

Sector report for the Audit Commission

SDC – Review of Public Service Regulators



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1. Introduction

This report sets out the findings of the Sustainable Development Commission's (SDC) public sector regulatory review for the Audit Commission. It focuses on the Audit Commission's role in developing and implementing the Comprehensive Area Assessment (CAA), as well as its wider efforts in embedding sustainable development across all of its work. It also considers the joint role of the CAA inspectorates¹ in embedding sustainable development within the CAA, particularly in sections 3.1 and 3.5. The report includes an analysis of relevant contextual information, an assessment of progress against the review goals set out by the SDC at the outset of this review and other recent developments. It then considers opportunities for the future and makes recommendations.

2. Key messages:

- Overall, the Audit Commission has made much progress on sustainable development since the start of this review, kick-started by strong leadership from its Chair, Michael O'Higgins, and members of its senior management team
- The framework for progress has been the Audit Commission's *Sustainable Development Approach*, a public statement of intent on sustainable development, backed up by an internal implementation plan outlining a range of actions for embedding sustainable development across the organisation
- The Audit Commission has made solid progress in building organisational capacity on sustainable development, and is a leader amongst its inspectorate peers. This capacity creates the depth and scope of knowledge required to make successful judgements on sustainable development in the CAA and its importance should therefore not be underestimated
- Sustainable development is now part of the methodology for the CAA's area assessment, where sustainability is one of the four underpinning principles, as discussed above. This is very welcome, although the real test of how well sustainable development is embedded will come when the first round of judgements are made in December 2009. The regulators involved in the CAA (termed CAA Inspectorates) will need to work together to ensure that sustainable development principles are applied consistently in reaching them
- Good progress has also been made in integrating sustainable development into the CAA's organisational assessment. The Use of Resources judgement, a key part of the organisational assessment, now includes a range of sustainable development elements, including a section examining whether organisations are making effective use of natural resources
- We are pleased that the Audit Commission has confirmed to us that the sustainability element of Use of Resources will become more stretching over time
- We are concerned, however, that, unlike other organisations assessed through the Use of Resources judgement, NHS primary care trusts (PCTs) won't be scored on their performance on procurement and commissioning (Key Line Of Enquiry (KLOE) 2.1), including whether they are using procurement and commissioning to support wider economic, social and environmental outcomes. This tension will need to be resolved in the future to avoid inconsistencies in the assessments of different organisations
- Whilst the Audit Commission has made good progress, our review has raised question marks about the degree to which the CAA regulators as a whole have developed a coordinated and complementary approach to sustainable development. Failure to do so could undermine efforts to deliver well-rounded judgements that are informed by a sustainable development approach.

In particular, it will be important that the other CAA regulators develop their own capacity on sustainable development, particularly within the teams responsible for feeding into the CAA

- Finally, it should be recognised that embedding sustainable development successfully into the CAA will be a journey for the Audit Commission, the other CAA regulators and the organisations they are assessing. It will be a learning process for all involved. It will therefore be important to accept that mistakes will be made along the way and to learn from those mistakes to make sure that the CAA is an effective vehicle for driving improvement across the board and for achieving genuinely sustainable outcomes at a local level.

3. Recommendations

The Audit Commission has made excellent strides forward in embedding sustainable development in its work through the CAA. The SDC believes that the following elements have been integral to this success and we therefore encourage the Audit Commission to continue its work in the following areas:

- **Central sustainable development team:** continue with the recruitment and development of a central team for sustainable development of sufficient size, capacity and influence. This should build on the knowledge, enthusiasm and skills of the current team to ensure that momentum is not lost
- **Quality assurance:** continue to ensure that internal quality assurance processes include staff with sufficient sustainable development expertise to be able to provide constructive challenge to emerging judgements, for example on the area assessment and Use of Resources judgement

- **Use of Resources judgement:** ensure that the focus on sustainable development in the Use of Resources judgement (including elements such as the use natural resources and sustainable procurement) is applied on a regular basis beyond the current commitment of 2009/10. We are pleased that the Audit Commission has confirmed to us that the sustainability element of the judgement will be made more stretching over time
- **High-level leadership:** continue with high-level leadership from the Chair and senior management to help keep sustainable development a key organisational priority.

We recommend that the Audit Commission:

- In partnership with the CAA regulators, commissions the SDC to work with it to undertake a review of a sample of CAA first round judgements. The review would examine the consistency and effectiveness with which the underpinning principle of sustainable development has been applied
- Ensures that the roll out of basic (Level 1) training for sustainable development to all staff involved in the relevant audit and assessment work is completed by October 2009
- Develops more in-depth sustainable development expertise for a sufficient number of staff across the organisation, so that appropriate expertise is always available to help form effective judgements
- Develops ways of sharing its approach to, and understanding of, sustainable development with:
 - Organisations responsible for public sector improvement, such

as IDeA and the Regional Improvement and Efficiency Partnerships (RIEPs). This will help to ensure that these bodies effectively incorporate and integrate sustainable development into their improvement programmes

- Organisations involved in developing and promoting the Local Sustainable Development Lens (full details in Annex 1), including the SDC, IDeA, Department of Environment Food and Rural Affairs (Defra) and others, by sharing the lessons learned from using the Lens as an analysis tool for the area assessment
- The bodies it inspects, pointing them towards good practice and support for improvement, recognising that the CAA will be a collective learning process.

We also make the following recommendations to the CAA regulators:

- Develop ways of ensuring that sustainable development training is consistent across the CAA regulators and that experience and knowledge is shared as much as possible. In particular, it is important that:
 - Ofsted ensures that sustainable development is incorporated into the training programme for its 12 CAA Lead equivalents
 - Similarly, the CQC ensures sustainable development is incorporated into the training programme for its 42 CAA Lead equivalents
- Ensure that the joint inspectorate quality assurance arrangements² involve a balanced

range of experts and peers from economic, social and environmental backgrounds. Environmental interests are often under-represented on LSPs and it is important that the new quality assurance arrangements do not reflect or reinforce this imbalance

- Ensure that sustainable development stakeholder interests are sufficiently represented in the review and evaluation of the CAA.³ In addition, invite the SDC to be part of these arrangements to ensure that there is continued challenge and scrutiny on sustainable development
- Work to identify practical ways to extend the CAA Use of Resources assessment to other regulated organisations not already covered, to ensure they are not excluded from basic environmental performance assessment. Such organisations include:
 - Organisations regulated by Ofsted such as schools and further education colleges
 - All health and social care bodies that are not covered by the CAA.

We are pleased that the Audit Commission has already agreed to the following:

- To devise a cross-inspectorate mechanism to co-ordinate the approach to sustainable development within the CAA. A key task for this mechanism should be to develop a joint understanding of sustainable development across the CAA regulators and to help take forward the recommendations outlined above.

4. Contextual information

The Audit Commission is *an independent public body responsible for ensuring that public money is spent economically, efficiently and effectively in the areas of local government, housing, health, criminal justice and fire and rescue services*. Its mission is to be a driving force in the improvement of public services. It aims to

promote proper stewardship and governance and to help those responsible for public services to achieve better outcomes for citizens, with a focus on those people who need public services most.

A new performance framework

During the period of the SDC's engagement with the Audit Commission, the Commission was making preparations for a new external assessment and inspection regime – the Comprehensive Area Assessment (CAA) - which began on 1st April 2009.

The CAA forms part of a new performance framework for local services, As set out in the 2006 Local Government White Paper, *Strong and Prosperous Communities*,⁴ this new performance framework aims to:

- Strengthen accountability to citizens and communities
- Give greater responsibility to local authorities and their partners for securing improvements in services
- Provide a better balance between national and local priorities, with a new streamlined national indicator set of 198 national performance indicators⁵ and a revised Local Area Agreement (LAA) process⁶
- Improve the arrangements for external assessment and inspection, primarily through the CAA, and
- Streamline the process for providing improvement support and intervention for authorities struggling to deliver agreed outcomes for local people.

Central to these new arrangements are Local Strategic Partnerships (LSPs). According to the government's statutory guidance, LSPs "provide the forum for collectively reviewing and steering public resources, through identifying priorities in Sustainable Community Strategies and Local Area Agreements".⁷ They consist of a collection of organisations and representatives from the local area, who come together voluntarily to work in partnership. As they now have statutory status, all target-setting, and consequent financial, commissioning, or contractual commitments proposed by LSPs, must be formalised through the relevant local authority.

Together, local authorities and their LSP partners are therefore pivotal to achieving sustainable development. By working with key public sector, business and voluntary partners, local authorities can help to coordinate an integrated approach to planning and delivery at a local level, in order to maximise the benefit of any initiative to the local community, avoid unnecessary conflicts and strengthen ties between local social, economic and environmental interests. In order to deliver on sustainable development at a local level, local authorities, their partners and their regulators need to have the relevant tools and mechanisms in place, with the principles of sustainable development firmly embedded in them.

Sustainable development and the new performance framework

This framework includes a strengthened focus on sustainable development which, formally at least, puts sustainable development at the heart of an LSP's business. Key components of this strengthened focus include:

- An overarching strategy for sustainable development, *Securing the Future*, in which "local authorities and their partners, through Local Strategic Partnerships, are pivotal to delivering sustainable communities"⁸
- A set of UK-wide sustainable development principles. New statutory guidance says that these should be respected if a local priority or policy is to be judged as sustainable⁹
- A statutory duty on local authorities to prepare a Sustainable Community Strategy "that should contribute to the achievement of sustainable development in the United Kingdom." To a greater extent than previously, sustainability should be at the heart of this Strategy¹⁰
- A "shorter-term delivery mechanism" for the Sustainable Community Strategy, the LAA, which should also therefore contribute to sustainable development¹¹
- A duty to co-operate on statutory partner authorities
- The new CAA which "is inherently about sustainability"; "sustainability considerations will be embedded within the three main area assessment

- questions which will look for evidence of genuinely integrated outcomes¹²
- A duty on local planners to exercise their functions with a view to contributing to the achievement of sustainable development¹³
- A requirement on local authorities to have regard to Sustainable Community Strategies when preparing their Local Development Frameworks.¹⁴

The SDC's report, *Local Decision-Making and Sustainable Development: LSPs, Sustainable Community Strategies and LAAs*, outlines this strengthened framework for sustainable development in more detail.¹⁵

The Comprehensive Area Assessment

Developing the CAA methodology, in conjunction with the six other CAA inspectorates, has been a key focus for the Audit Commission during our engagement with them.

The *CAA Framework document*,¹⁶ published in February 2009, defines the principles that the inspectorates will apply in the CAA and explains how the CAA will work. In addition, publicly available *CAA Guidance for inspectorate staff* sets out in more detail how staff responsible for making CAA judgements will carry out CAA in its first year.

The CAA is area-based and focused on outcomes delivered by councils working alone or in partnership. It is intended to be more proportionate than previous frameworks and to be aligned with frameworks in other local service sectors, such as those mentioned in the Sector Reports for Ofsted and the Care Quality Commission and Healthcare Commission.

The CAA aims to provide:

- A catalyst for improvement: better local outcomes, more effective partnership working, more responsive services and better value for money;
- Independent assurance for citizens, service users and taxpayers
- An independent evidence base for central government on progress with national priorities and improving local services; and

- A means of focusing, rationalising and coordinating inspection.

It will have two elements which will inform each other:

- An **area assessment** that looks at how well local public services are delivering better results for local people across the whole area, focusing on agreed priorities such as health, economic prospects and community safety, and how likely they are to improve in the future; and
- **Organisational assessments** of individual public bodies. For councils and fire and rescue authorities, these will combine 'Use of Resources' and 'managing performance' themes into a combined assessment. For primary care trusts and police authorities, they will include Use of Resources assessments linked to the separate performance frameworks for the National Health Service and police authorities respectively.

We examine the degree to which these proposals incorporate sustainable development below. The Audit Commission's previous work on sustainable development was collated in this project's interim report, which can be obtained from the SDC offices.

5. SDC engagement and advocacy

Within this context, the SDC's focus has been on working with the Audit Commission, and the other CAA inspectorates, to provide advice, advocacy and support on making sustainable development central to the new CAA, and providing input to the design and content of capacity-building efforts on sustainable development for Audit Commission staff.

Our experience of engaging with the Audit Commission has been very positive. We have developed open and constructive relationships with the Commission at all levels, and have had regular contact with officials throughout the period of this review.

The original review goals as set by the SDC at the outset of this review are:

- CAA: sustainable development provides the framework for the **area assessment**, mirroring the Government's draft statutory guidance which puts sustainable development at the heart of new statutory arrangements for local government and its public sector partners
- CAA: the focus on sustainability in the **2008/09 Use of Resources judgement**¹⁷ is retained and the Audit Commission is committed to increasing the expectations on sustainability performance in future Use of Resources judgements
- Capacity-building: the Audit Commission has systems in place to **build its capacity** on sustainable development throughout the organisation.

5.1 The area assessment

Review goal: sustainable development provides the framework for the **area assessment**, mirroring the Government's draft statutory guidance which puts sustainable development at the heart of new statutory arrangements for local government and its public sector partners.

Throughout this project the SDC has built on its existing engagement with Audit Commission staff, working to ensure that sustainable development is at the heart of the area assessment, which is a key part of the new CAA. Highlights of our engagement in this area include:

- Responding to the first consultation on the CAA proposals in February 2008¹⁸
- In April 2008, co-facilitating with the Audit Commission a joint inspectorate workshop on sustainable development, involving representatives from the Audit Commission, Ofsted, Healthcare Commission, the Commission for Social Care Inspection (CSCI), Her Majesty's Inspectorate of Constabulary (HMIC) and the Local Government Association (LGA)
- Presenting on sustainable development to the CAA Strategy Group in June 2008

- Through May to July 2008, providing advice to the Audit Commission on the content of the second CAA consultation¹⁹
- Holding a second joint inspectorate workshop on sustainable development in September 2008 which featured key officials in Audit Commission involved in the development of the CAA, together with representatives from Healthcare Commission and the LGA.

SDC's view of impact

We have been pleased with the progress made in ensuring that sustainable development is embedded into the CAA's 'area assessment'. The Audit Commission has been open to SDC input on the development of the area assessment and has shown strong commitment in ensuring sustainable development is reflected in its methodology.

Although sustainable development does not provide the overarching framework for the CAA, 'sustainability' is now one of the four underpinning themes of the CAA. The CAA Framework document says that:

"CAA is inherently about sustainability. Sustainable development is as much about long-term social and economic benefit as it is about respecting environmental limits. It is about building a strong, healthy and just society. Sustainability considerations will be embedded within the three main assessment questions which will look for evidence of genuinely integrated outcomes."²⁰

The CAA Guidance sets out what this mean for the assessments made in CAA:

"Delivering sustainable development involves planning for the long-term, delivering economic, social and environmental principles in harmony, integrating them in decision-making and considering impacts beyond the local area. [CAA inspectorate staff] will be looking to see if local partners:

- *understand the connections between their economy, the people that live there and their environmental footprint; and*
- *are implementing what it is they*

*have to, to make their area more sustainable.*¹²¹

During the development of the area assessment methodology, the Audit Commission and other inspectorates carried out CAA trials between June and October 2008. The trials focused on ten local areas. Sustainable development was a particular focus in four of these area trials, a process which has helped the inspectorates to highlight potential issues in the application of underpinning principle of sustainability.

These trials enabled the inspectorates to consider how to apply sustainable development in the judgements. We welcome this, and applaud the specific focus on sustainable development in the trials. As we note below, however, the inspectorates' own evaluation of the CAA trials highlighted a number of issues in relation to sustainable development, which will need to be addressed in CAA proper.

While good foundations have been laid, there is still some way to go before the Audit Commission and the other CAA inspectorates can demonstrate that sustainable development is fully embedded in the area assessment. The real test will be when the first round of CAA judgements is made in December 2009. This will be the first opportunity to examine whether sustainable development really is underpinning the CAA.

To do this, the CAA inspectorates will need to ensure that sustainable development principles are applied consistently in all judgements. The inspectorates' own *CAA Trials Evaluation*, for example, found that in the CAA trials "there were variations... in the treatment of some of the underpinning principles of CAA, such as sustainable development or inequalities, and the application of these in reaching judgements."¹²²

To address this inconsistency, the trials evaluation report argued that the CAA Guidance, now published, would need to provide clearer definition of themes such as sustainable development and set out how they will be addressed within the assessments. Indeed, the Guidance does provide more detail about what staff should look for in relation to sustainable development. It recognises, for example, that staff should be look for things

such as "a local economy that is accessible to local people, resource efficient, low carbon, has sustainable transport options for the movement of people and goods, and is hence sustainable in the long-term."¹²³

The guidance also recognises the types of interconnections that need to be made in judgements between different issues:

*"The links between the [ten CAA sub-] themes are as important as the themes in their own right ... if people feel unsafe in an area, they may be less willing to cycle or walk through it, or use local services. This could limit opportunities to promote community cohesion, boost the local economy and reduce the environmental footprint."*¹²⁴

It is important that the CAA Guidance has begun to set out how sustainable development should be applied in judgements. However it is questionable whether guidance alone will be enough to iron out inconsistencies in the understanding and application of sustainable development.

A programme of capacity-building will be required across the CAA inspectorate staff. The Audit Commission have made a good start in this regard, as discussed in section 3.3, but there is as yet little evidence that the other inspectorates have begun to follow suit with their own CAA staff.

It would also help to ensure that CAA judgements provide a fully informed sustainable development approach if the staff carrying out internal quality assurance processes for the Audit Commission and for the CAA inspectorates as a whole, are equipped with sufficient development expertise to be able to provide constructive challenge to emerging judgements. We already know that the Audit Commission's sustainable development team (discussed below) are involved in these processes, which we welcome. The challenge will be ensuring that there is enough capacity within the team and across the organisation to ensure that they can contribute effectively to internal quality assurance.

Finally, it is worth reflecting on the current economic situation. The economic downturn has, rightly, focused minds within the Audit Commission and this is reflected in the CAA Framework document. Whilst the Audit Commission will need to focus on local efforts to adjust to and mitigate against the economic downturn, it is important that it does not lose sight of longer term issues such as climate change and fossil fuel depletion. As the Stern Review highlighted, only local economic measures that take such issues into account will be truly sustainable in the long-term.

5.2 The Use of Resources judgement

Review goal: the focus on sustainability in the 2008/09 Use of Resources judgement is retained and the Audit Commission is committed to increasing the expectations on sustainability performance in future Use of Resources judgements.

As described earlier, the Use of Resources judgement forms part of the CAA's organisational assessment and is applied to local authorities, fire and rescue authorities, primary care trusts and police authorities.

The SDC has provided input to the 2008/09 Use of Resources judgement methodology, commenting and advising on the content of the methodology as well as the more detailed staff guidance. This has mainly been done through iterative discussions with relevant Audit Commission officials.

SDC's view of impact

Previously, the Use of Resources judgements have not taken sustainable development into account. Within this context, we are pleased with a number of developments in relation to the 2008/09 judgement, including:

- Broadening of the judgement to include a much wider range of Key Lines of Enquiry (KLOEs) than previously
- Including sustainable development in the 'governing the business' theme, such as "reviewing the competitiveness of services and [achieving] value for money, while meeting wider social, economic and environmental objectives"

- A KLOE (3.1) dedicated to examining whether organisations are making effective use of natural resources, ensuring that they:
 - Understand and can quantify their use of natural resources and can identify the main influencing factors
 - Manage performance to reduce their impact on the environment, and
 - Manage the environmental risks they face, working effectively with partners
- Including elements of sustainability in assessing how well organisations are managing their assets, such as how well an organisation "works with partners and community groups to maximise the use of its assets for the benefit of the local community."²⁵

These changes mark significant progress in monitoring performance on sustainable development within the estates and operations of the organisations assessed.

For 2008/09, only single tier and county councils will be subject to KLOE 3.1 of the Use of Resources judgement, the section which assesses their use of natural resources. In 2009/10, this section will then be applied to district councils, police authorities, fire and rescue authorities and primary care trusts. The Audit Commission have confirmed to us that all organisations will be assessed against KLOE 3.1 on a regular basis thereafter.

The Audit Commission has also confirmed to us that in future years, the Use of Resources judgement will require more stretching evidence of good performance on sustainability than is the case for 2008/09. This is welcome and the Audit Commission will need to ensure that this ambition is realised so that the Use of Resources judgement helps to drive improvement on sustainable development performance over time.

So, whilst some good progress has been made, as with the area assessment, the real test of how much sustainable development has been incorporated into the Use of Resources judgements will be when the assessments are

actually published. A deciding factor will be how well trained the Use of Resources auditors are on sustainable development and how they interpret the 'key lines of enquiry' (KLOEs) in the assessment methodology.

The review has raised a number of issues, including:

- The separation in KLOE 2.1 of 'sustainable outcomes' and 'value for money' in relation to commissioning and procurement, the implication being that these are not viewed as one and the same thing. The danger is that this separation could lead to trade-offs being made. The Audit Commission has confirmed to us that it views sustainability as an essential component of value for money and that this is reflected in its training and guidance and training for staff. This is reassuring, although it will be important to monitor whether this is reflected in the Use of Resources judgements when they are published later this year
- There has so far been no training for external auditors specifically in relation to the new sustainability elements of the Use of Resources judgements. Careful monitoring of the auditors' capacity to make effective and consistent judgements in relation to sustainable development will therefore be required
- Concern that, unlike all other organisations, PCTs won't be scored on their performance on procurement and commissioning (KLOE 2.1), including whether they are using procurement and commissioning to support wider economic, social and environmental outcomes. This tension will need to be resolved by the Audit Commission and the CQC in the future to avoid inconsistencies in the assessments of different organisations.

5.3 Building the Audit Commission's capacity on sustainable development

Review goal: the Audit Commission has systems in place to **build its capacity** on sustainable development throughout the organisation.

The SDC has worked with the Audit Commission on a range of activities to help build its

organisational capacity on sustainable development. Major activity includes:

- From September 2007 to January 2008, supporting the Audit Commission on the development of a 'quick guide' to sustainable development for all staff
- SDC presentations to Audit Commission performance specialists in both the Southern and Northern regions in February 2008
- In May and June 2008 providing advice on the design and content of introductory training on sustainable development for all performance staff, including participating in a 'training the trainers' session
- Facilitating a session to identify learning needs for Use of Resources auditors in June 2008
- A keynote speech from the SDC Chair to the Audit Commission's CAA Leads in September 2008 as part of wider sustainable development training by the Audit Commission for the CAA Leads
- In October and November 2008 providing advice on the design of 'Level 2' sustainable development training workshops for performance staff in the Northern region, and co-facilitating of the workshops
- A sustainable development masterclass from the SDC chair to the Audit Commission's senior management team.

SDC's view of impact

Building organisational capacity and understanding on sustainable development is critical if sustainable development is to be consistently and effectively applied in CAA judgements. We are pleased with the overall progress the Audit Commission seems to have made in building capacity on sustainable development among its staff.

It has taken the task of training its staff on sustainable development seriously. Tailored introductory training on sustainable development, supported by the SDC, has been rolled out to approximately 80 per cent of its staff (performance staff and auditors), with a range of staff trained to a more detailed level in how to apply it in the CAA.

Far less progress has been made, however, with the external auditors that the Audit Commission uses for the value for money judgements made in the Use of Resources assessment. We understand that the Audit Commission is discussing this matter with the external auditors and believes in any case that many of the external auditors it uses are already familiar with sustainability auditing. Clearly, it will be important for the Audit Commission to monitor whether its external auditors have the capacity to audit effectively for sustainable development and take appropriate action as necessary as any issues arise.

The Audit Commission has created a new central sustainable development team. We are pleased that sustainable development is now recognised formally within the Audit Commission's structure for the first time. There are potential risks with the creation of this new team, which will have to be managed, such as ensuring the team is not pigeonholed as the 'environment' team. It will also be important to build on the momentum the team has already created and ensure that the resources and expertise within the team are maintained and enhanced, particularly in the face of increasing public spending pressures. The Head of Sustainable Development, for example, leaves his post later this year and it will be vital that an effective replacement is recruited.

It will also be important to ensure that sustainable development continues to be embedded right across the organisation, so that it is not the sole preserve and responsibility of the sustainable development team. The Audit Commission has already made a good start in this regard, as we have discussed.

Other positive developments in terms of building capacity for sustainable development include:

- The establishment of the Economic Development and Environment (EDE) knowledge network, which provides a forum for debate, policy development, quality assurance and knowledge sharing. It links all the people with responsibility for, or interest in, economic development, environment and sustainable development wherever they are in the organisation

- The inclusion of personal performance objectives on sustainable development for a number of staff, including senior personnel outside of the sustainable development team. This is an important step towards embedding sustainable development across the organisation. It is a development that we would support further replication of, both within the organisation and in the other CAA inspectorates. The challenge will be to ensure these personal performance objectives act as genuine drivers for embedding sustainable development within the organisation and that effective accountability mechanisms are in place to pick up on poor performance.

Overall, the Audit Commission has made solid progress in building organisational capacity on sustainable development, and is a leader in the field. It will be important for this progress to continue, however, and this is reflected in our recommendations.

5.4 Wider progress on sustainable development

Beyond the three review goals examined above, the Audit Commission has also made progress in embedding sustainable development across its organisation. In the summer of 2007, it published its *Sustainable Development Approach*, a high-level document that set out its ambitions to incorporate sustainable development into the CAA. This was accompanied internally by an implementation plan.

Other positive developments include:

- A number of speeches from the Audit Commission Chair and other key personnel supporting sustainable development. The chair's support for sustainable development has been critical to kick-starting progress on sustainable development throughout the organisation
- The creation of accountability structures for sustainable development within the organisation, including a sustainable development board

- A national study looking into reducing carbon emissions from domestic energy use, which will be published later in 2009²⁶
- A commitment from the national studies team to carry out a study on climate change adaptation
- The secondment of a member of the Audit Commission's national studies team to the SDC. The studies team hopes to use the learning from the secondment to provide further consideration and challenge to incorporating sustainable development in the national studies programme
- The development of its own internal sustainability action plan, outlining how it will reduce its environmental footprint.

5.5 The CAA Inspectorates: joining-up

Review goal: Joining-up: the Audit Commission, Healthcare Commission and Ofsted have developed and agreed a 'complementary approach' to sustainable development assessment and inspection.

As well as engaging with the Audit Commission, Healthcare Commission and Ofsted individually, the SDC has also had a number of opportunities to engage with the six CAA inspectorates as a whole. These include:

- Presenting at, and co-facilitating, an Audit Commission-led workshop with the CAA inspectorates on sustainable development in April 2008
- Participating in a session of the CAA Strategy Group on sustainable development in June 2008, and
- Facilitating a joint-inspectorate CAA workshop on sustainable development in September 2008.

SDC's view of impact

Through the sessions outlined above, and through the engagement we have had with the inspectorates individually, we are pleased that all three have begun to consider, to varying degrees, how they will take account of sustainable development through the way they

work in the future. But how far have they managed to work together to develop and agree an effective 'complementary approach' to sustainable development? Overall, there has been mixed progress.

Working together is not something that the regulators have had to do much in the past, but the area assessment will require shared judgements by all six regulators involved in the CAA. To do this effectively, they will need not only to learn how to come to agreement on the judgements made, but also to coordinate the organisational assessments they make individually, so that the evidence that they produce and share enables them to make well-rounded judgements in the area assessment. This will be particularly critical for sustainable development, which by its very nature requires a holistic approach to be taken. To work successfully in this way will not be easy and will inevitably take time and effort.

Overall, we have found that progress on sustainable development within the CAA has been predominantly led by the Audit Commission. As discussed above, we are pleased with the outcome so far. However, there is little evidence that this is the result of a concerted effort by all the regulators to develop a coordinated and complementary approach to sustainable development.

There is no clear mechanism for coordinating sustainable development activity across the regulators and ensuring that their approaches are consistent. Other CAA regulators still have some way to go to develop their own thinking about how they can contribute to a sustainable development approach in the CAA. The danger is that this will lead to gaps in the judgements that are made in the area assessments.

As an example, if the Audit Commission gathers evidence on a local authority's performance in cutting carbon emissions on its own estate, but there is no equivalent evidence from the CQC relating to health and social care organisations in the same locality, there will only be a very patchy understanding of the area's performance as a whole.

Nevertheless, it is encouraging to learn that the CQC and Ofsted have now recruited, respectively, 42 and 12 CAA lead equivalents.

This will be a key factor in determining the success of the CAA, depending on how effectively sustainable development is included in the training and delivery of these roles.

6. Further developments and opportunities for the Audit Commission to promote sustainable development

There has been much progress in embedding sustainable development within the Audit Commission and the CAA and our engagement with the organisation has been very positive. We have established good links at all levels of the organisation. This engagement has led to new ways of collaborative working between the SDC and the Audit Commission.

We are particularly pleased that sustainability is now an underpinning theme of the new CAA and note that the Audit Commission has made great strides in beginning to train its staff so that they are equipped to make effective sustainable development judgements.

As a result of the progress made by the Audit Commission on sustainable development, those organisations it audits and inspects will now be expecting to be assessed on their performance on sustainable development to a much greater extent than previously. Anecdotally, this is reflected in the feedback from many local authorities we have spoken to. Some have observed that they are now taking sustainability more seriously. The new CAA will have a very positive impact in driving improvement in delivering sustainable development at the local level in the future.

All of this good progress will count for nothing, of course, if it is not reflected in the actual judgements that are made under the CAA: the area assessment and the organisational assessment. Whether this happens will depend on a number of building the inspectorates' organisational capacity and understanding on sustainable development, including:

- the extent to which the Audit Commission can continue to develop its own organisational capacity on sustainable development, so that its staff are fully equipped to make well-rounded and detailed assessments of

performance on sustainable development, particularly on key issues such as climate change and sustainable procurement; and

- The degree to which the other CAA inspectorates develop their own capacity on sustainable development, so that they can make effective joint judgements on sustainable development in the area assessment.

Finally, it should be recognised that embedding sustainable development into the CAA will mean a new way of working for the Audit Commission, other regulators and regulated bodies. It will be a learning process for all involved. Effective leadership by CAA regulators and the sharing of good practice will help to make the CAA an effective vehicle for driving improvement across the board and achieving genuinely sustainable outcomes at a local level.

The SDC will be glad to continue its engagement with the Audit Commission and the other CAA regulators in the future, to help ensure that this happens.

Annex 1: Sustainable Development Lens

Local Sustainable Development Lens (LSDL) is a voluntary basket of local indicators developed by the SDC and IDEa that can be used to guide and track area-wide progress towards sustainable development at the local level. The SDC proposes that the LSDL should act in three main ways:

- (a) As an interactive tool for **local authorities and their partners** for tracking area-wide progress on sustainable development at the LAA area level.
- (b) As a tool for the **Audit Commission and the other Comprehensive Area Assessment (CAA) inspectorates** to frame and inform their understanding of progress towards sustainable development at the local level.
- (c) As a means of providing the **UK Government** with a better understanding of local progress on its 'litmus test' priorities for sustainable development. It could also be used by the Government Offices in future rounds of LAA development to prompt to thinking about how LAA proposals contribute to the achievement of sustainable development. The Government has already agreed to adopt the Lens to track local progress against Defra's Departmental Strategic Objective on sustainable development.

Key characteristics of the SD Lens

The LSDL provides a foundation for tracking local area progress towards sustainable development. SDC proposed that the LSDL should consist of up to three layers, depending on its use:

1. A 'core' set of 19 indicators from the Government's National Indicator Set (NIS). These are the only indicators in the LSDL against which local authorities' performance, alone or in partnership, can be reported to, or performance managed by, Central Government. Taken together, these can be used to measure progress at the local level against Defra's Departmental Strategic Objective (DSO) on sustainable development.

- NI 17** Perceptions of anti-social behaviour
- NI 198** % of children walking or cycling to school
- NI 2** % of people who feel that they belong to their neighbourhood
- NI 4** % of people who feel that they can influence decisions in their locality
- NI 3** Civic participation in the local area
- NI 186** Per capita CO2 emissions in the LA area
- NI 188** Adapting to climate change
- NI 191** Residual household waste per head
- NI 197** Improved local biodiversity – active management of local sites
- NI 158** % of decent council homes
- NI 187** Tackling fuel poverty
- NI 199** Children and young people's satisfaction with parks and play areas
- NI 175** Access to services and facilities by public transport, walking and cycling
- NI 167** Congestion - average journey time per mile during the morning peak
- NI 172** VAT registered businesses in the area showing growth
- NI 152** Working age people on out of work benefits
- NI 116** Proportion of children in poverty
- NI 119** Self-reported measure of people's overall health and wellbeing
- NI 163** Working age population qualified to at least Level 2 or higher

2. Three 'additionally recommended' voluntary indicators that the SDC believes should also form part of a holistic baseline assessment of sustainable development at the local area level. Taken together with the 'core' set, these form a small number of key environmental, social and economic indicators, based on the Government's definition of a sustainable community which could be used to provide a

more rounded picture of local progress on sustainable development. Unlike the 'core' set, these are voluntary indicators and, as such, can only be determined and performance-managed locally, for example through the Sustainable Community Strategy or as additional local LAA indicators. We are recommending that these are used as part of any tool for local authorities and their partners, and by the CAA inspectorates to provide contextual information on local progress towards sustainable development.

3. A 'supplementary database' of indicators, which could provide users with the flexibility to build on the foundation of the core and additionally recommended sets. These could be used to form a more locally-relevant, flexible and innovative LSDL. This is yet to be developed and so we recommended that this idea is explored as the LSDL is developed further by the different user groups, particularly by the IDeA and the CAA inspectorates.

Endnotes

¹ The six CAA inspectorates are: the Audit Commission, Care Quality Commission, HM Inspectorate of Constabulary, HM Inspectorate of Prisons, HM Inspectorate of Probation and Ofsted.

² These are referenced on page 45 of the CAA Framework document.

³ Arrangements for review and evaluation of the CAA Framework are set out on page 65 of the CAA Framework document.

⁴ CLG, *Strong and Prosperous Communities: the Local Government White Paper, Volume 1*, October 2006.

⁵ CLG and HM Government, *The New Performance Framework for Local Authorities and Local Authority Partnerships: Single Set of National Indicators*, October 2007

⁶ CLG, *Negotiating New Local Area Agreements*, September 2007

⁷ HM Government, *Creating Strong, Safe and Prosperous Communities: Statutory Guidance*, July 2008.

⁸ UK Government, *Securing the Future: delivering UK sustainable development strategy*, March 2005.

⁹ Communities and Local Government, *Creating Strong Safe and Prosperous Communities: Statutory Guidance*, July 2008, p28

¹⁰ Ibid, p28

¹¹ Ibid, p34. The relationship between LAAs and SCSs is set out in Section 106(2)(c)(i) of the Local Government and Public Involvement in Health Act 2007.

¹² Audit Commission et al, *Comprehensive Area Assessment: Framework document*, February 2009

¹³ See Part 3 of the [Planning and Compulsory Purchase Act 2004](#)

¹⁴ See Section 19(2)(f) and (g) of the *Planning and Compulsory Purchase Act 2004*

¹⁵ Sustainable Development Commission, *Local Decision-Making and Sustainable Development: LSPs, Sustainable Community Strategies and LAAs*, November 2008.

¹⁶ Audit Commission et al, *Comprehensive Area Assessment: Framework document*, February 2009

¹⁷ The Use of Resources judgement forms part of the 'organisational assessment' of the CAA, mentioned above.

¹⁸ SDC, *Comprehensive Area Assessment consultation: response from the Sustainable Development Commission*, February 2008, http://www.sd-commission.org.uk/publications/downloads/CAA_Consultation%20SDC%20response1.pdf.

¹⁹ Audit Commission, CSCI, Healthcare Commission, HMIC, HMI Prisons, HMI Probation and Ofsted, *Comprehensive Area Assessment: Joint Inspectorate Proposals for Consultation – Summer 2008*, July 2008

²⁰ Audit Commission et al, *Comprehensive Area Assessment: Framework document*, February 2009, p14.

²¹ Audit Commission et al. *Comprehensive Area Assessment: Guidance for inspectorate staff*, April 2009, p15

²² Audit Commission et al, *Comprehensive Area Assessment Trials Evaluation*, February 2009 p10

²³ Audit Commission et al. *Comprehensive Area Assessment: Guidance for inspectorate staff*, April 2009, p15

²⁴ ibid, page 138

²⁵ Audit Commission, *Use of resources framework: overall approach and key lines of enquiry*, May 2008 (updated 2009)

²⁶ Audit Commission, *Reducing CO₂ emissions from domestic energy use flyer*, <http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/co2emissionsflyer.pdf>