

Comprehensive Performance Assessment: efficiency versus fairness?

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Should the Audit Commission adjust performance measurement scores according to the level of deprivation of English local authority areas, compensating them for the difficulty of administering public services in these places? This policy option is aired in Haubrich et al's (2008) paper on the Comprehensive Performance Assessment (CPA) regime. Even though the authors do not recommend this reform, it is one that policy-makers could consider from reading their thorough and detailed analysis of the link between different kinds of deprivation and their measured performance. Haubrich et al (2008) build on the earlier work of the Cardiff Business School on the environmental constraints operating on the CPA (Andrews 2004, Andrews et al. 2005, 2006) as well as their own work (Haubrich and McLean 2006). With this amount of evidence, these findings appear robust. Local authorities in poorer areas get worse scores, even after adjusting for other factors, such as local authority type. The question is whether we should be concerned?

The argument for compensation is based on fairness. If the performance of local authorities is partly generated from their environment, it would be unfair to award them scores which are on the same metric those earned in more affluent and less deprived areas. Regions with low levels of income, high unemployment, poor health, and low educational attainment levels create additional management difficulties as well as resource needs for the local authority. Similarly, in areas with greater deprivation and large 'black economies', local tax collection tends to suffer as citizens may be more likely to conceal their existence to the council, which ultimately affects the relevant CPA indicators measuring tax collection performance.

The current regime does not create a level playing field, as the performance of local authorities does not depend exclusively on their relative effort and management skills. As a result, the general public and other external stakeholders will not be able to evaluate the

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performance of their local authority in terms of the skill and leadership of the politicians and officers in charge. It may be the case that local authorities will be punished and rewarded for factors outside their control, with the authorities rated as 'excellent' gaining freedoms and flexibility partly based on where they are, with 'poor' performing local authorities being punished with central government intervention through no fault of their own, or even when they have good management teams. The analogous argument is from reporting deprivation-weighted school examination score results because of the socio-economic characteristics of the communities where some pupils live. The final argument for compensation rests on consistency of principles governing distributive decisions in the public sector. As the distribution of public funds from central to local government rests on the criteria of the need to spend, reflecting the differing circumstances of local authorities, so other forms of distribution should be similarly based.

The argument against weighting is consequentialist. One of the attractive features of the CPA, in contrast to the Best Value performance management regime, which it builds on, is that it offers a very clear if broad-brush assessment of how well local authorities have performed. Everyone understands these grades, at least in outline. In particular they have an impact in the competitive world of local government, with officers and politicians constantly discussing and comparing them, seeing them as core to the general reputation of individual local authorities and associated stakeholders. For the high performers, it encourages them to continue performing well, which becomes progressively harder to do as the others catch up - it is not always so easy for those at the top for there is only one way to go. For the losers, the CPA has acted as a spur to improve, exposing many decades of poor performance to citizens, bureaucrats and politicians, not just in the local authority itself, but on the national stage. The result has been that local electors have used the score as a signal to vote out local administrations in CPA-poor councils, first observed in 2002 (James and John 2007), which has become a pattern for the whole CPA period (Boyne et al 2007a). Political change is also a signal to bring in a new management team (Boyne et al 2007b). With further data from an ongoing Cardiff project, *Leadership Change and Public Services: Reinvigorating Performance or Reinforcing Decline* (2006-2008), it may be possible to observe a chain of cause and effect, from poor performance, to electoral change, to change in political leadership, to

change in the senior management team, to improved performance. This would complement other work showing that leadership and the type of management matters for the CPA (Andrews et al 2006, Gains et al 2007).

The existence of an electoral connection to performance is consistent with compensation, but it is likely the performance effect on electoral behaviour will be weaker if there are less poor scores for the electorate to observe. This is pronounced because the electoral connection is much weaker for other levels of performance (Boyne et al 2007a), which would mean that compensation would remove some poor-performing local councils from the public gaze. The more stringent regimes in operation currently helps ensure that poor publicity and a vengeful electorate may stimulate politicians and managers to correct for poor performance. It may be the case that a clearly graded performance regime like the CPA is the only way the virtuous cycle of improvement can get started. For the citizen-consumers who have to endure poorly-provided services, explanations about the difficulties of providing them by the politicians and officers are unlikely to be acceptable. Where poor performance exists, the people who have chosen to lead or to serve in these authorities might be persuaded to stand aside and let others who are more intent on meeting the challenge respond. Compensating the performance of bureaucrats and their political principals undermines a core mission of public service, which is to respond to crises and to deal difficulties when and where they occur. While this argument is very difficult to invoke when considering the performance of pupils in deprived areas, it is appropriate at the level of large organisations like local authorities, which have the resources, mission and leadership to correct and overcome past failures.

Haubrich et al argue that if governments believe in maintaining consistent approaches to redistribution through funding decisions throughout the public sector they should not apply crude measures of performance based on the competitive principles used by the CPA. The allocation of central grants should be consistently allocated competitively, or they should not have a need-based correction. Schemes to reduce the gap between deprived and other areas and have existed in the past, such as the Single Regeneration Budget, for example, where partnerships bid for funds, but where the choices opened up such allocations to political manipulation (John et al 2005).

But there is an important difference: central grants do not compensate for administrative difficulty, or at least only partially. Central grants adjust for measured differences in the cost of providing these services, such as numbers of children, the length of roads, and aspects of deprivation that affect case loads. These central grants do not compensate for a different amount of bureaucratic effort involved in administering different levels of services. So there is no necessary contradiction between fully competitive performance scores and the allocation of grants to local authorities on the basis of need.

So the argument against compensation is cogent, at least for the early period of the CPA reforms, when these scores acted as a 'shock' to the management of local authorities. It is less clear whether such crude distinctions in performance should last indefinitely as authorities tend to improve their scores in successive rounds and converge toward the top level of performance. For example, in 2006 50 of the top-tier 148 authorities got 4*, 71 got 3* and there were none at zero, the lowest level of performance. Far from separating out the different levels of performance, the CPA has increasingly created a world where 'everyone is a winner'. And with a lot at stake in the Audit Commission scores, it is not surprising that these decisions are also political (Bertelli and John 2007) as well as performance-related, creating allocative distortions. In the end, it is possible that performance scores may reflect the diffusion of knowledge and influence across the system as local authorities learn to 'play the game'. The replacement of the CPA by the more fine-grained Comprehensive Area Assessment in 2008 may be opportune because the benefits of the CPA are in decline and its costs are rising. However, such a sequence of performance measurement regimes, albeit imperfect, may be the best way for reformers to deliver necessary shocks to poor-performing public authorities.

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