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## 1. SUMMARY

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- 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 deprivation<sup>1</sup> 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 deprivation<sup>2</sup>.
  - 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.

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<sup>1</sup> Defined as the quartile of authorities with the highest IMD scores.

<sup>2</sup> Defined as the quartile of authorities with the lowest IMD scores.

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- 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 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.

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**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.

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## 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.<sup>3</sup> 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.

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<sup>3</sup> 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’

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## 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.