

Comprehensive Performance Assessment And Deprivation

**A Review By The New Policy Institute
Commissioned By The Audit Commission**

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CPA AND DEPRIVATION
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| Section | Page |
|---|-------------|
| 1. Summary | 1 |
| Findings | 1 |
| Conclusions | 4 |
| Recommendations | 5 |
| 2. Introduction | 8 |
| Objectives | 8 |
| Work Done | 8 |
| Some of the Underlying Issues | 9 |
| The Structure of this Report | 10 |
| 3. The 2002 CPA Model | 11 |
| Levels of Calculation | 11 |
| Weightings by Information Source | 12 |
| Concluding Remarks | 13 |
| 4. Relationships Between The 2002 CPA Scores And Deprivation | 14 |
| Resulting Overall CPA Scores | 14 |
| The Corporate Assessment and Core Service Performance Scores | 15 |
| The ‘Service Block’ Scores | 16 |
| The Constituent Elements within the Education Service Block | 17 |
| Concluding Remarks | 18 |
| 5. CPA and Deprivation: Some Local Authority Views | 19 |
| General Comments | 19 |
| The Use of Statistical Evidence | 20 |
| Deprivation and Performance | 20 |
| How CPA Could Handle Deprivation Better | 24 |
| Concluding Remarks | 25 |
| 6. CPA and Deprivation: Some Inspectorate Views | 26 |
| Inspections and Deprivation | 26 |
| The Objectives of the CPA Process | 26 |
| How CPA Might Develop Over Time | 27 |
| Concluding Remarks | 28 |
| 7. Conclusions | 29 |
| Potential Overall Biases in CPA | 29 |
| Taking Sufficient Cognisance of Deprivation in the Individual Evaluations | 31 |
| The Overall Purpose of CPA | 31 |
| 8. Recommendations | 33 |
| Maintaining a Dialogue | 33 |
| The Use and Definition of Performance Indicators | 34 |
| Inspections and Assessments | 36 |
| Appendix - Relationships Between The 2002 CPA Scores And Deprivation | 38 |

1. SUMMARY

- 1.1. This report provides recommendations on how to ensure that future CPA rounds and, in particular, CPA 2005 take proper account of deprivation. It is based on interviews with selected local authorities and all the inspectorates who contribute to CPA, an analysis of the 2002 CPA round and a review of the available documentation.

FINDINGS

- 1.2. The obvious starting point is to analyse whether past CPA rounds took due account of deprivation. This is not a straightforward question with a straightforward “yes” or “no” answer. In particular, it has two rather different dimensions to it, namely:
- Are there any systematic biases in the CPA framework which tend to mean that authorities with higher levels of deprivation are having their CPA scores unfairly lowered?
 - Does the assessment of individual authorities take sufficient cognisance of the shape and scale of the local challenges given the nature and extent of the local deprivation?

Potential Overall Biases In CPA

- 1.3. Using the Index of Multiple Deprivation 2000 as a measure of relative deprivation, our analysis shows that:
- On average, authorities with higher levels of deprivation did tend to have lower overall 2002 CPA scores. But this relationship only explains a relatively small part of the overall variations in the CPA scores.
 - The relationship between levels of deprivation and the 2002 CPA scores was mainly due to the Education performance indicators relating to attainment and attendance rates. The relationship between these indicators and levels of deprivation was both clear and strong: a third of the authorities with high levels of deprivation¹ scored a 1 or 2 compared with none of the authorities with below-average deprivation and only one of the authorities with high levels of deprivation scored a 4 compared to over half of the authorities with low levels of deprivation².
 - In contrast, if the Education performance indicators are excluded from the 2002 CPA scores, then there ceases to be any discernible overall relationship with levels of deprivation.
 - Whilst some of the constituent elements in the non-Education service areas show a significant relationship between levels of deprivation and the CPA score, in many cases this is inverse (i.e. more deprived authorities tended to receive higher scores), thus explaining the overall lack of a relationship when these constituent elements are combined. Furthermore, without exception, the individual correlations only explain a small part of the overall variation in the scores.

¹ Defined as the quartile of authorities with the highest IMD scores.

² Defined as the quartile of authorities with the lowest IMD scores.

- 1.4. In summary, potential bias in CPA is not an issue that arises throughout the CPA 2002 model. Nor is it an issue which is common across all performance indicators. Rather, it is an essentially an issue which centres on the examination and attendance performance indicators used in the Education service block.

Taking Sufficient Cognisance Of Deprivation In The Individual Evaluations

- 1.5. None of the people that we interviewed argued that deprivation is, or should be, a justification for poor quality services. Nor did any of them dissent from the view that the principle of CPA is a proper one, namely that local authorities should be judged against agreed criteria.
- 1.6. Nevertheless, many of the local authority people that we spoke to expressed a certain amount of disquiet about the way that the first round of CPA had handled deprivation. Many believed that deprivation has a major influence across many of their services and decisions, from the macro (e.g. decisions about priorities) to the micro (e.g. the organisation, style and means of delivery of particular services). Some contrasted this with their perception that the Audit Commission's reaction to criticisms of the first round of CPA had effectively been to deny any relationship worth worrying about between deprivation and CPA.
- 1.7. This issue is not about simple bias but about whether the CPA evaluations of particular authorities succeed in capturing the essence of what is going on in that authority. Whilst pervasive, the influence of deprivation is complex and indirect. Taking it into account requires a real and deep understanding of how deprivation affects that nature of the local challenges facing a local authority.
- 1.8. To help develop such an understanding, our interviews sought to explore the various ways in which authorities themselves believed that high levels of deprivation affect their jobs. The resulting insights can be grouped under five major headings:
- 'Fractionalisation', that is, the extent to which the local population is divided between different ethnic, religious or national groups. The issues here range from the tangible (e.g. the need for services to handle the many different languages spoken) to the subjective (e.g. the population in authorities with high levels of fractionalisation tend to have lower levels of satisfaction with council services).
 - Transience (or turnover), that is, the speed at which the local population is changing. The issues here include making the administrative of benefits and council tax more difficult, keeping track of people with particular needs (e.g. children-at-risk), monitoring the impact of initiatives given the changing population base, schooling and school performance, potential imbalances in the population (e.g. high numbers of older people) and relatively low levels of community and political participation.
 - People's capacity to play an active role being lower in areas of high deprivation, ranging from their ability to understand their rights and entitlements to their capacity to serve as councillors.
 - Regeneration, as an activity with a high priority for authorities with high levels of deprivation.
 - The additional challenge of working for a local authority in a deprived area.

- 1.9. Most of the inspectorates argued that inspection/assessment was a skilled process undertaken by skilled people which therefore took account of all local socio-economic circumstances, including deprivation. This is a view which is difficult to either prove or refute through analysis. In no cases, however, are we aware of guidance to inspectors/assessors on the issue and at least some of the inspectorates believe that such guidance would be useful.

Other Findings

- 1.10. From our discussions, it is clear that some of the more contentious issues relating to the treatment of deprivation are concerned with what exactly it is that CPA is trying to measure. More specifically, tensions arise when the performance of local authorities and the outcomes for the recipients of their services do not go hand-in-hand. So, for example, educational attainment is included in CPA on the grounds that it is an important aspect of how the public perceive the quality of the education service. But if an LEA has only limited influence on educational attainment - with the socio-economic characteristics of the school population and the decisions of what are effectively semi-autonomous schools having more of an influence – then its inclusion would appear to conflict with the purpose of evaluating the performance of local authorities unless a formulation can be found to measure the actual contribution of the LEA to education attainment.
- 1.11. Much of the original criticism of CPA vis-à-vis deprivation focussed on the performance indicators used. However, the overall 2002 CPA scores were, in fact, mainly driven by the results of inspections and assessments, with performance indicators themselves only making up around a tenth of an authority's overall score. Those performance indicators which were specifically adjusted for deprivation (mainly relating to levels of user satisfaction) made up only around one hundredth of the overall CPA scores.
- 1.12. Any assessment about whether the CPA model takes adequate account of deprivation (or, indeed, any other factors) is complicated by the following:
- The CPA model is a complex mathematical model, and is much more complicated than simply taking a number of low level scores and adding them up or averaging them. Rather, it uses a whole variety of transformations, categorisations and other statistical techniques. This means that achieving transparency in the calculations is much harder to achieve. It also means that the final answers can be very different from the original raw data.
 - The nature of the 2002 CPA model differed substantially between inspectorates, ranging from a largely judgemental approach in Social Services, informed but not dictated by performance indicators and inspection judgements, to a largely mechanical process in the Audit Commission service blocks, whereby the overall scores were arithmetically determined by the performance indicator and inspection scores and the mathematical rules for their combination.

CONCLUSIONS

1.13. Given the findings above, we conclude that:

- The specific issue of the use and definition of performance indicators in the Education part of future CPA rounds requires clear and careful consideration.
- Apart from the Education performance indicators, there is no evidence of pervasive systematic biases in the 2002 CPA round.
- The lack of systematic bias in most parts of the 2002 CPA round does not, by itself, provide a guarantee that any new parts of future CPA rounds will also lack such biases. Rather, what is required is a process for reviewing all major, new components in future CPA rounds to ensure that they do not lead to such biases.
- Taking sufficient cognisance of deprivation in the evaluations of individual authorities is perhaps a more problematic issue than that of potential biases because it requires a real and deep understanding of how deprivation affects the shape and scale of the local challenges facing a local authority.
- Rather than assume that the inspections and assessments take due account of deprivation and other local conditions, the ‘onus of proof’ should lie with those making the judgements, by articulating how their judgements are being affected by levels of deprivation. Note that we are suggesting that this is done at an overall level, not authority-by-authority.
- Because the potential impact of deprivation is much wider and more subtle than simply the impact on core services, it can only really be fully addressed if it is a key theme of that part of CPA which is wider than the individual service elements, namely the Corporate Assessment.

1.14. We also conclude that building a consensus that future rounds of CPA do take adequate account of deprivation requires that:

- All parties work together to broaden and deepen their mutual understanding of how deprivation affects local challenges.
- Transparency of the calculations used in the CPA model is maximised so that any debate about potential biases can take place on a shared understanding of the facts.
- There is a consistency and clarity of approach throughout all the major components of CPA based on a common understanding of its purpose.

RECOMMENDATIONS

- 1.15. The overall responsibility for ensuring that all parts of the CPA model adequately address the issue of deprivation lies with the Audit Commission. This will require the Audit Commission to work with the inspectorates to:
- Maintain a dialogue with local authorities to build a shared understanding of the impact of deprivation on local authority performance.
 - Ensure that future indicators are defined in such a way that deprivation does not systematically bias the resulting scores.
 - Ensure that the guidance used in corporate assessments and service inspections explicitly recognises the impact of deprivation on performance.

Maintaining A Dialogue

- 1.16. The recommendations under this heading go somewhat wider than the specific subject of deprivation.
- 1.17. One prerequisite for an effective dialogue is that the foundations of CPA are clear and consistently applied. We suggest that the Audit Commission should ensure there is a shared understanding between themselves and all the inspectorates regarding the objectives of CPA. It should then ensure that all parts of the CPA model used in future rounds are consistent with this shared understanding
- 1.18. A second prerequisite for an effective dialogue is that there is a shared understanding of the facts. The observation that the CPA model is complex makes it more, rather than less, important that its detailed workings are as transparent as possible. We suggest that, for each CPA round, local authorities should be given a thorough and well-presented handbook which explains the CPA model in a form suitable for a management and political (as opposed to statistical) readership.
- 1.19. Finally, an effective dialogue requires mechanisms by which this dialogue takes place. In addition to the existing consultation processes, a standing forum could be set up comprising representatives of the Audit Commission, the inspectorates and local authorities which reviews and discusses how local conditions are being taken into account in the CPA framework, with deprivation being one aspect of this.

The Use And Definition Of Performance Indicators

- 1.20. We do not believe that there is any simple ‘magic bullet’, for example via statistical techniques, by which the components of CPA can “be adjusted to take proper account of deprivation”.

- 1.21. Rather, we suggest that prior to the introduction of any new performance indicators, they should be reviewed to ensure that levels of deprivation are not dominating the resulting scores. If there appears to be no strong relationship, then they can reasonably be given “the benefit of the doubt”. If, on the other hand, the relationship is strong, then consider either re-formulating the definition to lessen this relationship or, failing that, perhaps even dropping the indicator.
- 1.22. The issue here is not whether particular indicators are concerned with subjects which deprivation can strongly affect but whether the definition of these indicators is such that the local authorities’ scores are being strongly influenced by their levels of deprivation rather than being a genuine measure of their performance. Particular opportunities for amending indicators to help lessen their relationship with deprivation include:
- Indicators which measure outcomes for particular subgroups of the relevant population as well as for the population as a whole. Ethnic minorities, people in receipt of means-tested benefits, and people living in social housing are three possible examples.
 - Indicators which are standardised for particular characteristics of the population such as income, social class or some other proxy for deprivation. This is an approach often used in the area of health where, for example, standard mortality rates are calculated by taking the local mortality rates by age and sex and multiplying these by the national mix of the population by age and sex.
- 1.23. On the specific subject of the Education indicators relating to educational attainment and attendance rates, issues of both principle and practicality arise. The issue of principle is whether educational attainment and attendance rates should be included in, or excluded from, the CPA model. The practical issue is to find a form for these indicators which is not strongly correlated with levels of deprivation given that, in our view, a strong correlation is inconsistent with the objective of evaluating LEA performance.³ In this context, prior to CPA 2005, we suggest that:
- Oftsted, DfES and the Audit Commission should jointly agree whether, in principle, educational attainment and attendance rates should be included in, or excluded from, the CPA model.
 - The correlation between ‘value added’ indicators and deprivation should be examined (based on the latest year’s data available). If this shows that there is still a strong correlation, then the possibility of defining indicators in terms of subgroups of the population should be examined (for example, educational attainment could be measured separately for pupils in receipt of free schools meals and for other pupils).
 - If educational attainment and attendance rates are to be included in future rounds of CPA, then the local authorities should be told why they are being included, the extent to which LEAs can influence such indicators, what is being done to ensure that levels of deprivation do not dominate the resulting scores and what the precise form of the proposed indicators is.

³ The analysis in this report has been based on the 2002 CPA round. From 2003, the education performance indicators are being defined in terms of ‘value added’ rather than ‘raw results’

Inspections And Assessments

1.24. We suggest that:

- The Corporate Assessment guidance for future CPA round should be reviewed to ensure that:
 - It adequately articulates the major aspects of deprivation which can have an impact on an authority's priorities, challenges and direction, drawing on the themes outlined earlier.
 - It causes each Corporate Assessment to explicitly raise the subject of deprivation and its potential impact in the discussions between the assessors and their local authorities.
- For both the Corporate Assessment and Service Inspection processes, written material on how deprivation impacts on local authorities and how this is being handled in the assessments/inspections should be developed and communicated to local authorities. This material should:
 - Respond to the various aspects of the impact of deprivation identified in this study as impacting on performance.
 - Be incorporated into the internal training, advice and guidance material given to the assessors.
 - Be used in the moderation processes, complementing existing processes which to try and ensure that other biases are not present.
 - Be sent to local authorities to give them assurance that the subject is being adequately handled in their inspections and assessments.
- One factor in the allocation of assessors and inspectors to local authorities should be to ensure that, if a particular inspector is inspecting an authority with high levels of deprivation, then they also have some involvement with the inspections of other authorities with high levels of deprivation.

2. INTRODUCTION

OBJECTIVES

- 2.1. The Comprehensive Performance Assessment (CPA) process was introduced for single tier authorities and counties in 2002 and has effectively become the overarching process for central assessment of local authority performance. As such it utilises pre-existing processes, such as performance indicators, service inspections and plan reviews, and combines these with new processes for corporate assessment to derive overall assessments for each local authority.
- 2.2. Since the first CPA round of scores was published at the end of 2002, there has been a certain amount of criticism from third parties about its handling of deprivation, starting from the observation that authorities with higher levels of deprivation tended to have lower CPA scores.
- 2.3. The Audit Commission is currently looking to develop the CPA framework to take account of lessons learnt in the early years. As part of this, it has set up a review process, with “the impact of deprivation on outcomes” being one of four key issues for this review to address. To feed into this review, the Audit Commission commissioned the New Policy Institute to investigate the relationships between deprivation and CPA and to make recommendations for improvements to the CPA process for implementation in the 2005 round. The two key questions for the study were “*does CPA currently take proper account of deprivation?*” and “*how could CPA take better account of deprivation?*”.

WORK DONE

- 2.4. Interviews were conducted with around 25 local authorities and with all the inspectorates. Some of the local authorities were selected by the Audit Commission because they were known to have views on the subject whilst others were interviewed following an invitation to all local authorities to express their opinions directly.
- 2.5. All aspects of the 2002 CPA model were studied, from the methods of calculation to an analysis of the resulting scores.
- 2.6. Preliminary conclusions were then developed and discussed with an advisory group to which the various stakeholder interests - local authorities, the inspectorates and relevant government departments – were invited. A meeting was also held specifically with the inspectorates.
- 2.7. Following these meetings, further analysis and discussions took place and this report was written.

SOME OF THE UNDERLYING ISSUES

- 2.8. The question “*does CPA take proper account of deprivation*” is not a straightforward question with a straightforward “yes” or “no” answer. Rather, there are a variety of complications.
- 2.9. First, it is a question with two distinct dimensions:
- One dimension, which is the one that featured most prominently in the published criticisms of the original 2002 CPA round, is whether there are any systematic biases in the CPA framework which tend to mean that authorities with higher levels of deprivation are having their CPA scores unfairly lowered.
 - A second dimension, which is the one that has actually been of most concern in our interviews with local authorities, is whether the assessment of individual authorities takes sufficient cognisance of the shape and scale of the local challenges given the nature and extent of the local deprivation. This is part of a much wider question about whether CPA takes proper account of all relevant local circumstances.
- 2.10. This report discusses both of these dimensions.
- 2.11. Second, there is the issue about how to come to judgements about potential bias in CPA. For example, the obvious way of looking for any systematic biases is to see if there is any overall correlation across the authorities between CPA score and level of deprivation, the argument being that if these two factors are strongly correlated then there is an a priori case that this implies bias. But some people that we interviewed argued that one would expect to see such correlations either because central government grant does not sufficiently compensate for higher levels of deprivation or because the CPA framework should in part reflect the quality of service received by the public rather than be solely an assessment of performance.
- 2.12. This report assumes, as it obviously has to, that the financial framework within which local authorities operate adequately reflects the differing needs in their areas. It assumes that the overall purpose of CPA is to assess the performance of each authority rather than the outcomes for the recipients of its services, but also discusses some of the issues arising where these may differ.
- 2.13. Third, there is the issue about what is meant by ‘deprivation’. The central perception of the term, as manifested in the Index of Multiple Deprivation (IMD) and its successor, is that, whilst there are many dimensions to deprivation, lack of income and work are central. As the later discussion of local authority views makes clear, however, their concerns are more focussed on such aspects as the extent of ‘the fractionalisation’ or ‘turnover’ among their population.
- 2.14. In its quantitative analysis of biases, this report assumes that the IMD is a sufficiently reliable indicator of deprivation for the purposes of identifying where there is cause for concern. In its qualitative discussion, however, the full breadth of the possible relationships between performance and various aspects of deprivation is discussed.

- 2.15. Fourth, there is a difference between ‘*taking proper account of*’ and ‘*adjusting for*’ deprivation, with the former being concerned with whether or not the CPA scores are a fair assessment of the authorities and the latter being about making statistical adjustments to particular components within CPA. This report covers both aspects.
- 2.16. Finally, there is a difference between ‘*taking proper account of*’ and ‘*being seen to take proper account of*’. One of the characteristics of the CPA framework is that it is a complex mathematical model where the factors driving the overall scores are not immediately obvious. In such circumstances, it would not be surprising if people had strong opinions about the adequacy of CPA vis-à-vis deprivation regardless of the detailed methods by which the scores were calculated. This report takes the position that it is important that CPA both ‘takes proper account of’ and ‘is seen to take proper account of’ deprivation.

THE STRUCTURE OF THIS REPORT

- 2.17. By way of context, Chapter 3 provides a brief summary of the 2002 CPA model.
- 2.18. Chapters 4 to 6 then set out the findings from our analysis and discussions:
- Chapter 4 provides an analysis of the relationships between the 2002 CPA scores and levels of deprivation.
 - Chapter 5 discusses the views of the local authority people that we talked to.
 - Chapter 6 discusses the views of the inspectorate people that we talked to.
- 2.19. Chapter 7 provides the overall conclusions that we draw from the material in the previous three chapters.
- 2.20. Chapter 8 provides our recommendations for future rounds of CPA.

3. THE 2002 CPA MODEL

- 3.1. To provide context for the analysis of the relationship between deprivation and the CPA 2002 scores in the next chapter, this chapter provides an overview of the 2002 CPA model.

LEVELS OF CALCULATION

Top Level Calculations

- 3.2. The end result of the 2002 CPA process was that each authority was given *an overall CPA rating* of between 1 and 5 (1 being termed ‘poor’ and 5 being termed ‘excellent’).
- 3.3. This overall CPA rating for each authority was calculated by combining two elements, each rated 1-4:
- The *corporate assessment* undertaken by the Audit Commission.
 - A *core service performance* score which aims to rate the overall performance of the services of the authority.
- 3.4. The core service performance score was calculated from the scores for various ‘*service blocks*’, each rated from 1 to 4.
- Benefits, undertaken by the Benefit Fraud Inspectorate.
 - Education, effectively undertaken jointly by Ofsted and DfES.
 - Social services, undertaken by the Social Services Inspectorate.
 - Environment, undertaken by the Audit Commission.
 - Libraries and Leisure, undertaken by the Audit Commission.
 - Housing, undertaken by the Audit Commission.
 - Resources, undertaken by the Audit Commission.
- 3.5. Note that it was only the ‘current performance’ scores in Education and Social Services that were used and not those for ‘improvement’. So, for example, the Education service block included statistics for education attainment in the latest year but did not include any statistics relating to change in these statistics over time.
- 3.6. While the concept was that the core service performance score is the weighted average of the service block scores, the actual arithmetic was somewhat complicated as it used a set of rules to assign each resulting average to a score of 1, 2, 3 or 4. So, for example, if the weighted average was greater than 3 then the core service performance score was set to 4, if the weighted average was between 2.5 and 3 then the core performance score was set to 3, etc.

Service Block Calculations

- 3.7. In the Audit Commission service blocks, the service block score was calculated from the scores for a number of ‘*service areas*’. For example, the Environment score was calculated from the scores for Planning, Transport and Waste. These service area scores were derived from a series of individual *inspection judgements, performance indicators* and *plan reviews*.

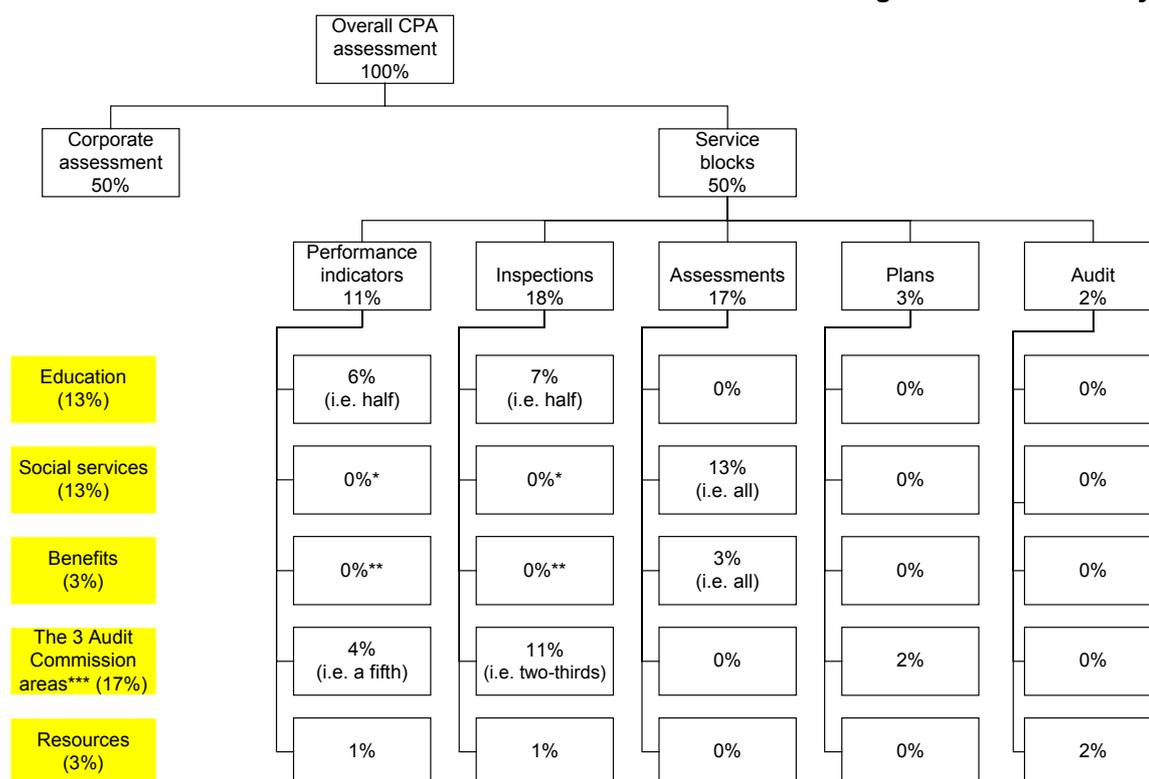
- 3.8. In Education, the service block score was derived from a series of individual inspection judgements and performance indicators. The inspection judgements used were a selected subset of those available from the LEA inspections and the performance indicators used were not the same as the Best Value performance indicators.⁴
- 3.9. In both Education and the Audit Commission service blocks, a mathematical model was developed to combine the individual inspection judgements, performance indicators, etc. These rules were arithmetically much more complicated than simple weighted averages, involving a variety of categorisations and transformations. They also differed from service block to service block with, for example, the Audit Commission's service area calculations using defined thresholds to allocate 'unadjusted' scores to a score of 1-4 whereas Education used a quota system for how many authorities would fall into each score of 1-4.
- 3.10. In Benefits, the service block scores were calculated by adding up the number of 'correct' answers to a yes/no proforma and then subjecting the resulting scores to a validity check against performance indicators and other information.
- 3.11. In Social Services, there was an assessment process to allocate scores for each of children and adult services, with the inspection judgements and performance indicators informing, but not dictating, these assessments. Social Services was the only service block where the scores were not based on an arithmetical model to combine a series of lower level scores.

WEIGHTINGS BY INFORMATION SOURCE

- 3.12. For each of major elements in the CPA model, the figure below summarises the rough 'weighting' that performance indicators, inspections, assessments and other information sources play.

⁴ Of the 28 Education Best Value performance indicators, 4 were used in the CPA calculations, a further 2 were similar to those used in the calculations and 22 were not used. Of the 11 performance indicators used in the CPA calculations, 5 were not the same as, or similar to, any of the Best Value indicators.

The Information Sources Used To Calculate the Overall CPA Rating For Each Authority⁵



* = used to inform the assessment ** = used to validate the assessment
 *** = combined weightings for Environment, Housing and Libraries and Leisure

- 3.13. So, performance indicators make up around a fifth of the core service performance scores and a tenth of the overall CPA scores.
- 3.14. 7 of the 10 performance indicators relating to user satisfaction, plus the indicator on Council Tax collection, were adjusted for deprivation on the grounds that “there is a statistically significant link which is also considered to be a causal one”. Together, however, these only represent around 5-10% of the total ‘weight’ of the performance indicators, or around 0.5-1% of the input to the overall CPA rating.

CONCLUDING REMARKS

- 3.15. Much of the original criticism of CPA vis-à-vis deprivation focussed on the performance indicators used. However, the overall 2002 CPA scores were, in fact, mainly driven by the results of inspections and assessments, with performance indicators themselves only making up around a tenth of the overall score.
- 3.16. Furthermore, the CPA model used was much more complicated than simply taking a number of lower level scores and adding them up. Rather, it uses a whole variety of transformations, categorisations and other statistical techniques. Such a process can give very different answers than the original raw data. It also means that transparency in the calculations is much harder to achieve.

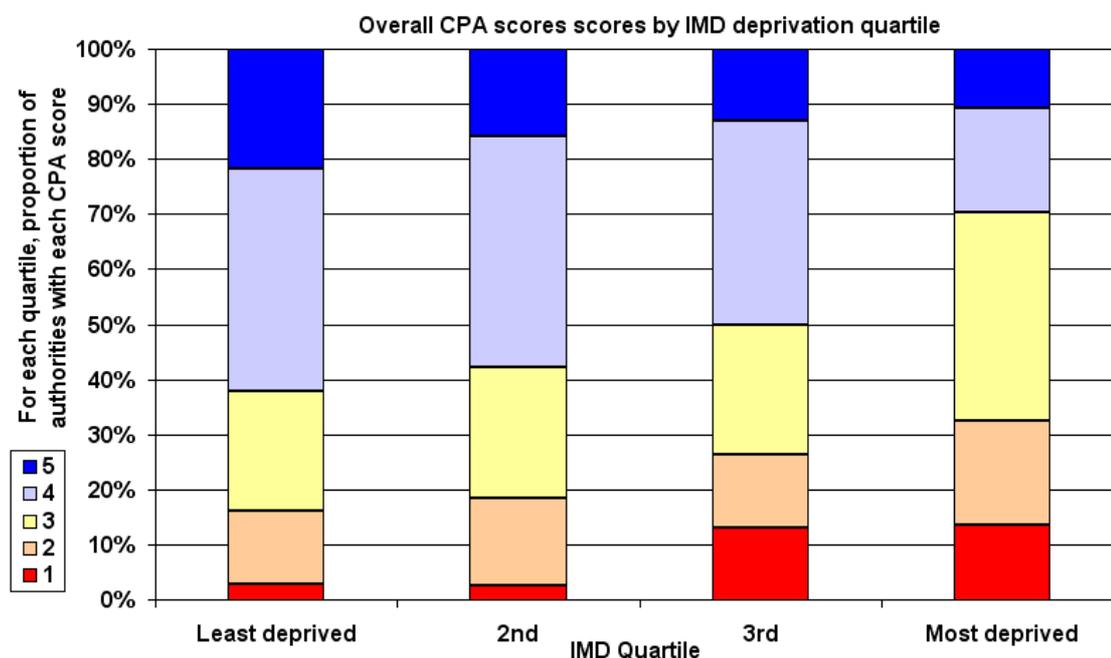
⁵ The example given is for metropolitan authorities. The weights for other types of authority are slightly different mainly because some types of authority are not responsible for some services (e.g. Counties are not responsible for housing).

4. RELATIONSHIPS BETWEEN THE 2002 CPA SCORES AND DEPRIVATION

- 4.1. This chapter provides an analysis of the extent to which both the overall 2002 CPA scores, and their constituent elements, were correlated with levels of deprivation as measured by the Index of Multiple Deprivation (IMD). It is supported by a more detailed analysis in the Appendix.
- 4.2. The analysis follows a top-down method, starting with the relationship of overall CPA score to level of deprivation and then working its way down through the CPA model until it reaches the level of individual inspection judgement or performance indicator.

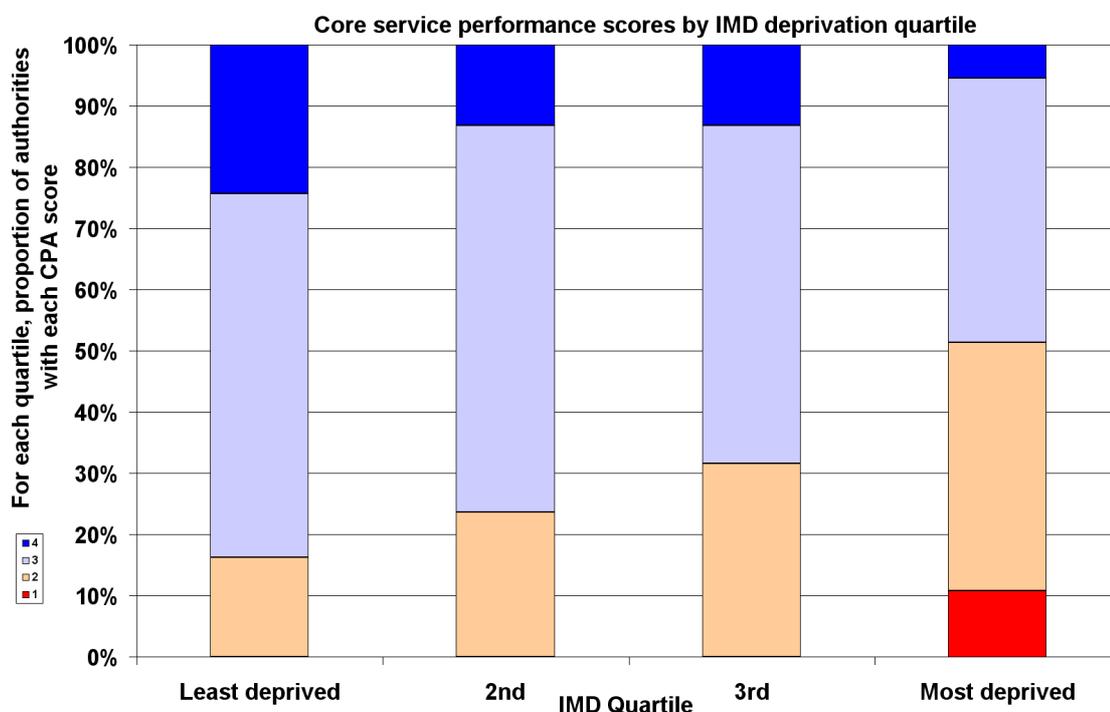
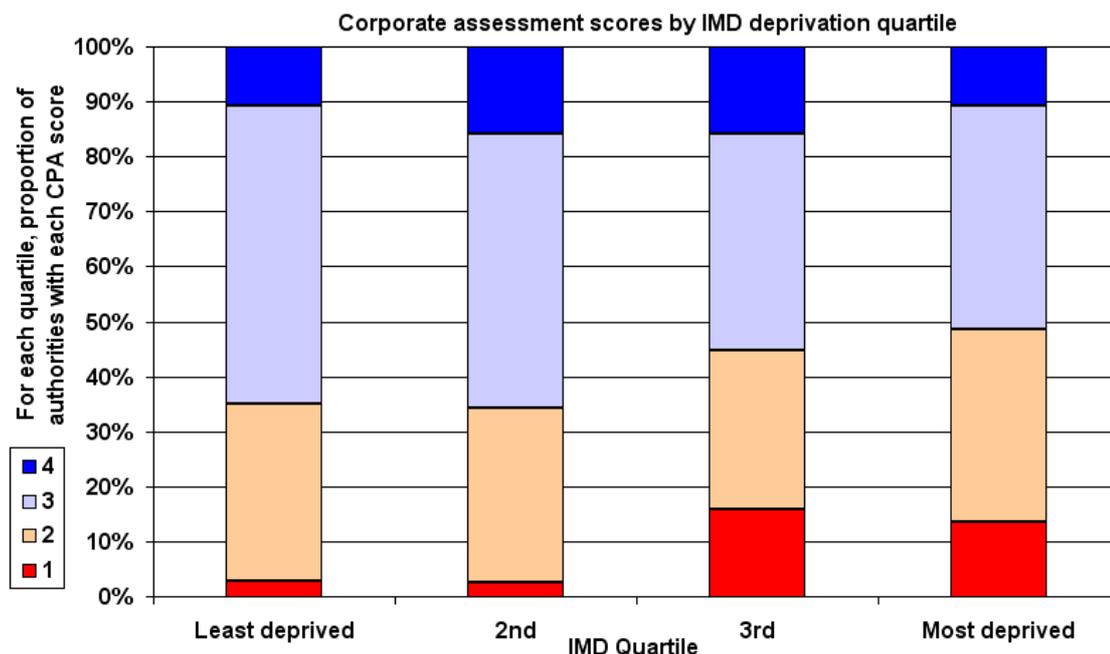
RESULTING OVERALL CPA SCORES

- 4.3. *On average, authorities with higher levels of deprivation did tend to have lower overall 2002 CPA scores.* So, for example, the average score for the quarter of authorities with the highest levels of deprivation (as measured by the Index of Multiple Deprivation - IMD) was 2.9 (where 1 = 'poor' and 5 = 'excellent') whereas the average for the quarter with the lowest levels of deprivation was 3.6. But this relationship was by no means absolute and so, for example, a third of the authorities with the highest levels of deprivation were scored as a 'good' or 'excellent' whilst a third of the authorities with the lowest levels of deprivation were scored as a 'poor' or 'weak'.



THE CORPORATE ASSESSMENT AND CORE SERVICE PERFORMANCE SCORES

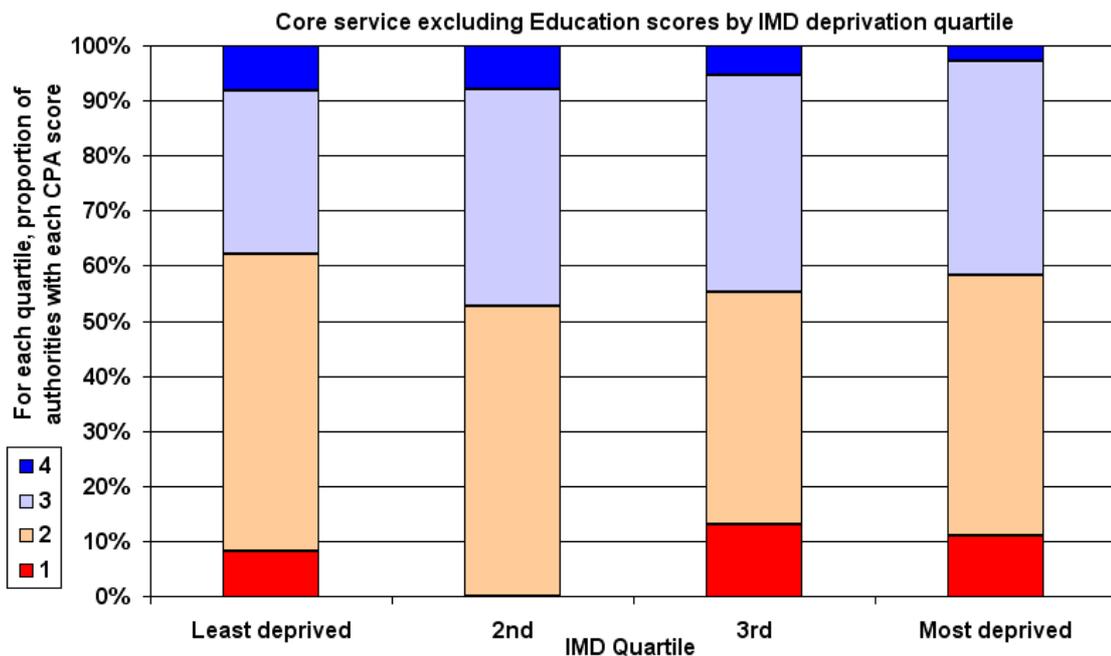
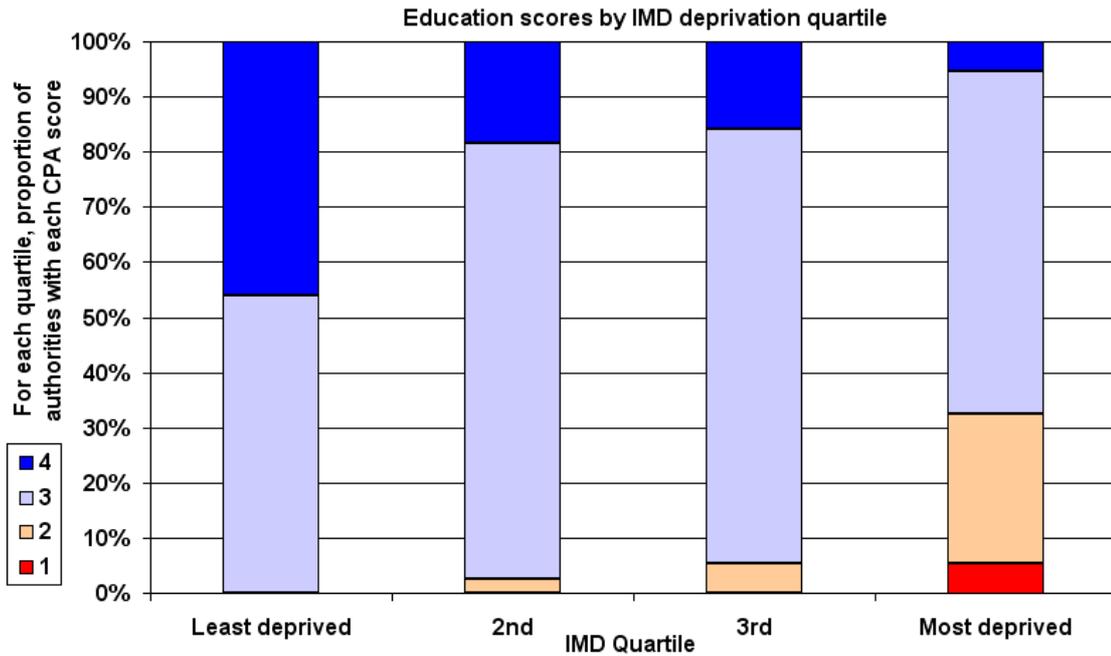
4.4. Within the overall scores, *the overall relationship between levels of deprivation and CPA scores was much stronger for the core service performance component than for the corporate assessment component.* Indeed, there was arguably no overall relationship between the corporate assessment scores and levels of deprivation.



4.5. The three graphs above are similar to, and consistent with, the equivalent graphs in the Commission’s own local government briefing *Understanding the Relationship between CPA Outcomes and Deprivation.*

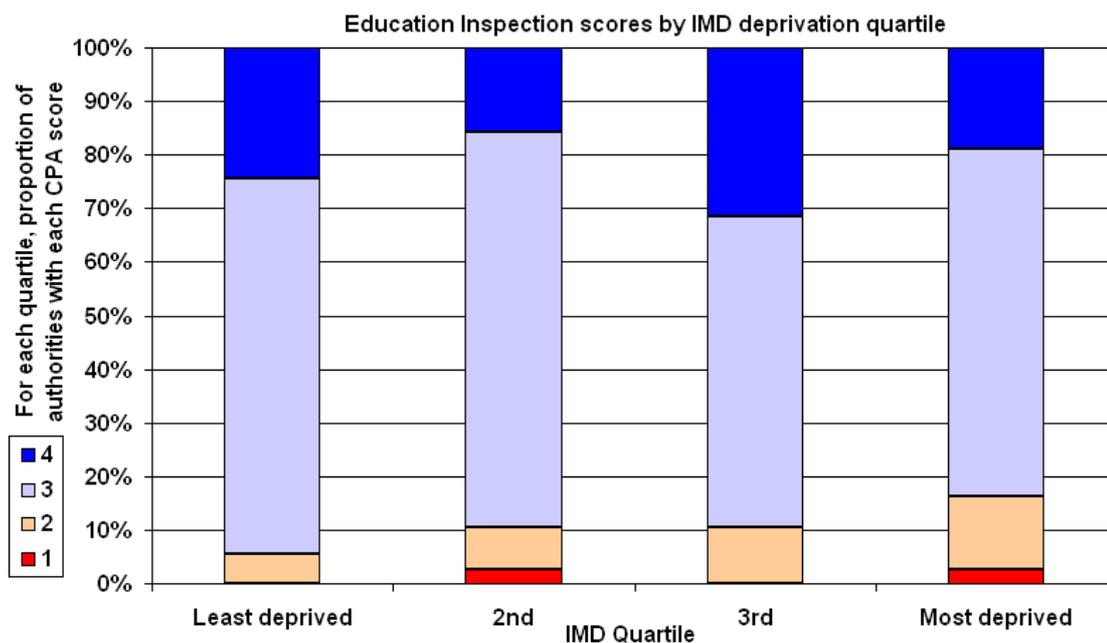
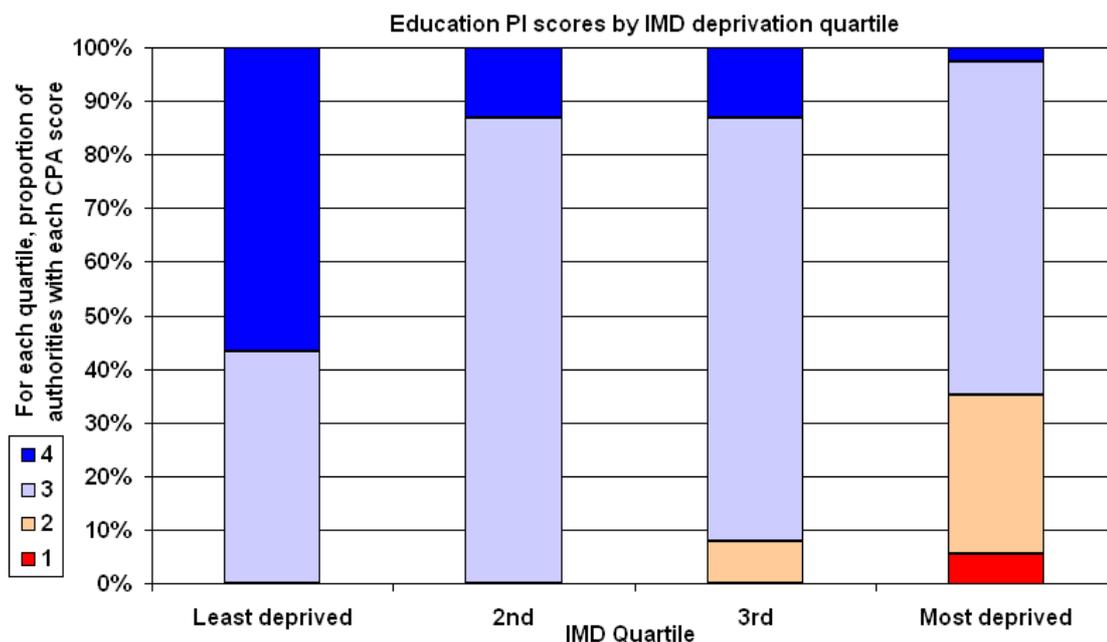
THE 'SERVICE BLOCK' SCORES

4.6. *Within core service performance, the relationship was much stronger for Education and (to a lesser extent) Libraries and Leisure than for the other service blocks. For example, one third of the most deprived authorities scored a 1 or 2 in Education compared to none of the least deprived authorities and virtually none of the authorities with middling deprivation. In contrast, if Education is excluded from the core service performance scores, then there ceases to be any discernible relationship between core performance score and level of deprivation.*



THE CONSTITUENT ELEMENTS WITHIN THE EDUCATION SERVICE BLOCK

4.7. *Within Education, the relationship was much stronger for the performance indicators than for the inspection judgements.* For example, a third of the most deprived authorities score a 1 or 2 compared with none of the authorities with below-average deprivation and virtually none of the most deprived authorities score a 4 compared to over half of the least deprived authorities. In contrast, *the Education inspection judgements show little overall correlation with levels of deprivation.*



- 4.8. More detailed examination of the individual Education performance indicators shows that all of them are strongly correlated with deprivation (except for adult education attendance rate and schools in special measures) and, in all but one case (care leavers), the correlation explains a substantial proportion of the variation in the scores. Most of the indicators in question concern either examination results or attendance rates, both of which are more directly related to schools than to LEAs.
- 4.9. In contrast, whilst some of the constituent elements in the service blocks evaluated by the Audit Commission (Environment, Housing and Libraries and Leisure) show a significant relationship between levels of deprivation and the CPA score, in many cases this is inverse (i.e. more deprived authorities tended to receive higher scores), thus explaining the overall lack of a relationship when these constituent elements are added together. Furthermore, without exception, the individual correlations only explain a small part (5% or less) of the variation in the scores, and a much smaller part than is the case for the Education indicators (typically around 50%).
- 4.10. *In summary, the relationship between deprivation and CPA scores is not an issue that arises throughout the CPA 2002 model. Nor is it an issue which is common across all performance indicators. Rather, it is an essentially an issue which centres on the examination and attendance performance indicators used in the Education service block.***

CONCLUDING REMARKS

- 4.11. We would sum up the analysis in this chapter as follows:
- On average, authorities with higher levels of deprivation did tend to have lower overall 2002 CPA scores. But this was largely due to the Education performance indicators, with little overall correlation in the rest of the CPA model. In contrast, the Education performance indicators themselves - and specifically those relating to examination results and attendance rates - were strongly related to levels of deprivation, and differences in levels of deprivation from authority to authority explains a substantial proportion of the differences in their performance indicator scores.
 - Some of the constituent elements in the areas outside Education were correlated with deprivation, but there is no clear pattern with the correlation being positive in some cases and negative in others. Furthermore, and importantly, in none of these cases does the correlation explain more than a very minor proportion of the variation.

5. CPA AND DEPRIVATION: SOME LOCAL AUTHORITY VIEWS

- 5.1. This chapter sets out some of the key points emerging from interviews that were held with some twenty five local authorities and local authority bodies.⁶ The limited number of these interviews means that the material should not be taken to be a complete view of local authorities' views of CPA.
- 5.2. This material is organised under the following headings:
- General comments regarding the way CPA handles deprivation.
 - The statistical evidence cited by local authorities.
 - Deprivation's impact on performance.

GENERAL COMMENTS

- 5.3. In listening to local authorities, we met with a variety of views on how, if at all, CPA handles deprivation. These ranged from the view that CPA takes no account of deprivation - but should - to the view that the relationship between final CPA score and deprivation is slight. But everyone we spoke to agreed that deprivation should never be a justification for poor quality services.
- 5.4. Furthermore, no one we spoke to dissented from the view that the principle of CPA is a proper one, namely that local authorities should be judged against agreed criteria. Indeed, some of those interviewed were enthusiastic about CPA overall. In our view, it is vital that critics of CPA within local government - and in its handling of deprivation, many of those we spoke to were critical to some degree - should not be mistaken for opponents of CPA.
- 5.5. In many cases, CPA is being used within local authorities as part of the continuing attempt to raise standards. This is as true of the stronger-performing authorities - where particular aspects of each authority's operations inevitably fall short of the high, overall standard - as it is of the weaker-performing ones. Many of the people we spoke to are in a Janus-like position on CPA: facing outwards, as in relation to this study, they can be critical of this aspect of CPA or that; facing inwards, however, they can seem to be the embodiment of CPA, arguing for it and what it represents to a sometimes uncertain and sceptical internal audience.
- 5.6. Reflecting all this, the fact that the Audit Commission has commissioned this study was welcomed by those we spoke to. CPA is seen as being bound to develop and this study is part of that development.

⁶ Interviews with selected authorities were conducted with Bedfordshire, Blackburn, Bristol, Cornwall, Hackney, Kent, Lewisham, Liverpool, Newham, North Yorkshire, Tees Valley, Waltham Forest, Westminster, Wokingham, the LGA and the ALG. Following an invitation to all local authorities to express opinions directly, a second round of interviews was conducted with Birmingham, Blackpool, Great Yarmouth (district), Hart (district), Hounslow, Hyndburn (district), Newham, Pendle (district), Sefton, South Tyneside and Sunderland.

- 5.7. Finally, several interviewees were of the opinion that high levels of deprivation, and the resources that flow in from central sources in consequence, can actually help an authority to achieve higher CPA scores, by having something to show off and be proud of. Rather, it is authorities which have some deprivation but not enough to attract additional resources or qualify for high-profile initiatives that are the greatest concern in terms of CPA and how it handles deprivation.

THE USE OF STATISTICAL EVIDENCE

- 5.8. Although not everyone we spoke to drew attention to the statistical evidence, those who did believed that it showed that there was a relationship between CPA score and deprivation. The evidence cited included:
- The work by George Boyne and colleagues at Cardiff (for example, *Deprivation and Local Authority Performance: the Implications for CPA*) suggesting that over half of the performance indicators used in the first round of CPA had “a statistically significant influence on performance”.
 - The Commission’s own report (*Understanding the Relationship between CPA Outcomes and Deprivation*), where exhibit 3 on core service performance and deprivation, showed a relationship between the two.
 - The Number 10 Strategy Unit’s report on London (*London Analytical Report*, July 2003) where a graph (page 103) showed a complete split among inner London local authorities between higher performing, lower deprivation ones and lower performing, higher deprivation ones.
- 5.9. The interesting question here is why such evidence is felt to be so important. After all, as discussed elsewhere, performance indicators only play a relatively minor role in the calculation of the overall CPA scores. Furthermore, the relationship between overall CPA scores and deprivation is less pronounced than that between the core service performance scores and deprivation. And whatever else can be said about the Inner London CPA assessments, it is certainly a special case, with extremes of both deprivation and performance.
- 5.10. Part of the answer to this question seems to be that some of the local authority people we spoke to believed that the Audit Commission’s reaction to criticisms about the 2002 CPA process had effectively been to deny any relationship worth worrying about between deprivation and CPA. In such circumstances, even relatively limited counter-evidence can carry considerable weight in people’s minds.

DEPRIVATION AND PERFORMANCE

- 5.11. More than any statistical relationship, the deeper root of the disquiet about the way the first round of CPA handled deprivation is a widespread, and we think deeply held, belief that deprivation can indeed make a local authority’s job much more difficult but that its impact is neither easily defined nor quantified. Rather, deprivation fundamentally alters the ways a local authority operates, influencing many of the authority’s priorities and decisions on a wider scale than the specific initiatives and resources devoted to specific areas of deprivation, working on crime and drug related issues, etc.

- 5.12. So any argument that CPA need take no account of deprivation (with the exception of a few isolated performance indicators relating to user satisfaction) did not sound plausible and made the defence of CPA within authorities – again that stress on the internal audience - especially difficult.
- 5.13. The challenge for the future rounds of CPA is, therefore, seen as one of continuing to encourage national evaluation against agreed criteria while also ensuring that the local conditions that shape and limit what an authority can do are fully taken into account. Clearly, this is a wider issue than ‘just’ deprivation.
- 5.14. In this context, our interviews sought to understand the various ways in which authorities themselves believed that high levels of deprivation made their job that much harder. What in practice emerged from this discussion was, however, much more a series of insights into the particular aspects of deprivation that authorities believed made their job that much the harder. The main aspects raised were:
- ‘Fractionalisation’, that is, the extent to which the local population is divided between different ethnic, national or religious groups.
 - Transience (or turnover), that is, the speed at which the local population is changing, due to both inward and outward migration.
 - People’s capacity to play an active role, ranging from their ability to understand their rights and entitlements through to their capacity to serve as councillors.
 - Regeneration, as an activity with a high priority for authorities with high levels of deprivation.
 - The additional challenge of working for a local authority in a deprived area.
- 5.15. The first three of these are to do with the characteristics of the population served by the local authority while the last two relate to the authority’s own capacities. Each is discussed below, with the last three collected together under the heading of capacities and priorities.

Fractionalisation

- 5.16. Many of those we spoke to agreed that fractionalisation - crudely, the number of different communities, whether ethnic, religious or national - is an important factor. It is something separate from, and in addition to, the raw percentage of (say) black and minority ethnic people in the area. It is particularly an issue for schools. It has cost implications if it means that many different languages are spoken. Where fractionalisation also reflects diverse cultural traditions and norms, it can be a challenge even to identify, never mind actually provide, appropriate services.
- 5.17. Yet at the same time, fractionalisation was rarely if ever an idea over which those we spoke to seemed to dwell. Sometimes, a rather different point was made, namely that a deep division between just two groups can pose problems for local authorities. Most of all, however, the point that was stressed was not the static numbers, either in particular minority groups or in all minority groups together, but rather the turnover of the population, of whatever ethnicity or group.

Turnover

- 5.18. 'Turnover' or 'transience' covers a variety of things. It is chiefly to do with the extent to which the population that is resident in an area changes over time. But it also covers such matters as the fact that the mix of the group of people receiving some particular service differs from the group who are resident.
- 5.19. 'Turnover' is certainly not to be confused with either fractionalisation or a high percentage of the population belonging to ethnic minorities. It is not just a big city problem - smaller urban areas stressed it too - and it seems to be a phenomenon that feeds on itself, as population outflow leaves a space for new residents to move in – including, on occasions, residents moved there by other authorities.
- 5.20. The local authority interviewees mentioned a range of ways in which turnover impacted upon their performance. They include:
- The administration of benefits and the collection of council tax. This is clearly harder to do both efficiently and effectively (that is, ensuring that people receive all that they are entitled to) the more rapidly the resident population of an area is changing.
 - Identifying and keeping track of people with particular needs, for example, children at risk. Again, the challenge is bound to be much greater with a population in flux as opposed to one that is settled, and flux itself will be compounded by problems of language, culture, unclear kinship between household members, etc.
 - Tracking the progress of initiatives aimed at improving areas or individuals (for example, through training, the creation of job opportunities, etc). The lesser point here is that, with a population in flux, the very comparison of 'before' and 'after' as a way of monitoring progress and outcomes can become very difficult. The greater point is that, in some areas, residence is only intended to be temporary: the area is a transit point and moving on is the aim. In these circumstances, the situation of the resident population may not change much over time, even while it does for individuals who are moving on. This has a direct impact on any performance indicators that aim to measure follow up (for example, the capacity to complete care reviews).
 - Population flux has a major impact on schooling and school performance. Schools with high pupil population turnover face challenges that barely exist in places where the school is a settled and slowly and predictably evolving community. The rate of turnover can be very high, for example, 50% a year in some primary schools.
 - The flux in the school population is compounded by children being moved either out of the state system altogether or (in London) by being sent to schools outside of the local authority area in which they live. In these circumstances, demographic statistics on the resident population of school age can be seriously misleading if taken as a guide to the characteristics of the population actually in local schools.

- Transience can leave the resident population unbalanced in some respects, for example, in its age profile. Where the population 'left behind' is predominantly elderly, this creates a disproportionate need for services at the same time as the networks of family, friends and community that would once have helped meet some of these needs gradually disappear. People living in areas in decline face problems across service areas: a greater need for social services, lower user satisfaction, falling school rolls, etc. Within a rural context, where overall levels of deprivation may be lower, there may still be significant deprived groups - for example, single pensioners, most without cars - for whom access to services (both public and private) can be a major issue.
- Transience reduces levels of community and political participation. A local authority's capacity to serve its resident population will be that much the greater if its population is involved in the local political process. Transient populations are less likely to be able to do this.

5.21. Overall, transient populations will have greater needs, for example in education and housing (where high levels of multiple occupation serve to hide and in some sense handle homelessness). But proper and comparable statistics on turnover are notable only by their absence.

Capacities and priorities

5.22. The third challenge that local authorities with high levels of deprivation believe they face is the limited capacities, capabilities and aspirations of many local residents. This includes low levels of literacy - not just among recent immigrants but also among long-established, white residents. This imposes extra burdens on administration. Lack of time, money, mobility and aspiration restricts the extent to which parents can support their children through extra-curricular activity, or through working in a voluntary capacity, for example within a school parents' association. It even limits the size of the pool of people willing and able to play a leading role in local affairs, including within the council and the cabinet. This is all against a backdrop of high levels of long-standing illness and disability among the working age population.

5.23. The other two areas in which those interviewed suggested that deprivation affected their performance was in terms of their own capacity and their own priorities. The capacity issue is the conceptually simple one that it is just harder to work for an authority in a deprived area where the challenges and difficulties are that much greater. While some people do find that greater challenge to be a positive incentive, they are in the minority. The impact of CPA itself on performance starts to enter in: to be labelled 'weak' or 'poor' can hit staff morale hard.

5.24. Local authorities with high levels of deprivation also see regeneration as one of their major functions. Regeneration places great demands on the time and energies of senior officers and members, yet CPA does not directly give any direct weight to this activity. Similarly, CPA does not directly pick up the transformation agenda, driven by deprivation, in local authorities contending with a history of industrial decline in their area.

- 5.25. Since the priority attached to regeneration reflects both local needs and political choices, the issue here is really just one specific instance of a more general tension between a centrally-driven CPA and local autonomy. By creating pressure towards conformity, CPA is seen by some as militating against deprived local authorities, who have and need particular agendas driven by deprivation.

Resources

- 5.26. Finally, there is the question of resources. It is, of course, bound to be a moot point whether the additional central resources provided to local authorities with high levels of deprivation are sufficient to allow them to meet the higher level of demand. The diverse, nature of the sources of that demand - high levels of pregnancy among girls aged under 17, the number of children obliged to act as carers for other members of their family, the connection between drug abuse and the numbers of children in care, a lack of affordable housing, a lack of adequate public transport, the problems of transience, etc - serve to underline the difficulties.
- 5.27. We made it clear that the question of resources was beyond the terms of reference of this study. We also suggested that CPA could hardly be expected to proceed on any basis other than that sufficient resources are provided. Even within these restricted terms, however, a number of the people we spoke to came back with specific points on the subject. For example:
- If local authorities have to accept the reality of the resources available to them, CPA has to accept the reality of councils themselves having to prioritise particular areas within their budgets. ‘Silo’ inspections, it was argued, militate against this.
 - What could be called ‘above average’ but not ‘very high’ levels of deprivation receive little weight when it comes to resource allocations. Furthermore, nearby areas that themselves see each other as similar can enjoy significantly different resources if they happen to fall on different sides of a centrally determined ‘line’.
 - Even if CPA has to assume that sufficient resources are provided, CPA could try to look at value for money, perhaps in some overall way. And by highlighting standards, the very existence of CPA puts new pressure on the question of whether resources are most appropriately distributed or not.

HOW CPA COULD HANDLE DEPRIVATION BETTER

- 5.28. In contrast to the problems raised by CPA’s current handling of deprivation, where we found a fair degree of conformity of views among those we spoke to, no clear ‘majority opinion’ emerged when it came to the question of how CPA might be altered for the issues discussed above. More specifically, some believed that possible improvements lay mainly with improved performance indicators whilst others believed that they lay mainly with improved inspections and assessments.
- 5.29. In essence, the argument put forward for relying on the performance indicators was their transparency. While some individual indicators came in for particular criticism - the Environment block especially - they do provide a clear basis on which to make comparisons between authorities.

- 5.30. One particular suggestion was that more use should be made of indicators of the 'either/or' variety, such as is to be found in the highways performance indicator where an authority's score is whichever is the better of the scores for either the state of its roads or for the improvement in the state of its roads. This type of arrangement would, it was suggested, provide an incentive for poorly performing authorities in that they could score well on their improvement, while also protecting the position of those already doing well.
- 5.31. Among the service inspectorates, both SSI and Ofsted were generally spoken of favourably both in general terms and for the fact that they are believed to take deprivation into account. Views on the SSI seemed to depend on how much familiarity the individual we questioned had with that particular area and the work of that inspectorate. Ofsted inspections were generally seen as taking good account of the local conditions, including deprivation, although such favourable comments related to the inspections of LEAs rather than to the way in which the education score was actually constructed within the CPA model.
- 5.32. The fact, though, that people felt that these inspectorates took deprivation into account is not at all the same thing as saying that people knew how they took them into account and were happy with that. This points to a deep difficulty with the inspections: yes, deprivation may indeed be taken into account in the sense that particular areas of work with particular deprived groups are recognised, but it is not transparent how this is then taken into account and how it is balanced against other measures in reaching its overall judgement.
- 5.33. The least favourable comments were usually directed at the corporate assessment, for its variability and ill-definition. People seemed to feel that much seemed to depend on exactly who was on the inspection team and whether they had the appropriate experience. Given the weight of this assessment within the overall score, weaknesses here are quantitatively that much more important than elsewhere. Even so, in all authorities including those with less deprivation, an assessment of authority ability might be the only way of getting at what the authority is doing, or should be doing, to combat deprivation at a very local level. Since even ward level data may miss the issue, it is important to drill down to sub-ward level – and talk to citizens, non-state partners and officers with specialist knowledge.

CONCLUDING REMARKS

- 5.34. We would sum up the discussion in this chapter as follows:
- Concerns about the ways that CPA currently handles deprivation clearly exist. But these concerns are much more complex and subtle than simply 'is the CPA framework biased against authorities with high level of deprivation'. Rather they centre on 'whether the CPA framework takes full account of local conditions, of which deprivation is a part'.
 - There is no obvious consensus about what the best way forward might be. If there is a balance of opinion, it is that well-informed inspections are the preferred method for taking account of deprivation but this, of course, all depends on the quality of the inspections.

6. CPA AND DEPRIVATION: SOME INSPECTORATE VIEWS

- 6.1. This chapter sets out some of the key points emerging from the interviews with the various inspectorates. Much of what was said in those interviews has already been covered in the chapter on the 2002 CPA round and the material in this chapter is limited to that which did not relate to that round.
- 6.2. The material is organised under the following headings:
- Inspections and deprivation.
 - The objectives of the CPA process.
 - How CPA might develop over time.

INSPECTIONS AND DEPRIVATION

- 6.3. This is a subject which most of the inspectorates recognised as an issue but one to which they had not devoted much thinking time or analysis. Most therefore welcomed the prospect of this study.
- 6.4. None of the inspectorates had any strong views on the extent to which the performance indicators used did or did not take proper account of deprivation. Rather, the overall impression was that they largely viewed the performance indicators as being the provenance of the statisticians in their organisations.
- 6.5. In terms of the inspections and assessments, most argued that the inspection/assessment was a skilled process undertaken by skilled people which therefore took account of all local socio-economic circumstances, including deprivation. In no cases, however, are we aware of guidance to inspectors/assessors on the issue and at least some of the inspectorates believe that such guidance would be useful.

THE OBJECTIVES OF THE CPA PROCESS

Authority Performance Versus Quality Of Service

- 6.6. There was a general recognition that the overall objective of the CPA process is to provide an annual assessment of the performance of each local authority.
- 6.7. Clearly, in many cases, local authority performance and the quality of the service received by the public will effectively be synonymous. But there are at least three areas – educational attainment, school attendance and user satisfaction - where major differences appear to arise. And it is in these areas where issues of CPA's handling of deprivation also most obviously arise. In all three cases, the subject was included in the CPA model on the grounds it was an important element of the quality of the service received by the public. But the arguments surrounding their inclusion were rather different.

- Educational attainment and school attendance were directly included without any adjustment for differences in the underlying populations. But there are clearly limits on the extent to which LEAs (as opposed to schools) can influence such outcomes and we note that they are not directly included in the actual Ofsted processes which evaluate LEAs (as opposed to schools). In effect, the view was taken that measured outcomes should be included in the CPA model regardless of the influence that LEAs actually have on these outcomes.
- Various aspects of user satisfaction were included but only after making major statistical adjustments to the raw data for differences in the local populations. This was done on the grounds that “there is a statistically significant link which is also considered to be a causal one”. In effect, the view was taken measured outcomes required adjustment before being included in the CPA model.

National Priorities Versus Local Priorities

- 6.8. A second potential tension is between evaluation against a national policy framework versus evaluation against local policy priorities (which will differ from authority to authority). Most of the inspectorates took the view that, whilst this is an issue in theory, it is much less of an issue in practice. In other words, they viewed most of the evaluation criteria as relatively uncontroversial.

HOW CPA MIGHT DEVELOP OVER TIME

- 6.9. For most of the inspectorates - all bar Social Services and (to a lesser extent) Housing - the 2002 CPA process was not regarded as mature. In effect, the view of most of the inspectorates was that CPA 2002 was the best that they could do in the time available but was by no means perfect. In consequence, most of the inspectorates took the view that the process might well be very different in 2005 but are not yet clear how.
- 6.10. We also note that both the processes followed and any underlying mathematical models differed substantially between the inspectorates, ranging from a largely judgemental approach in Social Services to a largely mechanical process in the Audit Commission service blocks. Some of the inspectorates felt that there should be much greater conformity of approach in future CPA rounds.
- 6.11. One issue here centres on the role of assessment in the service scores. In 2002, most of the service scores (except for Social Services) were calculated by mathematical models which combined individual inspection and performance indicator scores with little assessment outside of the inspections. By 2005, one of the key challenges in producing annual scores is how to avoid them being driven by either out-of-date inspection data or a limited number of performance indicators. This is an important issue for the inspectorates to address, particularly in the context of reduced overall levels of, and resources for, inspection.

CONCLUDING REMARKS

6.12. We would sum up the discussion in this chapter as follows:

- There is general interest in the subject of CPA and deprivation but no authoritative analysis of the subject at the inspectorate level. Re performance indicators, the general view is that it is a matter for the statisticians to address. Re inspections and assessments, the general view is that this is part of the wider issue of ensuring that the judgements reached adequately reflect local circumstances.
- The stated overall objective of the CPA process is to provide an annual assessment of the performance of each local authority. But this is not necessarily always the same as an assessment of the quality of the service received by the public. Many of the issues vis-à-vis deprivation appear to arise when there are potentially major differences between the two.

6.13. The view that ‘inspection and assessment are skilled processes undertaken by skilled people which therefore take due account of the local socio-economic circumstances, including deprivation’ is a view which is difficult to either prove or refute through analysis. But its validity does depend on the inspectors and assessors understanding how deprivation can affect performance in their area of expertise and successfully and consistently applying this understanding in their judgements and evaluations. Should it be assumed that the situation is satisfactory unless there is tangible evidence to the contrary? Or should the onus be on inspectorates demonstrating that they really have taken deprivation into account? We suggest that the latter approach would be more conducive to ensuring that future CPA rounds both take due account of and - crucially – be seen to take due account of deprivation.

7. CONCLUSIONS

- 7.1. The question “*does CPA take proper account of deprivation*” is not a straightforward question with a straightforward “yes” or “no” answer. In particular, it has two rather different dimensions to it, namely:
- Are there any systematic biases in the CPA framework which tend to mean that authorities with higher levels of deprivation are having their CPA scores unfairly lowered?
 - Does the assessment of individual authorities take sufficient cognisance of the shape and scale of the local challenges given the nature and extent of the local deprivation?

7.2. Each is discussed in turn below.

POTENTIAL OVERALL BIASES IN CPA

- 7.3. We believe that there are very real issues about the extent to which deprivation makes it harder for local authorities to achieve high levels of performance. It seems common sense to us that at least some aspects of performance are harder to achieve in authorities with high levels of deprivation. But the extent to which this occurs is not easily quantified.
- 7.4. It is also true that, on average, authorities with higher levels of deprivation did tend to have lower overall 2002 CPA scores. But, as discussed in chapter 4, it is only in Education – and specifically the education and attendance performance indicators in Education – where this relationship is strong.
- 7.5. We are not, however, convinced that the apparent lack of systematic bias in most parts of the 2002 CPA round is, by itself, a guarantee that any new parts of future CPA rounds will also lack such a bias.
- 7.6. Finally, any discussion of potential biases is made more difficult because the CPA model is complex and difficult to understand so it is not immediately obvious what effect any bias in individual components within CPA would have on the overall CPA scores.
- 7.7. Our conclusions are as follows:
- There is no evidence of pervasive systematic biases which existed throughout all parts of the 2002 CPA round.
 - The specific issue of the use and definition of performance indicators in the Education part of future CPA rounds requires clear and careful consideration.
 - All major new components in future CPA rounds to be reviewed to ensure that they are not leading to a situation where the scores of local authorities are tending to be driven up or down simply because of their levels of deprivation.

- It is important that the transparency of the calculations used in the CPA model is maximised so that any debate about potential biases can take place on a shared understanding of the facts.
- 7.8. We do not believe that there is any simple ‘magic bullet’, for example via statistical techniques, by which CPA scores can “be adjusted to take proper account of deprivation”. In particular, the use of regression analyses which are then used to allocated a score to each authority according to the difference between ‘their actual result’ and ‘what would have been expected given their relative levels of deprivation’ would only be appropriate if deprivation explained the majority of the variation in the ‘actual results’. This was not the case in any part of the 2002 CPA model with the possible exception of some of the Education performance indicators. Such adjustments would erroneously imply that it is possible quantifiably to take proper account of deprivation for the element in question (which, from the viewpoint of statistical theory, is not possible) and would make a murky situation even murkier (by making the derivation of the scores even more difficult to understand than they are currently).
- 7.9. Rather, we suggest that reviews of any new components of CPA should be undertaken through a combination of:
- Common sense. For example, ‘raw’ educational attainment of pupils was a major part of the 2002 Education scores and it is therefore not surprising that there was a strong relationship between these scores and levels of deprivation.
 - Statistical examination of the relationship between the raw scores (once scored, for example using the previous year’s data) and levels of deprivation. If this suggests a strong relationship, then either the precise formulation of the element – or, indeed its very inclusion - is put in doubt. If, on the other hand, there appears to be no strong relationship, then we suggest that this element can reasonably be given “the benefit of the doubt”.
- 7.10. If the initial investigation suggests that there is cause for concern then we do not believe that it would be appropriate to react in a mechanical manner, for example by simply excluding the subject from CPA or by adopting an obscure statistical adjustment as discussed above. Rather, we suggest that the way forward would be to think about the element in question in more depth to decide how any potential biases can be removed, whether the scores for particular authorities are justified or - indeed - whether the element should be included at all.

TAKING SUFFICIENT COGNISANCE OF DEPRIVATION IN THE INDIVIDUAL EVALUATIONS

- 7.11. In our view, this is perhaps a more problematic issue than that of potential biases because it requires a real and deep understanding of how deprivation affects the shape and scale of the local challenges facing a local authority. In particular, as discussed in chapter 5, many of the local authority people that we interviewed believe that deprivation has a major influence across many of their services and decisions, from the macro (e.g. decisions about priorities) to the micro (e.g. the organisation, style and means of delivery of particular services). But the nature of this influence is complex and indirect. In this context, the danger is that the CPA evaluations of particular authorities fail to capture the essence of what is going on in that authority.
- 7.12. Furthermore, whereas there was consensus about some of the problems arising from fractionalisation, turnover, etc, there was no consensus about how these could best be addressed in future rounds of CPA.
- 7.13. Finally, as discussed in chapter 6, the essential argument of the inspectorates that ‘inspection and assessment are skilled processes undertaken by skilled people which therefore take due account of the local socio-economic circumstances, including deprivation’ is a view which is difficult to either prove or refute through analysis.
- 7.14. Our conclusions are as follows:
- Rather than a dynamic whereby some people attack CPA’s handling of deprivation and others defend it, a more productive way forward would be for all parties to work together to broaden and deepen their mutual understanding of how deprivation affects local challenges.
 - Rather than assume that the inspections and assessments take due account of deprivation and other local conditions, the ‘onus of proof’ should lie with those making the judgements, by articulating how their judgements are being affected by levels of deprivation. Note that we are suggesting that this is done at an overall level, not authority-by-authority.
 - Because the potential impact of deprivation is much wider and more subtle than simply the impact on core services, it can only really be fully addressed if it is a key theme of that part of CPA which is wider than the individual service elements, namely the Corporate Assessment.

THE OVERALL PURPOSE OF CPA

- 7.15. Clearly, the question of the overall purpose of CPA falls outside of the scope of this study. However, in reviewing all the comments we have received during the course of the study, it is apparent that some of the more contentious issues relating to the treatment of deprivation are directly connected to what exactly it is that CPA is trying to measure. More specifically, tensions arise when the performance of local authorities and the outcomes for the recipients of their services do not go hand-in-hand.

- 7.16. The main area where this issue arises is over the inclusion within the CPA of raw scores for levels of educational attainment. The main argument that we have heard for their inclusion is the view that educational attainment is an important aspect of how the public perceive the quality of the education service. As a result, so the argument goes, credibility with both the public and politicians requires their inclusion.
- 7.17. What is important about this view is that it seems to be saying that CPA must take account of absolute outcomes, irrespective of how much influence the LEA actually has over educational attainment. And that influence is, surely, 'limited' at most, and less important than either the socio-economic characteristics of the school population or the decisions of what are effectively semi-autonomous schools. So, if educational attainment plays a major role in the LEA CPA assessments, does this not conflict with the stated purpose of CPA?
- 7.18. But, the argument then goes, excluding educational attainment might lead to a situation where there are authorities rated by CPA as 'excellent' but whose service outcomes are still far from excellent (e.g. because they are working in more challenging conditions). As mentioned by some of the local authority people interviewed, such authorities would then face a credibility problem with some of their residents. Environment, where outcomes are very visible, is another area of CPA where this could arise.
- 7.19. Certainly, there may be technical ways to accommodate some of the concerns; for example, by adopting a different form of education attainment indicator which is not so closely correlated with deprivation. After all, it is very doubtful whether public credibility depends on the actual form of the indicator used. But even so, we suspect that there are always going to be tensions around what CPA is really trying to measure and reflect. We conclude that these tensions need to be fully recognised and aired, even if they cannot necessarily be totally resolved.

8. RECOMMENDATIONS

- 8.1. Building on the overall conclusions from the previous chapter, this chapter provides our recommendations for the way forward.
- 8.2. The overall responsibility for ensuring that all parts of the CPA model adequately address the issue of deprivation lies with the Audit Commission. This will require the Audit Commission to work with the inspectorates to:
- Maintain a dialogue with local authorities to build a shared understanding of the impact of deprivation on local authority performance.
 - Ensure that future indicators are defined in such a way that deprivation does not systematically bias the resulting scores.
 - Ensure that the guidance used in corporate assessments and service inspections explicitly recognises the impact of deprivation on performance.
- 8.3. Our recommendations for each of these strands are provided below.
- 8.4. We are aware that the 2005 CPA process might make much greater use of annual assessments whereby the inspection and performance indicators inform, but do not dictate, the CPA scores. This would not, however, materially affect the broad thrust of our recommendations: those relating to performance indicators would become less central but the need for indicators which were not largely dictated by levels of deprivation would still remain; and those relating to inspections would equally apply to any assessment processes that were introduced.

MAINTAINING A DIALOGUE

- 8.5. The recommendations under this heading go somewhat wider than the specific subject of deprivation.
- 8.6. One prerequisite for an effective dialogue is that the foundations of CPA are clear and consistently applied. We suggest that:
- The Audit Commission should ensure there is a shared understanding between themselves and all the inspectorates regarding the objectives of CPA, particularly in terms of the assessment of authority performance versus the assessment of service quality.
 - The Audit Commission should then ensure that all parts of the CPA model used in future rounds are consistent with this shared understanding.
- 8.7. A second prerequisite for an effective dialogue is that there is a shared understanding of the facts. The observation that the CPA model is complex makes it more, rather than less, important that its detailed workings are as transparent as possible. We suggest that, for each CPA round, local authorities should be given a thorough and well-presented handbook which explains the CPA model in a form suitable for a management and political (as opposed to statistical) readership. As well as the overall concepts and principles, this handbook should cover the details of the calculations as these can have a significant influence on the resulting scores.

- 8.8. Finally, an effective dialogue requires mechanisms by which this dialogue takes place. In addition to the existing consultation processes, a standing forum could be set up comprising representatives of the Audit Commission, the inspectorates and local authorities which reviews and discusses how local conditions are being taken into account in the CPA framework, with deprivation being one aspect of this.

THE USE AND DEFINITION OF PERFORMANCE INDICATORS

New Performance indicators

- 8.9. As discussed earlier, whilst a number of the 2002 performance indicators had some correlation with deprivation, in no case (outside of Education, discussed later) does this correlation explain more than a very minor part of the variation in the scores and is thus not a major cause of concern. This is, however, no guarantee that any new indicators introduced into future CPA rounds will not have a bias problem.
- 8.10. In this context, we suggest that:
- If any new performance indicators are to be introduced into future CPA rounds then, prior to their planned introduction, they should be reviewed to ensure that levels of deprivation are not dominating the resulting scores.
 - This review should include a statistical examination of the relationship between the scores (for example using the previous year's data) and levels of deprivation. If this relationship is 'strong', then consider either re-formulating the definition to lessen this relationship or, failing that, perhaps even dropping the indicator.
 - The local authorities should be told in advance of the plans for including any new indicators and given the opportunity to raise concerns about their precise definition if they think that these are likely to lead to any systematic biases, on deprivation or on other aspects of local conditions.
- 8.11. The issue here is not whether particular indicators are concerned with subjects which deprivation can strongly affect but whether the definition of these indicators is such that the local authorities' scores are being strongly influenced by their levels of deprivation rather than being a genuine measure of their performance. Particular opportunities for amending indicators to help lessen their relationship with deprivation include:
- Indicators which measure outcomes for particular subgroups of the relevant population as well as for the population as a whole. Ethnic minorities, people in receipt of means-tested benefits, and people living in social housing are three possible examples.
 - Indicators which are standardised for particular characteristics of the population such as income, social class or some other proxy for deprivation. This is an approach often used in the area of health where, for example, standard mortality rates are calculated by taking the local mortality rates by age and sex and multiplying these by the national mix of the population by age and sex.
- 8.12. Clearly, any such developments would require the relevant data to be available and are thus more likely to be possible when the indicator is based on survey data or administrative data collections.

The Current Education Indicators

- 8.13. As discussed earlier, the 2002 Education performance indicators, both individually and collectively, were much more strongly correlated to levels of deprivation than any of the other components in the CPA model. Given that these were mostly raw educational attainment results and attendance rates, this is not surprising.
- 8.14. In consequence, issues of both principle and practicality arise. ***The issue of principle is whether educational attainment and attendance rates should be included in, of excluded from, the CPA model.*** The main argument for inclusion is the view that educational attainment is an important – and possibly central - aspect of how the public perceive the quality of the education service and thus that they need to be included in the CPA calculations if the resulting scores are to have credibility with both the public and politicians. The main argument for exclusion is that an LEA has only limited influence on education attainment, as it more influenced by the characteristics of the population and the performance of what are effectively semi-autonomous schools, and thus that it should not have a major influence on the assessment of LEA performance.
- 8.15. ***The practical issue is to find a form for these indicators which is not strongly correlated with levels of deprivation.*** A strong correlation is, in our view, inconsistent with the objective of evaluating LEA performance. But just because the subject of educational attainment is related to levels of deprivation does not mean that the indicators for that subject have to have such a relationship. Rather, the problems of correlation may be rectifiable by changing the precise definitions of the indicators. We also suggest that the credibility argument for including educational attainment does not depend on the precise form that the indicators take.
- 8.16. The analysis in this report has been based on the 2002 CPA round. From 2003, the education performance indicators are being defined in terms of ‘value added’ rather than ‘raw results’. The extent to which these ‘value added’ indicators are correlated with deprivation needs to be analysed. If a strong correlation still remains then, as for other new performance indicators, a further possibility which might lessen the relationship with deprivation is to analyse the indicators by subgroups in the population. For example, educational attainment could be examined separately for pupils in receipt of free schools meals and for other pupils (or, more simply, for schools with a high and low a lower proportion of their pupils in receipt of free school meals).
- 8.17. In this context, prior to CPA 2005, we suggest that:
- Oftsted, DfES and the Audit Commission should jointly agree whether, in principle, educational attainment and attendance rates should be included in, or excluded from, the CPA model.
 - The correlation between ‘value added’ indicators and deprivation should be examined (based on the latest year’s data available). If this shows that there is still a strong correlation, then the possibility of defining indicators in terms of subgroups of the population should be examined. This examination would need to include a review of the pupil data currently available or potentially available to see what types of subgroup analysis would be possible.

- If educational attainment and attendance rates are to be included in future rounds of CPA, then the local authorities should be told why they are being included, the extent to which LEAs can influence such indicators, what is being done to ensure that levels of deprivation do not dominate the resulting scores and what the precise form of the proposed indicators is.

INSPECTIONS AND ASSESSMENTS

- 8.18. While there is no obvious cause for great concern in the inspectorates about current arrangements, this view largely rests on the belief that skilled people will handle the subject appropriately rather than on any more tangible evidence that they are in fact so doing. Furthermore, outside of Education and Social Services, both the inspection processes and the inspectors have only been in place for a relatively short time. We are also not aware of any written material that have been produced to guide the inspectors on the potential relationships between deprivation and the areas that they are evaluating.
- 8.19. It is the area of Corporate Assessment where we have most doubts about the adequacy of the current situation. This is because:
- The Corporate Assessment has a much greater impact on the overall CPA score than any particular service inspection.
 - Many of the insights discussed earlier on the impact of deprivation on local authorities relate to overall direction and style of the local authority (which is the subject of the Corporate Assessment) rather than to particular services.
 - The quality of the 2002 Corporate Assessments was viewed by some of those we spoke to as somewhat variable and inconsistent.
- 8.20. As discussed earlier, we believe that, if inspectorates are successfully taking due account of local socio-economic circumstances including deprivation, then they should be able to demonstrate this by articulating how these circumstances can impact on their area and how they are handling these potential impacts. In other words, the ‘onus of proof’ that inspections and judgements are taking due account of local conditions should lie with those making the judgements.
- 8.21. We suggest that:
- The Corporate Assessment guidance for future CPA round should be reviewed to ensure that:
 - It adequately articulates the major aspects of deprivation which can have an impact on an authority’s priorities, challenges and direction, drawing on the themes outlined in earlier (in Chapter 5).
 - It causes each Corporate Assessment to explicitly raise the subject of deprivation and its potential impact in the discussions between the assessors and their local authorities.

- For both the Corporate Assessments and Service Inspection processes, written material on how deprivation impacts on local authorities and how this is being handled in the assessments/inspections should be developed and communicated to local authorities. This material should:
 - Respond to the various aspects of the impact of deprivation identified in this study as impacting on performance (and any other aspects raised in subsequent discussions).
 - Be incorporated into the internal training, advice and guidance material given to the assessors.
 - Be used in the moderation processes, complementing the already existing processes which to try and ensure that other biases (e.g. a particular inspector tending to rate all his/her authorities up or down) are not present.
 - Be sent to local authorities to give them assurance that the subject is being adequately handled in their inspections and assessments.

Clearly, the development of this material could be accompanied by discussions, both with the inspectorates and with the local authorities, to enrich the shared understanding on the subject.

- Given the analysis above, all assessors and inspectors should be provided with the relevant data on the levels and nature of deprivation for their authorities and advice on how to interpret this data.
- One factor in the allocation of assessors and inspectors to local authorities should be to ensure that, if a particular inspector is inspecting an authority with high levels of deprivation, then they also have some involvement with the inspections of other authorities with similar levels of deprivation.

APPENDIX - RELATIONSHIPS BETWEEN THE 2002 CPA SCORES AND DEPRIVATION

This appendix provides an analysis of the extent to which the CPA scores at various levels are correlated with levels of deprivation (as measured using the Index of Multiple Deprivation or IMD). Each analysis is done:

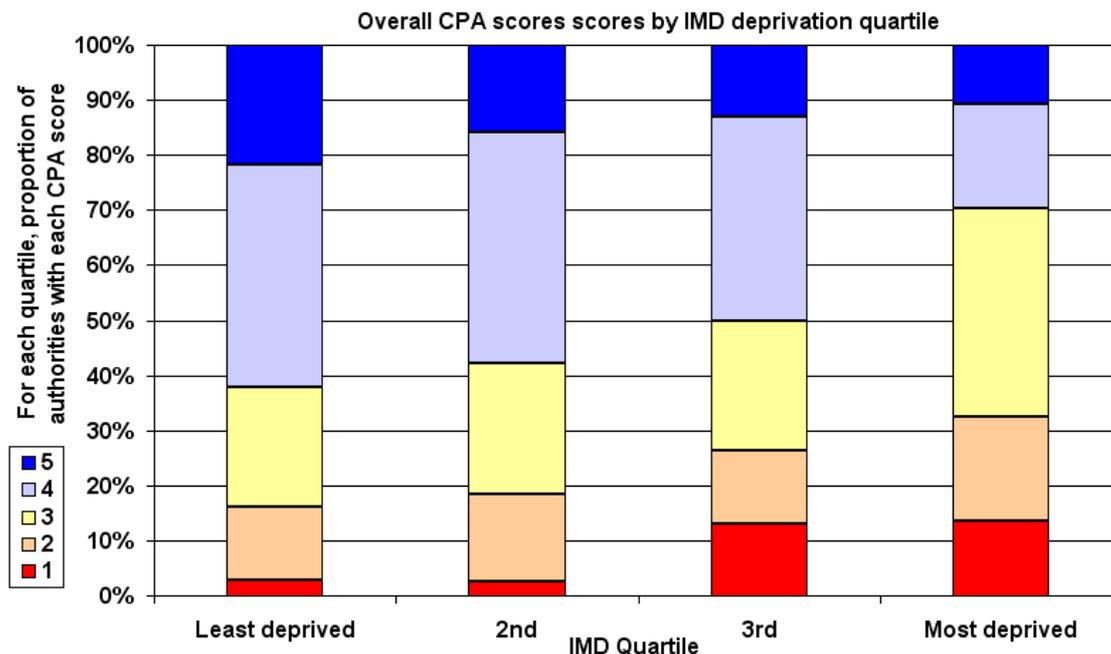
- Graphically, by dividing up the local authorities into four 'IMD quartiles' and, for each quartile showing the proportion of authorities obtaining each of the CPA scores.
- Statistically, by undertaking a regression using IMD as a continuous variable against CPA score as a discrete variation, and providing two statistics summarising this regression:
 - A 't statistic' where any value greater than 2 or less than -2 shows that there is a relationship which is statistically significant.
 - An 'R squared statistic' where the value is the proportion of the variation in the CPA scores which is explained by the differing levels of deprivation. In effect, the value of 'R squared' is a measure of the strength of the relationship.

The analysis is shown for:

- The overall CPA, the Corporate Assessment and Core Service Performance scores.
- Each of the service blocks (Social Services, Education, etc).
- Core service performance excluding Education.
- The performance indicator and inspection judgement components of Education.
- The performance indicator and inspection judgement components of the various Audit Commission evaluated service blocks (Environment, Housing and Libraries and Leisure).

OVERALL CPA SCORE

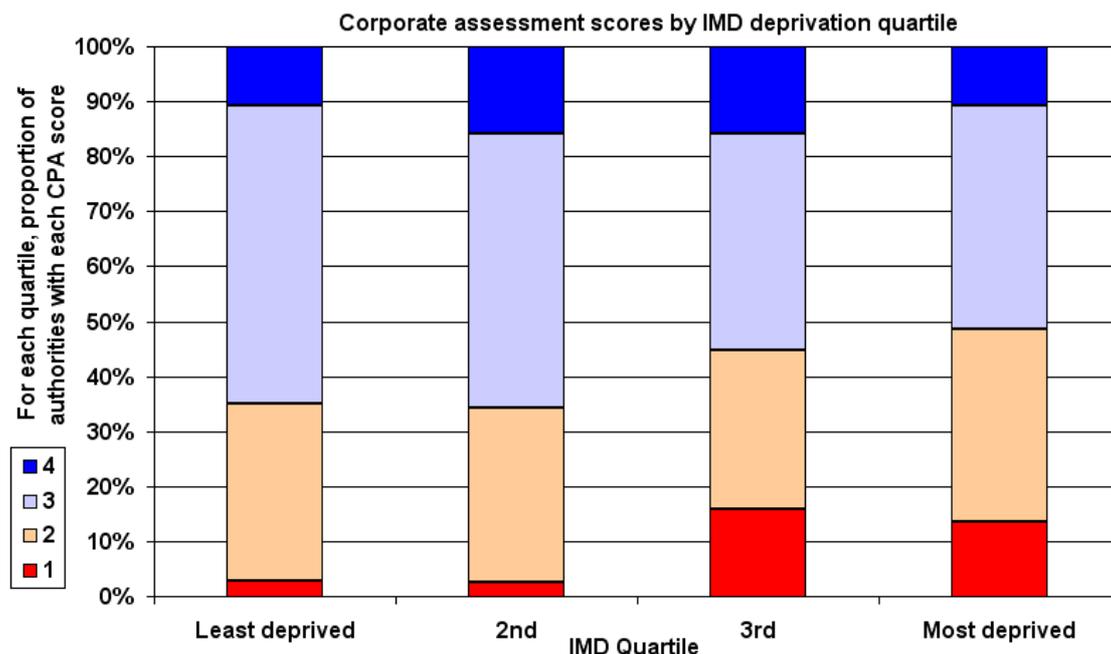
A significant but weak relationship. One third of the most deprived authorities are ‘weak’ at best compared to one sixth of the least deprived authorities. Two thirds of the most deprived authorities are ‘fair’ at best compared to two-fifths of the least deprived.



| | | |
|-------------|------|---|
| t statistic | -2.7 | There is a significant relationship |
| R Squared | 5% | But it only explains a twentieth of the variation |

CORPORATE ASSESSMENT

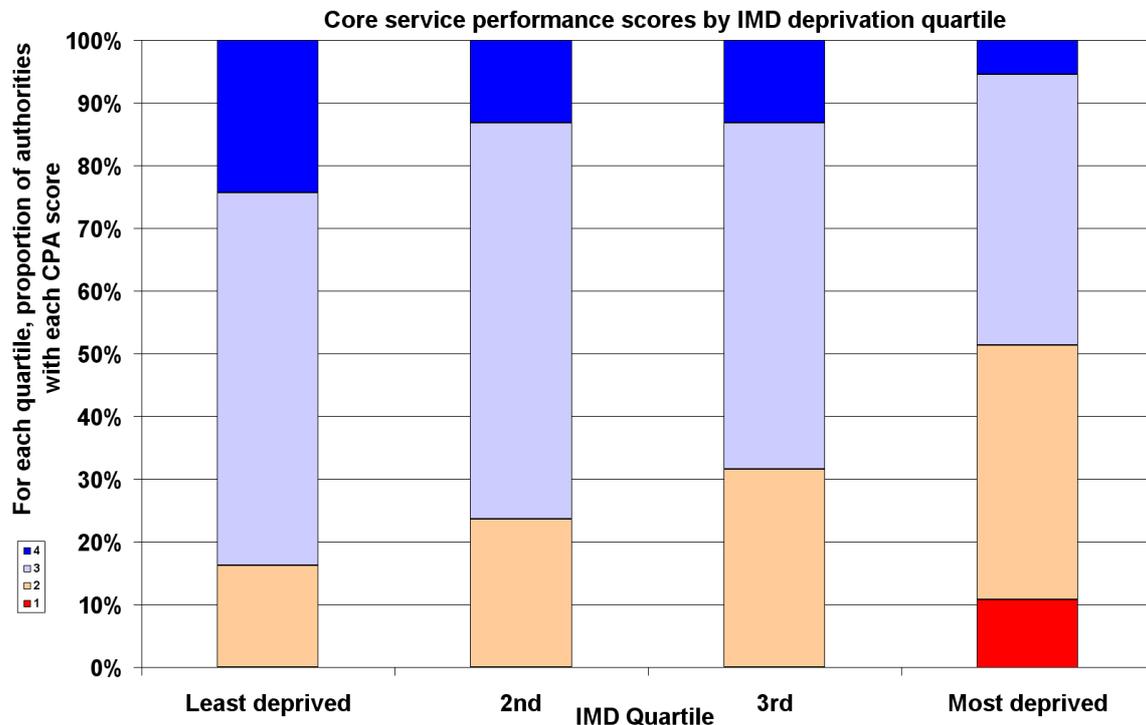
Half of the most deprived authorities score a 1 or 2 compared to a third of the least deprived authorities, but this variation is not statistically significant.



| | | |
|-------------|------|--|
| t statistic | -1.3 | The relationship is not significant |
| R Squared | 1% | And only explains a very small part of the variation |

OVERALL CORE SERVICE PERFORMANCE

A significant relationship. Half of the most deprived authorities score a 1 or 2 compared to a sixth of the least deprived authorities.

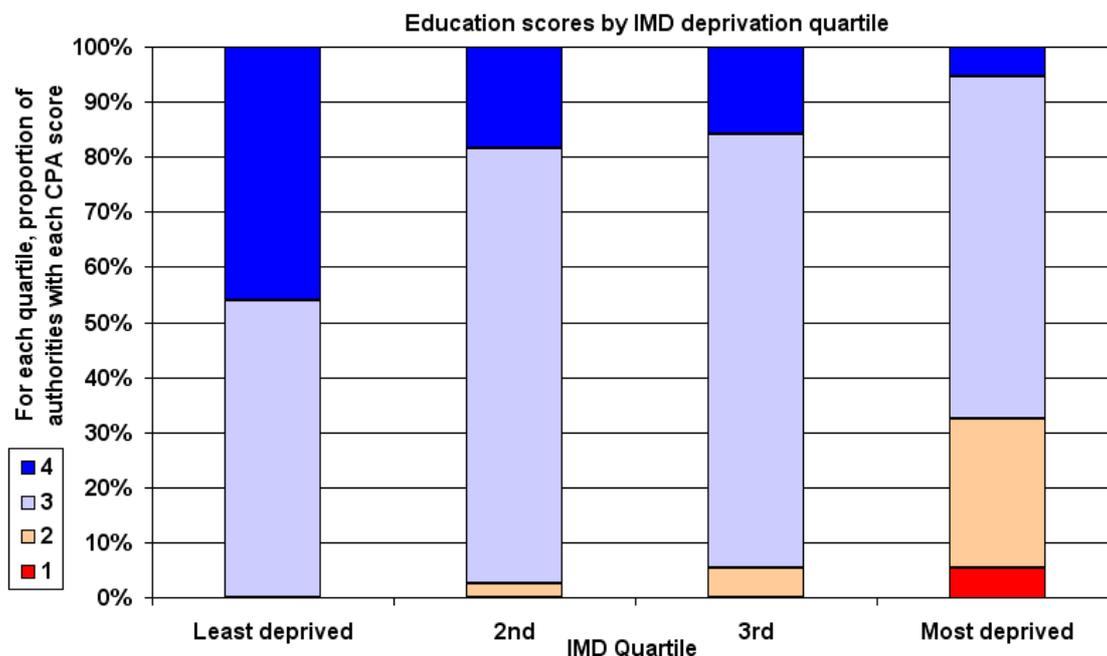


| | | |
|-------------|------|---|
| t statistic | -4.2 | There is a significant relationship |
| R Squared | 11% | Which explains a tenth of the variation |

SERVICE BLOCKS

Education

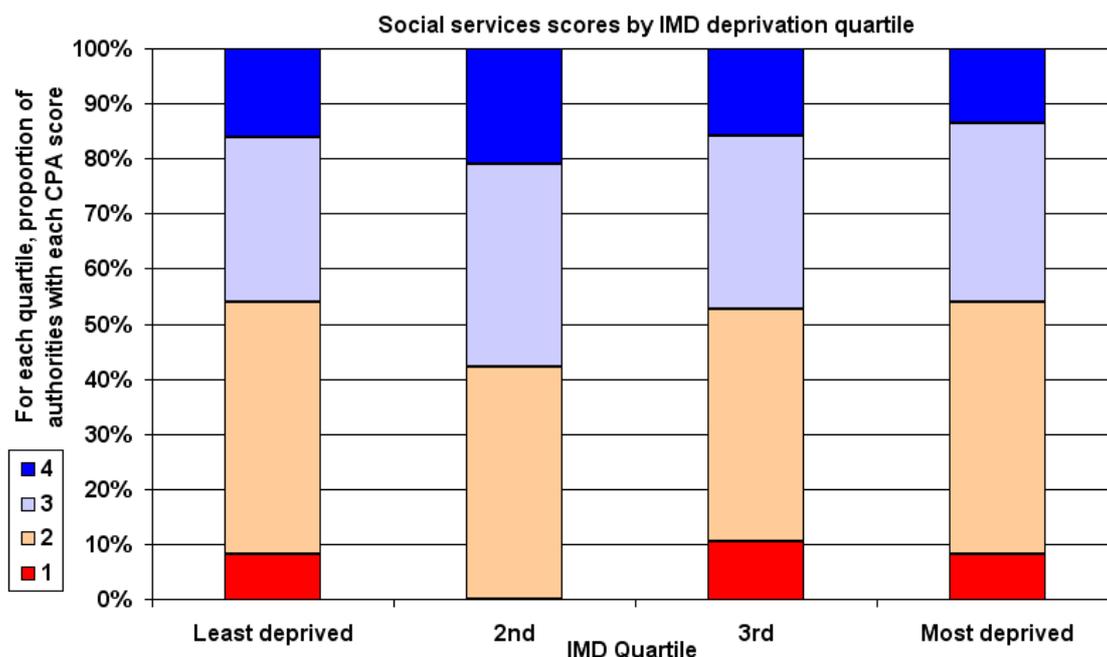
The strongest relationship at the service block level. One third of the most deprived authorities score a 1 or 2 compared to none of the least deprived authorities and virtually none of the authorities with middling deprivation.



| | | |
|-------------|------|---|
| t statistic | -6.6 | There is a significant relationship |
| R Squared | 23% | Which explains a quarter of the variation |

Social Services

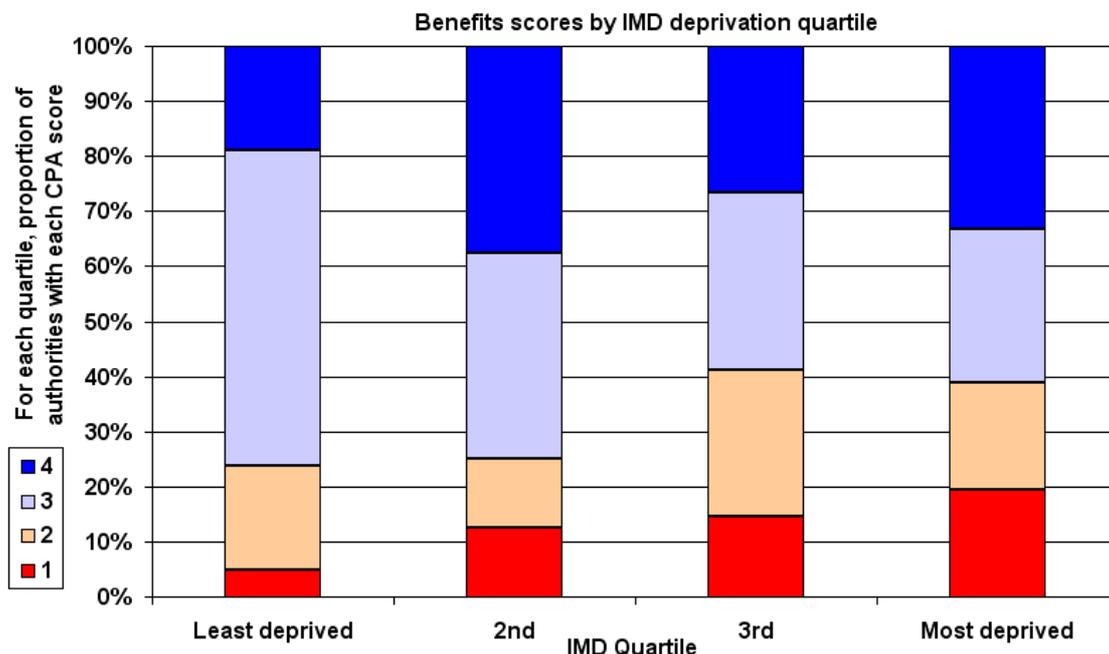
No significant relationship. At all levels of deprivation, half of authorities score a 1 or 2.



| | | |
|-------------|------|--------------------------------------|
| t statistic | -0.2 | There is no significant relationship |
| R Squared | 0% | Not relevant |

Benefits

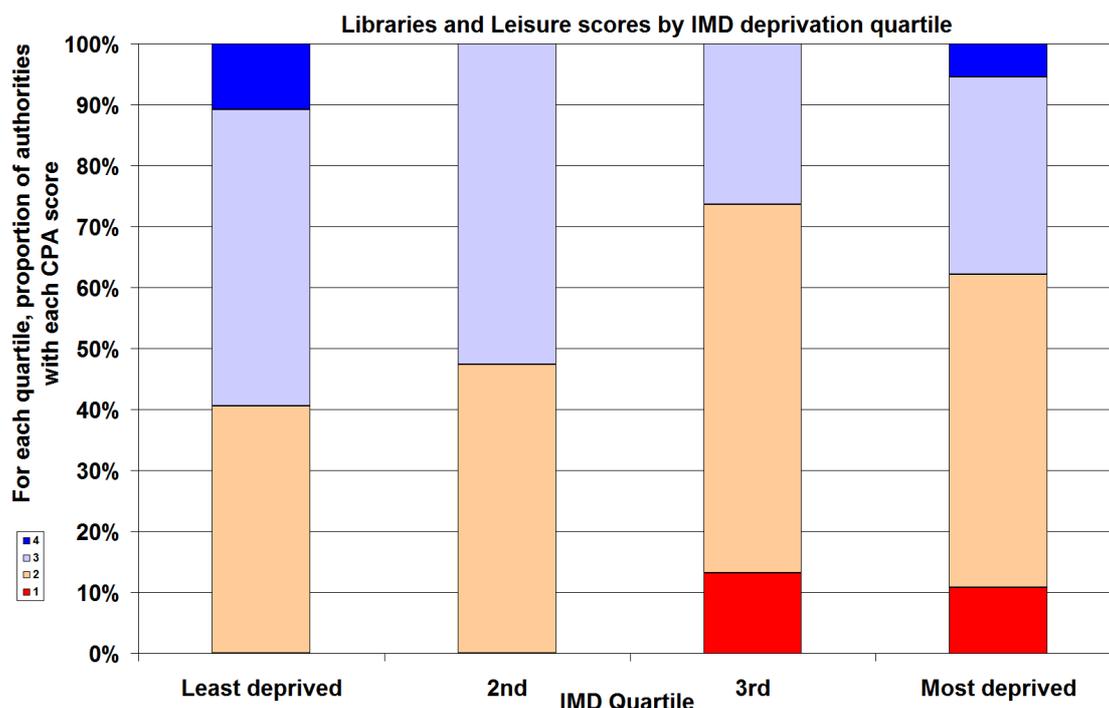
No significant relationship, but the variation in the scores is less for the least deprived authorities than for those with above average levels of deprivation.



| | | |
|-------------|------|--------------------------------------|
| t statistic | -0.9 | There is no significant relationship |
| R Squared | 1% | Not relevant |

Libraries and Leisure

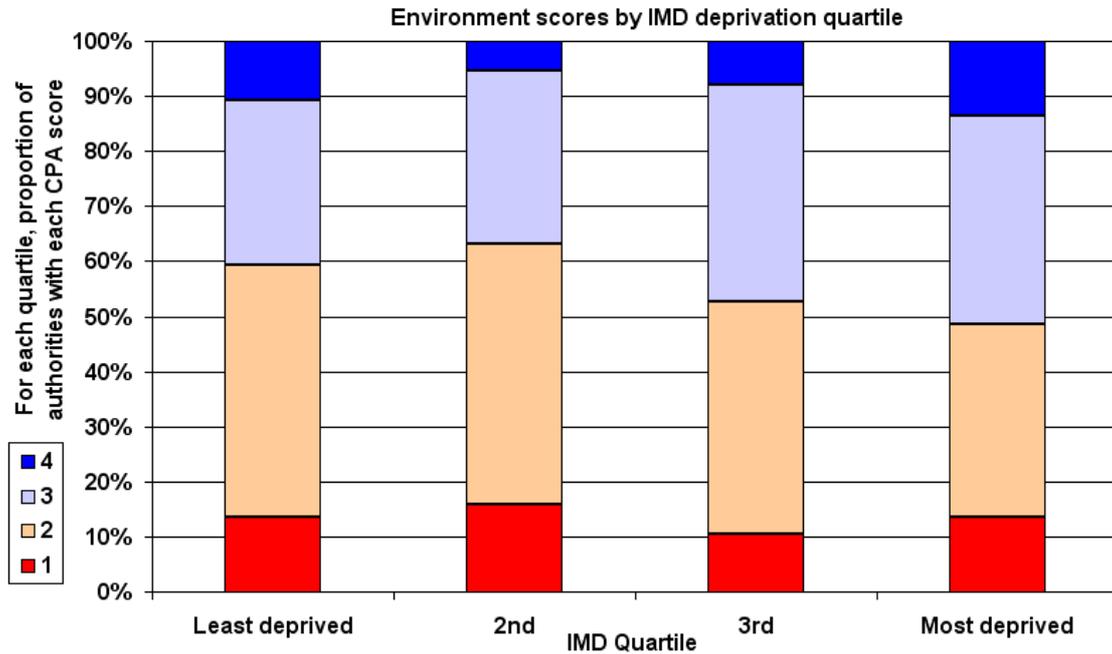
A significant but weak relationship. Three-fifths of the most deprived authorities score a 1 or 2 compared to two-fifths of the least deprived.



| | | |
|-------------|------|---|
| t statistic | -3.0 | There is a significant relationship |
| R Squared | 6% | But it only explains a twentieth of the variation |

Environment

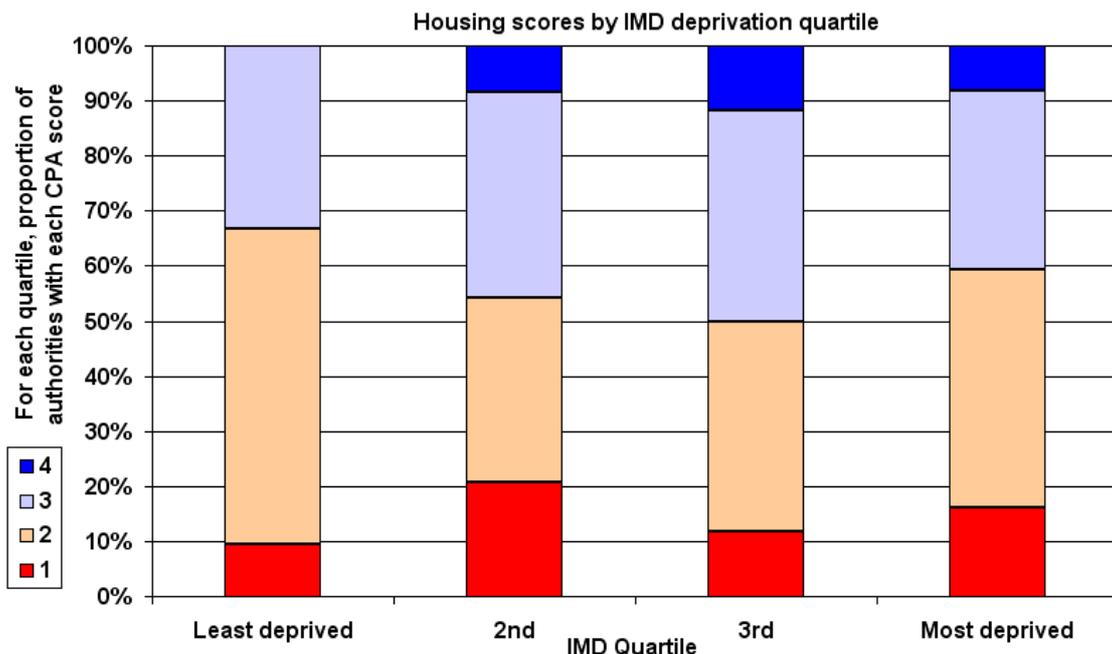
No significant relationship.



| | | |
|-------------|------|--------------------------------------|
| t statistic | -1.0 | There is no significant relationship |
| R Squared | 1% | Not relevant |

Housing

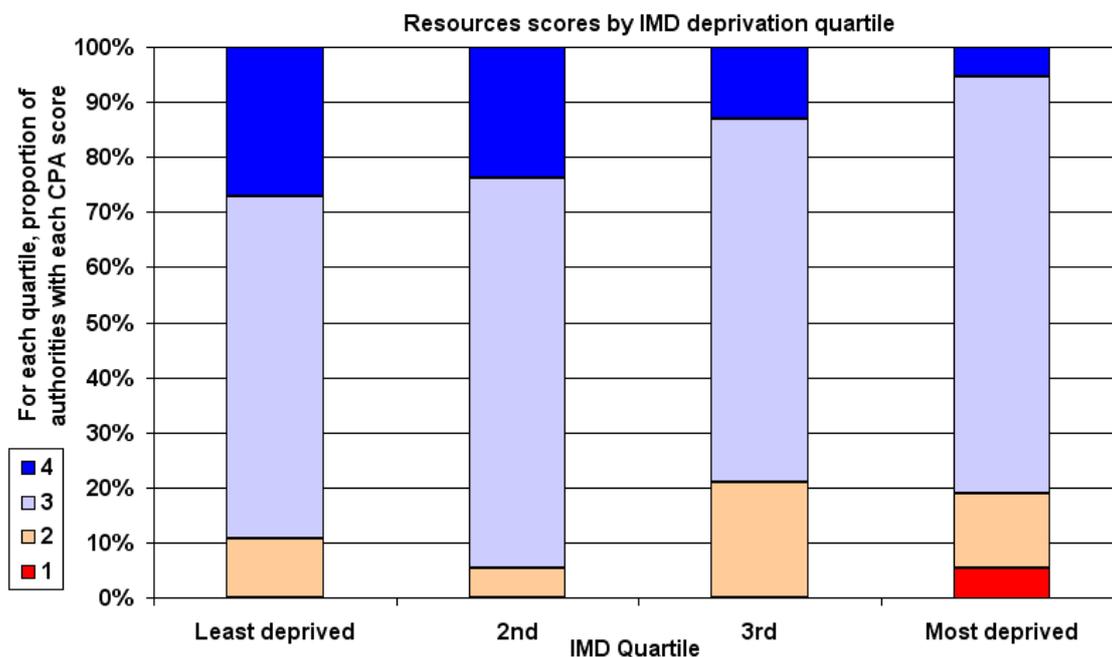
No significant relationship.



| | | |
|-------------|-----|--------------------------------------|
| t statistic | 0.5 | There is no significant relationship |
| R Squared | 0% | Not relevant |

Resources

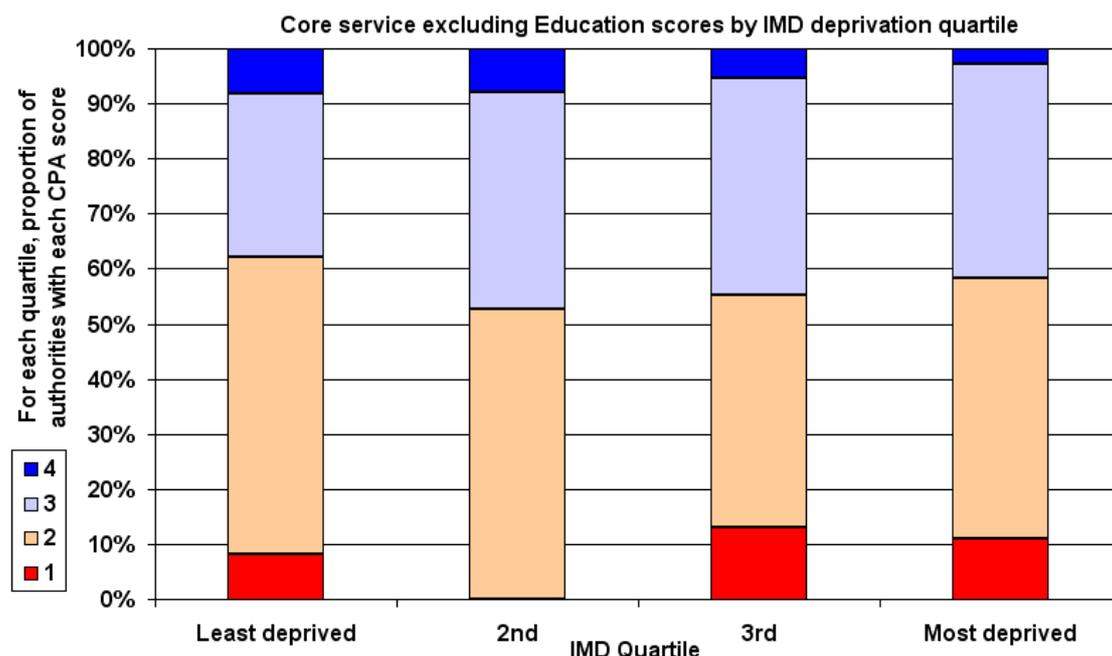
A significant but weak relationship. A fifth of the most deprived authorities score a 1 or 2 compared to a tenth of the least deprived.



| | | |
|-------------|------|---|
| t statistic | -3.1 | There is a significant relationship |
| R Squared | 6% | But it only explains a twentieth of the variation |

CORE SERVICE PERFORMANCE EXCLUDING EDUCATION

No significant relationship. At all levels of deprivation, just over half of the authorities score a 1 or 2.

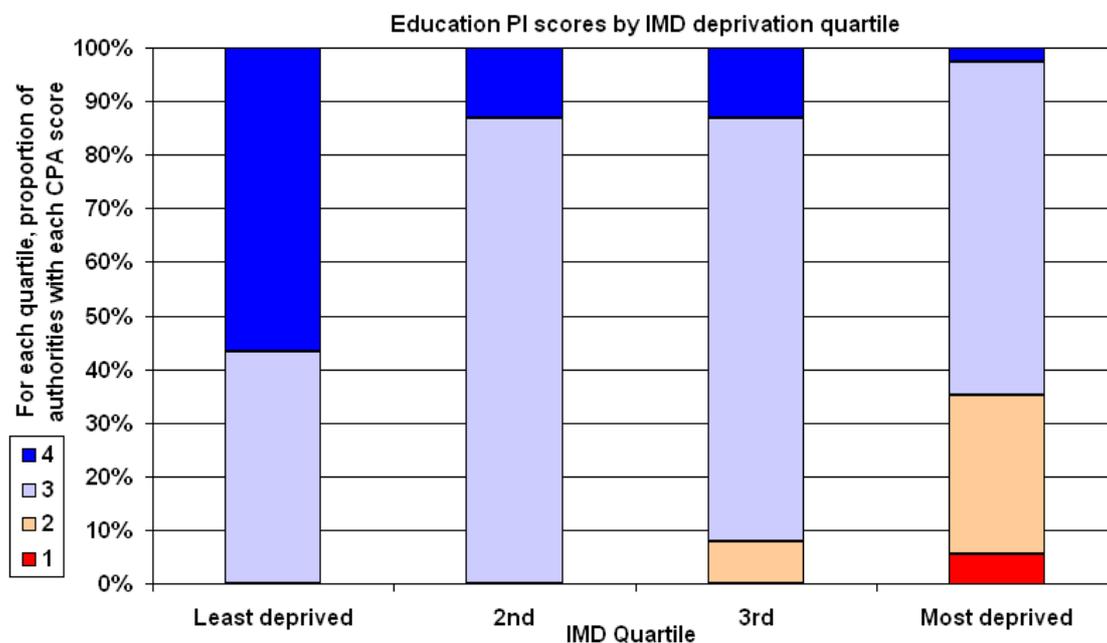


| | | |
|-------------|------|--------------------------------------|
| t statistic | -0.5 | There is no significant relationship |
| R Squared | 0% | Not relevant |

EDUCATION

Education Performance Indicators

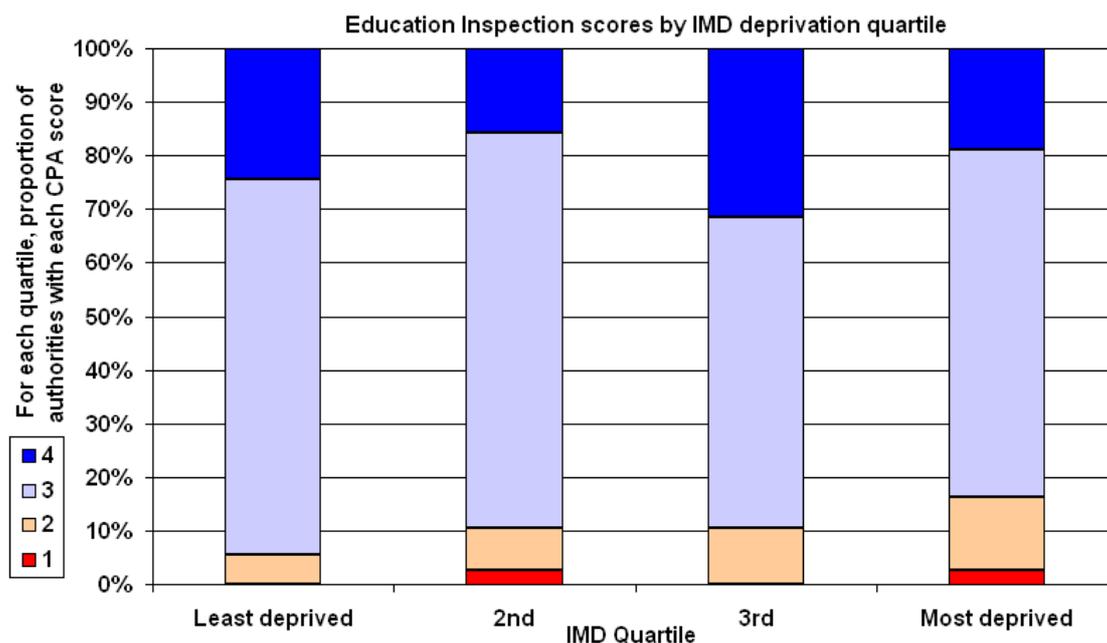
A significant and strong relationship. A third of the most deprived authorities score a 1 or 2 compared with none of the authorities with below-average deprivation. Virtually none of the most deprived authorities score a 4 compared to over half of the least deprived authorities.



| | | |
|-------------|------|---|
| t statistic | -9.8 | There is no significant relationship |
| R Squared | 35% | Which explains a third of the variation |

Education Inspection Judgements

No significant relationship.



| | | |
|-------------|------|--------------------------------------|
| t statistic | -0.3 | There is no significant relationship |
| R Squared | 0% | Not relevant |

Analysis Of Individual Education Performance Indicators

| Aspect | Performance indicator | t-statistic | Nature of relationship with deprivation | R-squared | Extent of the variation explained |
|---------------------------|---------------------------------|-------------|---|-----------|-----------------------------------|
| School improvement | Schools in special measures | 1.7 | A relationship, maybe not significant | 2% | Small |
| | Key stage 2 English | 12.7 | Significant | 52% | Substantial |
| | Key stage 2 Maths | 7.8 | Significant | 29% | Substantial |
| | Key stage 3 English | 11.5 | Significant | 47% | Substantial |
| | Key stage 3 Maths | 16.0 | Significant | 63% | Substantial |
| | Key stage 3 Science | 14.2 | Significant | 58% | Substantial |
| Special educational needs | GCSEs | 13.5 | Significant | 55% | Substantial |
| | Pupil statements | 3.5 | Significant | 8% | Small |
| Social inclusion | Primary attendance rate | 10.5 | Significant | 44% | Substantial |
| | Secondary attendance rate | 9.3 | Significant | 37% | Substantial |
| | GCSEs by care leavers | 2.7 | Significant | 6% | Not much |
| | Pupils with at least 1 GCSE | 5.7 | Significant | 18% | Substantial |
| Lifelong learning | Stay on rate | 8.3 | Significant | 32% | Substantial |
| | Adult education attendance rate | 0.2 | None | 0% | Not relevant |

THE AUDIT COMMISSION SERVICE BLOCKS

| Service block | Service area | Scoring element | t-statistic | Nature of relationship with deprivation | R-squared | Extent of the variation explained | |
|------------------------|--------------------|------------------------|------------------|---|-------------|-----------------------------------|-------|
| Environment | Transport | Overall | 2.4 | Significant but inverse | 4% | Small | |
| | | Inspections | (0.9) | Some | 1% | Small | |
| | | Performance indicators | 2.5 | Significant but inverse | 4% | Small | |
| | | Plan reviews | 2.8 | Significant but inverse | 6% | Small | |
| | Waste | Overall | (0.8) | Some | 0% | Small | |
| | | Inspections | (2.1) | Significant | 5% | Small | |
| | | Performance indicators | 0.2 | None | 0% | Not relevant | |
| | Planning | Overall | 1.2 | Some but inverse | 1% | Small | |
| | | Inspections | 1.8 | Some but inverse | 6% | Small | |
| Performance indicators | | 1.0 | Some but inverse | 1% | Small | | |
| Housing | Community Housing | Overall | 2.3 | Significant but inverse | 4% | Small | |
| | | Inspections | (0.3) | None | 0% | Not relevant | |
| | | Performance indicators | 2.7 | Significant but inverse | 6% | Small | |
| | | Plan reviews | 1.2 | Some but inverse | 1% | Small | |
| | Housing management | Overall | (0.7) | Some | 0% | Small | |
| | | Inspections | (1.2) | Some | 1% | Small | |
| | | Performance indicators | (0.1) | None | 0% | Not relevant | |
| | | Plan reviews | 0.5 | None | 0% | Not relevant | |
| | Housing strategy | Overall | 0.7 | None | 0% | Not relevant | |
| | | Inspections | 1.2 | Some but inverse | 1% | Small | |
| | Culture | Libraries | Overall | (2.4) | Significant | 4% | Small |
| | | | Inspections | (3.3) | Significant | 7% | Small |
| Performance indicators | | | 1.6 | Some but inverse | 2% | Small | |
| Plan reviews | | | 1.3 | Some but inverse | 1% | Small | |