described as a pattern of decisions about the organisation's future (Langfield - Smith, 1997 citing Mintzberg, 1978) which takes on meaning when it is implemented through the organization's structure and processes (Miles & Snow, 1978). Strategy is the outcome of a deliberate stream of decisions (Langfield-Smith, 1997). When strategic concerns are impounded into performance then management, rather than the more limited concept of measurement, becomes the focus of performance. Other words used in the literature for strategic concerns were: vision, mission, linking objectives to overall strategy and clearly defined priorities. The vision would set out the "desired future state: the aspiration of the organization" (Otley, 2009 citing Johnson *et al.*, 2005, p. 13). Vision is part of the process of setting the direction for the organisation while a mission statement

aims to "identify the requirements to attract and maintain shareholders, employees, and customers and to do so in ways that are socially acceptable" (ibid citing Chenhall, 2003, 136). The mission outlines the overriding purpose of the organisation in line with the values or expectations of stakeholders. The vision and mission are part of beliefs systems and they embody core values and core purposes. Strategies, vision and mission statements combined will guide the process of deciding what to change, what to preserve and will define the strategies and activities to be adopted in the face of changing environments (Otley, 2009 citing Collins and Porras, 1996). Invariably, organisations will be attempting to meet the needs of multiple and, sometimes, competing objectives (ibid citing Chenhall, 2003) and in these circumstances no single overriding measure would be adequate. This process of defining goals, objectives and priorities are all part of the process of strategy formulation and is the focus on which corporate plans are developed (Cohen and Cyert, 1973).

Miles and Snow (1978) explained strategy as a comprehensive profile of four different strategy types - having different priorities, choices and approaches for managing strategy formulation and implementation. Miles and Snow's model also can be used to explain how strategy can be used to support strategic change (Abernethy and Brownell, 1999). The Miles and Snow (1978) typology provides a useful way of understanding the different corporate choices that organisations make in response to changes in their environment and how those choices can influence their movement along the continuum. Miles and Snow proposed four strategy types: these were ideal types and were identified as Defender, Prospector and Analyzer, all being generally more effective or successful, with the Reactor type being less effective or failing (Miles and Snow, 1978). These strategy types were seen as part of a continuum with the Defender and Prospector at the endpoints with Analyzers as the midpoints. The Reactors are a residual category of inefficiency (Hambrick, 1981; 1983 and Zajac and Shortell, 1989 cited in Doty *et al*, 1993). Analysers were

described as a combination of the Prospector and Defender types. The Miles and Snow typology assumes that organisations are relatively free to create their own context within which strategy can be applied. The application of the assumption of Miles and Snow will see the evolving structures that would then allow the organisation to conform to one of these strategy types above.

In addition to having specific strategy types that would result in success, Miles and Snow also defined success in relation to an organisation's ability to manage its products and services in response to changes in the products and market conditions (Langfield-Smith, 1997). Further, individual businesses may vary their approach to achieving success based on whether the focus should be on a product-oriented service or whether the emphasis should be on a process-oriented service. The literature, however, implies that a process-oriented service is more inclined to look for efficiencies and is more likely to be the lowest cost producer which would be consistent with it being a Defender (Langfield-Smith, 1997, Auzair & Langfield, 2005), making reference to Porter (1980). A contrasting inference can be made from the literature for product- oriented services. The success of a product oriented service will be evident in the quality of the product, having a wide availability of product offerings, product flexibility and customer service. The emphasis will be on product differentiation/innovation which is consistent with a Prospector-like strategy. This thought will be developed further as we look at the link between strategy, vision, mission and the other components of the performance management system.

Having agreed a strategy for improvement, the next stage in the process would be having a programme for implementing the agreed strategy. Strategy implementation is a critical cornerstone in the improvement process (Crittenden and Crittenden, 2008) and in order to implement any specific strategic program, it is necessary to have clearly defined measures,

to obtain the support of enthusiastic cooperation from executives at various levels of the organisation and have an organisational structure that will match the requirements for decision making, coordination, and control emanating from the plan (Cohen and Cyert, 1973).

The strategy of the CPA initiative was summed up as "better outcomes for all people ...... one that will drive improvement for the disadvantaged" (ODPM 2005, 11). This is quite broad. The research will assumes that within CPA, council leaders were free to choose the strategy that best meets enables them to fulfil their statutory duties. This may require balancing national and local priorities.

Within the CPA framework, the council members were tasked with the responsibility of setting out the vision for the local community in partnership with other agencies (ODPM, 2005, 11).

## 5.6.2 Measurement of performance and a system for collecting and monitoring performance information.

Section 5.4 looked at the challenges of measuring performance. A performance measurement system was previously described as a tool for collecting, organising, monitoring and reporting management information to aid decision makers. Performance measurement systems are built around key performance measures. The main purpose of a performance measurement system is to co-ordinate, direct and focus the attention of decision makers on results (Kloot & Martin, 2000), enabling them to determine what actions are required (Rose & Lawton, 1999). Throughout history, performance measures have been used to measure the success of an organisation (Kennerley and Neely, 2003). Simply measuring is not sufficient (Kloot and Martin, 2000). We were reminded in earlier discussions that performance management helps us to look beyond the measures and enables us to look at the context in which measurement is carried out (*ibid*) and that a system for measuring performance

should not be disconnected from the strategic planning process (Atkinson *et al*, 1997). The measures reflect desired outcome (Cavalluzzo and Ittner, 2004), they provide a link between strategy and output and as such are an integral part of the process of managing performance (Lebas, 1995). The measures will be interpreted by management in order to identify how well they are doing in relation to set objectives. Results from the selected measures will determine what actions need to be taken in order to improve performance (Otley, 1999). "What gets measured gets done" and "you get what you measure" are well known adages (Kennerley and Neely (2003). The adages remind us though that it is imperative that the measures selected are appropriate (Kloot and Martin, 2000; Otley, 2009).

Expectation of what should be considered in selecting measures are: they should be derived from strategy, related to specific targets, aid continual improvement, simple to understand, precise - be exact about what is being measured, provide timely and accurate feedback (Cavalluzzo and Ittner, 2004). The system for measuring performance should include both financial and non-financial measures (Fitzgerald and Moon, 1996; Medori and Steeple, 2000). Measures collectively will enable managers to quantity the efficiency and effectiveness of decisions and actions (Neely et al, 1996).

A performance measurement system must have a supporting infrastructure for collecting, sorting, collating, analysing, interpreting and disseminating of data (Kennerley and Neely, 2003). A system should be in place to gather and sort the raw data, to identify patterns and trends in the existing data. These patterns will have to be analysed and interpreted and the information generated from the raw data disseminated to relevant individuals. The process of collecting performance information should be cost effective (Neely *et al*, 1996). One must weigh up the benefits of having measures against the cost of collecting the performance data (previously discussed in 5.4). Performance measurement systems should

be unique to the organisation in question; this is because the measures should be directly related to the strategy of the organisation. The proposed framework acknowledges that measures are only one part of the performance measurement system. The performance measurement system is also used as a means of maintaining organisational control (Nanni *et al*, 1990 cited in Ballantine & Brignall 1994). The performance measures and the measurement system would ensure that an effective system is in place to monitor the contractual obligations across the organisation (Atkinson *et al*, 1997).

Most of the measures within the CPA model were centrally imposed. There was also an element of a statutory requirement under the BV framework. This research will examine the role measures have played in a centrally imposed system. How has this impacted on the process of CPA?

The researcher will need to confirm that each local authority had an effective system in place for collecting and recording performance data.

This research relied on practitioners' opinions on the effectiveness of the measures used in making a judgement of performance under CPA.

### 5.6.3 Monitoring of results and evaluating performance

Monitoring of results and the evaluation of performance is the primary part of the control process (Ouchi, 1977). The process of monitoring something compares output to expressed standards and may also look at specific behaviour. The identified measures that are collated, analysed and are interpreted will be reporting the consequences of decisions that were already taken. This evaluation process will help the organisation to assess their current position in relation to where they were before (Lebas, 1995). The success of this process will depend on the ability of the current measures to provide reliable measures of output. The use of output controls would be the primary feedback system to report whether actions or outcomes are congruent with plans (Euske et al, 1993). Output is a means of quantifying performance and in order to judge performance one must include a decision on what would be considered an acceptable level of performance.

Acceptable standards of performance can vary from baseline targets, specific goals or targets, average or median position to benchmark/best practice (Kates et al, 1999). Baseline targets are usually set at the start of a program; specific goals can be given and actual performance will be judged against these very specific standards. Best practice is ideal standards and will be a clear statement of excellence. Benchmarks are often used to support the evaluation process and this can be both internal and external (Lawson, 1995, Fitzgerald and Moon, 1996). It promotes employee commitment (ownership) by establishing precise and valid expectations based on the experiences of others (Chenhall and Langfield-Smith, 1998). Indicators can then be more meaningful if they are compared over time and between various organisations (Kates et al, 1996). Implicitly, benchmarking introduces competition into performance with the use of league tables (Fitzgerald and Moon, 1996).

Effective performance measures will provide an assessment of individuals' contributions to the firm's value (or other organisational goals). It is therefore important to distinguish between routine performance evaluation - which is a personnel function and evaluation of performance in the context of performance management. In the context of performance management, evaluating performance would involve comparing individual performance to translated corporative objectives. Each organisation will have specific processes for evaluating individual, group, and organisational performance. The main aim for monitoring performance would be to make a judgement of the organisation, group or individual. Organisations may choose an objective or subjective assessment of performance (Langfield-Smith, 1997; 219) or a process which combines both forms of assessment (Ferreira and Otley, 2009) in making a judgement of success.

An objective performance evaluation assessment will have detailed performance targets, measured by a clear set of metrics and clearly defined weighting (Hartman and Slapnicar, 2009). There is no scope for ambiguity in the weightings; assessment is based only on the actual results and, typically, objective assessments do not allow for adjustments to the agreed standards of performance nor to their weightings. Under subjective performance evaluations, the specific weightings placed on the various dimensions of performance are unknown to the evaluee and determined subjectively by the evaluator (Ferreira and Otley, 2009). The use of subjective evaluations has the important advantage of enabling evaluators to correct for identifiable flaws in performance measurement (ibid, 272 citing Gibbs et al., 2004) but they also came at the cost of expensive managerial time and perceptions of bias.

A good monitoring process will adopt a philosophy which regards measurement as an ongoing and evolving process (Ghobadian and Ashworth, 1994). Evaluation is as important as success or good results and potentially determines status and progression in organisation

(Ferreira and Otley, 2009). The evaluation process should precede the reassessment of organizational objectives, plans, and strategies when results do not meet expectations (Gibbs *et al*, 2004). Evaluating of staff and contractors goes hand in hand with the evaluation of the organisation (Bernstein, 2001) and can at the same time assign the success or failure to an action or individual.

Monitoring and evaluation performance were central to CPA. Evaluation in CPA seems to have been grounded in objectivity: defined measures, weighting, rules for scoring and benchmarking against national and baseline targets.

Under CPA evaluation of performance was done at two levels: at the organisational level and the individual level.

Evaluation of the organisation as a whole was done through a process of audit, inspections and regulations (OPDM, 2005, 29). The emphasis was on the organisation's ability to deliver better outcomes for all people. Star ratings were awarded to indicate how successful the authority was in achieving its overall objective, (the process of inspection and the meaning of the star ratings were explained earlier in Chapter 2).

In local authorities, the individual assessments are part of a HR function and include an element of performance related pay. The appraisal assesses an individual's contribution to the organisation, but unless specific outcomes under CPA have been assigned to individuals, their contribution will be only linked to the success of the group or department.

The fact that individual performance may or may not be linked to performance under CPA can be seen as a weakness of CPA but this can also be a consequence of the intangible nature of the services provided in the public sector. Was performance under CPA hindered by the fact that individuals' performance may not be assessed in judging the success of outcomes under CPA?

## 5.6.4 Rewards for good performance

The evaluation of performance will make a judgement on success or failure. The next logical stage of a performance management system would be rewarding of success (Otley, 2009). Rewards are meant to be motivational but the issues in relation to motivation and performance can be complex.

The agency theory makes the assumption that the manager (the agent) is motivated by self-interest (Jensen and Meckling, 1976; Ogden, 1993; Eisenhardt, 1989) and therefore cannot be relied upon to pursue unselfishly the interest of the owners (the principal). This assumption highlights one of the many problems within the agency relationship - the goals of the principal and the agent may conflict. In pervious discussion we looked specifically at the institutional problems posed by the agency theory and here the focus in on providing incentives to encourage agency to act in a desirable manner. In traditional organisations, this problem can be resolved through appropriate measures and incentives; usually by having the agent's salary linked to measures of output. By linking pay to performance, individuals are motivated to exert more effort, in order to increase pay through performance. Appropriate measures are intended to limit the divergence of interest between owner and agent and to minimise the agent's cost. These measures should also reflect what is important to the owner and should provide direction to the agents (managers) and should provide an opportunity for goal congruence (Rotch, 1993).

Financial rewards are the most popular and most desirable but a rewards system includes non-monetary incentives /rewards. Examples of non-monetary incentives include praise, constructive criticism, visible recognition, interesting assignments, job responsibility, job security, long-term progression and promotional opportunities (Crittenden & Crittenden, 2008). It has long been recognised that reward systems are used to motivate individuals to align their own goals with those of the organisation (Ferreira and Otley, 2008 citing Hopwood, 1972). The use of multiple performance measures allows the principal to choose incentive weights that maximize the congruence between the agents, compensation and the firms' outcome (Datar et al., 2001). At the same time, Kerr (1975; Otley, 2009) reminds us that desired behaviours that are not rewarded tend to be neglected and that bad work should be penalised.

It is worth mentioning at this stage that there can be biases in a performance evaluation system. Performance measures can be used to direct employee's attention to those aspects of the job that are being measured. As a result, the choice of performance measures is crucial in providing the correct incentives and is an important consideration when designing incentive schemes (Moers, 2005). The inherent biases in a performance evaluation system can have a negative impact on the performance evaluation and therefore rewards. Bias implies that superiors have an opportunity to let their preferences determine the allocation of rewards. Also, if the performance ratings are biased, and employees are aware of this bias, they might become less motivated and therefore provide less effort in the future. This bias in the performance rating system can create difficulties when selecting the right subordinate for the right job if all employees can be seen to be above average performers. Despite the limitation of the reward model, agency theory suggests that by relating pay to

performance, employees are motivated to exert more effort in order to increase pay through improved performance (Moers, 2005 citing Holmstrom, 1979).

In the previous section, it was established that individual appraisal was not directly linked to success under CPA. This presented the researcher with several questions:

What were the perceived rewards under CPA? And, what motivated and sustained high performance in English local authorities?

### 5.6.5 Control and information flow within the performance management system

In the proposed framework, this component was collectively described as critical success factors. Not immediately visible but are underlying causes for success or failure.

There are two parts to the control system of the organisation: the aforementioned monitoring and evaluating of performance and the pre-set conditions which govern how controls are used. (Ouchi, 1977). These conditions are embedded within the organisational structure (ibid) which defines the structural relationships of an organisation. A typical organisation will have both formal and informal structures. The organisation structure represents the formal relationships and determines the responsibilities and accountabilities of organisational participants (Ferreira and Otley, 2009). The formal structures are regarded as the result of deliberate decisions and an organisational design intended to maximise effectiveness (Rank, 2008) and will also encompass intentionally created cooperative ties arising from the division of labour among corporate actors belonging to the same hierarchical level (Rank, 2008 citing Brass et al., 2004). It will determine how tasks and responsibilities are divided among work units both vertically and horizontally. The structure determines the formal rules and procedures via which working relationships are managed. The rules and procedures provide

a means for defining appropriate behaviours and the application of the rules enable individuals to organise their activities to benefit themselves and the organisation (Olson et al, 2005).

The informal ties (relationships), on the other hand, comprise relationships defined as implicit, personal, generic, and not fixed by any legal arrangements. It is an emerging network generally built and maintained to run alongside the formal relationships rather than replacing them (Rank, 2008 citing Brass, 1994). Rank (2008) identified three scenarios for connecting, communicating and managing work within an organisation: connected and communicated by a formal tie; connected by a voluntarily created informal tie; and unconnected either because they disregard a formal tie or because they have not created an informal tie. The overall effect of having informal ties may vary but Rank (2008 citing Brass 1994) found that informal networks added further structure to the organisation and that actors generally build and maintain their informal ties to run alongside their formal relationships rather than replacing them. He also noted that the informal structures did not appear to complement an organisation's formal structure but rather, they were substituted for a considerable number of disregarded formal work contacts (ibid).

Compliance with formal relationships is much higher when these are connecting managers at different levels in the hierarchy, while informal relationships appear to be predominantly vertical. The informal cooperative ties between managers differed according to the hierarchical direction and the vertical cooperation seemed to be much more important than the horizontal kind when it comes to strategy-making. The organisational structure, however, is one of many factors that can help in shaping behaviour in an organisation (Euske et al, 1993).

We have earlier established the importance of structure as a component of the performance management system (Ferreira and Otley, 2009). The structure will influence communication,

coordination and decision making (Ouchi, 1977; Olsen et al, 2005). The relationship between strategy and structure has been well researched. Researchers have demonstrated that the successful implementation of strategies is influenced by the alignment or fit between the strategy and the structure (Moingeon, B., N. Ramantsoa, et al. (1998) citing Chandler, 1962; Miles and Snow, 1978; Uyterhoeven et al. 1977). Strategies are implemented through the structure (Crittenden and Crittenden, 2008) with managerial skills as key indicators of the successful or unsuccessful accomplishment of the implementation. Strategy takes on meaning when it is implemented through the organisation's structure and processes (Langfield Smith citing Miles & Snow, 1978). The Miles and Snow model proposes that the structure will change with the strategy type and it provides a useful way of understanding how structure, controls and information flow will vary with the different strategy type and the different choices that organisations make in response to changes in their environment.

Gordon and Miller's (1976) archetypes provided an interesting complimentary positioning to Miles and Snow when explaining the flow of information (controls) of the difference strategy types. Their intent was to find a suitable information system to meet the varying circumstances of the organisation and they classified the emerging attributes into three cluster types of organisations: *adaptive, running blind and stagnant bureaucracies.* The *adaptive organisation* functions in a dynamic environment that requires decision making to be dynamic. Products and services are differentiated, operations are substantially decentralised with a complex decision making process. Management is usually proactive, substantial analysis goes into decision making as organisations adapt to changes in the environment. The attributes of the adaptive organisation will see sustained high performance and, in correlation to Miles and Snow (1978), these attributes would be common to the defender, prospector and analyser in varying degrees.

Gordon and Miller's classifications recognise that an organisation can be failing even when making an effort to respond to the changes in the organisation as is the case with the organisation that is *running blind.* At the other extreme, an organisation that allows decentralised decision making, encourages the use of initiatives but top management involvement is only if and when the next crisis occurs will also provide evidence of a failing organisation. Gordon and Miller (1976) also noted that an organisation that is running blind will spend more time on the process of managing performance rather than activities such as planning, managing and strategic thinking. A stagnant bureaucracy will have even less time for planning but will maintain high information needs in an attempt to counteract poor performance and inflexibility.

The researcher will investigate whether some of these critical factors played a significant role in defining the success of CPA.

### 5.6.7 Other control issues

The earlier discussions on performance management systems have established that managerial practices are governed by established rules, norms and beliefs that will guide actions. Using Miles and Snow typology, these rules and procedures, which are formally established through the organisational structure will vary based on organisation and strategy types. The informal ties which exist alongside these formal relationships are determined by customs, norms, cultures (Rank 2008, Peng, 2003), and combined, will influence how organisations are managed.

Culture is defined as a system of shared values (defining what is important) and norms (defining appropriate attitudes and behaviours). The influences of culture on the organisation and the control system cannot be ignored (Emmanuel et al., 1998). Culture has two

important effects on the control system: it can affect the choice of stimuli to which the individual attends, or it can affect any value judgements about the stimuli (Ahrens and Mollona, 2007). While organisational culture is unique to each organisation, it is also a powerful implementation tool for managers. It is reflected in managerial decision-making (Crittenden and Crittenden, 2008), will guide behaviour and will create behavioural expectancies that direct the employees to behave in ways that are consistent with the culture of the organisation (Gregory et al., 2005. Culture, however, is only one of the forces that are exerted by external and internal pressure on the organisation to conform to a set of expectations in order to gain legitimacy, to secure vital resources and to ensure long term survival (Brignall and Modell, 2000).

Institutional theory recognises that institutional forces shape organisational systems (Scott, 2004) and organisational behaviour. Agents are institutionally constructed by established rules, norms and beliefs and these guide their actions. Along with changes in behaviour, organisational structures will evolve that are more attuned to ensuring accountability in an attempt to gain legitimacy and secure social fitness. As organisations strive for success, it should therefore not be surprising to find increasing similarities among organisational structures and processes (Scott, 2004), in their attempts to conform to given rules, best practice or role models. Common structures are only one stage in the process of creating improvements via reshaping the organisation. There are benefits for common structures when designing PMS as this can be a means of effectively managing performance and bringing about a more efficient operation (ibid. citing Hamilton 1991; Powell, 1991 and Whitley, 1992). Research has shown that although having a common organisational model supported improvements, this will not be enough to sustain improvements.

Building success on common values, structures and norms does require the continuing input of energy and resources to prevent decay and decline (Scott, 2004). Modell (2001) draws attention to Oliver's (1991) continuum of managerial responses to institutional pressures. These ranged from acquiescence - complete obedience of rules and confirming to norms at one extreme to dominant groups or individuals emerging with dominating norms and values at the other extreme. There are however possibilities for dissent or outright resistance to the changes. In situations where managers are attempting to balance the needs of the various stakeholders they may choose to deviate from the government's expectations, which may result in de-coupling of accepted norms and values (Brignall and Modell, 2000) and the creation of performance indicators that are better suited to local needs (Modell, 2001). These different responses of managers to institutional shaping will have a direct impact on the success of any performance management and performance measurement system. The influences of culture on the control system cannot be ignored (Emmanuel et al., 1998). Unfortunately culture is very difficult to define and for the purpose of this research will be seen as one of the forces exerted by external and internal pressures on the organisation, to conform to a set of expectations in order to gain legitimacy.

Did common values, rules, structures and norms positively influence performance under CPA?

In summing up the challenges:

The purpose of any performance initiative is to help managers improve. New Public Management is about improving public organisations and cannot therefore be separated from the debate on performance management and performance measurement. A useful reminder at this stage is that New Public Management (NPM) was defined as the as the

A new paradigm for public management aimed at fostering a performance-oriented culture in a less centralised public sector. OECD[19]

In the UK, this movement saw a rise in a new evaluative state (Sanderson (2001) citing Henkel 1991) in which performance is scrutinise at different levels, through a variety of means, through a system of performance measures and indicators and through a system of inspection and quality audits.

It is also generally accepted that performance management and performance measurement cannot be separated either. It is however necessary that some distinction should be drawn between performance management and performance measurement (Barnes and Radnor, 2008; Lebas, 1995) and we were reminded that both will be at the heart of any New Public Management initiative.

We acknowledged that success is multifaceted and means different things to different people (Brignall, 2008; 167). Even in acknowledging that success means different things to different people, one must also emphasise that some of the factors contributing to success are visible and actionable (Cooper, 1999), while other factors are not always visible. The visible factors are explicit enough to make the selection of appropriate measures straightforward (Tuomela, 2005). The factors that are not immediately visible provide the underlying cause of success or failure and can get in the way of success. These are usually tougher to address within a performance framework and for the purpose of this paper will be referred to as critical factors (CF).

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[19] The Organisation for Economic Co-operation and Development (OECD)

We attempted to define success and performance; we noted that were measures imposed; we discussed formal and informal structure (ties and relationships; we have talked about the legal arrangements in the establishment and management of local authorities and the fact that success may rely on other factors for example - leadership and culture - influence of which may not be immediately visible when measuring performance.

We have also noted the challenge of finding a single framework for measuring performance in the public sector. The proposed framework will be used mainly in answering the research questions:

Was CPA just a means of collecting and reporting performance or was it much more? From an academic perspective, should CPA be classified as a performance measurement system or a performance management system?

# 6. Research justification and methodology

Comprehensive Performance Assessment (CPA) was classified as a New Public Management (NPM) initiative. The period of CPA was significant in New Labour's modernisation agenda. The researcher previously provided an overview of the CPA years and discussed the methodology of CPA used in judging performance of English local authorities. Because of the nature of CPA it would be difficult to talk about CPA without making some reference to the Best Value Framework (BVF) which proceeded and ran concurrently with CPA. Comprehensive Performance Assessment was replaced in 2008 by Comprehensive Area Assessment. The decision by the Coalition government to abolish Comprehensive Area Assessment in 2010 meant that there is now no overarching process for measuring performance in English local authorities. This research reflects on the experiences of practitioners during this unique period in English local authorities.

## 6.1 Research justification

This study will examine Comprehensive Performance Assessment (CPA) as a deliberate strategy to drive improvement in local government; how CPA was perceived by practitioners and the impact this specific initiative had on improvement in local government in England. The purpose of this research is to advance understanding of the Government's initiative. The stakeholders' perspective of the process of Comprehensive Performance Assessment and the judgement made during the CPA years was well documented. The Audit Commission (AC), the nominated auditor of local government, has provided substantial evidence that Comprehensive Performance Assessment has driven improvements in local government. There have been several publications on CPA since its introduction but at the time of writing this thesis, the study done by Game (2006) was the only one that closely reflected the issues that arose in this research. Game (2008) provided an overview of CPA. He described it

as a unique system of performance management to which all principal local authorities in England have been subject. His study was done during the early CPA years whilst this research was carried out towards the end of the CPA years making this research the only summative study of the CPA era. This research also went further in that it attempted to incorporate the views of several stakeholders. Most of the previous work done on CPA focused on the validity and concerns of the CPA framework; (Freer (2002), Broadbent (2003), Andrews (2004), Wilson (2004; 2005), Bourne (2004), McLean et al (2007)), some of these concerns may be reflected in this study.

Previous studies on Comprehensive Performance Assessment were focused on the specific aspects of improvements in local government. Andrews (2004) explored the statistical relationship between deprivation and the performance indicators used for the first round of Comprehensive Performance Assessments (CPAs). Woods and Grubnic (2008) looked at the theoretical linkages between the Comprehensive Performance Assessment (CPA) of local government and the balanced scorecard. Murphy et al. (2011) examined the Comprehensive Performance Assessment regime on the provision of council tax and housing benefits distributed by local authorities. This research was done at the time authorities were preparing to implement Comprehensive Area Assessment (CAA) and would have themselves been reflecting on the impact of Comprehensive Performance Assessment.

The Audit Commission have provided extensive evidence that showed that there were significant improvements in services across all local authorities during the period of Comprehensive Performance Assessment. The general conclusion reached by this evidence was that CPA had transformed the way performance was managed and measured within local government but despite the evidence that CPA significantly influenced performance, questions were asked of Comprehensive Performance Assessment over the years, and in

this reflective study the research will try to address some of those questions. The researcher took the view that CPA was an innovated approach that needed to be evaluated in practice. Broadbent (2003) supported this view. Taking the view that the Comprehensive Performance Assessment and Best Value ran concurrently, the period from 1999 - 2008 of the New Labour era marked a significant period in history and the most significant period of performance measurement and management in English local authorities. Comprehensive Area Assessment (CAA) was abolished in 2010. The Audit Commission was disbanded[20] in 2012. The decision by the Coalition government in 2010 meant that though the individual inspection of key services is still in place, there is currently no overarching framework measuring performance in English local authorities and all the data for that period has now been archived.

This thesis is an attempt to:-

- provide a better understanding of the process of Comprehensive Performance Assessment,
- document the reflections of practitioners of the process,
- identify what make an organisation successful under Comprehensive Performance Assessment,
- identify lessons learnt
- use the experiences of Comprehensive Performance Assessment to inform future attempts to measure performance in the public sector.

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[20] In August 2010 the Department for Communities and Local Government (DCLG) announced plans to put in place new arrangements for auditing England's local public bodies. Eventually our responsibilities for overseeing and commissioning local audit will stop, as will our other statutory functions, including those relating to studies into financial management and value for money. At this point the Audit Commission will be disbanded accessed 2012 on (http://www.audit-commission.gov.uk/about-us/).

## 6.2 Research philosophy

This is a reflective study and the research method adopted must be capable of understanding and interpreting the wide range of challenges that the research presents (Otley, 2001, Chia, 2002). In deciding on the most appropriate paradigm for this research, the author explored current thoughts on management accounting research.

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┌─────────────┐          ╭───────────╮          ┌─────────────────┐
│ CPA         │          │           │          │ Performance     │
│ Factors     │ ───────▶ │ CPA       │ ───────▶ │                 │
│ influencing │          │ Framework │          │ Success/Failure │
│ success     │          │           │          │                 │
│ under CPA   │          ╰───────────╯          └─────────────────┘
└─────────────┘
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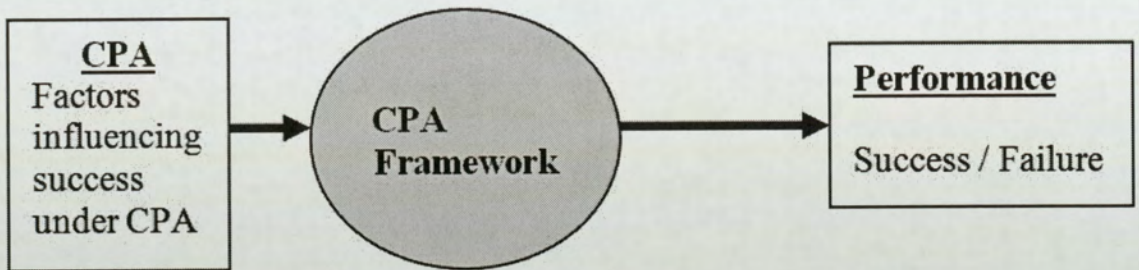
Figure 7. Showing causal links of the factors influencing success and performance

Social science researchers are often classified as one of following type of researcher: the positivistic thinkers or phenomenological analysts. These two approaches are based on the two main paradigms or research philosophies (Collis and Hussey, 2003). "Paradigms are about several things, most notably about what is to be studied, what kind of research questions are supposed to be formulated in relation to these subjects, with what methods these studies should be conducted, and how their results should be interpreted" (Lukka, 2010, 111). These paradigms are also referred to as qualitative and quantitative researchers respectively (Collis and Hussey, 2003; Creswell, 1994) and are the key axis in the methodological discussions within both psychology and the social sciences (Hammersley, 1996). The following sums up each paradigm:

Phenomenology is the study of phenomena: appearances of things, or things as they appear in our experience, or the ways we experience things. This style of research studies

conscious experience ranging from perception, thought, memory, imagination, emotion, desire, embodied action, and social activity.

The positivistic research paradigm, often referred to as the scientific method, approaches research from the perspective that the premise of our world is defined by a set of regular laws or patterns, and that if we can investigate these laws objectively we will find a set of related variables which will allow us to predict an outcome based on the knowledge available. The laws that connect specific outcomes with specific initial conditions express some form of formal logic which can be proven to be empirically significant.

The two paradigms represent two extremes of a continuum (Creswell, 1994; Johnson and Harris, 2002) of core methodological assumptions concerned with the process of arriving at the truth. As one moves along the continuum, the features and assumptions of a specific paradigm are gradually relaxed and replaced by those of the contrasting paradigm.

Conventional wisdom has strongly supported the use of a single paradigm in addressing a research question Creswell, 1994. Over the decades there have been arguments for and against both methods of research. The traditional method, positivistic research and the reliance on empirical research was useful in predicting general trends in accounting; it often led researchers to study very restrictive sets of issues (Otley, 2001) but it was also seen as less helpful in explaining the process that leads to individual accounting practices (Scapens, 1990).

Management accounting research, however, in the 1970's and 1980's was described in Johnson and Kaplan's (1987) Relevance lost as being irrelevant. At that time concerns were expressed about the nature of research being undertaken. Several writers commented

that management accounting research has remained rather traditional in both the areas it chose to study and in the methods that are deployed and there was a need for detailed examination in the roles and practices in management accounting (Kaplan and Johnson, 1991; Scapens, 1990; Otley, 2001). It was noted then that research no longer reflected the interests of managers, and much of it was based on the quantitative approach, emphasising the rigour and statistical significance associated with traditional (empirical) research methods. "Management accounting research is not as closely connected with management accounting practice as might be desirable" (Otley, 2001, 255), The emphasis on rigour and statistical significance has often led us towards studying very restrictive sets of issues (Otley, 2001). (Otley, 2001) encouraged the use of field based research methods on organisational practice are more likely to ground theoretical development firmly in empirically observed practice; adding 'flesh' to the theoretical skeletons (Brignall & Modell, 2000). Criticisms of empirical research led to the emergence of a diverse set of literature better aligned to the interests of practitioners. This new direction (phenomenological debate) in accounting research fuelled new criticisms. Lukka and Mouritsen (2002) noted that the emphasis of the new literature was not on 'whether' management accounting techniques worked, but much more on 'how' they worked. Zimmerman (2001) described this new trend of research as faddish, saying that it was motivated by the attention given to researchers in the media, and that very little effort was being made to put the study of practice within a broader theoretical context (Ittner and Larcker, 2001). Zimmerman summed up this new descriptive trend of accounting research as unsatisfactory and argued strongly for greater rigour (mathematical model) in research; he wanted less description of perceived practices and more theorising and testing in order to provide better direction to scientific investigation. This discussion re-opened the debate over the validity of the opposing research paradigms, their application and their worth (Brown and Brignall, 2006).

In an attempt to find a balance between the empirical approach and the qualitative approach to research, a mixed methods approach emerged; this was referred to as the third path (Jogulu and Pansiri, 2011). This third research method is widely used and recognised by management scholars (Gorard and Taylor, 2004). Mixed methods research is one of the many forms of triangulation.

There are many definitions of triangulation but the researcher has adopted the following definition (Thurmond 2001:253):

"Triangulation is the combination of two or more data sources, investigators, methodological approaches, theoretical perspectives (Denzin, 1970; Kimchi, Polivka, & Stevenson, 1991), or analytical methods (Kimchi et al., 1991) within the same study. These combinations result in data triangulation, investigator triangulation, methodological triangulation, theoretical triangulation, (Denzin, 1970; Patton, 1990), or analytical triangulation (Kimchi et al., 1991)."

Mixed methods research is representative of methodological triangulation in its purest form; it is not a new phenomenon (Jick, 1979) and uses a combination of qualitative and quantitative methods in explaining a phenomenon. For instance, qualitative data is used to explain and re-examine quantitative findings from survey questionnaires. Mixed methods research has been used in several ways in the past (Jogulu and Pansiri, 2011; Pansiri, 2005; Creswell et al., 2003; Tashakkori and Teddlie, 1998, 2003). A combination of the research methods was sometimes used, with each having equal status or with one having a dominant approach, or they were used concurrently where quantitative and qualitative research was conducted at the same time or done sequentially. Denzin 1979 referred to this as "across method" triangulation (Jick, 1979).

Data triangulation is another form of mixed method research methodology, which was interpreted by (Denzin, 1978; Jick 1979) as "within-method" triangulation. This essentially uses multiple techniques within a given method, to cross-check for internal consistency or reliability of data collected and interpreted.

The idea of triangulation gets more complex when there are two or more data sources along with two or more investigators; this results in a multiple triangulation (Thurman, 2001 citing Denzin, 1970; Polit and Hungler, 1995; Woods and Catanzaro, 1988).

The overall aim of using any form of triangulation is to enhance the findings so that researchers can make inferences with confidence. The researcher was keen to present a balanced perspective in this study. As stated before, we have heard from the Audit Commission about the success of Comprehensive Performance Assessment but how was this experience perceived by the various practitioners? The lessons and experiences learned from this study can benefit or influence similar new performance initiatives.

## 6.3 The research questions

The main research questions are as follows:

Question 1

Has Comprehensive Performance Assessment improved the performance of English local authorities?

The published statistical evidence indicates that performance in English local authorities improved during the Comprehensive Performance Assessment years. Do practitioners share this view, and if so, was Comprehensive Performance Assessment the sole driver of improvements?

The investigation was from two perspectives: using statistical evidence and evidence gathered from the questionnaire. In order to answer the questions above, the researcher used a combination of evidence. The evidence included archival data and publications published by the Audit Commission and by government departments, results of the survey questionnaire and extracts of detailed interviews with practitioners within local government.

Question 2

Was Comprehensive Performance Assessment just a means of collecting and reporting performance or was it much more? From an academic perspective, should Comprehensive Performance Assessment be classified as a performance measurement system or a performance management system?

In order to answer this question, the researcher examined current literature on performance measurement and management. A framework was proposed in Chapter 5 against which

Comprehensive Performance Assessment was judged. Responses to a survey questionnaire were the main source of evidence. Most of the content of this literature review is reflected in the research themes (discussed in detail in 6.8).

Question 3

What were the essential characteristics of a successful authority under Comprehensive Performance Assessment?

The results of the above investigations should enable the researcher to summarise from a practitioner's perceptions whether performance improved under Comprehensive Performance Assessment. This list of essential characteristics can be seen as a consequence of the research process. CPA was intended to drive improvement; excellence in public service. By examining CPA and by getting a better understanding of how successful organisations behave, the researcher should be able to extract a list of common traits. Validation of these characteristics was done by further examined of the theoretical perspective of the characteristics of successful organisations identified in the literature.

And finally, another consequence of the research process would be an attempt to briefly examine whether success under CPA relates closely to the definition of success in the literature.

Can success under Comprehensive Performance Assessment be explained by the literature? Do the characteristics of success conform to any of the typologies identified by Miles and Snow (1978)?

The Miles and Snow (1978) typology provides a useful way of understanding the different choices that organisations make in response to changes in their environment and how those choices can influence success or failure. Success or failure is represented as a movement along that continuum (Figure 8) - will be explained later in this discussion.

It is hoped that having a better understanding of what brings success will make it easier to deduce the causes/reasons for under achievement in local government.

## 6.4 Research design

I have adopted the phenomenological approach for my research. It is a reflective study; the research relied on individual's perception of events, their feelings and their interpretation of events. These factors combined make the research best suited to a phenomenological study. The researcher however had specific concerns: access to individuals, their willingness to freely share their experiences and the ability to generalise from these experiences. Table 13 summaries the research experience.

Table 13: Summary of methodology and research process

| Methodological paradigm | Qualitative research |
| --- | --- |
| | |
| Purpose | Exploratory - content driven |
| | |
| Data type | Text - archival material and transcript of interviews, |
| | Recording of interviews |
| | Online survey questionnaire |
| | |
| Sampling of participants | A combination of purposeful and convenient sampling |
| | |
| Data analysis and interpretation | Interviews based on previously agreed themes |
| | Use of survey data |
| | Archival data |
| | |
| Data quality | Confirmation, credibility and dependability |
| | |
| Ethical consideration | Confidentiality, anonymity and trust, expertise of the researcher |

These points will be elaborated on as the discussion develops.

## 6.5 Data gathering

Having examined the arguments of the two paradigms the researcher concluded that the two established research methods can complement each other in this specific research. A combination of qualitative and quantitative methods (method triangulation) seems the most appropriate approach to use to answer the research questions. The original design of the research proposed the use of a questionnaire survey followed up with detailed interviews and the presentation of the findings will combine evidence gather by both methods. In the next few pages, the researcher will reflect on the research methods used, will justify changes to the original proposal and explain the necessary responses to changing circumstances as the research evolved.

The research process was broken down into several stages.

*Desk research (Stage I)*

A desk research was done prior to starting the actual data collection. Comprehensive Performance Assessment (CPA) was positioned as a new public management (NPM) initiative. It was also seen a performance framework and for those reasons most of the issues of CPA were synonymous with those of performance measurement and performance management systems. The literature that was influenced by the early study is given in Appendix 11g and the issues from the literature were incorporated into the online questionnaire and formed the basis of the themes used in this research.

*Survey Questionnaire (Stage II)*

The questionnaire was intended as an impartial tool for collecting and presenting facts, and to provide some understanding of the experiences of persons that worked with or managed CPA prior to a detailed discussion. The results of the survey should have informed the quantitative analysis as the research was initially planned to have a mixed method

triangulation. Questionnaires have the significant advantage of enabling a large number of people to be reached in different geographical regions (Sekaran, 1992), however they do have a poor response rate (Collis and Hussey, 2003). In this instance, the researcher chose to administer the questionnaires personally as this would improve the response rate and reduce the need for a large sample size. The researcher followed up the questionnaire by testing some of the conclusions reached in the analysis of the responses from the online questionnaire in the detailed interviews (Stage III). This follow up enabled the researcher to make a judgement as to whether the responses and conclusion reached was representative of the wider population. Having this mixed method approach should establish whether the inferences were sufficient to allow for generalisation.

Survey questions were mainly closed questions, with yes or no responses, or, responses rated on a Likert's scale. There were a few open questions, which provided an opportunity for the respondents to further their own views. The researcher expected that the survey questionnaire would provide enough data for a quantitative study and the result was used to support a more detailed interview. The questionnaire was tested and piloted amongst colleagues and associates. The test highlighted the length of the questionnaire and the time needed to complete the questionnaire, but following discussions, between the supervisor and the researcher, it was agreed that the richness of the data would be compromised if the questions were reduced.

The initial population sample for the online questionnaire is given below:

Table 14: Summary of the initial sample of authorities

| County | | | Metropolitan | | |
|---|---|---|---|---|---|
| Authority | Region | CPA score | Authority | Region | CPA Score |
| Bedfordshire | East | 1 | Coventry | WM | 2 |
| Cumbria | NE | 1 | Manchester | NW | 3 |
| Essex | E | 4 | Sandwell | WM | 1 |
| Kent | SE | 4 | Sheffield | WM | 1 |
| Northamptonshire | EM | 2 | St Helens | NW | 4 |
| Somerset | SW | 3 | Wakefield | Y&H | 2 |
| Worcestershire | WM | 4 | Wolverhampton | WH | 3 |
| Staffordshire | WM | 2 | Wigan | NW | 4 |

Table 15: Summary of the initial sample of authorities

| Unitary | | | District | | | London | |
|---|---|---|---|---|---|---|---|
| Authority | Region | CPA score | Authority | Region | CPA score | Authority | CPA score |
| Bath | SW | 3 | Swale | Kent | Fair | Barking | 2 |
| Bristol | SW | 1 | Ashford | Kent | Good | Croydon | 3 |
| Hartlepool | NE | 4 | Shepway | Kent | Weak | Hackney | 1 |
| Lincolnshire | Y&H | 0 | Rother | Sussex | Fair | Havering | 1 |
| Rutland | EM | 2 | Eastbourne | Sussex | Good | Newham | 3 |
| South End | E | 2 | North Devon | Devon | Weak | Sutton | 4 |
| York | Y&H | 3 | North Cornwall | Cornwall | Excellent | Westminster | 4 |
| | | | Uttlesford | Essex | Fair | Lambeth | 2 |
| | | | Braintree | Essex | Good | | |
| | | | Guildford | Surrey | Excellent | | |
| | | | Harlow | Essex | Poor | | |
| | | | N Shropshire | Shropshire | Poor | | |

Summary of the initial sample of authorities by type and by score.

(Source: Audit Commission 2006)

Justification for the sample will be explained later in the section. The researcher made a list to establish a contact for each of these authorities to whom the questionnaire would be

sent. The initial plan was to send the questionnaire to a responsible person who could then distribute the questionnaire to a team. A copy of the survey questionnaire is included in Appendix 9).

All participants were guaranteed that any data published as a result of this study would fully protect the identity of the individuals and organisations. Where possible the names of organisations and individuals will be removed or replaced by fictional characters. This statement was included in the statement of consent, which was part of the online questionnaire.

A telephone contact list was drawn up and initial contact was made by telephone with each local authority in the sample above. The aim of the initial contact was to establish whether the local authority was willing to take part in the survey questionnaire and to provide the local authority with more specific detail about the intention of the research. Only positive responses were followed up by emails with a link to the online questionnaire.

For the online survey, twenty three (n=23) of the forty three (43) authorities in the original sample showed a willingness to take part in the study and were sent the online questionnaire. Everyone attempted the questionnaire but not all questionnaires were completed. This was anticipated as completing the questionnaire was time consuming as was earlier highlighted. Incomplete data was not an issue at this stage as the gaps were dealt with in the detailed followed up interviews.

A summary of the responses to the online questionnaire is given in Appendix 10.

*Semi structured interview (Stage III)*

The third stage used qualitative research techniques. This involved detailed interviews with key practitioners by consent. The researcher used the questionnaire to gather data on specific cases in order to provide a deeper understanding of the experiences of practitioners in chosen local authorities. The issues identified from the responses of the online questionnaire guided the interviews. The interview was done using a semi-structured questionnaire. Most of the questions were open-ended to allow the interviewee to elaborate on any aspects that may have been unclear but the researcher had a specific interest in the following key areas:

- The interviewee's perception of the nature of the current system for collecting and recording performance data, and any associated performance management framework that supports the process of CPA.

- The roles of key personnel in monitoring and measuring of performance.

- The perception of the effectiveness of CPA as a tool for measuring performance and driving improvement in local authorities.

- The key issues associated with the success or failure of CPA.

- The interviewee's attitude to and perception of changes within the organisation, since the introduction of CPA.

- The nature and emphasis of the information provided by the current system and how this information meets the needs of the various stakeholders.


Only thirteen (n=13) authorities volunteered for the detailed interviews. The interviews were conducted in a conversational manner and taped, and separate notes were made of the key responses to allow for speedy follow-up during the interviews.

My main contact within the local authorities were Performance Managers. List of the persons taking part in the interviews and their roles in the research process is given below:

- Taking part in the online questionnaire                                                    23

- Performance Managers (interviewed detailed/ these would have                13
  also done the online questionnaire)

- Chief Executives Officers (CEO) or their representatives                          2

- Leader of a Council                                                                             1

- Lead Official and representatives from the Audit Commission            4


The names of the individuals and identifying organisation were removed from this thesis as agreed in the statement of consent but they would be happy to make full disclosure if that promised confidentially would also be respected.


The focus of the interview was on CPA as a process and how individual roles impacted on the success of CPA. The specific roles of the persons interviewed were also removed to ensure anonymity. The terms 'performance manager' and 'lead officer' will often be used collectively to refer to persons interviewed from the local authorities' performance team and the Audit Commission. This was to keep job designations anonymous and to prevent statements used being identified with named individuals. The CEO and council leaders were not offered the online questionnaire. Theirs was an unstructured interview that focused mainly on their role as leaders and in providing the right guidance in supporting improvement.


The interview with the lead officers of the Audit Commission was mainly to provide a balanced argument. Focusing on the local authority would have only provided one side of the debate. The researcher needed to understand whether in their role as enforcer, they were aware of the issues, and how were these managed in providing judgements of success or failure.

Sampling

The initial intention was to use a stratified sample. Because of the structure of local authorities in England the population has identifiable sub groups. The first sub group being the types of authority; a summary of the whole population size is given below (sub group 1).

| London Boroughs | Unitary authorities | Metropolitan DC | County Councils | District Councils |
|---|---|---|---|---|
| 33 | 47 | 36 | 34 | 238 |

Each authority (sub group 1) can be divided into a further sub group by the CPA scores (sub group 2): 0 - 4 of except for the district councils which were rated poor, weak, fair, good or excellent. The score used for this subgroup was CPA 2005 scores. The geographical location determined the third sub group. England is divided into the following geographical locations: North West, North East, South West, South East, East of England, West Midlands, East Midlands, Yorkshire and Humberside. The final sub group was identified using CIPFA nearest neighbour model (previously mentioned in Chapter 4).

Standard criteria were set for each search within the nearest neighbour model and these will be applied consistently for each sample chosen within the model. (Appendix 5 provides an example of the statistical neighbours). In this example, the initial search for Croydon Council (with CPA score of 3) and the search criterion outer London was matched to the other common factors listed in Appendix 5. Ealing and Enfield were identified as Croydon's nearest neighbours. Their CPA scores were checked and showed an ever closer association; they both had a CPA score of 3 in 2005 and 2006. Attempts were made by the researcher to maintain a balance in the sample based on demographics as well. This was done by

expanding the search to show the nearest thirty (30) authorities to each selected authority. In selecting the final sample the researcher's selection was based on the CPA rating, the geographical location and the nearest neighbour of each of the selected authorities.

The original sample was chosen because it was intended to allow examination of common authorities based on common characteristics. By grouping each using the CPA rating, common scores could be assessed separately across the various classifications of local authorities. For example, the examination allowed the researcher to examine and compare the CPA ratings of 4 in County, Unitary and London authorities. In attempting to create matched pairs based on common attributes there may have been inherent bias in the selection of the sample, but it was hoped that this method of sampling would provide more meaningful data when comparing authorities. The results of the questionnaire survey were intended to allow for the comparison, and, as stated before, to inform the interviews. All of the above would have been have made for a very robust research process. The actual sample used in this study was not as planned, this will be explained in section 6.7.

## 6.6 Ethical considerations of the research

The ethical research committee of the university approved the questionnaire. Respondents were briefed as to the purpose of the survey. The privacy, confidentiality and anonymity of the participants were guaranteed within the research. Efforts were made in the writing up of the discussion in this thesis to avoid specific references to individuals within the cases or samples used. To this end all names were removed, Internet links were modified where possible and comments were edited to maintain the confidentially promised. Once completed, those involved may access the thesis before the findings are made public.

Finally, there is an obligation to use the data only for the purpose intended. The data collected was mainly to support an academic activity, however if there is a possibility that the data could be used for any other purpose, if any item that is not public information could be identified to a specific person or organisation, permission would be sought, in writing, before making aspects of the research public.

## 6.7 The limitation of the research process

The process of data collection was carried out very much as planned (i.e. a survey questionnaire followed by detailed interviews). However, very early in the research process the researcher made a few significant discoveries, which influenced the research process used in this study.

Firstly, access to individuals within local authorities proved very problematic. The research relied on individuals, groups, and organisations that act as intermediaries between researchers and participants (Clark, 2011). The person granting that access is popularly referred to as the gatekeeper. For most part of this study the gatekeeper

relationship was problematic. There were several layers to the gatekeepers in local authorities contacted. It started with initial contact (the switchboards), the calls then had to be directed to the corporate department and then referred to someone in the performance team. The researcher had to be vetted at each stage, and in many cases the researcher felt that messages that were not forwarded, nor were emails acknowledged. Many phone calls were never returned.

Secondly, the researcher had a misconception that given the significance of CPA as a means of driving improvement; there would be dedicated teams to support this process. Unfortunately this was not the case; the research process discovered that very often there was just one dedicated person who was responsible for collating, monitoring and reporting CPA data.

Thirdly, there were concerns expressed by the local authorities on the way the data would be used, and, very often, individuals were nominated to respond to the questionnaire. This again was another aspect of the gatekeeper relationship.

There was a general unwillingness to be a part of the study and the responses. It took a lot of persistence to secure the responses used in this study. In many ways broking an agreement before sending the questionnaire helped the response rate but the researcher would have liked to have received more responses. The response rate is an indicator that not all gatekeepers were willing to participate in the research. Consideration were given to sending the questionnaire out by post as a mail shot in order to improve the response rate, but again this would have needed to be sent to a designated person, which most organisations were not prepared to provide. This process was made more difficult as the researcher was not sponsored or associated with a specific local authority. This research

was purely an academic exercise. The responses were often not sufficiently significant to withstand the rigour of a quantitative study. (A profile of authorities that volunteered for the detailed interviews is included Appendix 12).

The field research was done towards the end of the CPA period as the local authorities prepared for CAA. Although this allowed for open and honest discussion, CPA was first becoming history and authorities were keen to get on with the new challenges that CAA presented.

The decision was subsequently made to focus the research on the qualitative data and rather, than across method triangulation, to use data triangulation (within method triangulation). The research used mixed data in explaining the phenomena. The researcher used multiple sources within the same method to crosschecked internal consistency, reliability of the data collected and their interpretation. Examples of the sources used to support the findings are: data from the survey questionnaire, interviews, newspaper articles, government publications and archival evidence from the Audit Commission.

## 6.8 The themes of the research

The main themes for the research were identified from a combination of the literature review, desk research and informal discussions with performance practitioners during a previous study on performance measurement in English local authorities. These have been mapped to the proposed framework for assessing CPA as a performance management system and will be later mapped to the online questionnaire.

| | Themes identified for this research (Cross referenced to earlier discussions) | |
|---|---|---|
| $T_1$ | Success under CPA can be explained by having an explicit strategy for driving improvement | 5.6.1 |
| $T_2$: | Success under CPA can be explained by having clearly defined priorities | 5.6.1 |
| $T_3$ | Success under CPA required strong leadership (This is a critical factor within the framework) | 5.2; 5.6.1; 5.6.6 |
| $T_4$ | Success under CPA can be explained by having a clearly defined target and appropriate measures that adequately express performance | 5.4; 5.6.2 |
| $T_5$ | Success under CPA can be explained by having a robust system in place to collect and monitor performance data | 5.6.2; 5.6.3 |
| $T_6$ | Success under CPA can be explained by having evaluating individual and organisational performance in relation to expressed priorities and objectives | 5.6.3 |
| $T_7$ | Success under CPA can be explained by having an objective system for rewarding good performance | 5.6.4 |
| $T_8$ | Success under CPA can be explained by having established controls both formal and informal to support strategic choices. (a critical factor) | 5.6.5 |
| $T_9$ | Success under CPA can be explained by having knowing what constitutes best practice | 5.6.6 |

Table 16: The themes to be used for studying the impact of CPA on local authorities
Source: The author (2013)
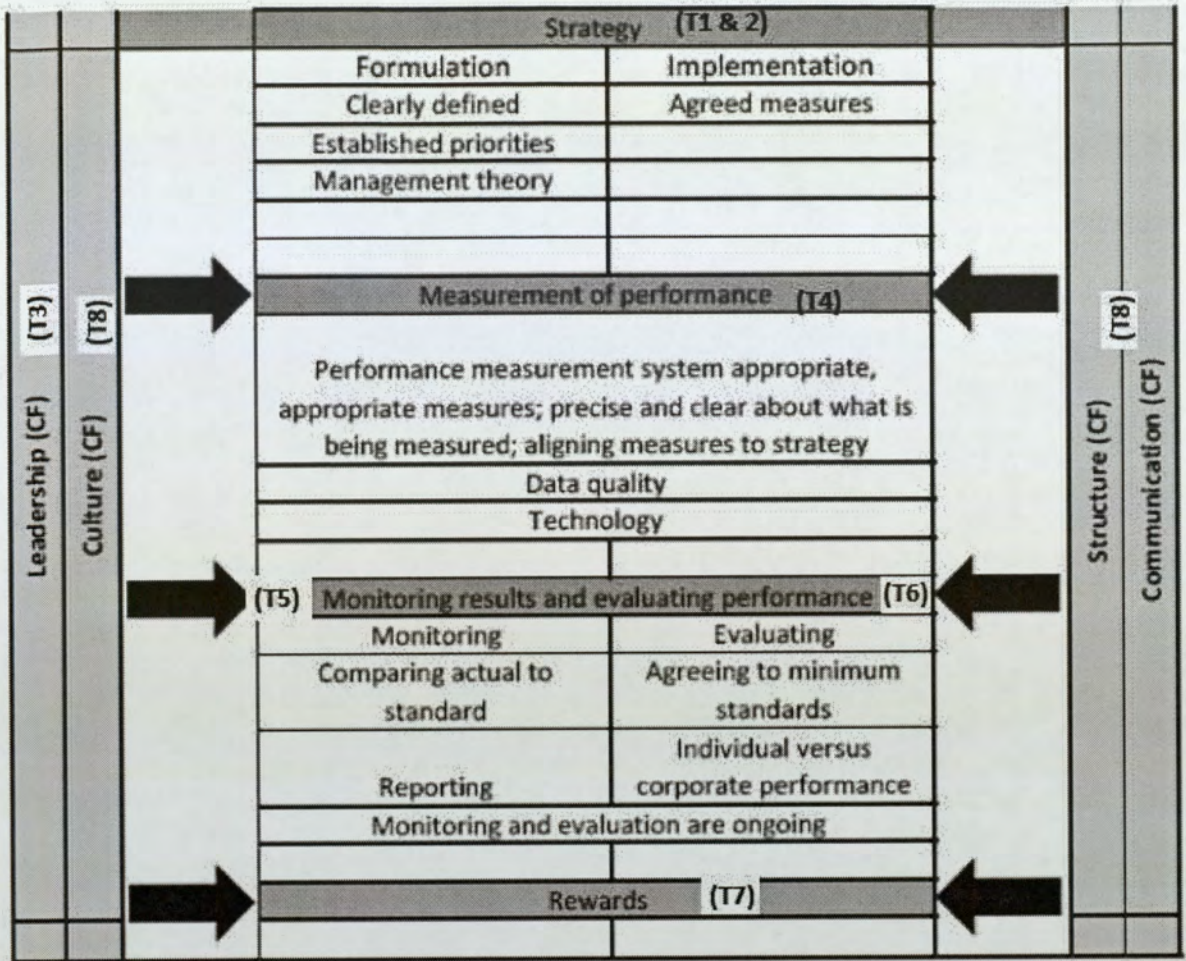
Figure 8: Showing the research themes mapped to the proposed framework

Each theme was examined against a theoretical perspective incorporated in the discussion below.

$T_1$: Success under CPA can be explained by having an explicit strategy for driving improvement

The strategy of the CPA initiative was summed up as "better outcomes for all people ...... one that will drive improvement for the disadvantaged" (ODPM 2005, 11). Strategy has been described in the literature as a pattern of decisions about an organisation's future (Langfield - Smith, 1997 citing Mintzberg, 1978), which takes on meaning when it is implemented through the organisation's structure and processes (Miles & Snow, 1978). Strategy is the outcome of a deliberate stream of decisions (Langfield-Smith, 1997). Other references used in the literature to refer to strategy are: vision, mission, linking

objectives to overall strategy and having clearly defined priorities. The vision sets out the "desired future state: the aspiration of the organization" (Otley, 2008 citing Johnson et al., 2005, p.13). Vision is part of the process of setting the direction for the organisation, while a mission statement aims to "identify the requirements to attract and maintain shareholders, employees, and customers and to do so in ways that are socially acceptable" (ibid. citing Chenhall, 2003, 136). The mission outlines the overriding purpose of the organisation in line with the values or expectations of stakeholders. The vision and mission are part of belief systems and they embody core values and core purposes. Strategies, visions and mission statements combined will guide the process of deciding what to change and what to preserve, and will define the strategies and activities to be adopted in the face of changing environments (Otley, 2008 citing Collins and Porras, 1996). When strategic concerns are impounded into performance then management, rather than the more limited concept of measurement, this becomes the focus of performance.

The main strategy emphasis of local government initiatives for improving performance were cost (under CCT) whilst quality of services was emphasised for CPA and best value.

Miles and Snow (1978), in explaining strategy, identified four strategies types each having different priorities, choices and approaches for managing improvement. These strategy types (seen as ideal types) were identified as Defender, Prospector and Analyser, all being generally more effective or successful, with a Reactor type which was less effective or failing (Miles and Snow, 1978). Each strategy has a different approach to achieving success and each is supported by appropriate distinctive competences. Prospectors are organisations that focus on innovation and explore new markets and services. They are often pioneers in their industry. Defenders are organisations that take a conservative view of new product development. They typically compete on price and quality rather

than on new products or markets, and stick to their core business with a focus on improving efficiency.   Analysers represent an intermediate category, sharing elements of both prospector and defender. Reactors are organisations in which top managers frequently perceive change and uncertainty in their organisational environments but typically lack an actual strategy. A reactor waits for cues or instructions from powerful stakeholders in its environment. A reactor's strategy would not be viable in the long run.   The Miles and Snow typology assumes that organisations are relatively autonomous when making decisions about the strategy can be applied to their own organisation.   These strategy types are also seen as part of a continuum, with the Defender and Prospector at the endpoints and Analysers at the midpoints.

Miles and Snow (1978) stated that when driving improvement, organisations can adopt one of the following strategies: cost (defender) or innovation (prospector), or a mixture of both cost and innovation (analyser).   The Reactors are a residual category of inefficiency (Hambrick, 1981; 1983 and Zajac and Shortell, 1989).   Analysers are described as exhibiting elements of both the Prospector and Defender types.   The typology is summarised in Figure 9, where prospector and defenders are two extremes of a continuum, both are successful organisation but are following different strategies.

| DEFENDER | ANALYZER | PROSPECTOR |
|----------|----------|------------|
| EFFECTIVE OR SUCCESSFUL ORGANISATION | | |

| REACTOR |
|---------|
| FAILING OR INEFFECTIVE ORGANISATION |
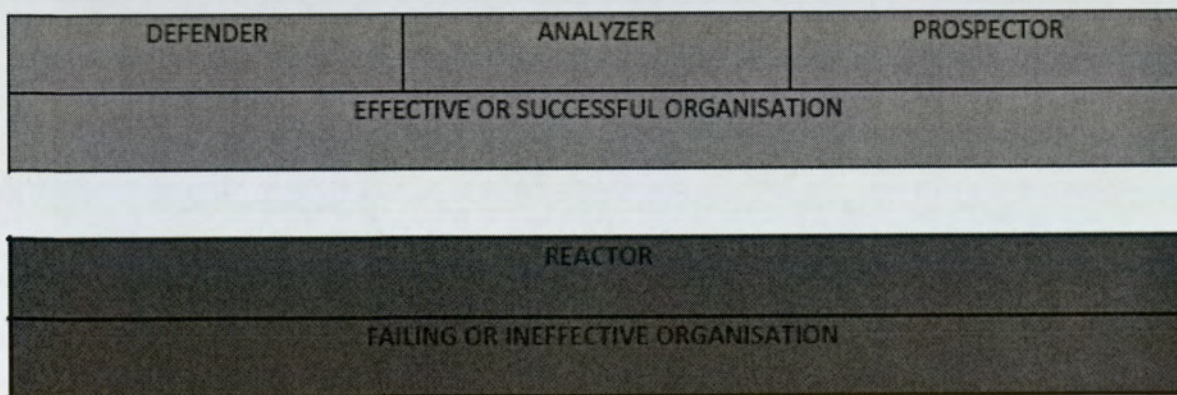
Figure 9: Miles and Snow's continuum of the different strategy types

By using Miles and Snow's model for explaining strategies adopted in driving improvement one would expect local authorities to be either emphasising cost and product (output), or be trying to find a balance between cost and quality of output.

The research will determine whether the individual approach by local authorities was consistent with Miles and Snow's typology of successful organisation.

$T_2$:    Success under CPA can be explained by having clearly defined priorities.

The remit to 'improve' and 'better outcomes for all' under CPA (ODPM, 2005) efforts were made to provide better outcome for all.    The Audit Commission looked for evidence that the local authority had clarity of purpose and ambition as this was deemed to be vital to successful performance (ODPM, 2005). Clarity of purpose and ambition was consistent with the literature on performance measurement and management.

What are the key factors that are believed to be central to the organisation's overall future success and how are they brought to the attention of managers and employees?    (Ferreira and Otley, 2009; pg 268)

Identifying and setting priorities was the responsibility of council members and local leaders. Their attempt to meet the needs of multiple and, sometimes, competing objectives was made more difficult in within the CPA and BV framework.    One also needed to balance national (that were set centrally) and local priorities.    Priorities will define strategies and will also influence the products offered.    How did local authorities determine and agree priorities? Contrary to conventional wisdom (Otley, 2008; Chenhall, 2003) would having in place a single overriding emphasis be adequate?

The remit of CPA clearly placed the emphasis on "what the people need"; suggesting that output should be the focus. The researcher needed to establish whether the evidence pointed towards cost, output or value for money.

T$_3$:    Success under CPA required strong leadership

The leader's role is to identify and choose the direction of the future state of the organisation. The leaders define the vision and strategy of an organisation and translate the vision into action    (Morden, 1997 citing Bennis and Nanus, 1985).    The New Labour government looked for strong and accountable political leadership and it was seen as being central to local democracy and the delivery of quality public services (DTRL, 2001).    Effective leadership is necessary in formulating and implementing strategies.

The process of strategy formulation requires clearly define goals, objectives and priorities (Cohen and Cyert, 1973).    Within the CPA framework, the council members were tasked with the responsibility of setting out the vision for the local community in partnership with other agencies (ODPM, 2005, 11).    Strategy formulation should be done in consultation with the local community.    This vision, strategy and local direction needs to be translated into clearly defined measures.

In addition to the above, it is important that consideration be given to the following:
Having clearly defined measures it is necessary to obtain the support of from executives at various levels of the organisation, and to have an organisational structure that will match the requirements for decision making, coordination, and control, emanating from the plan (Cohen and Cyert, 1973).    Unclear strategy, conflicting priorities and inadequate down-the-line leadership skills are only some of the reasons why strategies fail (Crittenden and

Crittenden, 2008). The researcher whilst investigating the role of leaders in driving success under CPA acknowledges that the role of leaders and leadership are not always that obvious and will be relying on a mixed source of evidence in forming an opinion.

T$_4$: Success under CPA can be explained by having clearly defined targets and appropriate measures that adequately express performance.

The main purpose of a performance measures is to focus the attention of decision makers on results (Kloot and Martin, 2000), enabling them to determine what actions are required (Rose and Lawton, 1999) and what is an acceptable standard of performance. Measures should be derived from strategy, related to specific targets, aid continual improvement, be simple to understand and be precise, be exact about what is being measured, and provide timely and accurate feedback (Cavalluzzo and Ittner, 2004). Collectively, measures will enable managers to quantify the efficiency and effectiveness of decisions and actions (Neely et al., 1996). Measures should reflect desired outcomes (Cavalluzzo and Ittner, 2004), and provide a link between strategy and output, and as such, they are an integral part of the process of managing performance (Lebas, 1995).

Most of the measures within the CPA model were centrally imposed. These were reflected in the BV indicators used for evaluating the quality of service delivery and these were also a statutory requirement under the BV framework. Additional measures were used to reflect local priorities. This research will examine the role measures have played in a driving improvement. How have these measures impacted on the process of CPA?

The result of NPM was that public sector organisations adopted a strategy that best suited their aims and objectives, and one that was influenced by reaching a politically

- 180 -

negotiated consensus (Brignall and Modell, 2000 citing Hofstede, 1981; Bourn and Ezzamel, 1986).

The system for measuring performance should include both financial and non-financial measures (Fitzgerald and Moon, 1996; Medori and Steeple, 2000). The success of the chosen strategies will depend on the relevance and achievability of the targets set. The public sector, consisting of service organisations, provided unique challenges for performance measurement and management.

Firstly, the nature of the output of service organisations is intangible and cannot be reasonably stored (Mills and Margulies, 1980).

Secondly, employees and consumers must interact in order for delivery to be complete (Mills and Margulies, 1980). The direct face-to-face interaction between the client/customer provides an added complication in finding the balance between supply and demand and at the same time controlling the quality of output (ibid. Fitzgerald and Moon, 1996).

Products of the public services are mainly heterogeneous; the services provided vary depending on the way the product or service is organised (Mills and Margulies, 1980; Fitzgerald et al., 1991). Other services may be standardised with few choices How does one ensure consistent quality of the service from the same employee day to day, and yet be able to compare employees delivering some or similar services (Fitzgerald and Moon, 1996). Are the measures used adequate? And would they allow comparison of heterogeneous services?

Also though most of the measures were imposed, how were additional targets set and did the targets reflect agreed priorities? This research will consider also the issues around the well-known adages of, "What gets measured gets done" and "you get what you measure".

$T_5$:     Success under CPA can be explained by having a robust system in place to collect and monitor performance data.

An essential component of CPA was having high quality accessible performance data (ODPM, 2005). As part of the inspection and reviewing of performance the inspectors looked for evidence of a transparent system of gathering and accessing information; timely data comparable data, and for authorities to demonstrate improvement through an appropriate balance between qualitative and quantitative performance data. Nanni et al., (1990) argued that though measures have been emphasised within a performance measurement system, a performance measurement system is also used as a means of maintaining organisational control (Ballantine & Brignall 1994). The researcher will consider whether the authorities had effective systems in place for collecting and recording performance data.

The performance measures and the measurement system is also a means of ensuring that an effective system is in place to monitor the contractual obligations across the organisation (Atkinson et al., 1997). The measure of the effectiveness of the performance measures and the measurement system will require specific skills and personnel to process, analyse and interpret the data. This research will seek practitioners' opinions on the effectiveness of the measures used in making a judgement of performance under CPA.

T<sub>6</sub>: Success under CPA can be explained by evaluating individual and organisational performance in relation to expressed priorities and objectives.

A good monitoring process adopts a philosophy which regards measurement as an ongoing and evolving process (Ghobadian and Ashworth, 1994). Evaluation is as important as success or good results, and potentially determines status and progression in an organisation (Ferreira and Otley, 2009). The evaluation process should precede the reassessment of organisational objectives, plans, and strategies when results do not meet expectations (Gibbs et al., 2004).

At an individual level, it is important to distinguish between routine performance evaluation, which is a personnel function, and evaluation of performance in the context of performance management. The purpose of the measures at the individual level, within the context of performance management, is to assess an individuals' contributions to the firm's value (or other organisational goals). In the context of performance management, evaluating performance involves comparing individual performance to translated corporative objectives. It is used to promote employees' commitment (ownership) by establishing precise and valid expectations based on the experiences of others (Chenhall and Langfield-Smith, 1998). Each authority has specific processes for evaluating individual, group, and organisational performance, and the purpose of evaluation varies from one organisation to the next depending on how the measures are used.

Has CPA provided an opportunity for priorities and targets to be linked to performance? It may not be possible to translate the outcome of service in a tangible way, making it even more difficult to assign success or failure to an individual. Was performance under

CPA hindered by the fact that success under CPA was not directly linked to individuals' performance?

T$_7$:    Success under CPA can be explained by having an objective system for rewarding good performance.

Was there a formal process for rewarding performance under CPA?

Financial rewards are the most popular and most desirable. There are other non- monetary incentives (Crittenden and Crittenden, 2008) including job security, long-term progression and promotional opportunities. Non-monetary incentives might be more relevant to the public sector and would be enough to encourage employees to strive for good performance.

The inherent biases in a performance evaluation system can have a negative impact on the performance evaluation and therefore rewards. Biases imply that superiors have an opportunity to let their preferences determine the allocation of rewards. Furthermore, if the performance ratings are biased and employees are aware of this bias, they might become less motivated and therefore provide less effort in the future. This bias in the performance rating system can create difficulties when selecting the right subordinate for the right job, if all employees can be seen to be above average performers. Despite the limitation of the reward model, agency theory suggests that by linking pay to performance, employees are motivated to exert more effort in order to increase pay through improved performance (Moers, 2005 citing Holmstrom, 1979).

In the previous section, it may be noted that the link between individual appraisal and how they are accommodated in the CPA model is still unclear. This presented the researcher with several questions:

What were the perceived rewards under CPA? And, what motivated and sustained high performance in English local authorities?

T[8]:    Success under CPA can be explained by having established controls, both formal and informal, to support strategic choices.

Controls are embedded into the structure of the organisation. The questions asked on this theme were intended mainly to assess whether the rules and procedures of the organisation are expected to be followed rigidly or whether managers are given some degree of autonomy in exercising judgement when striving for the agreed targets.

Building success on common values, structures and norms does require the continuing input of energy and resources to prevent decay and decline (Scott, 2004). Modell (2001) draws attention to Oliver's (1991) continuum of managerial responses to institutional pressures. These ranged from acquiescence - complete obedience of rules and conforming to norms at one extreme to dominant groups, or individuals emerging with dominating norms and values at the other extreme. There are however possibilities for dissent or outright resistance to the changes. In situations where managers are attempting to balance the needs of the various stakeholders they may choose to deviate from the government's expectations, which may result in de-coupling of accepted norms and values (Brignall and Modell, 2000) and the creation of performance indicators that are better suited to local needs (Modell, 2001). These different responses of managers to institutional shaping will have a direct impact on the success of any performance management and performance measurement system.

The influences of culture on the control system cannot be ignored (Emmanuel et al., 1998). Unfortunately culture is very difficult to define and for the purpose of this research will be

seen as one of the forces  exerted by external and internal pressures on the organisation, to conform to a set of expectations in order to gain legitimacy.

So far, structure, culture, leadership and the need to conform have been identified as specific areas that can have an impact on the success of an organisation.   It has also been noted that these factors may not be immediately visible when measuring performance.   This research will look for the impact of these and other factors on Comprehensive Performance Assessment (CPA).

$T_9$:    Success under CPA can be explained by knowing what constitutes best practice.

Best practice conceptualises what an organisation would like to be; it translates the vision of strategy makers and encourages managers to ask the question "Is what I am what I want to be?"    If the answer to this question is no, then efforts should be made to improve. Having role models helps, role models provide a focus and an example to aspire to.   The evidence gathered under themes 1-9 should allow the researcher to conclude on whether CPA was just a performance measurement system or whether it can be classed as a performance management system.

Appendix 14 maps the themes above to the survey questionnaire.   The evidence provided by the questionnaire is not just about whether or not CPA was a performance framework but was intended to gather data on the issues of CPA in general.   Combining the evidence from the questionnaire, the interviews and archival reports and documents, the study provided a better understanding of the process of CPA and contributed to establishing common characteristics of a successful authority.

# 7. Findings: Comprehensive Performance Assessment: A reflection on the experiences of English local authorities

## 7.1 Has CPA improved the performance of English local authorities?

To answer this question, the researcher started with an analysis of the statistical evidence published by the Audit Commission on the performance of single-tier and two tier authorities in England. Archival data was evaluated to highlight patterns and trends.

The final CPA reports were published in March 2009. These reports were the last of many hailing the success of CPA and it included a reflection of the CPA years from the Audit Commission's perspective.

"Since its introduction in 2002, council services have improved significantly and CPA has been acknowledged as one of the catalysts for this" (AC, 2009a, 7)[21].

Success was defined in terms of having well above minimum standards across the services of a specific local authority. This resulted labels of excellence or 4 star ratings. A score of 3 (classed also as good) for being consistently above minimum standards.

"CPA played an important role in increasing accountability and promoting capacity for improvement within the local government sector. Over the seven years of its existence:

o   excellence increased, with 42 per cent of councils judged to be in the highest category of performance by 2008; an increase from 15 per cent in the first year; and

---

[21] CPA Harder test 2008

o    weak performances became rare, with no council receiving a 0 star rating in

2008 and only four at the next level, compared with 34 councils rated as weak

or poor in 2002" (Audit Commission, 2009b,5)[22].


The statistical evidence provided by the Audit Commission in Table 17 below supports these

claims.

Table 17: CPA score of single tier and county councils

| Number | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|
| Excellent/4 star | 22 | 29 | 44 | 38 | 47 | 55 | 62 |
| Good/3 star | 54 | 54 | 58 | 66 | 72 | 69 | 57 |
| Fair/2 star | 40 | 40 | 33 | 36 | 25 | 23 | 26 |
| Weak/1 star | 21 | 19 | 14 | 9 | 5 | 2 | 4 |
| Poor/0 star | 13 | 8 | 1 | 1 | 0 | 0 | 0 |
|  | 150 | 150 | 150 | 150 | 149 | 149 | 149 |

CPA score of single tier and county councils (number in each category).
(Source: AC, 2009c, 24)

The table above shows that sixty two (62 of 149 = 42%) authorities scored 4 stars

(excellent) in 2008 - these are listed in Appendix 11a.    A further 57 authorities of 149

(38%) scored obtained a score of good.    In total the number of authorities judged as

providing at or above minimum standard in 2008 are 119, a total of 80%.


Comparing the information above to the position in 2002, there was only 22 of 150 (15%)

scoring excellent in 2002 and a further 54 of 150 (36%) scoring good.    The total of 76 of

150 (approximately 50%) judged as providing at or above minimum standards in 2002. Using

that data above, and purely on the statistical information provided by the Audit commission

summarised above, one can conclude that CPA has promoted improvement in local

government.

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[22] Final score: the impact of CPA 2002-2008.

The analysis of the CPA scores for single tier and county councils (2002 - 2008)

The researcher looked further at the published scores provided by the Audit Commission over the same period. The aim of the detailed analysis of the scores was to establish patterns, trends in the data that will support this claim above. The researcher will use data triangulation in coming to the final judgement on whether CPA has improved performance in English local authorities. Most of the data used is presented in Appendix 11 and the following abbreviations would be helpful as the reader goes through the tables given in the appendix.

Table 18: Key to the abbreviations used in this section

| Region | | Type of authority | |
|---|---|---|---|
| London | Lon | London borough council | LBCs |
| South East | SE | Unitary authorities | UAs |
| East Midlands | EM | County council | CCs |
| North East | NE | Metropolitan District Councils | MDCs |
| Yorkshire and the Humber | Y&H | | |
| North West | NW | | |
| West Midlands | WM | | |
| East of England | E of E | | |

Key to the abbreviations used in the tables in this section

If the reader is unfamiliar with English local government, it might be useful at this stage to review Appendix 8 - structure of local government before looking at this analysis.

The Audit Commission singled out thirteen (13) of the sixty two (62) authorities for their exceptional performance as they scored 4 or classed over the CPA years (2002 - 2008). These were:

*"Bexley, Blackburn with Darwen, Camden, Corporation of London, Derbyshire, Hampshire, Hartlepool, Kensington and Chelsea, Kent, Sunderland, Wandsworth, Westminster and Wigan"* (AC, 2009c, 25).

These thirteen authorities achieved and consistently maintained the highest rating in every year of CPA (either excellent or 4 star). See Appendix 11b - a query of the database of scores again confirms this claim

Further analysis of the CPA scores for the period 2005 - 2008 showed a significant number of authorities had sustained excellent performance. There were twenty seven (27) authorities in total that had sustained a score of 4 stars (excellent) for the period 2005 - 2008; the thirteen mentioned above were included in this list (Appendix 11c). The findings to date are consistent with that of the Audit Commission and support the claim that local authorities have improved under CPA.

The CPA scores of the authorities in Appendix 11c was extended to 2002 and having already established that thirteen (13) sustained a score of excellent throughout over the CPA they were discounted. The researcher was looking for a pattern in the previous years that may show significant progression during the period being reviewed.

On further examination of the data, the results showed that all of the remaining authorities were classes as good in 2002. This evidence is presented in Table 19 below. Based on the evidence one can argue that these authorities were already committed to improving. They were successfully meeting the demands of the CPA inspection and the process of CPA provided them with a vehicle to drive further improvement.

Table 19: Authorities that progressed from good (2002) to excellent (2008)

| # | | | | | 2002 | 2003 | 2004 | Overall service score 2004 | Star category 2005 | Star category 2006 | Star category 2007 | Star category 2008 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Bolton | NW | MDCs | Improving Well | Good | Excellent | excellent | 4 | 4 | 4 | 4 | 4 |
| 2 | Darlington | NE | LBC | Improving Well | Good | Good | Good | 3 | 4 | 4 | 4 | 4 |
| 3 | Derby | EM | LBC | Improving Well | Good | Good | excellent | 4 | 4 | 4 | 4 | 4 |
| 4 | Halton | NW | LBC | Improving Well | Good | Good | Good | 4 | 4 | 4 | 4 | 4 |
| 5 | Leicestershire | EM | CCs | Improving Well | Good | Good | excellent | 4 | 4 | 4 | 4 | 4 |
| 6 | Middlesbrough | NE | LBC | Improving Well | Good | Good | Good | 4 | 4 | 4 | 4 | 4 |
| 7 | Sheffield | Y&H | MDCs | Improving Well | Good | Good | excellent | 3 | 4 | 4 | 4 | 4 |
| 8 | Shropshire | WM | CCs | Improving Strongly | Good | Good | excellent | 4 | 4 | 4 | 4 | 4 |
| 9 | St Helens | NW | MDCs | Improving Well | Good | Good | excellent | 4 | 4 | 4 | 4 | 4 |
| 10 | Stockport + | NW | MDCs | Improving Well | Good | Good | Good | 3 | 4 | 4 | 4 | 4 |
| 11 | Stockton-on-Tees | NE | LBC | Improving Well | Good | Excellent | excellent | 4 | 4 | 4 | 4 | 4 |
| 12 | Sutton | Lon | LBCs | Improving Well | Good | Good | Good | 3 | 4 | 4 | 4 | 4 |
| 13 | Tameside | NW | MDCs | Improving Well | Good | Excellent | excellent | 3 | 4 | 4 | 4 | 4 |
| 14 | Worcestershire | WM | CCs | Improving Well | Good | Good | excellent | 4 | 4 | 4 | 4 | 4 |

The list of authorities that progressed from good in 2002 to excellent in 2008

As the researcher looked further for evidence of improvement the researcher found that an additional eighteen (18) authorities maintained a score of 3 stars (good) for the same period 2005 - 2008:

Barnsley, Bath & N E Somerset, Brent, Croydon, Greenwich, Kingston-upon-Thames, Luton, Manchester, Medway, Newham, Peterborough, Portsmouth Reading Salford Solihull, Southwark, Walsall and Warwickshire (See Appendix 11d).

And a further (10) ten authorities maintained a score of 2 throughout the same period: Harrow, Hillingdon, Isle of Wight, Northamptonshire, Nottingham, Oldham, Plymouth, Swindon, Thurrock and Torbay (See Appendix 11e)

The evidence showed that a total of 55 authorities (37%) showed no change in position during the period 2005 - 2008.

In trying to establish patterns or trends, the researcher extended the period under consideration to the initial years of CPA -2002. Improvement would be evident by the number of authorities progressing from fair, weak or poor in 2002 to excellent or 4 stars in 2008. The results showed that the ten (10) authorities below were all judged either poor, weak or fair in 2002 (see Table 20 below).

Table 20: Analysis of the authorities classed as fair in 2005

|  | Authority | CPA score 2002 | CPA score 2003 | CPA score 2004 | Star category 2005 | Star category 2006 | Star category 2007 | Star category 2008 |
|---|---|---|---|---|---|---|---|---|
| 1 | Harrow | weak | Fair | Fair | 2 | 2 | 2 | 2 |
| 2 | Hillingdon | Fair | Weak | Weak | 2 | 2 | 2 | 2 |
| 3 | Isle of Wight | Fair | Fair | Fair | 2 | 2 | 2 | 2 |
| 4 | Northamptonshire | weak | Weak | Fair | 2 | 2 | 2 | 2 |
| 5 | Nottingham | weak | Fair | Fair | 2 | 2 | 2 | 2 |
| 6 | Oldham | weak | Weak | Weak | 2 | 2 | 2 | 2 |
| 7 | Plymouth | weak | Poor | Weak | 2 | 2 | 2 | 2 |
| 8 | Swindon | poor | Poor | Weak | 2 | 2 | 2 | 2 |
| 9 | Thurrock | Fair | Weak | Fair | 2 | 2 | 2 | 2 |
| 10 | Torbay | Poor | Weak | Fair | 2 | 2 | 2 | 2 |

An extended analysis of the authorities classed as fair in 2005 that remained unchanged throughout the periods 2005-2008.

The detailed examination of the statistical evidence above shows no changes in the assessment scores and would suggest no improvement over the CPA years. The result could also suggest that they were in a stable (static) position and rather could be classed as nil improvement, nil failings. In fact, the evidence showed that only 13 authorities actually progresses from weak or fair in 2002 to excellent in 2008 (Appendix 11(f)). This figure represent only 13/148 = 9% of the population.

*Findings: Has CPA improved performance of English local authorities?*

Relying only on statistical evidence collected by the Audit Commission, a detailed analysis of the statistical data refutes the claim that CPA had significantly driven improvement in English local authorities. The statistics indicated that there were an increasing number of authorities that achieving 4 stars (excellent) over the CPA years. 62 authorities were classed

as excellent in 2008; of those 13 were already excellent at the start of the CPA framework (.in 2002). These thirteen authorities can justifiable argue that CPA has not made a significant impact on their performance. An additional 42 authorities can also say that CPA had not significantly improved their performance, as their performance was static over an extended period. The evidence does however confirm that a significant number of authorities achieved a higher score in the last few years of CPA and would suggest a push either internally or externally to demonstrate efforts were being made to improve.

The researcher questioned whether the authorities would have attained the same level of success (excellence) during the CPA years without government intervention.

The exception report shows that authorities that have regressed under CPA. By 2008 at least 8 authorities (shown in Table 21) that were previously graded as 4 in 2005 were downgraded by at least one star and, in the case of Surrey County Council, 3 stars.

Table 21: Authorities that regressed during the CPA years

|  |  |  | Star category 2005 | Star category 2006 | Star category 2007 | Star category 2008 |
|---|---|---|---|---|---|---|
| Essex | EE | CCs | 4 | 4 | 3 | 3 |
| Hertfordshire | EE | CCs | 4 | 4 | 3 | 3 |
| Lancashire | NW | CCs | 4 | 4 | 4 | 3 |
| Leeds | Y&H | MDCs | 4 | 3 | 4 | 3 |
| Leicester | EM | UA | 4 | 3 | 3 | 2 |
| Redcar & Cleveland | NE | UA | 4 | 4 | 4 | 2 |
| Surrey | SE | CCs | 4 | 3 | 3 | 1 |
| Telford & Wrekin | WM | UA | 4 | 4 | 4 | 3 |

Similarly a further two were downgraded to 2 stars in 2008.

| Haringey + | London | LBCs | 3 | 3 | 3 | 1 |
|---|---|---|---|---|---|---|
| Milton Keynes | SE | UA | 3 | 3 | 3 | 1 |

For the above cases having previously been successful over an extended period, were they just a victim of their success?

The findings above would be tested further by the triangulating data gathered from the survey questionnaire and from the detailed interviews. It is hoped that the further evidence will refute statistical evidence above and show that the CPA drove improvement in English local authorities.

*Findings: The practitioners' perspective*

When practitioners were asked to what extent has CPA improved performance in their local authorities their initial response to the online questionnaire was:

To what extent do you believe that your local authority's efforts to implement Comprehensive Performance Assessment (CPA) have improved current programmes/operations/projects?
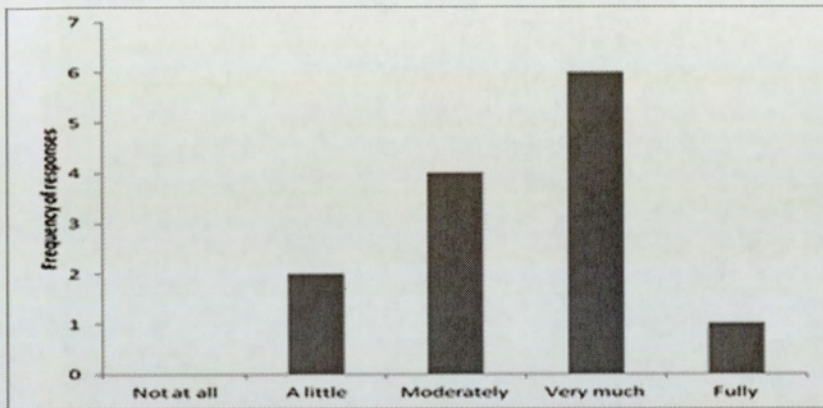


Figure 10 : Initial opinion (Q27; n=13)

A mean score of 3.46 and a mode of "very much" would imply that, in the opinion of practitioners, CPA has significantly influenced improvement in English local authorities.

The additional questions were asked as the researcher sought clarification on how CPA has influenced performance . This detailed questioning was only done with a small sample of local authorities.  See profile of sample below and in Appendix 12 :

| CPA scores | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|
| Authority A | Excellent | Excellent | Excellent | 4 stars | 4 stars | 4 stars | 4 stars |
| Authority B | good | good | good | 3 stars | 3 stars | 3 stars | 3 stars |
| Authority C | Poor | Poor | Fair | 3 stars | 3 stars | 3 stars | 4 stars |
| Authority D | | fair | | | | | |
| Authority E | good | good | good | 3 stars | 4 | 4 | 4 star |
| Authority F | good | Good | good | 4 stars | 4 | 3 | 3 star |
| Authority G | | Good | | | | | |
| Authority H | weak | Good | good | 3 stars | 3 | 3 | 4 star |
| Authority I | fair | Fair | fair | 2 stars | 2 | 3 | 3 star |
| Authority J | weak | Weak | Fair | 1 star | 3 | 3 | 3 star |
| Authority K | Excellent | excellent | excellent | 4 stars | 4 | 4 | 4 star |

Figure 11: Profile of authorities used in the research

*The researcher:*    *How much has CPA changed the culture in your organisation?*

Authority A was the first questioned from the sample.    It was one of 13 authorities that started in 2002 as being excellent and sustained the same score throughout the CPA years was included in my sample of those participating in the detailed interview.

Their Director of Improvement and Engagement (from here on will be referred to a performance manager for consistency with the other authorities) stated

"I don't think it's changed us very much. I think we were kind of CPA ready as a culture".

When asked the follow up question on the very topic

The researcher: *CPA has had very little influence in the way this authority was managed. We have always been excellent. CPA just provided a framework for us to demonstrate how good we were. Do you agree with this statement?*

Performance manager (Authority A) response was:

*"I agree with the sentiments. I wouldn't put it quite as bluntly and as starkly as that, but emotionally that is the right set of sentiments in that it was how we approached it. It's one of the reasons why... when the CPA was first devised we were one of the path-finding authorities and helped to shape the first methodology before the harder test".*

Despite affirming that improvement within this authority was driven by an internal culture of excellence, there was some acknowledgement that Authority A has benefited from the CPA process. The performance manager (Authority A) further stated:

"It certainly....has helped feed our self-confidence. Because it's all very well thinking that you're really good, but having others relay back to you that they think you're really good is much more powerful because every manager focuses on managing the things that need fixing, and hardly ever thinks about the things that work well... Scale that up across the whole of the organisation and even a very good authority can think it's worse than it is, because the most senior people, the people that manage in the leadership positions are focused on fixing the things that are broken. So I think it's helped with that.

I think it has helped influence some of the decisions we've made about priorities".

Authority A was the first authority interviewed for this research and for consistence every authority was read the same statement above.

Authority B was one of the eighteen (18) authorities that remained 3 stars / (good) throughout the CPA years and it would statistically seem that CPA had not influenced their performance in any way.

Programme manager (Organisational improvement and service) was interviewed. His response to the statement on whether CPA has influenced their performance was:

"I think it's focused our attention on process and the processes that we need to demonstrate to outside bodies such as the Audit Commission, in order to prove that we are a success".

"I think it's about having the evidence to prove that we are a successful local authority and also understanding what we need to do to demonstrate that. I think... again it is back to this issue about CPA being a driver for the council or not".

"CPA hasn't been the overall driver. The overall driver has been meeting our priorities and improving outcomes for local people. But what it has ... forced us to do, is to take a step back and look at our processes because we were never going to be a 4star authority if ...we didn't for instance have strong financial management processes, in terms of outcomes".

The criteria for success under CPA was well publicised and authorities were aware of what was needed if they are to become excellent.

"We needed to be able to demonstrate that we have strong robust processes in place supporting the delivery of our services, and I don't think we've always been able to demonstrate that in the past. That's not to say that our systems weren't adequate and that we were a bad council and we weren't delivering things, ....that has actually been a weakness in the past, so CPA has focused our attention on improving those processes" (Authority B).

Authority C was judged as the most improved authority during the CPA years.

| Summary of Authority's C CPA scores | | | | | | |
|------|------|------|------|------|------|------|
| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
| Poor | Poor | Fair | 3 stars | 3 stars | 3 stars | 4 stars |

Authority C moved from poor to excellent in that period and having started as poor would have been under scrutiny for a significant part of this period.

Performance and Improvement Manager - Authority C - response to the very statement on whether CPA has not influenced performance was

"I don't agree with the last part".

He felt Authority C had benefited from CPA as it provided a framework to demonstrate their success. He continued by saying that the authority was

"certainly one of the poor authorities when CPA was introduced, so we were one of the bottom thirteen. That certainly focused the minds in terms of driving improvement. We had no choice about it, but we would have wanted to have done it anyway".

"CPA gave a focus to that, but I don't think, and it definitely drove things from the beginning, it certainly wasn't the only influence. Your comment at the end about CPA providing a framework and a showcase for demonstrating excellence, I'm not sure that it did. I think CPA provides a framework for people that play the game to score very well".

"I think we would have said actually, we weren't as bad as that. We've definitely had some services that were poorly performing, adult social care, I think, they've been in special measures for a while, for too long, so we've had some poor performing areas, but we had some very good performing areas as well and I think that the issue for (us) was actually becoming one organisation and bringing all of those services together rather than seeing them as problem services on the side that the rest of the organisation could ignore".

The Head of Policy and Performance - Authority D firmly disagrees with the view that CPA has had little or no impact on the performance of his authority. For Authority D

'CPA absolutely formed part of much better performance at Authority D. Yes, I think if you'd looked at us in 1999-2000, really we would probably have been weak, rather off the end of the scale, whereas now we believe we're a good to excellent authority"

This authority is a district council and the scoring is not the same as the single and two tier authorities. There were 5 potential 'scores' - Poor, Weak, Fair, Good and Excellent and Authority D maintained a score of 'Fair' throughout the CPA years. Fair meant that

performance of the services was adequate overall with some weaknesses that need to be addressed.

"The process of self-assessment and inspection over 2003/4 in particular, but also the use of resources work subsequently, has given us much more insight than we ever had about the quality of our services. Prior to that there was quite a lot ...of complacency". (Performance manager, Authority D).

For Authority D, the role of strategic planning, the role of performance management, the role of culture and leadership was crystallised under CPA. He noted that 'None of these were expressed concepts in ... before".

"We realised the importance of resident satisfaction and subsequently we've realised the importance of communications. Informing residents, telling them what we're doing, setting service standards, inviting their feedback, inviting their engagement". The result there was greater accountability to the centre and to residents and there was less emphasis on accountability to individuals, professional or service rules. (Performance manager, Authority D).

Authority F - is one of the few authorities that regressed under CPA mainly for failing in adult social care. Using the scoring system given in Chapter 2, failure to score 3 and above in a core service would prevent an authority achieving a score of excellent. In response to the question of whether or not CPA has influenced performance in this authority, the performance manager noted:

"I talked about the corporate improvement plan. That is one of the benefits. I suppose I can link it to CPA... it was much looser in terms of our ambition, our prioritisation.

... Before, there was a tendency ... I guess to start a lot of big initiatives and never see them through, and also we had a corporate plan that had hundreds of aims of objectives and tasks that you could never have completed. So actually we got better at prioritising as a result of CPA. (Performance manager - Authority F)

Performance manager of Authority G noted that CPA had made improvements to some processes within the authority, but very little improvement of outcomes "and yes, it's just given us a framework for someone else to measure us by". He went on to point out an important fact in the process and that was "if you're a resident you're not measuring me under CPA".

Performance manager - Authority J - felt that "there was increased focus on certain performance indicators to be quite blunt ... which played a significant part in the score improving, they've done much more since than they had before". He felt that the real benefit of the period was that the focus on the indicators was tangible. Performance was measured in a much more meaningful way and noted that public expectations have gone up as a result. CPA also provided a focus to the members of the public who would look at the published statistics of their area..."and they will either blame the council. Or they'll congratulate the council".

*Conclusion: CPA has improved performance in English local authorities*

The statistical evidence from the Audit Commission supports the claim local authorities England improved under CPA. This duty to improve was imposed by statute and local authorities were and still are required to seek continuous improvement. The Audit

Commission's claim can be disputed statistically but the evidence from practitioners also confirms that CPA has had a significant impact on performance in local authorities.

I wouldn't exaggerate CPA, but for authorities to pretend that it hasn't had an impact on their improved performance would be wrong. (The manager of the Strategy Performance team - Authority I)

A few consistent themes emerged in the discussions.

CPA created focus as it provided a common framework to all authorities, to improve.

For some it was an opportunity to showcase the good that they were doing.

The framework was prescriptive and was heavily reliant on indicators but performance was measured in a more meaningful way.

CPA emphasised a process and was sometimes perceived as being a tick box exercise but "I guess, because it involves lots and lots of formulas and checks and so on, there's a danger that it becomes a tick-box exercise and the effort goes into getting the ticks in the boxes to get the scores, rather than making the improvement because you want to or it's a priority for you, and ...when you've got limited resources, that you end up being sucked into the process rather than towards what's important locally, and because it was done to a very, very fixed formula, there was very little opportunity to be able to prioritise locally without necessarily taking quite a big hit if it didn't fit with the CPA formula". (Performance manager, Authority C)

The emphasis on the process and the use of indicators "played a significant part in the score improving" (Performance Manager, Authority J). There were also clear procedures in place to address failure (an issue that will be explored later under the heading of Rewards).

The credit for the improvements achieved during the CPA years was not just about the CPA process. Practitioners noted a culture of excellence, a commitment to improve and, the performance manager of Authority J specifically felt that improvement under CPA should be credited to Best Value.

The Best Value Framework provided tangible indicators and measures were meaningful.

The researcher will look next at the essential characteristics of a successful authority under CPA.

7.2 What were the essential characteristics of a successful authority under CPA?

The authorities were examined against nine (9) themes previously identified in Chapters 5 and 6. Mixed data triangulation from the survey questionnaire, interviews with lead assessors from the Audit Commission and local authority practitioners and those identified in the literature were used to prepare a list of the features associated with successful authorities.

The researcher attempted to establish whether each theme was supported (or not) by the evidence provided. This discourse will from time to time make reference to earlier chapters.

$T_1$:   Success under CPA is positively associated with an explicit strategy

It was established earlier that strategy is a pattern of decisions about an organisation's future (Langfield - Smith, 1997; Mintzberg, 1978); it takes on meaning when it is implemented through the organisation's structure and processes (Miles & Snow, 1978) and that strategy is often used simultaneously with vision and mission.

The strategy of the CPA initiative was summed up as "better outcomes for all people ... one that will drive improvement for the disadvantaged" (ODPM 2005, 11). CPA was a broad remit, and in attempting to meet the needs of the multiple and, sometimes, competing objectives, a single overriding outcome would not have been adequate (Otley, 2008; Chenhall, 2003). The reader is also reminded that under CCT (discussed in Chapter 4), services were only retained in-house if the in-house provision was the most cost-effective option. This was in contrast to outsourcing which was encouraged under CCT. The strategy of CCT allowed the lowest cost qualifying provider (be it a public or private sector provider) to be given permission to operate the service (Higgins et al, 2005). The remit under CCT was specific and clearly defined but the final say when deciding what was best for the

local authority was with council members and local leaders. Similarly under CPA, the strategy decision rests with council members and local leaders. The leaders needed to formulate their own corporate plans; finding a balance between national (that were set centrally) and local priorities but the emphasis was very different from CCT as the objective was not least cost. The remit of better outcome for all people placed greater emphasis on quality of the service.

The researcher will now examine how the CPA remit was interpreted by various authorities when setting strategies to drive improvement. The aim of these questions is to establish whether there is still a preference to focus on cost.

Table 22: Perception of established priorities within the authorities

| Which of the following statement(s) best describe(s) your authority? | Strongly agree | Agree | Unsure | Disagree | Strongly disagree |
|---|---|---|---|---|---|
| Most of the authority's services have been outsourced. | 7% | 21% | 0% | 64% | 7% |
| Our policy is only to outsource non-core services. | 7% | 0% | 0% | 93% | 0% |
| Outsourcing has been the main source of our efficiency savings. | 36% | 0% | 7% | 57% | 0% |

(Source: Extract from the online questionnaire Q6; n=14).

Table 22 above suggests that, unlike the CCT era, during the CPA years authorities placed less emphasis on outsourcing. The data above should not be interpreted as meaning that authorities were ruling out the outsourcing option altogether. Interviewees were very keen to point out that some services were outsourced but outsourcing was not seen as the main source of efficiency saving.

| Which of the following statement(s) best describe(s) your authority? | Strongly agree | Agree | Unsure | Disagree | Strongly disagree |
|---|---|---|---|---|---|
| We are committed to working in partnership with residents to make the authority a better place to live. | 64% | 21% | 0% | 0% | 14% |

(Source: Extract from the online questionnaire Q6; n=14)

As a matter of fact, the performance managers taking part in the study were keen to point out that cost reduction was not the overall objective in delivering services. It was therefore not surprising to find that working with residents to make the authority a better place to live was given a higher priority than achieving cost savings (see above). A greater effort was placed on working with the customer to make the authorities a better place.

The strategy of putting services and tax payers first was expressed in a number of ways during the interviews.

"looking for better ways of delivering services" (Authority G).

"delivering the best services at the lowest possible council tax" (Authority G).

"value, environment, learning, efficiency and then towns and communities" (Authority I).

"I would certainly say value for money rather than cost.... the cheapest option isn't always the best value for money. We have an internal value for money board. We've developed some internal methodology about what we think value for money means in terms of balancing ... what does it cost and what do you get for what you pay".(Authority A)

"We are committed to working in partnership with residents to make this authority a better place to live".   (Authority B).

Authority B's policy was having most of the services delivered in house as a result outsourcing was discouraged.   This was particularly so during the CPA years because of the choice allowed.   There was instead a strong commitment to work in partnership to deliver services

"The focus for (the authority) is definitely on customer and residents, and everything that we do is focused on improving outcomes for local people, particularly whilst the CPA was in place" (PM Authority B).

Authority D for instance had over time

"went through a process where many of the major services were outsourced... What we've done in recent times was to bring a number of key ones back in house.   Since CPA, for instance the whole benefit service has been brought back in house along with building maintenance and a number of others". (Performance manager).

*Researcher:*   What were some of the reasons/ issues that caused you to bring these services back in house?

"looking specifically at the benefits service, we are a small authority with a strong focus on resident satisfaction. The service had been outsourced on a fairly long term contract to.... We found that their (the contractor's) treatment and their understanding of our service requirements diminished significantly over time that by 2005 we were offering a very poor service and the contractor was ignoring our wishes for it to be locally based.

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They (the contractors) wanted to take the management into (a named town nearby) for instance and Council members were absolutely certain that they wanted a locally managed service. So we took the whole service back in house at that point".

(Performance manager, Authority D)

Authority D provided an example of an instance where quality of service took precedent over cost. It is useful to point out that in this instance, there were no penalties on the decision for this authority to bring service in-house as the relationship between contractor and the authority had broken down and the contract was nearing termination. The break down in relationship combined with a record of poor service from the contractor meant that termination of the contract was in the interest of both parties. In reality, due to the associated cost, it might not be so easy for authorities to bring services back in house after being outsourced.

The experience of Authority D was not in isolation. Paul O'Brien (2011) noted that the first trends of in-sourcing were identified in 2009[23].

"Local authorities then said they were doing this for pragmatic reasons, chiefly to improve quality of services and value for money. Now that councils were under severe financial pressure, that sense of pragmatism is clearly prevailing - the latest research shows that the trend (of in-sourcing) being stepped up in councils across the UK".

This article named a number of examples of in-sourcing in recent years.

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[23] Paul O'Brien : Return to sender Public finance (August 11, 2011) accessed on http://www.publicfinance.co.uk/features/2011/08/return-to-sender/

"Essex County Council was one of the pioneers two years ago. It brought its ICT back in-house, saying it could provide a more effective service at a better price. [24] Coventry City Council is doing the same with its ICT, in a move that allows it to centralise activity in a new department and introduce clear and effective governance arrangements.

The council expects to save £5m a year. Cumbria County Council brought a range of services back in-house two years ago at the end of a ten-year strategic partnership. The move is part of a programme to save £1.5m a year, which includes using business process re-engineering to provide more flexible, resident-focused services.

Ealing took back housing control from its arm's-length management organisation this April (2011) in a move supported by tenants. The council expects to save £5m over four years".

This trend of in-sourcing was done despite the severity of grants and budget cuts and the pressure to contract out services to save money. The main justification for in-sourcing was to retain control of costs and quality - and to have closer relationships with residents.

Soon after the election and change in government, the incumbent Leader of Local Authorities in England, the Rte. Hon Eric Pickles MP Secretary of State for Communities and Local Government announced the implications of the Coalition Spending Review on English Local authorities. In a letter dated 20 October 2010, it was stated that councils will face an average loss of grant of 7.25%, in real terms, in each of the next four years.... Overall,

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[24] In December 2009, Essex County Council signed an eight-year deal with IBM to outsource customer services and back-office functions initially with proposal to have the outsourcing deal staged to other areas of the council.(PF, 23 December 2009).

revenue funding from Government - excluding schools, fire and police - will be reduced by 26% in real terms between 2010-11 and 2014-15.

The following were only some of the headlines news in the period following the change in government and the start of the year of austerity.

"One year on from the Spending Review, the front-loaded cuts that have hit local government made it very difficult for councils to plan ahead" (pwc.co.uk accessed on 1 December, 2011).

"There is no disguising the fact that these are the most severe cuts we have had to make in generations. While we have tried to protect frontline services, especially those to vulnerable people, the sheer scale of the cuts mean that it has not always been possible to do that." (Sky News, February 17, 2011)

'In light of the spending cuts, balancing council budgets has been incredibly tough for finance directors and no individual council service are exempt from the pressure to make cuts" (Pf magazine, May 2011).

A strategy of cost cutting and creating efficiency was being imposed on local authorities and with it a sense of being transported back to the period of CCT[25] (O'Brien, 2011).

Unfortunately the most significant impact of the cuts was felt by staff in the public sector with local government having a significant share of the cuts.

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[25] CCT was previously discussed in Chapter ...

"The severity of local government cuts announced in the Comprehensive Spending Review came as a shock to half of council finance directors, while almost all have denounced the front-loading, a survey shows..... Almost three-quarters of councils now believe they will need to make compulsory redundancies, with more than a third of upper-tier authorities expecting to slash their workforce by more than 20% by 2015/16. (Public Finance, 10 December 2010)

Town halls across England are beginning to release details of cuts to staffing and services intended to save hundreds of millions of pounds this financial year. Employment advice and training schemes, free swimming sessions and elderly health programmes have all been nominated for the chop in councils' spending reduction plans around the country.

These are the first specific details showing exactly how councils will respond to £1.166bn of grant cuts for 2010/11 announced by central government in May.

Most of the areas affected were described as non-essential service such as Citizens Advice Bureaux, libraries and free swimming programmes for children and the elderly. For example, in the London Borough of Brent, the decision was to implement £6.9m of cuts, including the non-renewal of contracts for the local Citizens Advice Bureau and Connexions service.

Councils in England expect to save more than £150m through sharing services, according to a Local Government Association study. It found that 219 councils were already sharing some of their services and functions with other authorities, which

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would save £156.5m.  The highest savings expected from the schemes is the £33m a year that the London boroughs of Hammersmith & Fulham, Westminster and Kensington & Chelsea expect to achieve by 2015 (PF magazine, 1 December, 2011).

Like Authority B, the more proactive authorities had already made a change in strategy prior to the imposed cuts.  Whilst some authorities looked to outsourcing and in-sourcing for cost savings, many local authorities considered other arrangements such as shared services, jointed up councils and more recently mutuals and cooperatives as alternative cost saving models.

The tri-borough agreement between the London Boroughs of Westminster, Kensington and Chelsea, and Hammersmith and Fulham was hailed as one of local government's more successful approaches to making savings by merging services (Guardian 13/09/11).  The proposed tri-borough should be operational from October 2011[26]  and the arrangement will include the following[27]:

Shared management where two authorities will be managed by one Chief Executive Officer and the formation of a combined three borough Children's Services, including education services.

Assessment of children at risk will continue to be done on a borough basis but specialist functions and management will be combined.

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[26] Tri-borough Proposal Report (February 2011) page 7, accessed on http://www.rbkc.gov.uk/pdf/tri-borough%20proposals.pdf

[27] Tri-borough agreement in now in operational and they are optimistic about the proposed savings.

A combined adult social care unit will be formed, to commission services alongside GPs when they take over new local commissioning responsibilities.

At the time of announcing this new management arrangement, it was hoped that the arrangement will reduce the cost of bureaucratic overheads and save management costs and provide much more efficient council services on a greater scale.

Another cost saving/partnership arrangement being encouraged is the transfer of service provision to social enterprises, co-operatives and mutuals: Childbase and Highland Home Carers are two examples of successful mutuals.

At the time of the study, most of these initiatives were in the early stages of business and the impact (positive or negative) is not yet known, but Anna Turley *(PF magazine dated 29 July 2010)*, then acting director of the New Local Government Network, cautioned that as we look to the future, there will be increasing tensions between council leaders and chief executives over how to reduce spending. She said council leaders 'will have an eye on the electorate' but council officers will have doubts over whether the plans are achievable. This was a timely reminder, as austerity measures gets embedded in local government programmes, that officers and politicians must be able to find a balance between cost and meeting the needs of the taxpayers if there is to be wide political support.

Summary of findings

The discussion above confirms that cost reduction was not the main concern under CPA and that authorities were putting every effort in making services better for the public. This was consistent with the main objective of CPA - "a better outcome for all people".

The research has also shown that for most of the CPA years a strategy of customer/taxpayer first dominated. Despite a change in government and the subsequent austerity programme there still prevailed a strong emphasis on the quality of services delivered. The researcher would like to propose that this continuing focus on quality does highlight an important part of the modernisation agenda but at the same time an acknowledgment from leaders of local government of the importance of pleasing the customer/taxpayer. The politicians acknowledging that in any transition it is important to gain political support.

In addition, the emerging trends of insourcing in the 2009 was justified on the basis of effectiveness, better management and cost saving. However, as the austerity bites, for some there was deliberate resistance to outsource. This new push for savings for some was likened to being transported back to the period of CCT and many did not want to go back to those days.

CPA was a seen as continuing consequence of the CCT era (a reminder of the issues of CCT and the main arguments of why CCT was abolished when Labour came in to government can be found in Chapter 4).

$T_2$:	*Success under CPA can be explained by having clearly defined priorities.*

Strategies are expressed through objectives and these objectives are translated into priorities. Achievement of the stated priorities, represent outcomes and a stated measure of success. The Lead Assessor 2 (Audit Commission) commented that in assessing authorities under CPA the Audit Commission looked for "a golden thread between setting your ambition (vision), and defining the priorities within that ambition".

A golden thread was described as a consistent cascading process that will enable strategic alignment of departments and business units with that of the corporate centre (Neely, 2010). Lead assessor 2 noted that in arriving at a judgement, in addition to linking strategic objectives, the assessor will examine whether the authorities could adequately "resource the delivery of the stated priorities through the capacity that they've got"

The capabilities of an authority would include making sure that "the leadership had the capacity to make sure that they were steering the ship in the right course and then could demonstrate to us (the Audit Commission) that (the authorities) were delivering the achievements.

Capabilities "would be demonstrated through the performance management system in place and we (the Audit Commission) would assess this through the outcomes" (Lead Assessor 2; AC).

Leader Assessor 2 continued by stating that the more successful authorities

   "didn't have a strategy for everything but what they did have, every year, was an

   absolutely clear statement from the politicians about what their priorities were.   And

   those (priorities) were derived from consultation of the local community in the previous

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year and from what was happening in the external environment. So I (the inspector) was much more interested in how the politicians came to decide what their real priorities were and then how they put them into effect" (Ibid; AC).

It should not be surprising to note that Lead Assessor 1 also commented on the need to consult with the local community - (consultation was one of the 4 C's in the CPA framework). It was noted that often strategies *"looked nice on paper but didn't actually fit with what was being delivered, or what the real priorities were nor where the resources were being put"*.

Authority A, when questioned on priorities and vision of the authority, the performance manager's response was:

"We're reasonably clear about our priorities. We've very clear about outcomes. We've very clear about budgets".

This statement implied that priorities within this authority were linked to its budgets and also its outcomes. This assumption was confirmed in the Audit Commission's corporate assessment of 2002 and was identified as one of the strengths in the authority (AC 2002)[28]. This report (ibid) further explained that resources of the authority were shifted to match priorities and that any budget under spends were targeted to strategic priorities

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[28] The actual page reference and specific document was removed from this thesis but the researcher will be happy to provide the evidence if asked to do so.

Authority B translated their priorities as given below, they again emphasised the importance of outcomes for the local people (for reasons of anonymity, I have excluded the stated priorities given in the authority's corporate plan).

This strategy of putting the customer first was translated in shared priorities of:

- sustainable communities and transport;

- safer and stronger communities;

- healthier communities;

- older people; and

- children and young people (Authority's B Corporate plan, 2006).

"The Council is strongly user-focused and has a sound understanding of the diverse needs of its communities; regenerating neighbourhoods, tackling deprivation and valuing diversity are central to their approaches. The Council and its partners are clear about what matters most to local people and have focused their efforts and resources to tackle these issues" (ibid., 2006).

Similar outcomes were expressed by other authorities. Customers First programmes were popular along with delivering Value for Money. Others included Improving Service Performance, Motivating People Towards Change for Improvement, Building Stronger, Safer Communities, Healthier Communities and Older People; Economic Development and Working in Partnership.

Authority F explained the role of consultation in achieving customer first.

They will tell us what their priorities were and that was done in several ways. We had our tracker surveys, which are quarterly surveys sent out to our residents. There's the

statistical analysis side of the information coming in. We then use the information to inform our needs assessments. We had summits where we'd bring residents in and talk with them about certain things. That goes on at county level.

Authority E stated that in setting the sustainable community strategy, the authority

"had the conversation to decide for ourselves what residents tell us is important, what service managers tell us is important, what front line staff tell us is important and then we'll reality check that against CPA. So we're not going off on a complete tangent, but then at the same time not being driven by CPA." .... "The council's commitment is to provide levels of services across a broad range of areas that meet the needs of local people"

Authority C was heavily criticised in the early years of CPA by the Audit Commission for a number of reasons:

There is no overarching and challenging long term vision and the council has not adequately set priorities for addressing under performance in some key areas (Authority C's corporate assessment 2002).

The authority needs to be explicit in its corporate vision and priorities and ensure these are cascaded down from the new emerging community plan to the corporate plan and into service and individual's development plans (ibid).

The comments above highlighted the difficulty in setting priorities. The representatives of the Audit Commission collectively acknowledged that the actual setting of those priorities was not a simple process for the public sector. Lead Assessor 3 (AC) clarified that

"Whereas a private company can decide to go after the main thing and ignore everything else... public services have got to be very careful in doing that. It's absolutely right that they focus and prioritise but it is also important that key things don't fall apart, because services can't be allowed to fall apart in a public sector"

A public sector organisation cannot discontinue unprofitable services. Public service cannot adopt the position of what get measured gets done. This point was very important to the debate on improvement as within the CPA framework only a few services were assessed and of these the weighting given was different. It is very easy to focus on those few services to meet the needs of CPA but, in doing so; it can potentially have long term implications on overall performance and individuals in the areas not being assessed.

In the previous chapters, we emphasised the role of the leaders in setting the vision of the authority. Leadership was identified as one of the critical success factors of the organisation In private companies, leadership comes from management of the organisation but it is a very different structure within local government. Leadership in local authorities was briefly mentioned in Chapter 4. That discussion centred on the structures adopted which in turn dictated that leadership should come from the cabinet (the political leader of the authority) but in practice, this leadership can also come from either the Chief Executive (administrative leader) or from the cabinet headed by a political leader or a combination of both. The next theme will examine the role of leaders in setting out the vision of the authorities.

*T₃:*    *Success under CPA required strong leadership*

Leadership was identified as one of the critical success factors of the organisation. Consistent with CPA being a performance management framework, leadership was identified by the AC as being critical to the success of CPA.

"You need leadership somewhere in the organisation and it needs to be good. Depending on how that leadership expresses itself, the rest of the organisation has to kind of fall into line with that, either managerially or politically, to enable that leadership to be effective at delivering good outcomes. It's not about Machiavellian meddling in the machine, this is about the machine to deliver outcomes. And so once that leadership emerges, and is established, other things have to follow ... nothing much follows without leadership. Management without leadership is actually pretty vacuous so we were looking for a combination of good leadership backed-up by good management however it was expressed" (Lead Assessor 3; AC).

In the case of Authority A the Performance Manager stated that

"There's been some very clear and consistent leadership in both the leader (of the authority) and Chief Exec throughout all of this but there have been champions all over the organisations as well. This is not the super head model where somebody comes in and saves the school. It's not leadership in a single person".

Having champions throughout the authority, Authority A demonstrated a willingness to delegate and devolved management.

During the interviews the researcher was reminded of the legal structure of local authorities in England and the roles and responsibilities of political members within this structure. Lead Assessor 3 stated that

"Embedded in the CPA was a basic assumption that elected members took a strategic view and the strategic decisions and the officers are there to implement those decisions. The officers took the detail that followed within that policy framework and made them work. It's the very simple model and what we saw in dysfunctional places was the exact reversal.

The researcher looked further at the experience of Authority A (a reminder that this authority sustained excellence over an extended period). This authority started the CPA years under the leadership of someone who was described as an expert in local government. He was very influential in creating the vision of this authority and for driving improvement during the CPA period. He was described as a person that had earned respect from both sides of the political divide. He led the authority until 2005. He resigned due to illness and was replaced in 2006 by a new Leader "who brought a highly-regarded, team-working approach to the Cabinet and a strong, altruistic focus on improving the life chances of less academic young people" (Authority A's Corporate assessment, 2008).

Both leaders of this authority were high profile individuals, known not only at the local level but nationally for championing changes in local government.

The verdict on Authority B was:

"The organisation is well led and well managed. There is a high calibre of senior officers and senior councillors, who have strong commitment to, and pride in the city and its ambitions" (Briefing to the Finance and Scrutiny Committee, 2006).

Again further evidence to support a customer first policy. The researcher was left with very little doubt that the senior officer and council leaders' commitment to the strategy of customer first.

Authority C was judged as having a number of fundamental services, which are poor and that these were adversely affect people's lives. This authority was given a rating of poor in the CPA assessment of 2002. The Audit Commission (AC) noted that there was little evidence of this authority operating as 'one organisation'. The report noted that

"that officers and members do not always look holistically and corporately at the options presented. The authority does not make the best use of all its members" (Authority C's Corporate Assessment, 2002).

The AC recommended to help improvement in this authority was for there to be consistence in the level of support and training given to members. The criticisms above would not have come as a complete surprise at the time as *"the authority was aware of its poorer performing areas"* (Corporate Assessment, 2004) and had already embarked on a process of change. This started with the appointment of the new Chief Executive in September 2001 (Corporate Assessment, 2002). It was felt at the time that the

"recent appointment of the chief executive had demonstrated the members' openness to change and a desire to take a positive approach to address the need to change the culture of the organisation and to improve services" (Corporate Assessment, 2002).

The poor score in 2002 started a chain of events that were outside the control of the authority.

"A rigorous monitoring regime was imposed by the ODPM, including the appointment of a lead official and six weekly monitoring of the Authority's performance" (Corporate Assessment, 2004).

The reader is reminded that the action above is one of the consequences of a poor score under CPA.

"Central Government expects to engage and/or intervene in the case of local authorities whose performance is giving cause for serious concern. Subsequent action may focus on weakness at the corporate core of the Authority; address one or more service specific failures; or simultaneously attend to both.

The term 'engagement' is used to refer to non-statutory action taken with regard to an authority where there is a serious concern regarding a substantial failure that might lead to statutory action if satisfactory improvement is not achieved."

Source: Memorandum: poorly performing local authorities (Department for Communities and Local Government[29], 2004)

Engagement and intervention was previously explained in chapter 4. These two terms refer to action that can be taken by central government when it is necessary to impose their influence on authorities to improve. A lead official was appointed to the authority. In this

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[29] On 5th May 2006 the responsibilities of the Office of the Deputy Prime Minister (ODPM) transferred to the Department for Communities and Local Government.

case, it was a non-statutory action taken in agreement with the Authority. In effect an "engagement" and the lead official's role involved assessing whether the council had - or was developing and make a judgment on the authority's capacity and commitment to deliver improvement. As a result of this engagement and the increased frequency of monitoring, CPA assessments was undertaken in 2004 and another in 2006. It was therefore not surprising that there were improved performance over the same period.

"The Council and its partners have clear ambitions and priorities in service areas and themes which have provided a framework for improvement" (Authority C's Corporate Assessment, 2006).

"Effective processes are in place to identify priorities. The Council uses a range of approaches to identify the needs of different sectors of the community and this informs strategies and actions. Intelligence and data are used to identify patterns of deprivation across the city and shape service provision... The Beacon Status award for effective environmental health recognised the successful outcomes from the priority given to promoting health amongst minority ethnic communities. ... Priorities are informed by consideration of both national and local issues" (Corporate Assessment, 2006).

Strategies are linked to priorities and influence service provision with partners (ibid).

"In terms of priority setting, they're (the council members) the ones that set the policy framework that we operate in, so everything that the authority does is driven by their policy" (The performance manager, Authority C).

The (then) newly appointed Chief Executive (CE) was very influential in bringing about these changes (this role will be discussed further in a later chapter). The Chief Executive responsible for guiding this authority to success has since moved on and at the time of this interview a new CE was just appointed.

The consequence of poor leadership manifested in several ways

"micro management by members was the problem ... where no strategic decisions were taken, and members became operational to the point where every decision had to be checked out with a member ... with no real senior management or top-level management happening at all" (Lead assessor 3, AC).

He went on to say that though the behaviour described above may have happened in the past, he had not experienced this in his time as a CPA Lead Assessor. He emphasised that for there to be effective leadership, the "really crucial things is, that the leader and Chief Executive had a very good working relationship, and their roles adjusted around each other"

The researcher questioned whether this should be interpreted to mean also that the success of the CEO depended on his/her ability to work with members and sought the answer in current literature. A recent study[30] by Boyne et al (2011) suggested that the average tenure of chief executives was about five years. Though the actual turnover rate of CEO's in local authorities is not known (ibid.), the five years given in the above named study masked wide variations. For example, the CEO of Gateshead Council until 2003/04 and of Staffordshire County Council, until 2002/03, were in post for two full decades (ibid.) while

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[30] Study done for the period 2002 - 2006.

there were other instances where some chief executives only served about a year. The study did however suggests that though the successions of chief executives occurred for a variety of reasons it can inevitably be traced to either the external context of an organisation or its internal characteristics (ibid. citing Boyne et al., 2008) and was more likely to occur in the case of low performance. The researcher could not find a direct relationship between the CEO's job to being able to get along with political leadership and, further, Boyne *et al* (2008) found no evidence to suggest that changes in political leadership implied changes in top management. The research however noted that top management in high performing authorities will have the approval of key stakeholders, is better able to have a secure tenure and will be under less pressure to resign or retire. Any succession was expected to have a positive effect where prior performance in the newly appointed authority was low but negative effects when it was previously high (Boyne et al., 2011). This was mainly because organisations performing poorly tend not to be hurt by a change at the top but frequently improve. On the other hand, organisations performing well have little to gain from a chief executive succession.

The study in 2008 provided some interesting statistics on successions of Chief executive (data on English local authorities for 2002 - 2006):

"In our seven years of data, the median number of chief executive successions is one. There are 29 local authorities that did not see any change of chief executive; 72 that had one chief executive succession; 32 that had two chief executive successions; and 13 with three chief executive successions. Doncaster and North Tyneside even had four chief executive successions" (Boyne et al., 2008; 270).

Below are the CPA scores for 2002 - 2008 for Doncaster and North Tyneside:

Table 23: CPA scores for Doncaster and North Tyneside.

| Authority | GO Region | CPA score 2002 | CPA score 2003 | CPA score 2004 | Star category 2005 | Star category 2006 | Star category 2007 | Star category 2008 |
|---|---|---|---|---|---|---|---|---|
| Doncaster | Y & H | Fair | Fair | good | 3 stars | 3 | 3 | 1 star |
| North Tyneside | NE | Poor | Poor | Fair | 2 stars | 2 | 3 | 3 star |

(Extract taken from the Audit Commission published CPA scores)

In the case of Doncaster and North Tyneside it was very likely that the changes in CEO would have been due to low or poor performance. The proposition by Boyne *et al* (2008) that the succession of CEO's can have a negative effect when performance was previously high was reviewed in relation to authority A and C. The reader is reminded that both Authority A and C discussed in above had a change in Chief Executive during the CPA years while the serving CEO in the Authority B was appointed pre - CPA and is still in post at the time of this study. With Authority A, however, this succession of CEO was not due to poor performance. The CEO in question stepped down in 2005 due to poor health - the CPA score in that year and the previous year was excellent. The then leader of the authority publicly commended the CEO for his effort and achievements[31].

> "When (the outgoing CEO) and (the leader) started together in 1997, the authority had problems. He has transformed performance in vital service areas and was largely responsible for the single-minded drive to ensure (the authority) measured up to an "excellent" rating from the Audit Commission. That involved strong leadership and step changes in performance."

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[31] http://www.(the authority)online.co.uk/authorityaonline/newsarchive.aspx?articleid=18918

The opposition leader at that time was also strong in praise for the outgoing CEO stated "he will be an extremely difficult act to follow in a post which demands sound judgement, drive and commitment to public service."

The outgoing CEO left the authority in a strong position and a new CEO was appointed shortly after. Based on the statistical evidence, there was no significant impact on performance as a result of succession as excellent CPA scores were sustained despite a change in CEO and change in the leader of the council.

In a contrasting position, however, in 2002, when the CEO was appointed in Authority C the authority had just been given a poor score. This appointment was triggered by low performance and was done with the expectation that performance will improve. One can assume that the political leaders were looking for the very same qualities that the outgoing CEO of Authority A above offered. Fortunately for Authority C, this was a good appointment as the new CEO was effective in helping Authority C to improve. The Audit Commission reported in 2009 that:

"The new chief executive provided the council with the direction and strong leadership that it required. The message from the top was clear: Authority C was one council, working and improving together. Improvement was a corporate priority and there would be no more working in silos. The change in culture was also reflected in a rebranding of the city council"[32] (AC (2009)b).

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[32] The name and page was removed for this discussion

The then Leader of the authority during an interview with the researcher also praised the work of the CEO and he described his relationship with this CEO in the following context:

"being a diverse split council which had become silos' with many different departments, she (then CEO) moved it into a cooperate direction which I fully support. She had managed that, and my relationships with her were very close in terms of personally close, i.e. she would come to my office, I'd go to her, she'd ring me, I'd ring her and we had regular meetings, constantly talking about the ongoing issues with the council whoever they may be... So that was the relationship, it worked very well, never a problem with it, never a hiccup, yes I would not necessarily agree with everything she was saying and she would certainly not necessarily agree with everything I was saying and but we would always hit a compromise or agree to disagree which sometimes was the issue" (leader of the Council, Authority C).

The Leader of the authority agreed that he along with the members and CEO had developed a good working relationship. He added that

"as a politician you have that dominance ... but she would keep me in line in terms of legality and I can't do this and I can't do it legally but... if I say I want to do it, as long as it's legally binding, and I've got my group and my cabinet behind me, I can ask her to do it assuming that we got the money to do it".

In the extract above, the leader provided a brief reminder of the bureaucracy within the management structure of local government. The relationship with the CEO above lasted until 2008 when she resigned. At the time of the resignation the authority was described

as "became the fastest-improving council in the country. It is currently rated as a three-star council and is 'improving well', according to the Audit Commission" [33]

This was another example where a CEO moved on when the authority was in a strong position. One did not get a sense that there was a pressure to move on nor was there any evidence of a decline in performance following her departure. Her departure was seen as "a loss, but I am delighted for her" (Council Leader).

The leader of the local opposition said: "(The outgoing CEO) has been a dynamic and committed Chief Executive who's worked tirelessly for the council and the city since she arrived here in 2001. I wish her well for the future, and hope she enjoys her new role ...."[34]

The outgoing CEO had delivered what was asked of her and this enabled her to move onto a high profile job.

We have already established that it was vital that the CEO and the political leader work together, if an authority is to be successful. Following from this thought the researcher asked about the expectations of the CEO.

The Leader of Authority C again emphasised his authority over the CEO.

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[33] http://www.localgov.co.uk/index.cfm?method=news.detail&id accessed on 27/12/11 - the tag is incomplete.

[34] http://www.the__authoritytelegraph.net/news/authority-news/2008/04/30/city-chief-exec-quits-for-top-job-in-otland-92746-20841656/#ixzz1hjp0sJ00 (link modified to maintain anonymity)

"I am the boss in terms that the (current) CEO won't do anything without checking it with me. I mean the major decisions,... we don't do day to day running of the authority, but we set the policies, we set the policies for officers to put into practice" (Leader, Authority C).

He also pointed out that he was part of the selection process in appointing the current CEO.

Below are some of the thoughts / expectation of others of the role on the Chief Executive:

The role of the CEO "is focussed operationally everyday on what priorities are being set down by the members, where the resources are to actually meet those priorities. And to ensure the workforce is motivated and understands those areas which aren't a priority and should be actually not taken as key operational delivery" (CEO, Authority C).  We have again seen the distinction between areas of priority and those that are not.

"The Chief Exec must still be seen as the leader of the staff in the council. And that's a very difficult and sensitive role for them, because clearly in some places it goes too far and the Chief Executive is seen as the be all and end all of the external stuff, and the internal.  Of course there's a balance that's needed, and the politicians should really be handling most of the external stuff" (Lead Assessor 1, AC).

Lead Assessor 3 in describing a strong Chief Executive Officer who impressed by his work stated that the unnamed CEO:

"understood things, the members challenged him but just were so grateful they got him, because he gave them focused direction, helped them do their jobs properly which was about politics and big picture leadership".

Lead Assessor 3 did not think that defining the role of a Chief Executive was a simple task.

"the role of the Chief Executive depends on the style of leader because I've also seen a leader and a Chief Executive both of whom were probably individually brilliant, go head to head and that's a bloody battle" (ibid.).

In his opinion it does not matter if the authorities were members led or officer led.

"There is often, in poorly performing authorities, a deficiency of good members, whoever is doing the leading".

"The problem (for an authority) is when you get the members who are not good intentioned and they are malign, malignant in terms of getting things done.   And we've got an authority where the members are actively.... very negative, and that is where you ... need a good Chief Executive" ...   if they'll (the members) tolerate it" (Lead Assessor 3, AC).

Dysfunctional was interpreted to mean authorities that had poor leadership.   Continuing, he noted that it was reported that consequence of poor leadership can see situations

"where no strategic decisions were taken, and members became operational to the point where every decision had to be checked out with a member ... (micro management by members was the problem) with no real senior management or top-level management happening at all" (Lead assessor 3, AC).

He went on the say that though the behaviour described above may have happened in the past, he had not experienced this in his time as a CPA Assessor.   He emphasised that

for there to be effective leadership, the "really crucial things is, that the leader and Chief Executive had a very good working relationship, and their roles adjusted around each other"

Defining the role of a Chief Executive was not a simple task but the researcher would like to leave the reader with the following thoughts on the perceptions / expectations of the CEO.

The CEO should be able to motivate the workforce.

The CEO should understand the politics and the way local authorities work.

The CEO will help elected members in their jobs, will provides direction and must be willing to challenge members from time to time interest of the state and tax payers.

The role of the CEO should be focussed operationally everyday on what priorities are being set down by the members, where the resources are to actually meet those priorities.

The role of the Chief Executive needs to adapt to meet the needs of the elected leader of the authority.

In authorities where there are strongly opposing views, the CEO will be the one to provide objectivity in order to facilitate decision making.

Lead Assessor 3 (AC)

"Will the members employ a good Chief Executive because that Chief Executive may well stamp on what they want to do? But conversely, if they do get the Chief Executive

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in because one may think they want the good Chief Executive but actually... they don't really because they don't want to be stopped in what they are doing.

How long will that Chief Executive last? I've seen an organisation that's changed Chief Executives.... and are still struggling because ... even a good Chief Executive doesn't know what they need to do, ....... he's allowed to operate within the organisation as defined by members"

In emphasising the importance of good leadership, given below is an extract from a report on an authority given a poor score by the audit commission because of failings in the leadership within the authority:-

"Thurrock Council is not improving adequately. There is a fundamental breakdown of relationships between some officers and members, adversely affecting the capacity and running of the Council. A mutual lack of trust and high degree of suspicion is affecting governance arrangements, member decision making, interaction with officers and the ability of officers to operate corporately. (CPA assessment 2008 - note 3.10).

In addition, the kind of leadership may be different depending on the type of authority. For example, it was highlighted that leadership in County council may be different from that in a District authority. The reason for the difference is summed up below:

A named district council was described as "a more Chief-Exec led authority ... with members playing a much smaller role. But then looking at the scale of the two places (The interviewee was comparing the district with a county council), in a system where the money say, a member would have received for working in a district council wouldn't be enough to live on so they'd have a sort of...have other day jobs and do this (manage the authority) in the evening, whereas our cabinet members (county council

members), this is their job. This is their role. This is what they do........our leader and our cabinet members (county council) will be working on cabinet business in a normal working week, whereas working in a smaller council, your leader will come in on a Wednesday morning, and he'll come in for an evening meeting, but you wouldn't see them on that much of a regular basis" (Performance manager, Authority F).

Finally the researcher would like to leave the reader with the thread of an interesting discussion with the performance officer of Authority G.

*Researcher:* I got the impression that in quite a lot of cases the Chief Executive Officer was left to get on with the business of managing the authority. The perception I had was that ... in knowing that he has to please the council members, he built up a wonderful relationship with the council members. The council members trusted his judgement, so if he says this is the way we should go, then usually there's just a general agreement amongst the council members that that's the way decisions will go?

Response (PM Authority G):

I think a lot of places perhaps the Chief Executives are leading, or appear to be leading more strongly than perhaps they should. I don't know how the boundaries lie, but here we (officers) are quite clear where the responsibility lies .....

The performance manager of Authority G went on the say that in his current authority members took a very active lead in decisions (It should be noted that the said authority is a County council). He summed up the relationship between members and officers in this authority as follows:

He is the leader of the council. They are appointed - otherwise there is no democracy. What's the point? I really think some of these people (above commenting on the dominance of the Chief Exec) must be misleading you; they can't be doing it that way. Members will have meetings and deal with the departments, and they will get far more information than would come through the corporate side of things. I think there are, you know, clear lines of accountability and strong responsibility by the elected members, and the chief officers of the management will be equally responsible in doing their side of things.

*Researcher:* Was this relationship the same at your previous authority (a district council)?

Response (PM authority G):

Probably less so, it was a bit different there. I think here (county), there is both the clear separation of roles, but also (members) being seen as a team, and no mistake about accountability and responsibility.

*Summary: Success requires good leadership*

A measure of success was the achievement of stated priorities. It was part of the cascading process - the golden thread - the link between strategic intent and "do able" activities. Success was evident by how leaders translated the stated vision(s) and how resources were being dedicated to stated priorities. The role of leaders was given special attention in this phase of the assessment and several issues were flagged.

The legal structure of local authorities dictates that elected politicians provide that leadership and that the appointed officers are in place to support the elected members in translating that vision. In practice, this clear distinction is not always evident.

The difference between what is expected and what actually happens vary with the management style of elected politicians, their ability to see the bigger picture, their willingness to allow themselves to be led and supported by the CEO, their relationship with appointed officers and the type of authority. The result was (this may still be happening) some authorities were member-led whilst in others; the appointed officers had significant influence in setting the direction of the authority.

Whatever the circumstance of the authority it was essential that the leader and Chief Executive have a very good working relationship and that their roles adjusts around each other. There was no evidence that the success of the CEO depended on his/her ability to work with members. Though the actual turnover rate of CEO's in local authorities is not known it was suggested that the average tenure of chief executives was about five years (Boyne *et al*, 2011).

Low performance was seen as one of the reasons for succession but this study has also highlighted that successful CEOs moved onto high profile roles or to bigger authorities. This is an emerging theme and outside the scope of this study but the researcher would like to suggest this as a potential area for further research.

*T₄:* *Success under CPA can be explained by having clearly defined targets and appropriate measures that adequately express performance.*

Below is an example of some of the best value indicators used for making a judgement on one of the core services assessed under CPA - health and social care - children.

| BVPI code | BVPI Title | Good performance | Return Format | Decimal point |
|---|---|---|---|---|
| Health & Social Care - Children | | | | |
| BV 49 | Stability of placements for Looked After Children | High | % | 2 |
| BV 50 | Educational qualifications of Looked After Children | High | % | 0 |
| BV 161 | Employment, Education and Training for Care Leavers | High | % | 3 |
| BV 162 | Reviews of Child Protection Cases | High | % | 0 |
| BV163 | Adoption of children looked after | High | % | 1 |
| BV197 | Teen age pregnancies | Low | % | 1 |

Figure 12: Example of BV indicators    (Source: BV indicators 2005/6; ODPM 2005b)

The CPA measures were used to quantify the efficiency and effectiveness of the services offered by local government.   Most of the measures used in CPA were set centrally, imposed and were based on national targets.    Best Value indicators expressed performance of service area against national targets and the targets were subsequently used make a judgement on the overall performance of the authority.    "The CPA methodology is informed by BVPIs, but also uses inspections and reports on assessments of authorities' plans and strategies" (ODPM, 2005b).

The empirical evidence does suggest that performance improved where clearly, defined quantifiable measures were provided and organisations have to decide how measures should be set (Johnson et al., 2001). We have also established that ideally, these measures should be aligned to the strategy of the named authority. By linking the Best Value indicators (which were statutory) to the areas assessed under CPA, the government forced the local authority to re-assess their own priorities. It meant that if the authorities' priorities were not consistent with the national priorities simply using the Best Value indicators provided the necessary focus and a consistent framework for measuring performance across all authorities.

The survey questionnaire was used to assess how the measures were used in individual authorities. Given below is a summary of the responses from the survey questionnaire done online:

Table 24: Authorities' responses to the use of performance measures

| To what extent does your organisation use performance measures to | | | | | |
|---|---|---|---|---|---|
| | Not at all | A little | Moderately | Very much | Fully |
| Assess the quality of products or services provided | 7.1% | 0.0% | 28.6% | 42.9% | 21.4% |
| Assess cost efficiency | 7.1% | 0.0% | 57.1% | 28.6% | 7.1% |
| Monitor and plan availability of products or services | 7.1% | 7.1% | 35.7% | 35.7% | 14.3% |
| Assess relationships with external parties and other organisations. | 7.1% | 28.6% | 21.4% | 35.7% | 7.1% |
| Report to external parties on actual and intended results. | 7.1% | 14.3% | 28.6% | 42.9% | 7.1% |

The responses above indicated that the authority used measures to monitor performance across a number of areas: quality, cost, availability and relationship with third party. The responses also confirm that for the authorities in this survey there was less emphasis on the use of measures to assess cost efficiency. Measures were mainly used to assess the quality of service and for reporting performance to external parties. This result confirms a discovery made earlier, namely that cost was not the focus of the CPA period. The results also confirm that the emphasis has always been mostly on the quality of the services. This was not all together surprising as the aim of CPA was better public services (ODPM, 2005a) but there was also the expectation that in doing so authorities will find a balance between cost, efficiency and effectiveness. Quality targets are very often centrally driven (Fitzgerald and Moon; 1996) if the quality of the service is going to be guaranteed across the organisation and nationally.

This was not always the case for Authority C as in 2002.

"There are few outcome targets against which to assess performance and there is no evidence that the Council is seeking to set targets which would put it amongst the top 25% of national performers" (Best Value Performance Plan, 2001)

"Performance management is a weakness that has been raised by the external auditor over the last three years as requiring urgent attention" (Corporate plan, 2002).

But by 2006 it had "developed an outcome framework with measures and targets. Targets are stretching - for example, to reduce mortality from coronary heart and related diseases, from 162.3 per 100,000 population in 1996/98 to 97.4 by 2010 and to reduce the number of offences committed in the (named authority) by over ten per cent between 2004/05 and 2005/06" (Corporate plan, 2006).

Very often in instances of centrally imposed measures, standards are maintained with the use of benchmarks. This was certainly the case under CPA, the BVPI expressed minimum target - performance standards - that must be met by all authorities. The fact that reporting to external parties gets the next highest score would again be consistent with the requirements of the CPA framework and no doubt the Audit Commission will be one of third parties and, consistent with the theory, the CPA measures were used to monitor and allocate resources.

It has also been generally accepted that individuals are more likely to take ownership of measures if they were initially involved in the process of setting the targets (Fitzgerald and Moon, 1996). Having imposed measures can potentially create dysfunctional behaviour but this barrier was reduced by making the collection and monitoring of BVPI a statutory duty, therefore another aspect of management in the public sector.

"to a large extent the measures that we use in the council are statutory measures. ... it doesn't mean that I don't feel a sense of ownership .... However, we've got local area agreement measures for the local area agreement. They were still statutory measures, however there was some sense of ownership. Why? Because the local agreement measures that we've selected represent priorities for local people so we feel that, ... we are taking ownership of what goes in that local area agreement, because these were the sorts of things that local people wanted to be measured. So there is that sense of ownership" (Authority E).

Though imposed measures were not seen as an issue - there was an opportunity within the BV model to have some ownership and this was done through the use of local measures. Performance manager (Authority E) also noted that the sense of ownership came

from knowing that the authority was meeting the needs of local people. The process of agreed local indicators varied from one authority to another but the Audit Commission would expect some evidence of consultation (one of the 4C in BV).

For Authority B, the focus on pre-set measures was all about being able to identify what was important to the authority. The measures were about getting what was right the authority and making sure that they are focusing on the right things, the ones that were really important to the authority. It was a similar experience for Authority C

"we got some very good data every year that tells us the extent of the gap between the priority areas and the rest of the city. And we use that to target where we work and to address particular issues" (Performance Manager - Authority C).

The performance manager (Authority A) noted that in some cases measures are jealously guarded....and often the response to questions on performance about a named department would be greeted with ""Why do you want to know? What's it got to do with you? You don't work in the named department!" (Authority A) and this may not be happening in Authority A only.

The agreed measures (statutory and local) were used to monitor and assess authorities against national target, against internal and external benchmarks to know how well the authority has done in any given period. The performance manager of Authority A also noted that the process of CPA placed the emphasis on measuring the performance of teams with "very little emphasis on the individual ... CPA was more about the teams and how well they're doing." The view was consistent with that of other stakeholders questioned. CPA was viewed as emphasising teams and how teams worked together in driving

improvement in local authorities. The emphasis on teams could potentially create and promoted a silo culture. The research concluded that jealous guarding of measures as with the happenings in Authority A was consistent with silo mentality.

The research also highlighted the fact that the effectiveness of the use measures varied with the system in placed to collect performance data. The system used to collect measures must be able to support the CPA process. The issue of having an effective system in place to collect and monitor performance information will be developed further in Theme 5 but for Authority D, the process of monitoring started with outcomes: "what are the desired outcomes? What then are the measures and what then are the projects that deliver this aspect of what it is (outcome / services)". For Authority E "we ... relied on measures when setting service plans, so it links into those that we looked at when developing certain strategies and policies".

The performance manager (Authority F) noted that how performance measures were used

"will vary across the authority, some people, I mean they rely on their professional judgement a lot more in some of the service areas. Yes, they will look at the performance data, but they've worked in this area for 20 years, and may think that I know what I'm doing in this area, so I can write this policy independent of the data. Others will fall back more to looking at the data. It's hard to generalise in that respect" (Authority F).

At the heart of Comprehensive Performance Assessment were benchmarking, national benchmarks and the benchmark clubs. The responses to the online survey below support the claim that benchmarking was used to support improvement under CPA.

| Answer Options | Not at all | A little | Moderately | Much | Fully |
|---|---|---|---|---|---|
| Benchmarking | 0% | 8% | 38% | 31% | 23% |

(Source: Extract from the online questionnaire Q29; n=12)

The responses above showed that 54% (mean of 3.69 using a statistical scale of 1-5) being heavily reliant on benchmarking to support improvement. Benchmarking was not the only tool used to support improvement. Initial discussions and the desk research highlighted the fact that authorities were using other performance framework to support the analysis of the data. This was explored further in the online survey and when asked to what extent was the following performance framework used to support performance measurement in your authority, the response from survey questionnaire was as follows:

| Answer Options | Not at all | A little | Moderately | Much | Fully |
|---|---|---|---|---|---|
| The Balanced Scorecard | 8% | 42% | 17% | 17% | 17% |

((Source: Extract from the online questionnaire Q29; n=12)

The responses show that 34% has used the balanced scorecard to support their improvement under CPA.

For example, in addition to using benchmarking data, Authority D used a balanced scorecard to support performance measurement within the authority. Actual performance was monitored and interpreted against the authority's scorecard to get a better understanding of the effectiveness of the measures. The benefits or the reasons behind the use of the balanced scorecard were that it allowed managers and other stakeholders to relate information on performance to the strategic outcomes and to a lesser extent their roles. Discussions in

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the detailed interviews showed that Authority D was not unique. The balanced scorecard was used successfully by some but not so well with others.

PerformancePlus was, and may still be in use today, one of many software packages being used in local government to support performance and it has embedded the balanced scorecard as part of its reporting options. Another type of software which has a balanced scorecard reporting style was PerformanceSoft (PB view). At the time of interview three (3) authorities[40] were already using PerformancePlus and another two[41] were using PerformanceSoft (PB view).

Authority B did experiment with the use of the balanced scorecard but did not think it worked well for them.

"there's no point in having a balanced scorecard that's made up with indicators that you can only monitor on an annual basis ... what's the point really, so we're kind of focused on developing a system that is meaningful within the year" (Performance manager).

Authority B highlighted a practice that was considered a limitation of the processes of CPA framework. It is unlikely that any one taking the CPA process seriously will only monitor annually. For the performance information to be relevant, meaningful and timely, the practice of annual monitoring would actually defeat the purpose of CPA as the information from an annual audit would come a little too late to be beneficial. In an effort to improve the data

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[40] Authority A, E and I
[41] Authority F and H

quality, Authority B recognised this and was in the process of changed to a system that monitored performance on a monthly basis as they prepared for CAA.

Another authority (Authority F) emphasised the need to link measures to each of the agreed priorities, and while some of the measures were around the actual performance measures, a lot more of it was about the outcomes and the initiatives.

The performance manager of Authority A was very keen to emphasise that performance measures were used to "make a judgement about the effectiveness of the partnership, not the effectiveness of the partner". The point being made was that the focus of the measures in the CPA process was about the process not about individuals or individual performance. Authority A above highlighted yet another limitation of CPA though this limitation was not specific to this model and was more about practices during the CPA years that prevented the model being used effectively. The researcher was keen to find out if there were any other perceived limitations to the use of measures within the model.

The following questions were incorporated into the survey questionnaire to establish whether CPA suffered from similar deficiencies as those of traditional performance measurement and management systems.

Table 25: Authorities' responses to the use of performance information

| CONTROL AND STRATEGIC USE OF PERFORMANCE INFORMATION To what extent are the following statements relevant to your organisation? | | | | | |
|---|---|---|---|---|---|
| | Not at all | A little | Moderately | Very relevant | Completely relevant |
| Management focuses on the attainment of pre-set targets. | 7.1% | 7.1% | 35.7% | 42.9% | 7.1% |
| Staff are allowed considerable discretion in deciding the best way to achieve pre-set targets. | 9.1% | 9.1% | 27.3% | 54.5% | 0.0% |
| Written rules, policies and procedures are in place and must be adhered to when managing performance. | 9.1% | 18.2% | 27.3% | 36.4% | 9.1% |

(Source: Extract from the online questionnaire Q22, n=14-11)

Traditional performance measurement and management systems have been criticised for being too focused on pre-set targets. Above, 50% (43% + 7%) agreed that there was a strong focus on the pre-set measures during the CPA years, 36% indicated a moderate emphasis on measures and only 7% indicating not at all. It was generally accepted that in order to achieve a high score (excellent rating) authorities must satisfy the Audit Commission's assessors that targets were met or that efforts were being made towards meeting the agreed targets.

The result of the survey given in Table 25 above confirms that significant emphasis was placed on the pre-set targets and a potential consequence of being focused on pre-set measures was data manipulation and gaming. The opportunity to manipulate data was high as performance data was maintained on several platforms and/ or in various departments rather than centrally. As part of the audit process, the authorities had to give an assurance

on the quality of the data used and this assurance was extended to include the quality of non-financial data and it was expected that a culture existed within the organisation that prioritised this practice. Data quality was and still is fundamental to

"achieving robust and respected performance information frameworks. Successful bodies have recognised data quality as a corporate priority and have taken action to embed strong arrangements for managing the quality of the data they collect and use" (Audit Commission, 2007; 12).

Authorities were aware of that the consequence of poor performance was a very public naming and shaming. Authorities that fell into the poor performing or coasting group were faced with the choice of game playing or sticking steadfastly to what is in the best interest of the authority even if that meant being at odds with the Audit Commission. Gaming could easily be done as the inspection framework provided adequate notice of a pending inspection. There was acceptance by all parties that there were attempts at gaming. A by-product of CPA was:

"that was it was necessarily formulaic and a lot of people played to the formula rather than doing the right thing. A lot of the authorities stuck to doing the right thing and live with it, they could talk you through the measures and they always come out well. (Lead Assessor 3)

Lead Assessor 4 (AC) stated that it was no secret that gaming existed. There were those who genuinely used measures to manage performance and understood what CPA was trying to do and those who were game playing. He commented on his frustration when dealing with the latter. The existence of gaming was also confirmed by Lead assessor 2 (AC):

"gaming did take place, does take place I could give you some of my favourite games if I was being indiscreet but I won't be".

He continued to say that very often authorities would produce reams of evidence to show how things worked but "you knew in your heart that if you went back on a wet Tuesday unannounced, something different would probably be happening but proving it was frankly not publicly in good taste"

The "inspection was a big deal and clearly there was a lot of fear and dread around inspections, so understandably people would play a game, people did invest lots and lots of money in making sure that they didn't get a bad outcome from the inspection" and very often "the better councils would be very confident that they were on top of their game and they didn't have to do anything special to manage and play a game" Lead Assessor 4 (AC).

In other cases he (Lead assessor 4) noted that gaming was more about safeguarding against poor results. Authorities wanted to make sure that they don't make any mistakes and send us away with the wrong impression. Safeguarding was "if not game playing in the best sense of the word, it was about councils managing the inspection professionally and clearly one would expect them to do that" Lead Assessor 4 (AC). Gaming existed in the CPA process "but often funnily enough, even when authorities were gaming we did learn something along the way" Lead Assessor 3 (AC) and very often it does lead to some improvement over time.

*Summary: Success can be explained by clearly defined targets and adequate measures*

CPA was process driven.

CPA was viewed as emphasising teams and how teams worked together in driving improvement in local authorities, this practice promoted a silo culture.

It was focused on pre-set measures - most of which were centrally imposed. The process was very much rule based and the rules of the assessment process were widely published.

Failure was publicly named and shamed.

The fear of failure manifested itself into dysfunctional behaviour and these included possible manipulation of data and gaming. Gaming was generally recognised and tolerated as invariably it did lead to improved performance in the long run.

$T_5$     *Success under CPA can be explained by having a robust system in place to collect and monitor performance data.*

In Theme 4 it was mentioned that the issue of having effective systems in place to collect and monitor performance information will be developed further.    For theme 5, the researcher looked for evidence that the authorities had an effective system in place for collecting and recording performance data and further how the analysis is being used to support decision making.    Quality of data was an important part of the CPA process and it should was seen as a corporate priority as it was part of the judgement made by the Audit Commission in the corporate assessment.

Authority B, for instance, was judged as follows

"The current arrangements for ensuring a consistent approach across all services to managing performance are fragmented.    At a corporate level the emphasis is on the monitoring and review of achievement against the LPSA targets; a concerted approach has yet to be developed for other aspects of performance management" (Corporate Assessment, 2002).

"The Council needs to take a more consistent and systematic approach to managing its performance, to add rigour and ensure that a culture of challenge and continuous improvement is embedded throughout the organisation" (ibid).

The issue above was explored during the detailed interviews and it was noted then that the system in place in Authority B for gathering performance information during the CPA years was via a simple spreadsheets and /or databases.    Data was held within each service and then copied unto a central database, to be analysed and reported.    It was acknowledged

then that the use of spreadsheet and databases in Authority B was not perfect but the AC though satisfied that there was very strong performance management and monitoring processes in place, noted however that "the authority was aware of the gaps and inconsistencies and, at that time, this was being addressed" (AC, 2006).

The performance manager (Authority B) noted at the time of the interview that there were plans to introduce a better system for gathering, recording and collating performance data. When asked whether the plan to introduce a new system was as a result of the audit report, the response was:

"I don't think CAA and CPA is completely the driver for that. I think it's a recognition that we need to be .... a general recognition that we need to be better in the way that we manage our data. We've actually got an information strategy for the whole council that has been developed, which is about the data that we use, not just performance information, but kind of all information that we have. Yes, so there have been plans to develop a system for some years, but it's not quite happened yet" (PM).

The evidence above may refute the statement that a robust system for gathering information was necessary but acknowledged that a better system was needed. The proposed to use SAP to incorporate the current financial system, and to extend its use to include performance information as well was a start. In a later discussion, the researcher will examine the types of systems in place and the reasons for having those systems.

Authority A like Authority B, at the time of the interview, had no consistent means collecting data across the authority. The authority was either using spreadsheets or in some cases a bespoke system to collect performance data. The process of data collection was described as a system of collecting "top line intelligence" "rather than having a single corporate

system" (Performance Manager). (The reader is again reminded that Authority A was excellent for all of the CPA years). Performance manager (Authority A) also added that: "we are in the very early days of that kind of corporate feel and using measures to let all staff know how the organisation is doing." The authority had recently moved to PerformancePlus (a specialised performance measurement software designed for local government). The reason given for adopting this software was because Authority A was

"looking at creating a corporate dashboard related to that ... if we're going to break down what I described earlier about the silo approach into a more... sense of the organisation as a whole approach..... Up until now we haven't felt the need for a system."


The performance manager was keen to point out that the move from spreadsheet to a corporate scorecard was not as a result of improving reporting performance under CPA but more so because of

"This need for a whole system for collecting and monitoring performance data arose from a combination of a management initiative to achieve improved performance and the process of record keeping for CAA was becoming too complex" (PM, Authority A).


Authority A also used spreadsheets for most of the CPA years and though there was an awareness that a corporate position was needed, the fact that measurement and collating of information was not done centrally did not in any way hindered performance (excellence was maintained throughout the CPA years) again refuting the argument that robust information was essential to good performance management and to CPA.

"High quality, accessible information is a key underpinning to a more effective performance framework. It is also a critical enabler of devolution as greater transparency provides

assurance that removing top-down controls and pressures will not take the focus off delivery" (ODPM 2005; pg 13).

The researcher was keen to get the Audit Commission's perspective on what is a robust performance measurement system.

In the previous theme, we highlighted the importance of data quality to achieving robust and respected performance information frameworks. We also discussed that the way measures were used varied with the system in placed to collect data and the fact that the system in place must be able to support the CPA process. Having a performance measurement system, which provided a clear linkage between strategy and human behaviour was re-enforced.

A report published in 2005 noted that internal data quality management systems in local authorities were often not as robust for performance data as they were in respect of financial information (ODPM 2005, 17). The said document went on to emphasise that the information needs of the different stakeholders will vary and an effective performance system must therefore be able to meet the requirements of the different groups in a timely manner. During the CPA years, many authorities were criticised for not having robust systems in place to support the performance data and systems that ensured the quality and timeliness of performance information. It is from this background that the researcher tried to establish whether there were effective systems in place to collect performance information. The response in Figure 12 below shows that 77% felt that there was an effective system in place for collecting performance information.
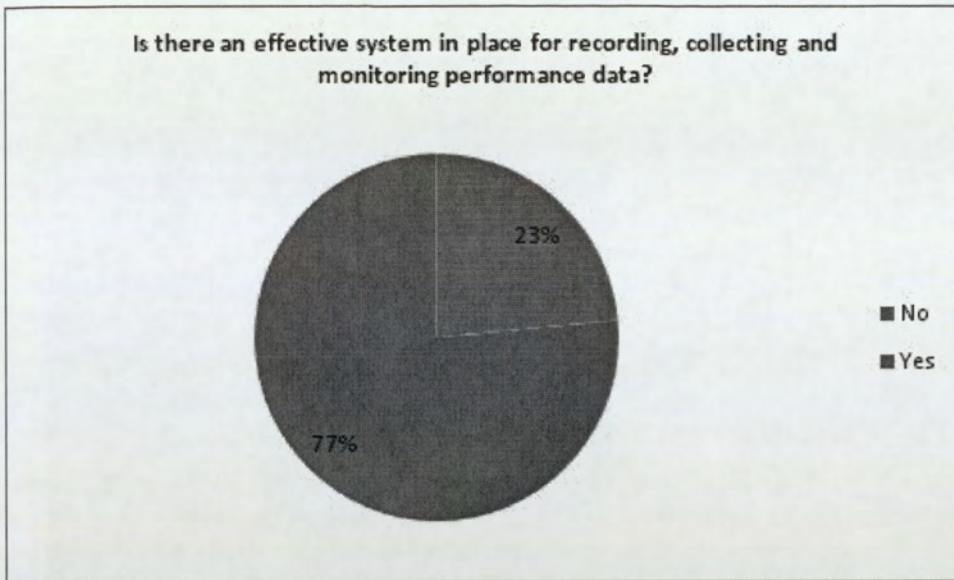
Figure 13: Recording, collecting and monitoring performance information response (**Source**: Extract from the online questionnaire Q7; n=17)

But there was varying interpretations of what was needed or meant by a robust system for gathering, monitoring and reporting performance information.

For instance, a few of the authorities saying "yes" to having an effective system in place were using spreadsheets for most of the CPA years. In another instance, an authority using spreadsheets felt that a spreadsheet package was not considered robust enough to support the data needs of CPA in that authority. For those using a spreadsheet, information was usually collected within the different service areas and collated periodically for reporting. Others interpreted a robust system as being an integrated IT system which allowed the collection, organisation and analysis of performance data having been convinced that a simple spreadsheet was not robust enough. Consequently, during the CPA years, a significant number of authorities invested heavily in sophisticated IT systems in keeping with the popular belief that integrated systems helped in the organisation and collection of performance data. Amongst these systems were PerformancePlus; Covalent; PerformanceSoft (PB view) and a few bespoke systems. The researcher can confirm that at least two (2) of the thirteen (13)

named as being consistently excellent throughout the CPA years used spreadsheets for most of that time.

It became very clear in the process of the research that there may be several interpretations of what constituted a robust performance system and this was explored in the detailed interview. Response to the question on how would you describe a robust performance measurement system are given below:

"I think the Audit Commission are very interested in something that's very corporate. Certainly we come under pressure for not having a Ten or an Instant Atlas type system where everything is drawn together. And certainly from our point of view we're looking for something that will give us timely data that ... allows for direct input from the people that are actually responsible without any need to transfer and copying across; to remove opportunities for error and so on. Something that's got some kind of built in sign off and authorisation, again, so we've got very clear ownership and responsibilities that, you know, don't get released until the right people have checked it and approved it and someone's checked it and so on. And then for us, something that we can most importantly, we can use for performance improvement, that isn't just about data collection for the sake of it ... "We never really satisfy them (the Audit Commission). So whatever I say won't be helpful" (Performance manager, Authority C)

Authority C was classed as poor in the early stages of CPA and they struggled to understand what was required of them by the Audit Commission. To seek clarification, this area was discussed with the Lead Assessors.

*Researcher:* A number of authorities invested a lot of money into a performance measurement systems because they felt that it was necessary if they were to get a high CPA score. On the other hand, there were still a number of authorities using spreadsheets and were still scoring 4's. How did this difference in the data gathering tool impact on the CPA assessment?

"I think you've hit a really good point there, because a simple spreadsheet can be all that was needed, particularly if the authority was very clear on what the priorities were. Because that would mean, I am going back to Authority E, we did Authority E back in 2002, and they had something like 20 indicators that they concentrated on corporately for the year. And so a simple spreadsheet was okay for that, because they're collecting the information to make sure they're delivering against those 20 indicators" (Lead Assessor 1, AC)

Authority H was an example of an authority that expressed regret at investing money into an integrated package. The Performance manager of Authority H stated that they had spent £25,000 on buying a system and it came with a bill of £6,000 each year for a maintenance contract and quoted below

"we used it only for performance indicators .... we could do that on Excel. The system we have, we don't use it fully because we don't have the capability of staff, the capability of staff and the time to develop it. .... So I think it's perhaps not the best use of money, the council's money".

The cost over time of having a specialised package included licensing fees, maintenance, and training and support costs. Another performance manager recounted his experience with

a software company.    He stated that whereas in the early days the software companies would do regular amendments to the software at no cost, these amendments and add-ons now incurred a fee.    For many of the authorities, having spent so much money on the actual system, it was then cheaper to buy the add-on than to say "let's get rid of the whole thing".    One would think that Authority H would be in this same position going forward as the authority focus shifted to cost in the period of austerity.

Overall, one would conclude that authorities needed to find a balance between the cost of the IT investment and the additional benefit that will be derived from having an integrated system.    Further analysis of showed that 66% of the authorities that took part in the survey were recent adopters of the more integrated measuring systems, 25% of whom were early adopters like Authority A.
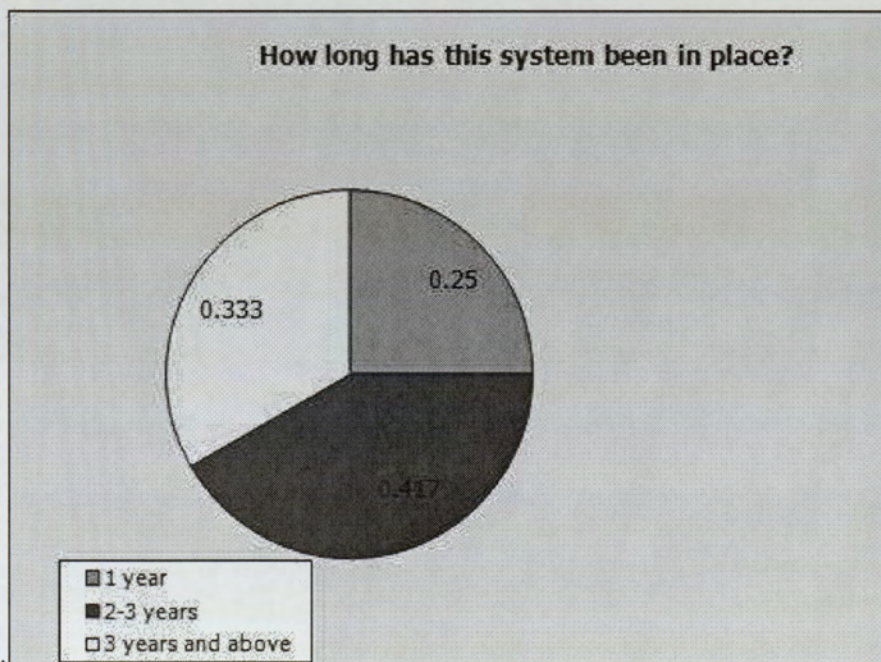


Figure 14: Responses how on long has this system been in place
(Source: Extract from the online questionnaire.    Q9; n=12)

The reasons given for purchasing the IT system to support CPA were many and varied but in the majority of cases this was because of a management imitative combined with the fact that the process of recording CPA data was becoming complicated and, like Authority B earlier despite criticism by the Audit Commission, very few were willing to accept that the purchase of an integrated IT system was as a result of statutory audit (Table 26).

Table 26: Reasons for adopting a specialised IT system

| To what extent did the need for the current system arise, because of: | Not at all | A little | Moderately | Very much | Fully |
|---|---|---|---|---|---|
| A statutory audit (n=3) | 0% | 33% | 67% | 0% | 0% |
| A management initiative to achieve improved performance (n=11) | 0% | 0% | 0% | 55% | 45% |
| The inability of the existing system to cope with the changing demands of CPA.(n=2) | 50% | 0% | 50% | 0% | 0% |
| The process of record keeping for CPA was becoming too complex (n=9) | 67% | 11% | 0% | 11% | 11% |

Reasons for adopting a specialised IT system to support performance measurement
(Source: Extract from the online questionnaire Q10)

Lead assessor 1 (AC) also commented that an authority could still get a score of 2 even if they had a sophisticated IT system as they may not be using the system to look at the right things in making sure that they were achieving what is really needed. He indicated that as part of the CPA process it was really critical for authorities to be able to deliver what was needed ... making sure that the information flows backwards and forwards to all the layers of senior managers, middle managers and front line managers.

"One of the things that we've found is that people would say, but we're performing really well on this. And we'd say, well that's not the priority. You're actually performing badly in a priority area". (Lead Assessor 1).

He further stated that getting the best of any system would require

"using performance management to focus on the key bits, and that's why we looked at the resource flows in the organisation as well. If you said something is a priority, if you put the indicators there, how did you make sure you had the capacity to deliver against those? And this is where the corporate assessment started fitting together. So the priorities were there. You'd set the high level indicators. And then underneath it you'd make sure the resources were available to achieve it and you were monitoring progress. So if you found, say on a monthly basis, that it wasn't delivering what you wanted it to, you would then, look at it and say, have we put the right resources in? Are we being over-optimistic? What's wrong? And that again is where some were very good. They used to produce monthly reports to each of their portfolio holders, 5 or 6 pages, key priorities, what the key indicators were, what the risks of achieving them were, and how they were doing against the risks, how the money was going and how they were performing. And they did that in a very condensed way, because they were focusing on the key bits for what they wanted to achieve" (ibid.).

From the Audit Commission's perspective a robust performance is one that would ensure that the right people get the right information at the right time to allow them to make clear judgement.

"One of the things I would emphasise is the training of teams, not the systems... you do not need to know how often the corporate management team get its reports and how it measures things by exception or whether it looks at this or whether it has got portfolio, I'm not interested in that. It is about how do they know things are going wrong, are they on target, if they're not on target, how far off target are they and what is the strategic intervention that you have made to put that right" (Lead Assessor 4, AC).

Lead assessor 4 went on to explain that "there were a lot of councils that have a lot of wiz-bang performance framework systems that produced all the information, all the data but nothing gets better". The assessors were looking for much more and there were examples of where these systems were in place and there was still poor performance. Lead Assessor 4 explained that the assessment will then have looked to leadership. The assessors will then look at what position the leaders took as things were going wrong. Were they involved to getting a solution? Did the leadership say "this is going wrong, we are going to deal with that and this is the strategic intervention we are going to make?"

From the perspective of CPA, the lead assessor stated that

"We were not interested in what systems you use, models, SAP systems, we did not care".

Performance management was summarised as being about the leadership at the top and leadership was the difference between good councils and bad councils. The good councils will have the leadership, and it did not matter if the authority was predominantly led by officers rather than members. The Audit Commission was looking for strong intervention, demonstrated clearly from the chief executive, the corporate management team and political leadership. In a good performance system a balance of the leadership will be exercised in the same space there.

The discussion above highlights another issue in the debate on the discussion of New Public Management. The expectation that administrators worked alongside their political counterparts in the efficient management of public organisations and to support public reforms.

Summary: Was a robust system for collecting and monitoring information necessary for success?

Robust information was seen as essential to good performance and during the CPA years a number of authorities were criticised for not having as robust performance data in respect of CPA.

In response to this criticism a number of authorities invested in sophisticated IT but the evidence showed that using a simple spreadsheet was just as effective.

There was varying interpretations of what was needed or meant by a robust system for gathering, monitoring and reporting performance information.

From the Audit Commission's perspective it was more important to have a system that would ensure that the right people get the right information at the right time to allow them to make clear judgement.

A good performance system will ensure that the information needs of the different stakeholders are met in a timely manner and this was one criteria used as the basis for judging whether a robust system was in place.

$T_6$:    Success under CPA can be explained by evaluating individual and organisational performance in relation to expressed priorities and objectives.

It was previously highlighted that CPA was more about team and the role of individuals were de-emphasised in the measurement of performance. CPA provided the organisation with a great opportunity to align corporate goals with that of the targets given to individuals and the researcher explored how this was done by the more successful authorities.

With this in mind, the researcher questioned how individual's achievements were recognised when assessing performance within the CPA framework.  The response to rewarding individual performance is given below:

"We do an annual appraisal and assessment system that does get attached to the individual targets within an overall framework of business planning and team action" (Performance manager, Authority A)

"We have an appraisal system, so each member of staff has an annual appraisal. What that process is also supposed to do, is link the activities undertaken by that individual back up to the priorities of their service area and ultimately the priorities of the council" (Performance manager, Authority B).

Authority B was keen to emphasise "a distinction needs to be made here between the council's priorities and CPA"

Individual assessment in Authority C was done through an annual personal development appraisal.  This individual assessment was again also closely linked to a personnel function.

Attempts at linking individuals to the priorities of the authority were done by filtering down priorities into the corporate plan, cabinet plans and subsequently the operational plan.

The views on the use of performance information in informing performance decision were also incorporated into the survey questionnaire. The response is summarised below and responses were scored on a scale of not at all, a little, moderately, very relevant and completely relevant with fully being the highest score.
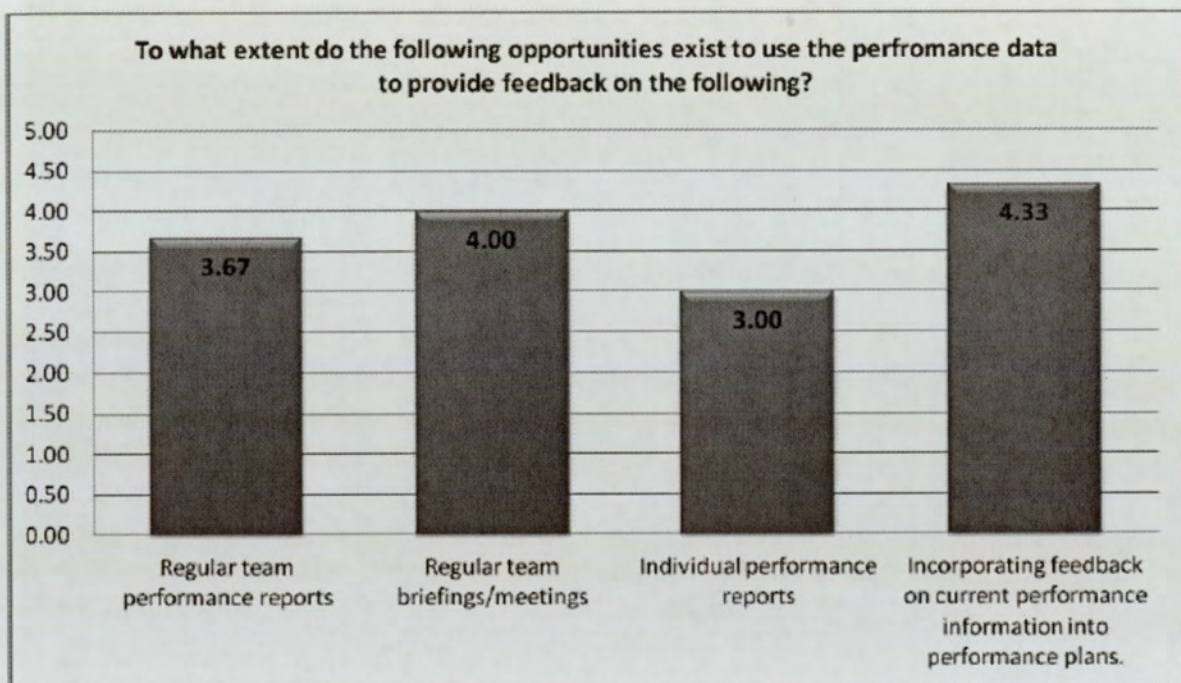


Figure 15: Authorities responses on use of performance information

Interpreting the figure above one can conclude without a doubt that feedback on CPA performance was used mainly to inform performance plans, team briefings and meetings and less for evaluating performance of individuals.

Based on the results above the researcher was keen to explore the claim that CPA focused on teams rather than individuals.

Researcher: One of the issues I have found during my research was that CPA has de-emphasised the individual's role in performance and has put more emphasis on the team. Do you find it is the same in your organisation?

"I would be surprised if it's had that much of an effect all the way through the organisation, to be honest. It certainly focuses the mind in areas that aren't performing as well ... but I am not sure that that had a particular impact on individual or team approaches any more than any other improvement agenda would have done to be honest" (Performance manager - Authority C)

The Performance manager of Authority E categorically rejected this claim that CPA de-emphasised individuals.

"I am not aware of that as an issue, certainly in the time that I have been here at (the named authority) .... I have not been aware of those sorts of concerns being expressed or even being raised at all".

Performance manager (Authority E) stated that within the named authority individuals in their service areas were equally responsible for CPA targets and was judged through the performance appraisal system.

"The link between the actual PIs, the aims, the objectives associated with individuals and services is not that well-made... I suppose it relates back to what we talked about it being a bureaucratic place this was ... potentially the obstacle, and the fact of the size of the place, (X number of employees) would also make it very difficult" (PM Authority E).

Exploring the issue further with other authorities Authority F expressed definitively that there was no link between CPA information and the individual performance appraisal. This authority

had a separate system for individuals' performance that was linked to performance related pay.    Authority H stated that it was possible that individual managers were using CPA performance data to review individual performance but he was unaware of this practice. Authority D was again definite: "No, it's not really linked"

Though there were mixed responses, one con generalise that CPA did place a greater emphasis on team performance and less so on the individual.

It is well publicised that there were specific protocols to be followed when authorities failed but the researcher was keen to find out whether systems were in place for penalising managers for poor performance.  The list of questions and responses from the online survey is summarised below:

Table 27: Authorities' responses to performance hindrance

| ACCOUNTABILITY To what extent is the following statements relevant to your organisation? | | | | | |
|---|---|---|---|---|---|
| | Not at all | A little | Moderately | Very | Completely |
| | | | | Relevant | |
| Managers are held accountable for the results of their activities. | 7.1% | 0.0% | 14.3% | 28.6% | 50.0% |
| Employees receive positive recognition for helping the organisation to accomplish its strategic goals. | 7.1% | 7.1% | 28.6% | 42.9% | 14.3% |
| Periodic reviews of activities/results are used to measure individual achievements. | 7.1% | 7.1% | 14.3% | 64.3% | 7.1% |
| The lack of incentives (e.g. rewards, positive recognition) have hindered the use of performance information in my area. | 71.4% | 14.3% | 7.1% | 7.1% | 0.0% |

Authorities' responses to factors that may or may not hinder performance
(Source: Extract from the online questionnaire Q20; n=14)

The responses above showed that there was still a strong culture of recognising and rewarding performance in local government (57% of the responses positively rewarding employees for helping the organisation accomplishing its goals and a further 29% providing a moderate response). Even though we have earlier established that individual performance was de-emphasised within the CPA model, Table 28 with a response of 79% (50 + 29) indicated that managers were held accountable for the performance in their areas highlights the fact that managers were held accountable for overall performance.

The discussion on whether managers were accountability will be explored later but for now the researcher would like to highlight an interesting response from survey questionnaire of Authority C (given below).

ACCOUNTABILITY: To what extent are the following statements relevant to your organisation?

Table 28: Authority's C responses to performance hindrance

| | Not at all | A little | Moderately | Very | Completely |
|---|---|---|---|---|---|
| | | | | Relevant | |
| a) Managers are held accountable for the results of their activities. | 1 | 2 | X | 4 | 5 |
| b) Employees receive positive recognition for helping the organisation to accomplish its strategic goals. | 1 | 2 | X | 4 | 5 |
| c) Periodic reviews of activities/results are used to measure individual achievements. | 1 | 2 | X | 4 | 5 |
| d) The lack of incentives (e.g. rewards, positive recognition) have hindered the use of performance information in my area. | X | 2 | 3 | 4 | 5 |

Authority's C responses to factors that may or may not hinder performance.
(Source: Extract from the online questionnaire Q20; n=14)

It was surprising to note from the responses above was that managers are held moderately accountable for results. This issue was explored further during the detailed interview with that authority.

Researcher:    What would be the implications if, for instance, a manager has a poor CPA in an area?

"I would say we don't hang it exclusively on CPA. There are all sorts of other things.... being honest, it does vary across the organisation. There are some managers... that manage things very very closely. It's very tidy. It's incredibly structured and we could provide examples where poor performance has been identified and managed and improved, or people have been managed and put through capability (HR related), through the procedures and moved out of the organisation.

So I think, answering that for an organisation perspective it is very very difficult. I couldn't, hand on heart, say a 100% across the organisation, that we have a perfect system for holding everyone to account for everything that they are responsible for. But at the same time, it's much better... I think, you know, it's not a little, or not at all. It's better than moderately in a lot of case" (Performance manager, Authority C).

These thoughts will be explored further as we look at Theme 8 but in summarising, the performance data collected for CPA was not aligned to that of individual performance despite having a clear opportunity to match the needs of the individuals to that of the need to be excellent.

Based on the evidence above, it would be safe to say that some authorities have made an effort to link individual appraisal and assessment to the objectives of CPA. This was done through the business planning and team action planning. This may be because as with Authority C the priorities of CPA are distinctly separate from that of the authority as a whole. The performance manager Authority A sums it up below:

"a target in this person's personal action plan might reflect the overall target of the authority but it won't be about the BVPI and CPA. It'll be about, what do they need to do to make sure that what we (as an authority) do as measured by that BVPI"

"disaggregating (targets) in a way that meant something to an individual, even at a senior management level would run the risk of what I talked about earlier, encouraging people to behave in ways that manage the indicator, not to behave in ways that deliver the service to the best possible relevance" (ibid.).

Individual performance in English local authorities remains the domain of the HR function. CPA emphasised teams and how teams worked together in driving improvement in English local authorities. This emphasis on teams potentially runs the risk of creating and promoting a silo culture.

T$_7$:   Success under CPA can be explained by having an objective system for rewarding good performance

We have previously established that there is a strong culture of recognising and rewarding good performance but the emphasis was more on teams and less on individuals.   Though the rewards were not directly linked to performance specifically measured for CPA authorities did find ways of rewarding success under CPA.   The general trend for rewarding individuals was "is a lot of positive recognition.   These may be small rewards, not nothing, but it is done in a routine systematic way.... where various excellence awards are given to staff" (Performance Manager, Authority G).   The research however highlighted an alternative reward; an emerging trend.

Upward mobility and career enhancements were prevalent under CPA.   This evidence was induced from the details in the interviews.   Examples are given below:

"when I was at (named authority) we were in that position where we were constantly sharing our story with everyone else" (Quote 1).   This person moved from an Assistant position to a performance manager in another authority.

"I certainly noticed the difference moving from a "named authority" to another" (Quote 2).   The other person moved from a District Council to a County Council.   The same can be said for Person 3 and 4 below.

"I was at (a named) borough council and (another) County Council" (Quote 3)

"I used to work in (a named) authority and everything was on a much smaller scale and it was a bit more locally focused" (Quote 4)

In order to maintain anonymity, the references to the authorities were withheld but this evidence does suggest upward mobility was a professional reward associated with success under CPA.

But following on from the theme 6 the evaluation of individual performance and rewarding performance in local government remains the domain of the human resource function and any detail study of these areas will be outside the scope of this research

On an organisational level, a judgement of excellence was the ultimate reward under CPA. This is a whole organisation reward and recognition of efforts to sustain improvement. The researcher explored the other rewards that CPA brought to the organisation as a whole.

It was generally accepted that both success and failure under CPA was linked to increase funding. Performance manager (Authority J) confirmed that excellent authorities were able to attract funding and that funding given was linked to the sharing of best practice. The excellent authorities were best placed to share best practice. Some of that funding was used to support other authorities. It was very much the same principle if an authority had won Beacon status - sharing best practice was seen as part of a learning process.

Researcher:   As an excellent authority, did you get more money (funding) from the government?

"The funding connection to excellence has almost disappeared now, but in the early days of CPA when government directed funding into local authorities as opposed to the money we get from the council, the direct funding often came very tightly ring fenced and with an orchestra full of strings attached and in.... excellence in CPA meant that

the boundaries on the ring fencing or the number of strings attached were reduced. So it wasn't more funding, but it was more flexibility with the funding we were getting." (Performance Manager, Authority A)

Researcher: Initially there was this idea that excellent authorities can actually get special funding, and there was also the other extreme of that that authorities who were not performing well can also get extra funding, has this impacted positively or negatively on the efforts of your authority?

"in terms of the funding issue more specifically, (the named authority) gets a lot of funding, because of the level of deprivation we have, so if you took it to one extreme, if we improved our performance a lot we'd actually get less funding because some of those funding streams would be cut off" (Performance manager, Authority B)

This issue of funding was a specific area of concern for Authority B especially as, at the time this research was done, the authorities were aware that there was a real possibility that the United Kingdom could see change in government in the very near future.

On the question of whether being excellent attracted greater funding. The performance manager (Authority C) responded by saying:

"Probably not ...... there's always a pressure that if they're doing well we'd be asking the question, are they doing well because they're getting lots more money than say a comparable service in another authority"

The researcher also sought the Audit Commission's perspective and when asked whether it was true that poor performance attracted funding, Lead assessor 3 responded as follows:

"there was often funding available for them to be taken forward depending on which government department and which area it came through. It wasn't automatic, it wasn't a set figure but if you were poor you' get £100,000".

Lead assessor 3 confirmed above that poor performance did attract funding but he goes on to clarify that

"it wasn't an incentive, the money wasn't an incentive to be poor...... The money also wasn't pound notes coming over the table, it was support by capacity being given to the council being paid for by government or by government department or whatever improvement agency or the equivalent then. Some of that money was more around the secondments and the improvement agenda specific".

Summary: Success requires system for rewarding good performance

Though CPA did not emphasise individuals, it provided an opportunity for talents to be recognised and for individual performance to be recognised and rewarded, but this was an indirect consequence of success.

The main types of individual rewards were personal recognition and an emerging trend of upward mobility. This emerging trend does highlight areas for future research: the turnover of Chief Executive and mobility of officers involved in CPA. Further, what are now the roles of the performance officers now that CPA and CAA have been abolished?

There was an acknowledgement that excellence attracted additional funding in the early days of CPA and this may have been one of the motivators for success but by 2008 that funding connection to excellence has almost disappeared.

Poor performance also attracted funding but this was not an incentive to be poor, it was not automatic but was linked to a programme of improvement.

T$_8$:   Success under CPA can be explained by having established controls, both formal and informal, to support strategic choices.

The pre-set conditions, which govern how controls are used, are embedded within the organisational structure. These controls define the structural relationships of an organisation. The questions asked in this theme were mainly to assess whether the rule and procedure should be followed rigidly or whether managers are given some degree of autonomy in the exercise of judgement when striving for the agreed targets.

Authority C was strongly criticised by the Audit Commission in 2002
"Although the council has achieved little in some key failing service areas, the new chief executive and some key members have identified the problems to be addressed. They recognise that many of the problems relate to the existing structure of the organisation and the culture of client / contractor split, which does little to ensure quality service outcomes" (Corporate assessment, 2002).

This statement above highlighted a problem with the management of the service areas.
The questions in Table 25 were meant to test whether the authorities remained bureaucratic. An answer of "very relevant" to the question - "staff being allowed considerable discretion in deciding the best way to achieve pre-set targets" - should also require a response of "not at all" "A little" or "moderately" to the next question on "rules, policies and procedures being adhered to at all times". Any other response would contradict the first statement.

Table 29: Summary of the use of performance information by all authorities

| To what extent are the following statements relevant to your organisation? | | | | | | |
|---|---|---|---|---|---|---|
| | Rating Average | Not at all | A little | Moderately | Very relevant | Completely relevant |
| Staff are allowed considerable discretion | 3.27 | 7% | 7% | 21% | 43% | 0% |
| Written rules, policies and procedures are in place and must be adhered to | 3.18 | 9% | 18% | 27% | 36% | 9% |

A summary of the responses on how performance information was used by all authorities. (Source: Extract from the online questionnaire Q22; n=14-11)

The overall picture given in Table 29 indicated that there was a general preference to allow staff considerable discretion to achieve desired outcome. A score of 43% agreed that discretion was allowed in meeting targets. A collective response of 54% in "not at all, a little and moderate" on "rules, policies and procedures being adhered to at all times" indicated the responses given were consistent with expectations and that on the initial evidence, local authorities were not bureaucratic. Though the evidence may not be sufficient enough to generalise, one can conclude from the data provided in the survey questionnaire that managers were allowed some discretion in deciding on the best course of action when pursuing agreed objectives.

This was explored further by looking at individual responses to the survey. Responses to Authority C's questionnaire is given below:

To what extent are the following statements relevant to your organisation?

Table 30: Authority C's responses to the control and use of performance information

|  | Not at all | A little | Moderately | Very | Completely |
|---|---|---|---|---|---|
|  |  |  |  | Relevant | |
| a) Staff are allowed considerable discretion in deciding the best way to achieve pre-set targets. | 1 | 2 | X | 4 | 5 |
| b) Written rules, policies and procedures are in place and must be adhered to when managing performance. | 1 | 2 | X | 4 | 5 |

Authority C's responses to the control and use of performance information Q=22)



For authority C discretion was moderately applied (see Table 30 above).



To what extent are the following statements relevant to your organisation?

Table 31: Authority A's responses on the use of performance information

|  | Not at all | A little | Moderately | Very | Completely |
|---|---|---|---|---|---|
|  |  |  |  | Relevant | |
| a) Staff are allowed considerable discretion in deciding the best way to achieve pre-set targets. | 1 | 2 | 3 | x | 5 |
| b) Written rules, policies and procedures are in place and must be adhered to when managing performance. | 1 | 2 | X | 4 | 5 |

We established earlier that the focus of Authority A was on outcomes and less on the pre-set measures. The performance manager (Authority A) emphasised the need for flexibility in meeting the desired outcome. The management of this authority encouraged autonomy but the degree of flexibility was not uniformly done across all services. He noted that

"It (flexibility) is particularly focused on the more sort of personal, social service services, so that front line care managers, front line team managers in both assessment teams and social work teams have budgets at their discretion. Now this model means that they have an idea of what that decision costs..... The theory (behind this approach) being that it prevented that whole thing about, ......, I've assessed your needs but I've now got to take you back to the office ... it's got to go through 6 pairs of hands before I can give you an answer. The reasoning behind this approach is consistent with the worry that some devolutionists have about blank cheques" (The performance manager).

In Authority B unlike Authority C staffs were allowed considerable discretion in deciding the best way to achieve pre-set targets (see Table 31).

To what extent are the following statements relevant to your organisation?

Table 32: Authority B's responses to the control and use of performance information

| | Not at all | A little | Moderately | Very | Completely |
|---|---|---|---|---|---|
| | | | | Relevant | |
| a) Staff are allowed considerable discretion in deciding the best way to achieve pre-set targets. | 1 | 2 | 3 | X | 5 |
| b) Written rules, policies and procedures are in place and must be adhered to when managing performance. | 1 | 2 | 3 | X | 5 |

Table 32 above highlighted a potential contradiction in the responses given by Authority B. As stated above, an answer of "very relevant" to the question - "staff being allowed considerable discretion in deciding the best way to achieve pre-set targets" - should also

require a response of "not at all" "A little" or "moderately" to the next question on "rules, policies and procedures being adhered to at all times". Any other response would contradict the first statement. The result above indicated that staff in Authority B were allowed considerable discretion in deciding the best way to achieve pre-set targets but this statement contradicts with the very next question that written rules, policies and procedures are in place and must be adhered to when managing performance. This was not the only instance of this unusual response and efforts were made by the researcher during the detailed interviews to seek clarifications.

Performance manager (Authority E) noted that one can exercise quite a high level of discretion within the context of the task but as an organisation officers must operate within the rules. He did go on to try to explain how this was applied in principle but not coherent enough to report.

The discussion ended with the following:

"But the thing is that... the reason why we are able to be so effective and so innovative in terms of having managed performance is because we adhere to rules. We understand what the boundaries are. The two are not mutually exclusive. You know, if you know what the rules are, if you know what the boundaries are, then you can be as innovative and you can show as much initiative as ... within the boundaries" (Performance manager, Authority E).

Performance manager of Authority I also provided an example where discretion can be applied.

"you've had this crazy thing of this last winter with the weather that we've had. Again it's linking to those rules. Because it' s an emergency they (managers) can bypass those rules and do what is best as long as they've got the desired outcome like a person is not sitting in their home suffering".

The researcher concluded from these responses that it was expected that when managers exercised discretion this must be done within the rules.

In this section, the researcher was also looking for additional evidence on organisational togetherness.

Researcher: Was silo culture acceptable or tolerated within this authority?   Did this authority take the position that as long as everyone was working together for the greater good of the authority and everybody is happy, then there would be left alone to get on with the job in hand?

The performance manager (Authority A) response was:

"That's not a bad summary ...............I think there's also a similar internal fault line for a county council around CPA, in that the way the CPA as a whole was structured with the 6 different blocks, corporate assessment, use of resources, and then children and young people, social services, environment , and culture, sort of reinforced children and young people services existing slightly in a vacuum from everything else, or ... not slightly, or the corporate assessment wasn't seen as an assessment of the effectiveness of the organisation as a whole.

Social Services have its own thing governed by a completely different inspectorate, ditto children's services. In fact, if you take the youth justice service as well as part of children's services, a third dimension to that as well, and then corporate must be for the sort of... the Chief exec's people.    .... I think inside an organisation that actually reinforced silo working".

Authority A admitted to having a silo culture and so did Authority D

"We call it silo based, you know, where the Head of Planning was the only person who knew what was going on in the planning department. But now, whilst the Head of Planning still has a lot of accountability and control over that service, there's much more formal planning at a corporate level, formal integration of the plans and the budgets" (Authority D).

But this was not so forthcoming in other authorities.    The researcher is unable to provide conclusive evidence of the existence of a silo culture.

Summary: Success depends on having established controls to support strategic choices.

For most part, the management within local authorities were bureaucratic.- a rigorous process driven by rules but managers were allowed some discretion in meeting the demands of CPA but the exercise of that discretion was not consistently applied across all services and all authorities.

As team focus on task of improving performance the drive to meet performance targets can become so intense that business managers seldom look beyond their own silos.    Silo

culture is a consequence of team work and like Authority A, other authorities may take the view that if the team is delivering, then silo culture can be tolerated.

T9:    Success under CPA can be explained by knowing what constitutes best practice.

Authority A was described as being the authority that "has for ten years been seeking excellence and its organisation is impressive, high-quality, responsive and gives good value-for-money" (Corporate assessment, 2008).

Authority A was rated outstanding and would be perceived by others as best practice and a good benchmark.   In seeking clarification on how CPA has influenced performance in this authority, the researcher asked the following question:

Researcher:    How much has CPA changed the culture in your organisation?

The performance manager's response was:

    I don't think it's changed it very much. I think we were kind of CPA ready as a
    culture.

The following statement was read out to the performance manager;

Researcher:    CPA has had very little influence in the way this authority was managed. We have always been excellent. CPA just provided a framework for us to demonstrate how good we were. Do you agree with this statement?

I agree with the sentiments. I wouldn't put it quite as bluntly and as starkly as that, but emotionally that is the right set of sentiments in that it was how we approached it. It's one of the reasons why... when the CPA was first devised we were one of the path-finding authorities and helped to shape the first methodology before the harder test (Performance Manager, Authority A).

It is difficult to argue with these sentiments given that this authority has sustained success over an extended period. For many in the local government, Authority A was a benchmark authority.

Authority B, though not excellent but sustained a stable performance over an extended period. Maintaining a score of 3 or good for most of the CPA may have been the best they were capable of but a score of 3 did suggest room for improvement. Authority B would not be a natural choice as a benchmarking partner. They themselves made moderate use of benchmarks; and the researcher was unsure, based on the information presented, how this was used to improve performance or how it was used to influence decisions being made. AC (2006) noted that whilst there was monitoring of performance and strong and consistent evaluation in some areas; benchmarking relative to other organisations was still to be developed.

Benchmarking was inherent in the process of CPA and a summary of responses from the survey questionnaire is given below.

**To what extent is the following performance framework being used to support performance measurement in your authority?**
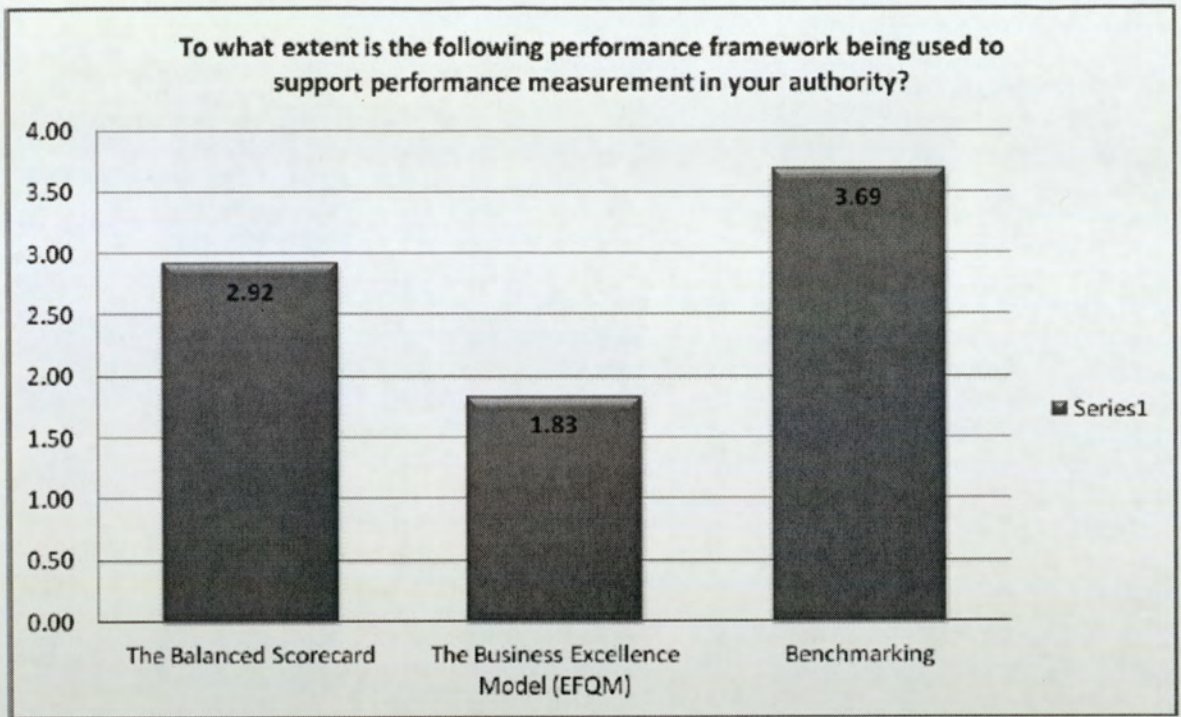
Figure 16: Examples of performance framework used to support improvement (Source: Extract from the online questionnaire Q29; n=13-12)

The chart above showed that a significant number of authorities have used benchmarking to support improvement. This was consistent with expectation as many local authorities had embarked on benchmarking as a means to satisfy the requirement to provide 'best value' services (Bowerman & Ball, 2000).

The performance manager of Authority C indicated a moderate use of benchmarking. An example where benchmarking was used by this Authority was to support "an inconsistent approach to setting and monitoring customer service standards" (Corporate assessment, 2006; 22). The benchmarking data was used to set new standards and develop a customer services strategy.

In Authority D benchmarking was used in a simplistic way. For this authority it was mainly about "where was everybody else? How do we set our goals in relation to that?". This

authority was not part of a benchmarking clubs as it was deemed that membership to the club was expensive.

Authority E used "an external benchmarking club ... that we're a part of, to get information through the year rather than waiting until year end. So we're part of a benchmarking club, as well as using the national data once it's made available". Authority E used benchmarking within the context of their management report,

> "we were able to see indicators that related to a service area, check how they are ... performing in relation to the targets that have been set, ... where they should be in terms of the quarterly positions, in terms of your first quarter, your second quarter, your third quarter, and so on and so forth" (Performance manager, Authority E).

Benchmarking allowed performance to be judged relative to a best practice. This process of benchmarking along with the classifying authorities by star rating introduced an element of competition into the process of managing performance. Authority H and Authority J did not find benchmarking useful as in each case there was a perception that their circumstances were unique and for that reason, benchmarking was used moderately. The uniqueness of these authorities was explained during the interview but revealing this information would also make the authorities easily identifiable. In order to maintain anonymity the reasons cannot be disclosed.

Authority G highlighted another limitation of the reliance on benchmarks.

> "How do you benchmark an authority when we are one of five growth areas in the whole of the country and none of those authorities are in our family group?" (Performance manager, Authority G).

Concerns were expressed at the time of the interview that the proposed change to CAA would mean that the core set of measures, the best value performance indicators, used for the CPA assessment would no longer be statutory thus removing the duty to monitor against these measures and for using external benchmarks. This proposed CAA would allow authorities to move away from the current culture of collecting and reporting performance data.

Another concern was about the cost of the CIPFA benchmarking club mentioned before and which was used extensively to support Best Value and CPA. It was not a free service and in a period of austerity some authorities would see the associated cost of benchmarking a waste of money.

In addition to benchmarking, other performance framework was used to support performance. This was often done to help authorities to make sense of the data collected.

Authority G was aware of balanced scorecard but has never used it.

Authority D was a district authority and was rated as being fair in 2004. They sought help from an external help "to work through the whole process of getting the strategic plans in place and that facilitator worked with us around the balance scorecard approach".

The performance manager noted that the benefits that authority D derived from using the balanced scorecard were:

> "the very interpretation of the scorecard is that you get to a very strong understanding
>
> of which measures deliver which perspective". It helped to "frame a whole strategic
>
> approach that we wouldn't have had without the balanced approach".

At the time of the interview Authority J was in the process of designing a performance scorecard for each service and which would inform a the council overall scorecard. What this research showed was that the concept of the balanced scorecard was well known in local government but it was adopted / modified to fit the needs of individual circumstances. For instance, the performance manager of Authority F noted in response to whether a balanced scorecard is used to support improvement that

"I say probably not the balanced scorecard. Our whole picture approach to performance is the same as actually a balanced scorecard ... but you wouldn't necessarily recognise it as a balanced scorecard".

Authority I did not find the balanced scorecard useful

"we weren't really getting the benefits from that approach. We were using it corporately and it was taking away focus from our corporate priorities, which we really wanted to focus on".

Summary: Can be explained be knowing what constitutes best practice

The process of CPA relied on benchmarking and knowing what constitutes best practice but it was difficult to find a benchmarking partner due to the heterogeneous nature of the local services.

Other performance frameworks were used to support performance under CPA. The commentary above had mixed review on the use of the balanced scorecard. It worked for some, did not work for others.

Some of those interviewed had heard of the Business Excellence Model but none have used it in any way to support improvement.

## 7.3 CPA was more than a performance measurement system

Referring back to the discussion started under T5 on a robust performance measurement system, the researcher will now look at whether CPA fit the profile of a performance measurement system or that of a performance management system.

A performance measurement system (PMeS) was described as a tool for collecting, organising, monitoring and reporting management information to aid decision makers. Performance measurement systems are built around key performance measures. The main purpose of a performance measurement system is to co-ordinate, direct and focuses the attention of decision makers on results (Kloot & Martin, 2000).

CPA was more than just a system that uses measures to co-ordinate, direct and focus management's attention to outcomes. The evidence would suggest that CPA was a performance management system or at least was intended to be a performance management system. It was certainly more than a tool for collecting, monitoring and reporting on performance. Earlier we noted that there were a number of councils that have a lot of integrated performance systems supported by the balanced scorecard which was used to produce performance information but this did not guarantee a good score. The assessors were not interested in what systems were used, be this SAP, PerfromancePlus or Covalent. The assessors were looking for much more and it is this that separates a performance measurement system from a performance management system.

The discussion in chapter 5 established that a system of measurement is at the heart of the performance management system but a performance management system is more than simply measuring and reporting performance. A performance management system relates to how established measures are used by the management of an organisation to get the right

things done successfully. The researcher proposed a simplified model for evaluating performance in chapter 5 as it was previously acknowledged that the problem for New Labour was finding or developing a framework that can appropriately evaluate performance of all local authorities. The component of the simplified framework proposed earlier was used to assess CPA as a performance management system (Figure 8):

Strategy, vision, mission, continuous improvement and objectives linked to strategy and clearly defined priorities.

Measurement of performance and a system for collecting and monitoring performance information

Monitoring of results and evaluating performance

Rewards for good performance

Control and information flows within the performance management system

And although each of these components is shown separately above, in practice the critical factors are not all clearly visible, and the individual components are not all distinctively separate within a performance management system.

CPA required local authorities to have clearly defined priorities and a means to convey the organisational overarching purpose. The model assigns the responsibility to council leaders to choose the strategy that best meet the needs of both national and local priorities.

The process of CPA was built on measures - some of which were imposed and others were linked to local priorities. The local authorities needed a robust system to collect, monitor and report on these measures. These measures were used to evaluate performance mainly of teams and less so of individuals.

The consequence of failure is clearly defined within the model and success is rewarded. Rewards may not be financial for individual but is often in the form of extra funding to service areas. On an individual level, rewards for good performance varied across the sector: included upward mobility, individual and team recognition.

An authority can still be judged as poor performance even though all of the above in place.

In this instance, the inspection stated that the assessment will then have looked to leadership to explain reasons for failure (Lead Assessor 4, Audit Commission). The assessor will then look at what position the leaders took as things were going wrong.

Were they involved in getting to a solution?

Did the leadership say "this is going wrong, we are going to deal with that and this is the strategic intervention we are going to make" (Ibid).

CPA promoted a culture of excellence. Culture is defined as a system of shared values. It defines what is important, the norms, appropriate attitudes and behaviours. Leadership and culture were critical factors in the proposed framework (Figure 8). Neither are immediately visible but both can have significant impact on outcomes, therefore questions will need to be asked on the impact lack of leadership had on outcomes.

Performance management was summarised as being about the leadership at the top. My research indicated that the Audit Commission looked for strong intervention, demonstrated clearly from the Chief Executive, the corporate management team and political leadership (elected members) when things are going wrong.

The discussion with Audit Commission also established that leadership was seen as the difference between good and bad authorities. In a good performance system a balance of the leadership will be exercised in the same space there. It would not matter that the authority was predominantly led by officers rather than members, what would be expected is that leaders were visible. We are reminded of an earlier discussion of an issue raised earlier in the debate on new public management: that administrators and their political counterparts need to worked together in the efficient management of public organisations and to support public reforms. It did not matter much whether that leadership was demonstrated through the formal structure (elected members) or by appointed officers.

The evidence of this research would suggest that CPA was a performance management system or at least was intended to be a performance management system.

CPA was more than about the measurement of outcomes.

Within the CPA process, there was an expectation that a strategic focus be maintained and that there should be a clear action plan and intervention when things are not going as expected.

These features certainly made it more about management whilst still maintaining a focus on the measures. It was very interesting to note that this was not always the case. In the early years, CPA was criticised for being "highly bureaucratic framework that had a tick-box approach" (Lead Assessor 4). This view was also supported by Lead Assessor 1.

There was a perception that CPA was a tick box exercise and that as long as you had a strategy for everything on a corporate assessment then you'd be fine.

"One of the things about good authorities is they didn't see it in boxes. ... One of the big frustrations about where we were was that we were trying to get them to think every aspect was integrated, and they were giving us tick boxes, believing that that's what we wanted to know... No, I didn't want ticked boxes ...

So, one of the characteristics of a good authority, is one that deals with this issue on priorities, is about understanding how to turn ... 'must dos' into stronger outcomes". (Lead assessor 3, AC)

Lead Assessor 3 also stated that he would expect that the typical response of a good authority on specific questions asked during the assessment would be 'yes and' rather than 'yes but'. He noted that the good authorities were good at synthesising, good at understanding how things connected to each other, and therefore drawing on their priorities in a way that gets them down the journey fast enough for their community.

Without a doubt, CPA was more than a performance measurement system. I also think that the definition below of an effective performance management system presented earlier best sums up the process of CPA.

Articulated vision; established key results, objectives and measures at business unit level; identified business process objectives and key indicators of performance for those processes; identified and installed effective departmental measures; monitors and controls key measures; manages improvement but benchmarks against the best and is prepared to be innovative in meeting shortfalls in their own performance when compared to competitors (Lawson, 1995).

## 7.4    Reflection on CPA

The discussions in the interviews revealed a general consensus that CPA has not significantly influenced the way local authorities were managed and the impression given was that those that aimed for excellence would have done so with or without CPA. CPA, however, provided a framework for those authorities to demonstrate good practice and to showcase best practice.

Though CPA did not significantly influenced the way authorities were managed, it was acknowledgement that local authorities benefited from having the CPA framework.

The Performance manager (Authority E) felt that this benefit was seen on three levels:
"Essentially from our own perspective, if the CPA process has recognised Authority E as strong in terms of performance management, clear ambition, focused priorities, effective performance management arrangements, well utilised capacity, and evidence based achievements, then we're happy with that.

I think it's... the external recognition is a good thing. I mean obviously we would ... you know, we recognise the importance of the external recognition, but equally on the CPA side, we also recognise the importance of the framework in promoting accountability. We recognise that external assessment and external inspection is important in providing public assurance,

Thirdly, we also welcome external enquiry in respect of critical frames of an external agency, maybe pointing out things that they think we might focus on or areas that they think that we might improve on"

Authority F highlighted the following benefits:

"We've benefited. I talked about the corporate improvement plan. That is one of the benefits... I can link it to CPA because it came out of the peer review. But prior to that we didn't have... the golden thread ... it was much loser in terms of our ambition, our prioritisation. It was only after that peer review had taken place that the Authority F plan was launched. This sort of really looked at prioritising what we needed to achieve. Before, there was a tendency in Authority F ... to start a lot of big initiatives and never see them through. Also we had a corporate plan that had hundreds of aims of objectives and tasks that you could never have completed. So actually we got better at prioritising as a result of CPA".

Authority C

"We will certainly have done more self-assessment under CPA than we did before, and that has been a useful experience. .... I think we're recognised as being a reasonably self-aware organisation, and some of that is because we've had to go through that process".

Authority D

"CPA absolutely formed part of much better performance at Authority D. Yes, I think if you'd looked at us in 1999-2000, really we would probably have been weak, rather off the end of the scale, whereas now we believe we're a good to excellent authority"

The performance manager, Authority D noted that the role of strategic planning, the role of performance management, the role of culture and leadership was crystallised under CPA - "None of these were expressed concepts ..... before".

"We realised the importance of resident satisfaction and subsequently we've realised the importance of communications. Informing residents, telling them what we're doing, setting service standards, inviting their feedback, inviting their engagement".

The result there was greater accountability to the centre and to residents and there was less emphasis on accountability to individuals, professional or service rules.

The performance manager of Authority J noted that improvement under CPA should be credited to Best Value. The real benefit of the period was that the focus on the indicators was tangible. Performance was measured in a much more meaningful way and commented that public expectations have gone up as result.

Authority J felt that "there was increased focus on certain performance indicators to be quite blunt. ... and have played a significant part in the scores improving. A member of the public could now look at the statistics of their area...and they will either blame the council... or they'll congratulate the council".

Chapter 7 summarised the reflections of the experiences of various practitioners during the CPA years under specific themes. These reflections will inform the discussion in the next chapter but the researcher would like to leave the reader with the following quote:

"I wouldn't exaggerate CPA but for authorities to pretend that it (CPA) hasn't has an impact on their improved performance will be an exaggeration.... You can argue about the validity of the measures that were used to judge success. The bottom line is public perception.... There needs to be a balanced argument but it is a complacent, a lazy view to ... say that CPA hasn't had a positive influence" (PM, Authority K).

On the other hand, the reader is also reminded that though Authority B, having placed customers first for most of the CPA years, noted at the time of the interview that the authority had a shift in emphasis to cost in the later years. This shift was in anticipation of the potential change of government and the possibility of restriction in spending following the pending elections.

This change in emphasis with hindsight proved to be the correct approach as there was a change in government in 2010 and the new government immediately announced significant cuts in spending.

# 8. Discussions and Conclusions

Comprehensive Performance Assessment (CPA) was positioned as part of a wider set of public sector reforms which comes under the umbrella of New Public Management (NPM). New Public Management was described as "a synthesis of actual experiments at all levels of government, particularly local government, most governmental institutions were seen as unresponsive, inefficient, and failing in most other commonly held measures of performance" (Dunn and Miller, 347) as various strategies were adopted in bringing about governmental transformation. NPM has its origins in public-choice theory and managerialism (Aucoin, 1990; Gruening, 2001). NPM was seen as a recipe for correcting the perceived failings of traditional public bureaucracies in respect of efficiency, quality, customer responsiveness and effective leadership (Hood, 2000). The NPM movement purported the ideas of managerial freedom within the public sector, making government more 'business-like' with the application of management principles and practices of the market sector applied an to government departments (Hood, 2000; Lynn, 1998 ; Dunn and Miller, 2007). It has been debated over a time and there is a general consensus that NPM cannot be explained by a single theory (Hood, 1997: Lynn, 1998; Hood and Peter, 2004; Dunn and Miller, 2007).

Earlier in Chapter 3, it was noted that the challenge facing scholars in public management was being able to provide a framework that could explain the promise of the NPM initiatives, both theoretically and in practice (Ferris and Graddy, (1998). Instead NPM is being explained by a set of operating principles and doctrines (Hood, 1997) to solve problems and to transform governments. CPA was one such experiment; it was unique in that it attempted to find a holistic solution to improve English local government.

New Public Management reforms have introduced accountability to a wider group of stakeholders and it emphasised the measurement of results rather than adherence to

procedures (Law, 1999). CPA was a process with metrics at its heart. Doctrines 5 - 7 (given in Table 6 in Chapter 3) identified practices that allowed government to demonstrate how more explicit standards and rules were exercised by management and professionals to provide greater accountability. CPA also promoted a greater need for more explicit, measurable standards of performance, an emphasis on output, controls and results. These emphases are consistent with expectation of Hood (1995) as governments strive for improvement. NPM initiatives increased the pressure across the public sector to show real improvements.

CPA was one of many attempts by the UK government to make local government more accountable. CPA was introduced to provide a more integrated performance measurement framework to form a judgement of the performance of individual services and on an authority's overall performance (Boyne 2003, Boyne and Enticott, 2004; Wilson, 2005; Game, 2006). CPA cannot be explained by a single theory (consistent with the paradigm of NPM) but in chapter 5 the author highlighted a number of issues and challenges that CPA poses. Amongst those were: institutional changes that were made to ensure effective administration, implication of agency theory and defining success. The author will briefly touch on the main challenges before discussing the findings.

*Institutional reforms*

It is worth pointing out at this stage that some of the institutional changes to support improvement started pre-CPA. One example of this is public tendering and greater competition within local government. There was very little option when it came to tendering under Compulsory Competitive Tendering (CCT) but CPA tendering, outsourcing and competition. Improvements were done based on common values, structures and norms. Initiatives such as CIPFA benchmarking clubs, best practices and role models influenced shared values that were adopted as local authorities strived to improve. The statues were used to create

commonalities. It was also not surprising to find isomorphism where there is increasing similarity among organisational structures and processes (Scott, 2004) as organisations attempt to conform to given rules, best practice or role models. Structures that are more attuned to ensuring accountability were created in an attempt to gain legitimacy and secure social fitness (Brignall and Modell, 2000). There certainly were benefits in having common structures as this can be a means of effectively managing performance in order to bring about a more efficient operation (Ibid citing Hamilton 1991; Powell, 1991 and Whitley, 1992). In local government, the culture of Best Value implementation saw the introduction of common local templates, procedures, process checklists and guidance notes (Davis and Wright, 2004). These common templates, procedures and processes were cascaded and were an inherent part of the CPA process. The idea that much of the commonality came from the sharing of best practices would lead one to infer mimetic isomorphism (DiMaggio and Powell, 1983) as managers respond to the demands and uncertainty of CPA. Common structures were only one stage in the process of creating improvements via reshaping the organisation.

*Agency theory*

NPM argued strongly to allow managers the freedom to manage and this will draw on the notion of agency theory. Providing that freedom to manage within a local government is very complex. This point was made earlier in Chapter 5 that several questions still remain and it would suggest that the agency model cannot be fully explained by relationships within local authorities. Local government act as agents of central government but this is a complex relationship. One should complexity is that the legislation and the rules created institutional pressures to ensure complete obedience to rules and conformity to norms (Modell, 2001) to a dominant group or individual. Even without the statues, under the principle of collective responsibility, very often politicians were agreeing to policies that were not fully supported by the local communities. There were minimal opportunities for descent

or outright resistance to the changes and reforms can with the caveat "statutory duty to act" and this will apply regardless of political orientation. This prompts one to conclude that CPA as a NPM initiative did not bring about the expected managerial freedom. For most part, local government in England remained very bureaucratic. In the context of local government, the officers and employees are agents of the local authority but the principal relationship is still unclear. Principles such as goal congruence therefore cannot be tested.

*Excellence was synonymous with success*

Like success, excellence will mean different things to different people. In an attempt to find a definition of excellence the researcher found the following: surpassing merit; to be superior to others, operating above specific levels of attainment. These levels of attainment and expectations were translated into expected targets under CPA. These targets however reflected the views of the government and public managers rather than public expectations. This expression of excellence potentially created an expectation gap. The discussion of the expectation gap is outside the scope of this research and despite questions being asked about the suitability of CPA as a framework for assessing the quality of a local authority's performance (Wilson, 2005), in the absence of an alternative definition of excellence, the researcher accepts that the Audit Commission's definition is legitimately and objective.

The researcher will now address the specific questions posed in this research; the first of which was:

*Has CPA improved performance of English local authorities?*

Improvement is the notion that things are better than they were. Boyne (2003, 223) provided an alternative working definition of improvement: "a closer correspondence between perceptions of actual and desired standards of public services". Improvement is about being able to

raise standard. These desired standards will inform judgement and to remove some of the subjectivity of the process of judging improvement, measures were introduced. Despite being seen as the most ambitious attempt yet to measure the performance of a set of public sector organisations (Wilson, 2005; Boyne and Enticott, 2004), Murphy et al (2011) in a recent study concluded that it was reasonable to claim that CPA was responsible for the improvements in the services in almost all English local authorities. AC (2009a) provided the statistical evidence to support the claim that local services improved significantly under CPA and practitioners taking part in this research acknowledged that CPA was one of the catalysts for that improvement.

Confirmation of improvement was done through a process of inspection and self -assessment. Measures have historically been used to define success (Kennerley and Neely, 2002). A score of 4 denoted excellence and therefore success. These scores provided an objective perspective on whether things have improved and whether the authority can be judged as excellent. An organisation attempting to improve under CPA was judged by their ability to meet specific targets. In the absence of a precise definition of what constitutes improvement (Smith and Goddard, 2006), the statistical evidence using the CPA scores were a valid and objective means of determining whether local services had improved.

Unfortunately, consistent with earlier arguments - the notion of whether things were better than before was perceived differently by the various stakeholders. The findings of this research concluded that there was general consensus amongst practitioner that CPA had not significantly influenced the way authorities were managed. Though statistical evidence supported that CPA resulted in improvement in English local authorities, during the detailed interviews, a significant number of authorities felt the improvement was not due to CPA. Many felt that those authorities that aimed for excellence would have done so with or

without CPA. For most, CPA just provided a framework to demonstrate good practice and to showcase best practice. Even as we debate the impact that CPA had on English local authorities one must again concede that for at least for the 13 authorities below, there were no significant improvement under CPA as they were judged as excellent in 2002 and were still judged as excellent in 2008:

Bexley, Blackburn with Darwen, Camden, Corporation of London, Derbyshire, Hampshire, Hartlepool, Kensington and Chelsea, Kent, Sunderland, Wandsworth, Westminster and Wigan

Of the others, CPA may not have been solely responsible for the improvement in their services but it certainly was a catalyst for change.

"Since its introduction in 2002, council services have improved significantly and CPA has been acknowledged as one of the catalysts for this" (Audit Commission, 2009, 7).

"CPA played an important role in increasing accountability and promoting capacity for improvement within the local government sector .... weak performance became rare, with no council receiving a 0 star rating in 2008 and only four at the next level, compared with 34 councils rated as weak or poor in 2002" (Audit Commission, 2009b, 5).

Performance manager (Authority K) called for a balanced argument on this debate. He noted that the success of CPA should not be exaggerated, but for authorities to pretend that it (CPA) hasn't had an impact on their improved performance would be absurd. He went on to say any such claim would be complacent, "a lazy view to ... say that CPA hasn't had a positive influence" (Performance manager, Authority K).

One can certainly conclude that CPA brought about an awareness that standards should be raised and most authorities strived to be better.

*Performance Management and Performance Measurement in Practice*

A number of research questions were established in the introduction that provided the focus of this study. The one of which was:

Was CPA just a means of collecting and reporting performance or was it much more?

From an academic perspective, should CPA be classified as a performance measurement system or a performance management system?

The following section assesses a number of aspects of performance measurement and management in determining the impact of CPA, most of which will be reflected on the proposed framework given in chapter 5.

The evidence presented in Chapters 7 indicated that CPA was not just used as a means of collecting and monitoring performance data. CPA required each authority to have an effective system in place for collecting performance data and structured system for reporting performance. Measures were a key component of the process of managing performance under CPA. The performance measures, mainly best value indicators (BVI), were used to measure the quality of provision and the effectiveness of service. These indicators were rigorously reviewed and represented minimum standards of performance. These measures were collected, organised, monitored, analysed and report upon, a process consistent with that of a performance measurement system (PMeS) - (Themes 4, 5 and 6). The evidence

however supported the view that CPA looked beyond the scope of just performance measurement. The researcher determined a list of the characteristics that a successful (excellent) authority will display. This list was determining using a triangulation of evidence.

A summary of the essential features of that Audit Commission looked for in making a judgement on the overall performance of an authority is given below. This list was put together using archival evidences together with interviews with the lead assessors from the Audit commission. This list summarises what was expected of an excellent authority.

- Authorities must have a clearly defined strategy for delivering improvements.

- Strategies must be translated into stated priorities.

- Successful authorities need not have a strategy for everything but must be very clear about their priorities.

- There must be a golden thread between setting your ambition (vision), defining the priorities within that ambition. There must be a consistent process of cascading this vision to departments and business units.

- Authorities needed to demonstrate that priorities were established through a process of consultation.

- There must be a clear link between priorities and what was being delivered.

- Good leadership

- Good leadership backed up by good management.

- For there to be effective leadership, it is crucial that the political leaders and CEO have a good working relationship.

- In recognition of the uniqueness of the structure of local government; that leadership should come from political members. The members should lead on the political decisions but it makes no difference if the authorities were members led or officer led.

- A strong CEO is needed where there is a deficiency of good representation from political leadership.

- A strong CEO is one that understood things, provide members with the necessary focus and direction, helping them do their jobs properly.

- Successful authorities recognised data quality as a corporate priority and used this policy to embed strong arrangements for managing the quality of the data they collect and use.

- A good authority was able to look beyond the measure to be able to identify whether the performance is on target. If not, how far are they off the targets and would know what must be done to get performance back on target.

- A good authority would be good at synthesising, good at understanding how things are connected to each other.

- The good authorities will have a system of ongoing monitoring.

The CPA assessment emphasised strategy, priorities and leadership (Themes 1, 2 and 3). The Audit Commission expected that all authorities have a vision of their future direction. This vision should be reflected in the selection of priorities and expressed targets. Authorities were judged on the relevance of the selected priorities; relevance to national and local interest. The representatives on the Audit Commission were very keen to emphasise that authorities were monitored against their stated priorities. The good or excellent authorities that were able to translate that broad vision, filtered that vision down the chain and maintained a strategic focus around those expressed visions throughout the organisation. Collins and Porras (1996) noted that strategies, visions and mission statements combined will guide the process of deciding what to change and what to preserve, and will define the strategies and activities to be adopted in the face of changing environments (Otley, 2008; Ferreira and Otley, 2009). The process of strategy formulation requires clearly defined

goals, objectives and priorities (Cohen and Cyert, 1973) and implementing a strategy required effective leadership. The leaders defined the vision and strategy of an organisation and translate the vision into action. Bennis and Nanus (1985) wrote that leaders have the ability to create a vision that others can believe in and adopt as their own (Morden, 1997). The Audit Commission was looking for similar attributes in leadership; they looked for a link between strategy and outcomes; they looked for consistency between what was stated and what was actually done. An unclear strategy, conflicting priorities and inadequate down-the-line leadership skills are only some of the reasons why strategies fail (Crittenden and Crittenden, 2008) and this was implied within the philosophy of CPA. For example, Authority A, had very clear and consistent leadership at both leader and Chief Exec throughout the CPA years. The reader is reminded again that Authority A was a role model for sustained excellence.

Authority A had very strong; leadership both politically and managerially; the positive drive, enthusiasm and pace are very impressive (Corporate assessment, 2002).

This emphasis on strategy, clearly defined priorities, leadership in addition to collecting, monitoring and regular review of measures makes CPA more than just about the measures.

The legal structure of local authorities (Theme 8) dictates that elected politicians provide that leadership and that the appointed officers should be there to support the elected members in translating that vision. They were expected to create and develop the vision of the authorities, while the implementation rested with the appointed officers (ibid). Should politician be responsible for managing local authorities or should there be a separation of the politics from the administration? This point takes us back a debate that started in Chapter 3 and a detailed analysis of the rationale of assigning the ultimate role for bringing about the

change to politicians is outside the scope of this paper. The Audit Commission however did accept that in order to make changes, it was critical that the political leaders and CEO have a good working relationship. The Audit Commission was looking for strong intervention, demonstrated clearly by the political leaders, chief executive and the corporate management team. In reality the task of setting the visions and direction of an authority also came from officers but good authorities will find a balance in leadership between politician and officer leadership in the formulation and the implementation of the vision/priorities of the authorities. Good authorities had good leadership and it did not matter if the authority was predominantly led by officers rather than members. Theme 7 of the proposed framework considered rewards. Reward was recognition, CPA created a league table of local government performance but there was even greater emphasis and consequences for poor leadership. The Secretary of State under Section 15(3) of the Local Government Act 1999 had and still has the powers of intervention when there is clear evidence that an authority is failing either to discharge its functions adequately or fails to meet its statutory obligations.

In concluding, using the proposed framework triangulated with the evidence presented in Chapter 7 one can conclude that CPA has met the criteria to be classified as a performance management system.

Can success under CPA be explained by the literature? Do the characteristics of success conform to any of the typologies identified by Miles and Snow (M&S) (1978)?

We have previously established that there were variations on what constituted improvement and success (Hodgson et al, 2007; Grace and Martin, 2008, Boyne, 2003). Successful performance under CCT centred on efficiency, the use market mechanism in the public sector and was consistent with what was considered traditional values of New Public

Management. The New Labour government defined successful performance in terms of their ability to raise standards in public services and improvement and success better public services. Success for Miles and Snow (1978) was defined by strategy types. These strategy types will make deliberate choices with regards to their priorities and approaches to managing improvement. The researcher saw an opportunity to test whether the approaches taken by local authorities in driving improvements could be explained by an established typology.

Can Miles and Snow typology be applied to English local authorities?

Miles and Snow (1978) argued that strategy choice, structure and process will reinforce each other as organisations strive for success (Andrews et al. Success or failure under Comprehensive Performance Assessment (CPA) was defined by a weighting system. Most of the measures used to assess the performance of local authorities were imposed but the leadership of the local authorities defined strategies, agreed priorities and decided on the best way to secure improvement.

Miles and Snow (1978) identified four (4) strategy types:

*Prospectors* are organisations that focus on innovation and explore new markets and services. They are often pioneers in their industry.

*Defenders* are organisations that take a conservative view of new product development. They typically compete on price and quality rather than on new products or markets, and stick to their core business with a focus on improving efficiency.

*Analyzers* represent an intermediate category, sharing elements of both prospector and defender.

*Reactors* are organizations in which top managers frequently perceive change and uncertainty in their organizational environments but typically lack an actual strategy.

| Star rating | Categories defined | M & S typology |
|---|---|---|
| 4 | Excellent, well above minimum standards. | Successful |
| 3 | Good, consistently above minimum standards | Successful |
| 2 | Fair, adequate, just meeting minimum standards | Improving |
| 1 and 0 | Weak or poor; below minimum standards with little or no improvements | Failing organisation Reactor |

Figure 17: The relationship between the CPA scores and Miles and Snow (1978) typology.

Miles and Snow typology was discussed briefly in sections 6.8 and 5.6 and Figure 16 shows the relationship between the CPA scores and Miles and Snow (1978) typology. Using the Miles and Snow (1978) typology, the authorities with scores of 4 and 3 stars can either be defenders, prospectors or analyzers. These strategy types were also seen as part of a continuum with the Defender and Prospector at the endpoints with Analyzers as the midpoints (Figure 8). For the purpose of this discussion the Reactor category was ignored as operating in its current form do not represent a viable long term strategy. The efforts of the reactors (failing organisations) to improve will see transformation to either defenders (if the selected strategy for improvement is cost effectiveness) or prospectors (if the focus is on innovation and being adaptive) or an analyzer type (an intermediate strategy).

Local government being a process type organisation is more inclined to look for efficiencies and is more likely to be concerned with productivity and the cost of leadership (Eastaugh, 1992, Langfield-Smith, 1997, Auzair & Langfield, 2005), which would be consistent with being a Defender. It was, however, established earlier in this discussion that the predominant strategy amongst local authorities during the CPA years was a combination of value for money and putting the customer first. Economy was certainly was the primary aim of the

authorities thus ruling out the presumption of classification of successful defender strategy type.

Using the same analogy above, the assumption would be that the prospector-like strategy would emphasise product differentiation/innovation. They would aggressively look for better investment opportunities, jumps to diversify, and seeks out opportunity for new business (Eastaugh, 1992). They are more likely to choose to develop better products in a wider market, whereas a defender may seek a price advantage in a narrow market (Andrews et al, 2004). This may not be practical as, unlike the private sector, services in local government are prescriptive and often statutory. New markets can only be created for discretionary services and in doing so the authorities will need the resource to be able to compete with the private sector. The research identified some evidence of innovation amongst local authorities interviewed but this was initiated out of a need but rather the result of an aggressive or consistent policy to innovate. Competition existed in the form of the star ratings and the league tables but authorities recognised that once the highest score was achieved there was nothing else to compete for. The arguments above again rules out the prospector strategy type as being dominant amongst the successful local authorities.

The analyser type was described as one that is between a defender and prospector type. The researcher interpreted that this means the analyser type will be trying to find a balance between cost and quality of output. Essentially the analyser is an intermediate type between the prospector strategy at one extreme and the defender strategies at the other. "Public organisations, in particular, are likely to pursue a mix of strategies at the same time because they are expected to satisfy a range of conflicting and competing goals, goals that are judged by an array of diverse constituencies (including citizens, service users, the media, regulators and politicians)" (Andrews et al, 2009, p.733) Andrews et al (2009) suggested

that it would be inappropriate to classify a public sector organisation to a specific strategy type and proposed that 'analysing' should not be treated as a discrete strategy and that the 'analyser' category was redundant. The researcher however is proposing a counter argument and is adapting the view that public sector organisations are more likely to pursue a mix of strategies at the same time, which is consistent with that of an analyser. The analysers can vary the extent of emphasis placed on diversification and managing productivity in an attempt to find the optimum mix (Eastaugh, 1992). Local authorities pursued a mixed strategy; value for money and customer first; some innovation but no aggressive policy to innovate would all be an indication of a mixed strategy.

"An analyzer's strategy is to maintain a relatively stable base of products and services while selectively moving into new areas with demonstrated promise. An analyzer tends to emphasize formal planning processes and tries to balance cost containment and efficiency with risk taking and innovation" (Shortell and Zajac, 1990, 818).

The views expressed above were consistent with what was happening in most of the local authorities interviewed. The following are some of the responses on innovations:

"it's not a cost. It's an investment, in that ... I think there are case studies in this publication, all of which one way or another are about innovation, some of them technology-led, some of them about innovation in the way we relate to service users, some of them about innovation in the way we do things internally.....

We do everything we reasonably can to take no risks with tax payers money and no risks with residents' lives. But in other areas, I think the Chief Executive characterised it as solving today's problem in today's way, which might still need reference to a rulebook in certain service areas" (Authority A).

"I think it's in the way that we work in partnership with people, and also kind of moving towards this commissioning thing. Adult social care have had a big transformation process which has led to changes in the way that the services has been... is provided, through commissioning, which is quite innovative, and we were one of the first authorities I think to take on a commissioning model for adult social care" (Authority B).

"it's a place of great innovation. You're encouraged to be innovative... People are given the opportunity to be creative, to show initiative, and to that extent yes but .. it wouldn't be acceptable to... breach policy, or to break the law in the name of innovation" (Authority E).

"We don't have a grand big pot ... lots of investment for innovation. I think the partnership we've got around the Value for Money is an innovative approach in terms of how it operates, and we certainly do undertake things like shared services" (Authority C).

"We're looking specifically at the benefits service, we are a small district with a strong focus on resident satisfaction" (Authority D).

"Corporate procurement has revamped its work and now sits with teams going out for contract that are tendering,... streamline and make the system more comprehensive and more efficient. They've bought in outside expertise to work with them on a day-to-day basis, and that has made the tendering process much more efficient" (Authority J).

The above examples of innovation are mostly around processes to support cost efficiency and value for money. Authority A seemed to be proactive about innovation but there is

not suggestion that they have always led on new innovations. We were also reminded of the need to spend on innovations were all within pre-existing budget limits and within established financial regulations.

In concluding, the evidence above does strongly suggest that the analyzer type was the dominant strategy type amongst the authorities interviewed. Having established a strategy type, we will now look other factors to support or refute the claims above.

"A prospector spreads power much more widely between parts of the organisation, because it is encouraging flexible and innovative behaviour that will allow it to locate and exploit opportunities for new ventures" (Andrews et al, 2009: 734).

Analysers are more likely to use participative, collaborative process involving multiple stakeholders with less emphasis on control and supervision. An analyser will place greater emphasis on human focus, on human needs, a need for belonging and getting recognition (Tonges and Das, 1995). Analysers will be adaptive and are less likely to follow a traditional structure (please refer to Appendix 13 as you read the next paragraphs).

In contrast, we have already established that local authorities remained, for most part very bureaucratic. This approach to management is consistent with that of the defender type (Miles and Snow, 1978; Tonges and Das, 1995; Andrews *et al* 2009). "Defenders are characterised by a tendency to maintain the status quo, with the top managements in these organisations usually being reluctant to adopt participative management approaches (Tonges and Das, 1995: 30; Miles & Snow, 1978). The research have already established that some delegation ($T_8$) was allowed to deal with specific needs and it was often to allowed for the allocation of resources associated to a specific task. Using the example of adult care, some delegation was allowed so that the individual circumstances of the client were

not affected in anyway. The duties of local authorities are often define by statues therefore duties and structure may be prescriptive and as a result they have displayed characteristics of the defender type strategy.

Miles and Snow model assumes that leaders are free to choose the strategy that best meets the needs of the organisations. This however was not necessarily the case in local authorities as most public managers may lack the legal autonomy to select their own strategies. Public sector organisations are legally required to provide particular services and may be debarred from diversifying their activities (ibid.). Torres and Das (1990; 125) proposed that "that while organisations may and do change their strategic orientations in response to external events and pressures, they are most likely to change from one adjacent category to another on the Miles and Snow (1978) continuum, rather than making a radical change, such as from Defender to Prospector". That adjacent type would make analyser type the natural choice - "a strategic comfort zone" - "which integrates both the structural inertia and strategic choice perspectives on the question of organisational response to environmental change" (ibid. citing Shortell, Morrison, and Friedman,1990).
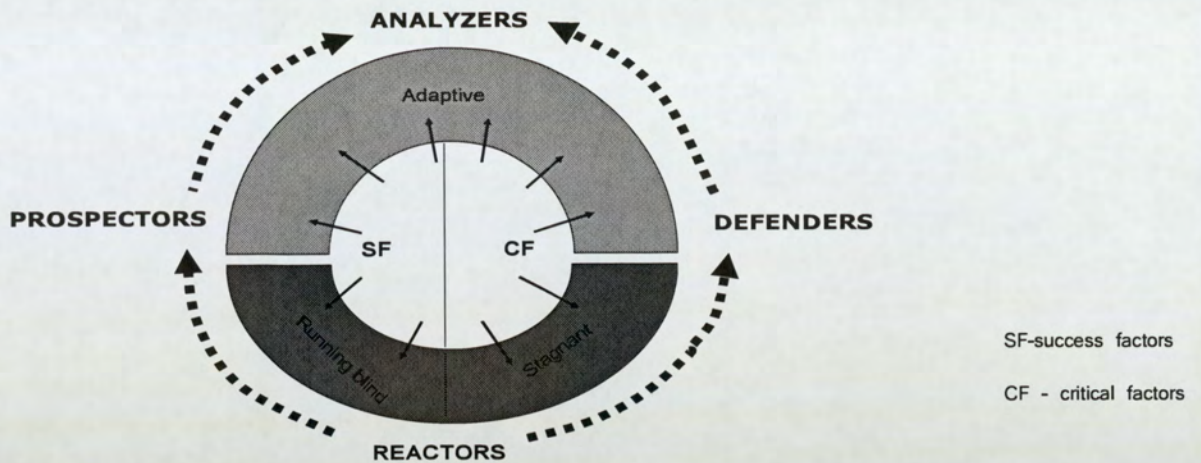
# Wheel of progression



Figure 18: Wheel of progression

Model combining the classification of Miles and Snow (1978) and Gordon and Miller (1976) (Source - the Author, 2010)

The author's interpretation of the relationships between the Miles and Snow (1978) and Gordon and Miller (1978) strategy types and this expressed in Appendix 12 and are further classified within a wheel of progression (Figure 17) above. Gordon and Miller's (1976) archetypes provided an interesting complimentary positioning. Their intent was to find a suitable information system to meet the varying circumstances of the organisation and they classified the emerging attributes into three cluster types of organisations: adaptive, running blind and stagnant bureaucracies. The Adaptive organisation functions in a dynamic environment that requires decision making to be dynamic. Products and services are differentiated, operations are substantially decentralised with a complex decision making process. Management is usually proactive, substantial analysis goes into decision making as organisations adapt to changes in the environment. The attributes of the adaptive organisation will see sustained high performance and, in correlation to Miles and Snow (1978), these attributes would be common to the defender, prospector and analyser in varying degrees. More significantly for this research, the failing authorities (the reactors) are

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further broken down into running blind and stagnant bureaucracies. The services of the organisation that is running blind will be differentiated with significant differences between divisions/ departments. There will be evidence of goal incongruence, poor co-ordination and poor communication. Stagnant bureaucracies will have centralised decision making, very limited differentiation and control will be exercised through rigid rules and regulations. Stagnant bureaucracies would remain unresponsive to changes in the environment. Managers within these strategy types are usually unskilled and have limited technical skills. Under the Comprehensive Performance Assessment framework local authorities are forced to improve and as they improve the failing organisations will be transformed into either defenders (if the selected strategy for improvement is cost effectiveness) or prospectors (if the focus is on innovation and being adaptive) or an analyser (the strategic safe option). Analyzers are less rigid as they can vary the extent of emphasis placed on diversification and managing productivity in an attempt to find the optimum mix (Eastaugh, 1992). A better understanding of the combined assumptions of Gordon and Miller (1978) and Miles and Snow (1978) can be used to help in understanding failing local authorities.

The current programme for measuring performance in local authorities

CAA was abolished in 2010 and whilst the inspection of cores services introduced under Best Value remains, there is no overarching framework for judging the performance of the authorities as a whole.

The Local Innovation Awards Scheme (LIA Scheme) replaced the Beacon awards but the principles are more or less the same except the scope of the award was extended to include local partners.

Local authorities are still subject to

- The annual audit of the Statement of Accounts and a Value for Money conclusion in line with the Code of Audit Practice as before but is much less rigorous than under the BV and CPA framework.

- The national indicators established under Best Value were replaced by a Single Data set - collating the annual statutory returns to support Government's statistics but there is no obligation to interact and to use the information to better own local area.

- Core services inspections are still in place: Monitor to support the work of the Quality Care Commission and OFTSED for example but no formal process of monitoring the quality and effectiveness   of   local services


- Best value authorities are still required to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness but excessive guidance and duties for social responsibilities are reducing.

- The audit Commission was since been abolished.


The focus has very much moved to self-regulation led by the LGA and the Local Government and Improvement & Development Agency (LGID) what was the IDEA.   A programme of Peer Challenge and Peer Support has been established.   Work is ongoing for this to be supported by benchmarking via LGInform (a site which holds lots of benchmarking /performance data).


My contribution

I have acknowledged that the actual research did not go exactly as I intended.   I did not want it to be seen as yet another story teller (Zimmerman 2001) but with hindsight the

story of CPA needs to be told and a reflective a qualitative research method was most appropriate.

My research is the story of CPA from the perspectives of different stakeholders.

This research was carried out towards the end of the CPA years making this research the only summative study of the CPA era. This also is the only study that attempted to provide a balanced perspective of CPA. Previous work done on CPA focused on the validity and concerns of the CPA framework; (Freer (2002), Broadbent (2003), Andrews (2004), Wilson (2004; 2005), Bourne (2004), McLean et al (2007)), some of these concerns may be reflected in this study. This research also went beyond previous research in that it attempted to incorporate the views of several stakeholders. It incorporated the views of various practitioners; those who were affect by CPA. It looked at the process, the issues and how it affected people and how it affected the organisation.

I have provided a comprehensive list of characteristics that can be used to judge future integrated performance framework in the public sector. This list of what a successful authority should represent was informed by previous research on managerialism (NPM), performance measurement and performance management. A summary of the key component of success is reflected in the proposed framework (Figure 7 on page 126) used in this study. The conclusions of the research are based on the shared experiences of a limited sample of practitioners from local government and from officers of the Audit Commission and as such may not be sufficient enough to generalise but it should provide better understanding of the phenomenon of CPA. It will also provide an understanding into a unique period in the history of English local authorities.

I have also discussed in this research thoughts on what makes a good leader: be that the CEO or an elected member.

I attempted the use of data triangulation in research using a qualitative study. This was done to enhance the reliability of the data which means that the outcome can go some way toward validating the evidence used so that the outcome can be relied on.

I have proposed a framework for evaluating performance in a public sector organisation. This was gone as in the process of the research, it was established that there was no single existing framework could adequately to evaluate CPA as a performance framework. It is hoped that this can be a starting point. I would like to test this framework further and possibly develop it so that it can have a wider application.

The period under review was significant for measuring and managing performance in a specific public service. The lessons of this period needed to be document in a very objective way. This research attempted to provide a balanced perspective.

My only regret is that I felt that much more would have been possible if I had wider access to the key practitioners involved in CPA.

Future research

Although CPA was abolished, it is very likely that local authorities have in place a process of self-assessment of service provision as they still do have a statutory duty to improve. There is a real opportunity for academics to establish how authorities are monitoring their progress. What is the impact of having no formal system in place for monitoring overall

performance? What are the legacy / impact of the BV/CPA era? These questions are all relevant in the light a high profile failures in children services in Rotherham. Given that the failing date back to the nineties, was this also a failure of the CPA process? We have also had a failure in administration in London Borough of Tower Hamlets. Had a process like CPA been in place, would there have been early detection of the issues?

It is hoped that having a better understanding of the process of Comprehensive Performance Assessment can be built on as we attempt to find an appropriate framework for evaluating performance in the public sector.

The research established those authorities that claimed to be excellent would have done so with or without CPA. To verify this claim, now that there is no compulsion to collect, measure, monitor performance in the same way, it would be interesting to know how the excellent authorities have evolved since. Do they still consider themselves as excellent? How is performance being measured? Do they still collect, monitor and review performance data with the same level of rigour?

The process of Comprehensive Performance Assessment de-emphasised individuals but earlier discussions highlighted the emerging trend of staff turnover and upward mobility of officers involved in CPA. An interesting future research project would be to tracking the career paths of the performance officers and managers involved in CPA and the career paths of the Chief Executive Officer who led the turnaround of failing local authorities.

The meaning of success and improvement is still unclear and there is still no appropriate framework for evaluating performance in public sector. Though CPA provided an objective

judgement of performance against a minimum standard, how should one recognise a successful public organisation?

The findings revisited the public administration debate on roles of the political and the administrations in supporting reforms in the public sector. A detailed discussion of who is best placed to manage public sector organisation is outside the scope of this research but a better understanding is needed on how this process is actually done. It would be useful to have known more about the relationships between the Chief Executive Officers (CEOs) and the local political leaders. What are the undertakings of CEO's and how much of the decision making is being delegated to them?

My final thought

This has been a long but very interesting journey. My only regret is that I felt that much more would have been possible if I had wider access to the key practitioners involved in CPA.

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