

MEASURING UP

HOW GOOD ARE THE GOVERNMENT'S
DATA SYSTEMS FOR MONITORING PERFORMANCE
AGAINST PUBLIC SERVICE AGREEMENTS?

JUNE 2010

Comprehensive Spending Review 2007 covering the period 2008-2011

Review of the data systems for Public Service Agreement 20 led by the Department for Communities and Local Government:

'Increase long term housing supply and affordability'

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Summary

Introduction

1. This report summarises the results of our follow-up examination of the data systems used by the Department for Communities and Local Government (“the Department”) to monitor and report on progress against its 2008-2011 Public Service Agreements.

Public Service Agreements

2. Public Service Agreements (PSAs) are at the centre of Government’s performance measurement system. They are usually three year agreements, set during the spending review process and negotiated between Departments and the Treasury. They set the objectives for the priority areas of Government’s work.
3. PSA 20 is led by the Department, with data used to calculate the indicators provided by a wide range of sources including the Office of National Statistics (ONS) and the Citizenship Survey. The PSA has a Senior Responsible Officer who is responsible for maintaining a sound system of control across Departmental boundaries that supports the achievement of the PSA. The underlying data systems are an important element in this framework of control.
4. The most recent public statement provided by the Department of progress against PSA 20 was in the 2009 Autumn Performance Report.

The purpose and scope of 2008 validation review

5. The Government invited the Comptroller and Auditor General to validate the data systems used by the Department to monitor and report its performance. During 2008-09, the National Audit Office (NAO) carried out an examination of the data systems for the Department’s PSAs. This involved, for each individual data system, a detailed review of the processes and controls governing:
 - The match between the indicators selected to measure performance and the PSAs. The indicators should address all key elements of performance referred to in the PSAs;
 - The match between indicators and their data systems. The data system should produce data that allows the Department to accurately measure the relevant element of performance;
 - The selection, collection, processing and analysis of data. Control procedures should mitigate all known significant risks to data reliability. In addition, system processes and controls should be adequately documented to support consistent application over time; and
 - The reporting of results. Outturn data should be presented fairly for all key aspects of performance referred to in the target. Any significant limitations should be disclosed and the implications for interpreting progress explained.

6. Following the findings from the 2008-09 validation process each of the data systems underpinning a PSA indicator were graded, as follows: (see figure 1).

Figure 1: Key to traffic light ratings

Rating	Meaning ...
GREEN (Fit for purpose)	The data system is fit for the purpose of measuring and reporting performance against the indicator.
GREEN (Disclosure)	The data system is appropriate for the indicator and the Department has explained fully the implications of limitations that cannot be cost-effectively controlled.
AMBER (Systems)	Broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled.
AMBER (Disclosure)	Broadly appropriate, but includes limitations that cannot be cost-effectively controlled; the Department should explain the implications of these.
RED (Systems)	The data system does not permit reliable measurement and reporting of performance against the indicator.
RED (Not established)	The Department has not yet put in place a system to measure performance against the indicator.

7. The ratings were based on the extent to which the Department had:
- (i) put in place and operated internal controls over the data systems that are effective and proportionate to the risks involved; and
 - (ii) explained clearly any limitations in the quality of its data systems to Parliament and the public.
8. The findings from the 2008-09 validation exercise were reported to the Department in February 2009 and cleared with the Department in June 2009.

The purpose and scope of 2009 validation review

9. Our follow-up review, which was undertaken in October and November 2009, focused on:
- Reviewing and assessing the implications of any significant changes to the data system underpinning a PSA indicator; and
 - Following up the findings from our 2008-09 validation exercise to assess what actions the Department had taken to address our recommendations.
10. We used the findings from the follow-up review to re-evaluate the traffic light ratings given in 2009.

11. Section 1 of our report looks at the overall control environment which the Department has put in place to support the measurement and reporting of performance against its PSA indicators. Section 2 summarises the results of our follow-up review on an indicator by indicator basis. Section 3 includes a brief description of the findings and conclusions for those data systems which were either not reviewed in 2008-09, or have undergone significant change.
12. Our assessment does not provide a conclusion on the accuracy of the outturn figures included in the Department's public performance statements. This is because the existence of sound data systems reduces, but does not eliminate, the possibility of error in reported data.

Summary of results

13. Figure 2 summarises our assessment of the Department's PSA 20 data systems.

Figure 2: Summary of assessments for PSA data systems

	PSA 20	
	2009 Rating	2010 Rating
GREEN (Fit for purpose)	2	4
GREEN (Disclosure)	-	-
AMBER (Systems)	3	2
AMBER (Disclosure)	-	-
RED (Systems)	-	-
RED (Not established)	1	-
Indicators to be reviewed in future periods	-	-
Total indicators	6	6

Section 1 – Wider control environment

14. Our review in 2008-09 concluded that the Department's governance arrangements in respect of its PSAs were generally satisfactory. However, in several cases we noted that the Department could further improve the arrangements in place by setting specific targets, other than a general requirement for improvement against a baseline figure, within its relevant Delivery Agreements and accompanying Measurement Annexes. This finding related to two indicators within PSA 20.
15. Additionally, we noted that the Department did not in all cases have detailed written procedure notes in place, explaining how each indicator was to be calculated and how any outliers or missing data were to be addressed.
16. Although our current work found that the Department has not introduced targets for all indicators within PSA 20, we note that HM Treasury guidance is that targets should be set for indicators only where there is confidence that such an approach is the most effective way to drive delivery, albeit with an expectation that departments will set out criteria for what success looks like in respect of those indicators for which targets are not set.
17. Consequently, the Department believes that a target driven approach is not the best way to drive further improvements in these PSAs. While we note the response, we believe that without clear success criteria in respect of individual indicators it will be difficult for the Department to prioritise its activities and allocate its resources effectively.
18. From our current work we also note that the Department has not yet produced detailed written procedure notes for all indicators supporting its PSAs.

Section 2 – Results of the follow-up review

PSA 20

No	Indicator	2009 rating	2010 rating	Reasons for change and additional comments
1	Number of net additional homes provided.	AMBER Systems	AMBER Systems	<p>The data system supporting the calculation of this indicator has not significantly changed.</p> <p>We made four recommendations in 2009, two of which remain outstanding. These relate to the Department:</p> <ul style="list-style-type: none"> • verifying and validating the system of quality control in place within all Regional Assemblies (that collect part of the data set used for the indicator); and • ensuring that formal written procedures are in place for the editing of data by Regional Assemblies. <p>The Department has advised that it is currently in discussion with the Regional Assemblies' monitoring officers to introduce common standards for validating and editing data.</p> <p>Because the arrangement for collection of data through Regional Assemblies means that the Department does not have direct control over the collection and validation of these data, we recommend that the Department work with Regional Assemblies to ensure that they put in place robust, consistent processes for the validation and editing of data. We have therefore concluded that the rating given to this indicator in 2009 is still appropriate.</p>

No	Indicator	2009 rating	2010 rating	Reasons for change and additional comments
2	Affordability: the ratio of lower quartile house prices to lower quartile earnings.	GREEN Fit for purpose	GREEN Fit for purpose	<p>The data system supporting the calculation of this indicator has not significantly changed.</p> <p>We made two recommendations in 2009, both of which remain outstanding. These relate to the Department:</p> <ul style="list-style-type: none"> • documenting a formal risk assessment in respect of its arrangements for data collection, processing and analysis; and • formally recording a review of the calculation of the final ratio. <p>The Department has considered these recommendations and decided not to implement them to date, because it considers that it already has robust systems in place and that the recommendations will not have a material effect on the quality of data for monitoring this indicator.</p> <p>We believe that these recommendations remain valid and, if implemented, would help to strengthen the controls over the data system. However, we have concluded that the rating given to this indicator in 2009 is still appropriate, as other robust controls are in place.</p>
3	Number of affordable homes delivered.	AMBER Systems	GREEN Fit for purpose	<p>The data system supporting the calculation of this indicator has not significantly changed.</p> <p>We made four recommendations in 2009. The Department has implemented three of these recommendations, which related to the Department:</p>

No	Indicator	2009 rating	2010 rating	Reasons for change and additional comments
				<ul style="list-style-type: none"> • putting in place written procedures detailing the indicator calculation process; • re-assessing the information provided by the newly formed Homes and Communities Agency to ensure its data requirements are met; and • performing validation checks on the information received from local authorities. We note that data submitted is subject to on-line validation. This involves identifying invalid data and data outside particular parameters. In addition the Department validates the spreadsheets it uses to process the returns from outside agencies. These validation checks are documented and reviewed quarterly. <p>One of our 2009 recommendations remains outstanding. This relates to the Department:</p> <ul style="list-style-type: none"> • retaining evidence of data checks performed prior to the data reporting stage. <p>The Department explained the steps it had taken to improve documentation and data validation in response to the other recommendations, and that it considered that these provided sufficient evidence of the data checking performed.</p> <p>While we believe this recommendation remains valid, the Department's progress in implementing the other recommendations has led us to conclude that the rating for this</p>

No	Indicator	2009 rating	2010 rating	Reasons for change and additional comments
				indicator should now be revised to "GREEN – Fit for Purpose".
4	Number of households in temporary accommodation.	GREEN Fit for purpose	GREEN Fit for purpose	<p>The data system supporting the calculation of this indicator has not changed.</p> <p>No recommendations were made in 2009 in respect of this indicator.</p> <p>We have therefore concluded that the rating given to this indicator in 2009 is still appropriate.</p>
5	Average energy efficiency rating for new homes.	RED Not established	AMBER Systems	<p>The Department established a data system to support the calculation of this indicator in 2009.</p> <p>We have reviewed this data system and our detailed findings are set out in Section Three of this report.</p>
6	Local planning authorities to have adopted the necessary Development Plan Documents, in accordance with their Local Development Schemes, to bring forward developable land for housing in line with Planning Policy Statement 3.	AMBER Systems	GREEN Fit for purpose	<p>The data system supporting the calculation of this indicator has not significantly changed.</p> <p>We made five recommendations in 2009, one of which remains outstanding. This relates to the Department:</p> <ul style="list-style-type: none"> formally evidencing the second review of the calculation of the indicator. <p>The Department has confirmed that a senior statistician has assessed the procedures used to monitor progress on this indicator, but has not re-performed the calculation. The Department has assessed the risk of errors in the calculation and considers that they are not sufficiently high to warrant a re-</p>

No	Indicator	2009 rating	2010 rating	Reasons for change and additional comments
				<p>performance.</p> <p>While we believe that our recommendation remains valid and, if implemented, would help to improve the robustness of the controls over the data system, we consider that the Department's progress is sufficient to now revise the rating for this indicator to green.</p>

Section 3 – Findings and conclusions for individual data systems

This section summarises the results of the NAO's examination of those data systems, used to measure performance against the Department's, which were either not reviewed in 2008-09, or have undergone significant change since our last review.

PSA 20.5 Average energy rating for new homes

Rating 2009 – RED (Not established)

Rating 2010 – AMBER (Systems)

Conclusion

1. We have concluded that the data system underlying this indicator is broadly appropriate, but needs strengthening to ensure that remaining risks are adequately controlled.

Characteristics of the data system

2. The Standard Assessment Procedure for energy rating of dwellings (SAP) is used to monitor the energy efficiency of homes. Energy efficiency is assessed through an index based on the costs of heating (space and water), ventilation and lighting for a home. It is expressed through a SAP scale of 1 (highly inefficient) to 100 (highly efficient), with 100 representing zero energy cost.
3. External assessors prepare Energy Performance Certificates (EPCs) for new homes, awarding SAP ratings according to a property's blueprint and other relevant information. The Department informed us that every assessor is trained to undertake this process and must be a member of an accredited body. The data is lodged on the central EPC Register through the energy assessors' accreditation scheme. Accreditation schemes are responsible for quality assuring and approving the data, who then lodges it on the EPC Register. The lodgement process creates the EPC.
4. A contractor provides data from the Register to the Department so that it can calculate performance against the indicator.

Findings

5. The Department undertook a validation exercise in 2008, which identified issues with the robustness of the data being provided by the contractor. We were informed that improvements to the data system were made in September 2008. As a result of this the Department decided to calculate the baseline using figures from September 2008 to March 2009 rather than for the whole of 2008/09. The Department has yet to amend the measurement annex for this indicator to reflect this change to the planned baseline but plans to do so in the next update of the measurement annex.
6. We also note that the Department has not yet formally documented a measure of success for this indicator. It considers that defining a precise measure of success is difficult but has developed a working hypothesis to measure improvements. Once this is fully developed it should be detailed within the measurement annex and reported externally.

7. In 2009 the Department employed a consultant to assess the validity of the SAP process. The consultant visited 13 accreditation bodies in England & Wales, which are responsible for certifying Energy Assessors (who produce the EPCs). The visits were not intended to check on the accuracy of individual certificates, rather to assess whether the accreditation scheme's operational functions complied with CLG requirements. The consultant identified a number of data quality issues, for example, differences in how particular data quality standards were being interpreted across the bodies. Some accreditation bodies had not adopted previously agreed quality standards.
8. These issues were reported to the Department in March 2009, together with recommendations on how the assessment process could be improved. Subsequently, the Department has drawn up Enhanced Accreditation Scheme Operating Requirements covering issues such as quality assurance, customer complaints and code of conduct. These will be monitored through spot check audits and scheme failures will be subject to disciplinary procedures. In addition, the Department will revise the terms of the Secretary of State's approval to operate accreditation schemes.
9. We note that the Department has not undertaken a risk assessment in respect of its arrangements for data collection, processing and formal analysis. It is not, therefore, able to ensure that all risks to these arrangements have been mitigated effectively.