

all in a day's work



delivering effective
performance management

lessons from an IDeA learning day

executive summary

Improving public services is at the top of the political agenda. The introduction of new political management arrangements and the focus on community leadership both place the performance of the local authority at the centre of debate. Best Value has provided a national performance management framework within which local authorities are required to deliver improvements in their performance to match the best. Finally, for those developing local Public Service Agreements the delivery of 'stretch' performance targets will mean radical changes to the way they currently monitor and manage performance. However effective performance management not only requires good management systems but also a healthy organisational culture that puts performance at the heart of the organisation and provides front line staff and managers with the environment in which to deliver performance improvements to local services.

A lot of work has already been done on what effective performance management means for the public sector. However, evidence from the IDeA Peer Review programme and Best Value audit and inspection indicate that this continues to be an area where many councils face difficulties, especially in developing an organisational focus on performance.

The briefing note is based on information presented at a learning day on 'Modernised Performance Management', hosted by the Improvement and Development Agency, on 3rd April 2001. It provides a snapshot of good practice and gives practical examples, presented at the learning day, on how to tackle some of the systems and cultural issues faced by authorities in developing their arrangements. It is not an attempt to provide a complete or definitive view on how to introduce effective performance management but does offer ideas, based on the evidence to hand.

The Learning Day heard from The Public Services Productivity Panel on the framework for effective performance management developed by the panel; the IDeA on the learning from the Local Government Improvement Programme Peer Reviews; and the Audit Commission on the national performance management framework and regulation. Finally two good practice authorities shared their experiences of implementing and sustaining effective performance management.

By considering the evidence presented on the day and the discussions of those participating the following broad characteristics of effective performance management are suggested:

- A clear vision and purpose and a focus on outcomes
- Commitment to and enthusiasm for realising community aspirations
- Effective democratic and community engagement
- Robust planning, monitoring and review systems
- Strategic and enabling corporate management arrangements for finance, people and procurement

These characteristics are clearly interdependent and the evidence suggests that for performance management efforts to drive improvement all must be present and closely integrated. However every local authority will be starting from a different point in developing its performance management arrangements. Looking at the evidence from the learning day, 10 factors, critical to successfully implementing effective performance management arrangements appear to be:

1. A clear sense of direction derived from the needs and preferences of customers and other stakeholders through a community planning process
2. Internal planning arrangements that translate the community vision into corporate, service, team and individual objectives and break down organisational and departmental barriers
3. A balanced set of SMART performance targets based around the needs of customers, citizens, employees and other stakeholders

4. A council leadership that is visibly committed to improving performance and can demonstrate the value of performance management in real and meaningful engagement with staff and other key stakeholders on performance issues
5. A council leadership that uses the community vision to drive through change, motivate employees and encourage working across departmental and organisational boundaries
6. Effective monitoring and review processes that lead to timely identification of performance issues and necessary corrective action
7. Appropriate and timely performance information is made available to elected members in their executive and scrutiny roles to enable them to take effective decisions on performance
8. A strategic policy led budget process that integrates service and financial planning that allows elected members to effectively deploy resources in response to performance requirements and policy priorities
9. Effective programme and project management skills to deliver required changes in performance
10. A strategic and enabling approach to people, procurement and financial management that enables, empowers, equips and incentivises managers and staff to deliver objectives within a clear framework of accountability.

It is quite clear that performance management is integral to the drive to improve the services delivered by local government. What is perhaps not so clear is that effective performance management can also link the array of initiatives that make up the modernisation agenda and provide a coherent platform for authorities, and their stakeholders, to drive up the quality of local services.

The new agenda for local government means that managing performance becomes the norm for local authorities as they seek to deliver the improvements expected - standing still and maintaining the status quo is no longer good enough. To do this, authorities will need to introduce robust systems for measuring and monitoring their success in achieving their goals, as well as creating an environment within which managers and staff constantly think of how to improve the processes they are involved in and the services they deliver so that improvement becomes 'all in a day's work'!

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1. introduction

- 1.1. Improving public services continues to be at the top of the political agenda. The drive to modernise local government and improve local services means that local authorities need to have a clear idea about how they plan to improve the economic, social and environmental well-being of their areas and Best Value has placed performance management at the centre of this drive for improvement.
- 1.2. This briefing is based on the outcomes of a learning day on 'Modernised Performance Management', hosted by the Improvement and Development Agency, in April 2001. It gives a snapshot of good practice in performance management and includes practical examples discussed at the learning day on how to tackle some of the systems and cultural issues faced by authorities in developing their arrangements.
- 1.3. The day received contributions from the IDeA, the Audit Commission, HM Treasury, Spelthorne District Council and Stockton-On-Tees unitary authority and twenty-five senior officers from across the country attended. The purpose of the day was to:
 - Set out the building blocks of effective performance management based on work undertaken by the Treasury;
 - Consider the requirements of the audit and inspection regime in respect of best value and performance management;
 - Reflect on the learning from the Local Government Improvement Programme [LGIP] in respect of performance management; and
 - Learn from the efforts of two authorities who have made considerable progress in the area.
- 1.4. This paper draws on the above. It does not attempt to give a complete and comprehensive view on how local authorities should introduce effective performance management arrangements. Rather, it is part of ongoing work to develop an approach to help authorities implement and sustain effective arrangements. What this paper will hopefully do is give other authorities ideas and pointers about how best to further develop their own arrangements.

2. why performance management

2.1. Defining Performance Management

2.1.1. Put simply, performance management is what an organisation does to realise its aspirations. This simplistic view encompasses both the current emphases on community planning and improving services. A narrower definition, more in keeping with a strictly service delivery view point, is that performance management is what you do to improve or what you do to maintain good performance. Both view points are valid, but regardless of whether you think in terms of the ultimate quality of life outcomes for citizens or economic, efficient and effective services, performance management is about monitoring performance against targets, identifying opportunities for improvement and delivering change. For local government, effective performance management requires co-ordinated planning and review systems that enable key decision makers, both political and managerial, to take action based on facts about performance. Performance management can also be thought of as a tool to help link and underpin the initiatives that make up the modernisation agenda.

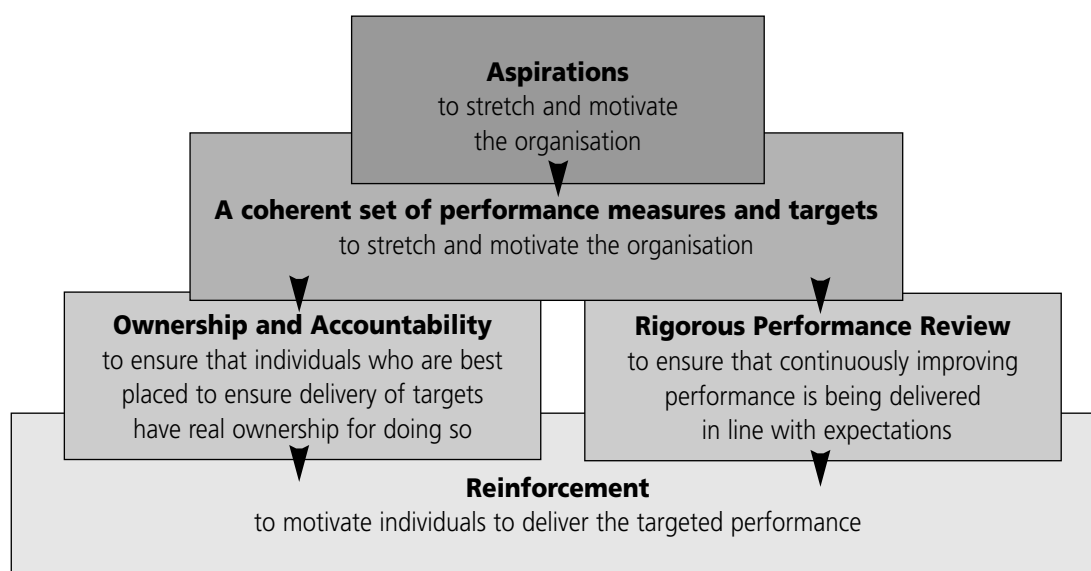
2.2. The Building Blocks of an Effective Performance Management System

2.2.1. Effective performance management happens when the necessary management systems are complemented by an environment, or organisational culture, that focuses on community aspirations and encourages and nurtures performance improvement through innovation. In simple terms effective performance management should demonstrate that:

- you know what you are aiming for
- you know what you have to do to meet your objectives
- you know how to measure progress towards your objectives
- you can detect performance problems and remedy them

2.2.2. The Public Services Productivity Panel, set up by the government to 'advise on ways of improving the productivity and efficiency of public services', has devised a framework for effective performance management based on a body of research undertaken in central and local government during 2000. The framework is set out below (figure 1).

Figure 1:
Building blocks of effective performance management



i. Bold aspirations

The first step is to ensure organisations have a clear and shared sense of direction which is derived from the needs and preferences of customers and other stakeholders, whether internal or external. For local authorities this should be expressed through their community strategies.

ii. A coherent set of measures and targets

The next step is to translate these aspirations into measures and targets which should be:

- demanding;
- of a manageable number;
- both long (typically 3-5 years) and short-term (the year ahead);
- financial and non-financial;
- a mix of input, output and outcome targets;
- under continuous review, not set in stone; and
- related and cascaded, so that the whole organisation understands the links between targets, and where responsibility lies for improvement

Whilst authorities should ensure that Community Plans have a coherent set of measures and targets that are shared with partners authorities' BVPPs should include a set that measures their contribution to achieving the overall priorities set.

iii. Ownership and accountability

Every target, both long and short term, must be 'owned'. This can be done either individually or collectively (for example, by teams or units) but must result in specific responsibilities for delivering against each. Internal communications and staff development can contribute to securing the commitment needed.

iv. Rigorous performance review

When accountability for delivering against individual long- and short-term targets has been clearly defined, a rigorous performance monitoring and review system is necessary to ensure timely action is taken.

v. Reinforcement

Success in delivering targeted performance should result in real consequences at an individual level. For example incentives should be introduced, including non financial rewards such as career and training and development opportunities.

2.2.3. This framework should be used to 'assist managers and organisations to strengthen existing systems' and should not be seen as an additional process or new initiative. Their model is based on two fundamental assumptions:

- In order to function at its best, all of the basic building blocks must be in place, be fully integrated and be central to management of the organisation at all levels. If essential parts of the system are not robust, others are not likely to work well either; and
- there is a natural sequence in which these need to be addressed. This means, for example, that it is very difficult to design an effective personal incentive structure if meaningful business targets have not been set at all levels.

2.3. The legislative framework for performance management in local government

2.3.1. For local authorities, many of the 'building blocks' or components of performance management have been influenced by government legislation. The 1999 and 2000 Local Government Acts especially, impose frameworks and processes that have helped to shape performance management arrangements. (There are also specific performance management frameworks for education and social services.)

2.3.2. Community Strategies

2.3.2.1. The Local Government Act 2000 places a duty on local authorities to prepare 'community strategies'. There are four key components that the government has specified a Community Strategy must have. These are also essential to performance management and echo the 'building blocks' identified by the PSPP:

- A long term vision for the area focusing on the outcomes that are to be achieved
- An action plan identifying shorter-term priorities and activities that will contribute to the achievement of long-term outcomes
- A shared commitment to implement the action plan and proposals for doing so
- Arrangements for monitoring the implementation of the action plan, for periodically reviewing the community strategy, and for reporting progress to local communities

2.3.3. New political arrangements

2.3.3.1. The 2000 Act also requires authorities to introduce executive and scrutiny functions into their political management arrangements, in which the executive will deliver a policy framework agreed by full council and be held to account for delivering this by the scrutiny function. A local authority's performance management arrangements will need to support and inform the new political structures. Performance monitoring will need to provide information to members to carry out their new executive and scrutiny roles in developing policy and monitoring performance.

2.3.3.2. Performance management arrangements will have to include measures to support:

The executive

- in proposing the policy framework and budget to full council by providing the key priorities of the council and how these will be achieved and monitored;
- in implementing the council's policy framework and budget by providing the appropriate monitoring and review mechanisms that allow progress to be tracked and corrective action to be taken; and
- in leading the community planning process and search for best value by providing a framework that includes all stakeholders in developing a vision and objectives for the council and ensuring the Best Value Review Programme is based on these.

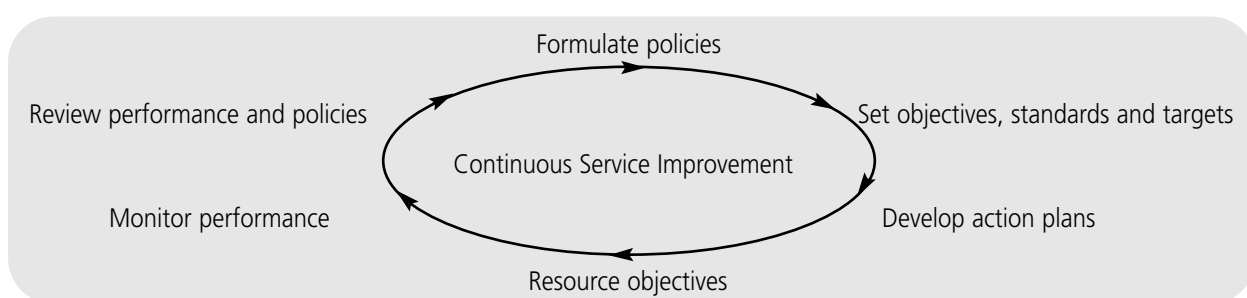
Overview and scrutiny committees'

- in policy development, publicly holding the executive to account and examining matters of wider local concern by ensuring appropriate performance information is made available as widely as possible.

2.3.4. The National Best Value Performance Management Framework

2.3.4.1. Best Value has placed performance management at the heart of the drive to improve public services in local government. The national performance framework requires all authorities to plan, measure and review all their services to match the best. The national framework is made up of three parts (plans, reviews and performance information) and is designed to drive continuous improvement as represented below (figure2).

Figure 2:
National best value performance management framework



2.3.4.2. Best Value Reviews (BVRs). As well as being the main dynamic drivers of change BVRs should be informed by performance information. In addition the '4Cs' of Best Value require BVRs to play a major monitoring and review role in delivering effective performance management.

2.3.4.3. Best Value Performance Plans (BVPPs) are the primary means through which authorities communicate performance to the public and government. The basic data and information in BVPPs should be one of the outputs of a modernised performance management system. A large part of what is required by regulation to be in BVPPs are features of performance management:

- corporate and service objectives
- performance and comparisons
- performance targets
- action plans
- description of the BVR programme
- results from completed reviews

2.3.4.4. Performance Indicators. Nationally set Best Value Performance Indicators can form a significant part of the core set of information used to monitor an authority's performance. Local performance indicators should also be established so that local priorities can be recognised and progress monitored.

- 2.3.4.5. Local authorities' performance management arrangements will be judged by a number of different inspection regimes. But primarily by their external auditors in respect of compliance with the national Best Value regime and the Best Value Inspection Service when reviews are inspected. In essence this will mean the auditors assessing, amongst other things, the adequacy of the arrangements the authority has made to make the best use of its resources. In particular:
- Setting strategic aims and objectives;
 - Service and business planning;
 - Budgeting and financial management;
 - Carrying out service and performance reviews; and
 - Setting performance targets and monitoring performance against them.
- 2.3.4.6. Inspectorates, when undertaking inspections, will assess the effectiveness of the inspected service's performance management arrangements including how these relate to the corporate performance management system.
- 2.3.4.7. Whilst the inspection and audit regime will require evidence of effective and working systems to measure and monitor performance it is important to stress that systems alone will not deliver the improvements in performance that are expected nor will mere compliance with legislation or audit requirements. Robust systems have to be complemented by local authority leaders creating an environment within their organisations that will allow real innovation to take place and motivates managers and staff to carry through the changes necessary.
- 2.3.4.8. To give some practical help to those charged with the task of developing performance management arrangements the next sections draw upon the research undertaken by the Public Sector Productivity Panel and learning from the Local Government Improvement Programme in respect of performance management.

3. lessons from peer reviews

3.1. The Local Government Improvement Programme Benchmark

- 3.1.1. The Local Government Improvement Programme [LGIP] peer review scheme has been developed to help local authorities assess their achievements and capacity to change. The basis for the assessment is a specially constructed benchmark of the ideal, fully effective local authority. This focuses on three key organisational themes: leadership, democratic and community engagement and performance management.
- 3.1.2. The Performance Management element of the benchmark covers planning and review, people management, project management, systems and processes and financial management. The evidence gathered on authorities' approaches to leadership and democratic and community engagement also have lessons for performance management efforts and with nearly 100 reviews completed the evidence base is considerable. Set out below are some of the lessons for authorities from Peer Reviews in respect of performance management.

3.2. Leadership and Performance Management

- 3.2.1. Evidence from the LGIP clearly indicates that creating a local vision can act as a process of engagement with key stakeholders. Where those authorities have well developed community plans the process of their production was of equal value and continues to act as the key process where by the objectives and priorities of the community as a whole are developed and defined. Many other authorities are excellent at producing strategies and plans however it appears sometimes the processes through which they are developed are not engaging the right stakeholders and are seen as purely one off exercises. Where the process is one of real and continuous engagement this can result in increased levels of motivation reflected in high levels of commitment to public service within the authority. The delivery of jointly agreed objectives requires effective performance management arrangements that clearly identify agreed and shared priorities and agreed measures. This is an area that presents some difficulties.
- 3.2.2. Where effective visions and big picture plans are in place these need to be connected and used by leadership to drive change within the organisation. They have to become 'real' and the leadership has to ensure that there is a comprehensible framework within which they can be connected and monitored. Effective performance management arrangements provide the framework with which to do this.
- 3.2.3. It is clear from Peer Reviews that the political and administrative leadership within a local authority needs to ensure that the 'hearts and minds' of those who work within it, are in tune with the emphasis on performance. This places a clear responsibility on the leadership to understand the motivation, morale and perceptions of staff within the organisation and ensure that a consistent approach is taken to creating an environment, or culture, that places performance at the top of the agenda. This means both the political and managerial leadership engaging with staff at all levels about why performance is key using, where possible, simple and direct communication.
- 3.2.4. However it is also clear that 'leadership' doesn't stop at the top and middle and junior managers have a key role to play in ensuring a consistency of approach. Evidence also indicates that management style is extremely important as staff look to managers to behave and act in a manner consistent with vision and values articulated by the leadership. In addition giving front line managers freedom from central bureaucracy within an agreed framework, and giving staff a clear sense of how they can contribute to the direction set, can help motivate and engage staff in the process. From the evidence gathered by peer reviews when authorities create such an environment real innovation takes place leading to real improvement.

3.3. Democratic and Community Engagement and Performance Management

- 3.3.1. Community engagement is about the processes through which a local authority listens to views of its users, community partners and other stakeholders as a means of learning how to improve its performance. Democratic engagement includes how a local authority manages the political relationships it has with all sections of the community and the arrangements put in place to achieve this and enabling effective scrutiny of its performance.
- 3.3.2. The evidence from peer reviews covers the period through which authorities have been assessing, consulting on and, in places, implementing new political management arrangements. This evidence shows that learning by members about their new roles, and the encouragement of member development at the earliest opportunity in the process, has had the most beneficial effects. However this is still a developing area and the distinct roles of the executive in delivering the policy framework on behalf of the council, and scrutiny in holding it to account in doing so, have considerable impact on the design and delivery of performance management arrangements. The early reviews indicated that members were not clear on the purpose of performance management and that scrutiny arrangements were not yet adding value. However this is a fast developing area and the picture will continue to change.
- 3.3.3. What is clear is that Best Value is encouraging joined up consultation and producing more user data on the performance of services and authorities. However there is still a need to manage this more strategically: to feed the results into performance monitoring systems and ensure use is made of it when decisions are taken on assessing performance. The needs of customers should drive performance improvement and there should be no acceptance of traditionally poor performance. However the measures put in place to monitor progress should also be complemented by measures that reflect employee and partner perspectives.

3.4. Performance Management

3.4.1. Planning and Review Systems

- 3.4.1.1. Effective performance management requires co-ordinated planning and review systems that enable key decision makers, both political and managerial, to take action based on facts about performance. Evidence from peer reviews suggests that linking up the various planning requirements of local authorities in a meaningful way for those managing the authority is proving to be difficult and indeed getting more complex. This is further complicated by consistent problems in the balance between corporate and 'departmental' views or priorities. Effective performance management frameworks have to be built around corporately agreed objectives however they must also recognise departmental pressures and planning requirements. To achieve this effective frameworks can only be built by consent and cannot be imposed by the 'centre'. Clearly they must also be driven by council leadership - political and managerial.
- 3.4.1.2. Effective planning systems should stem from a community strategy and have a corporate plan at their apex, with departmental or service plans underpinning this, which are in turn linked through to unit and individual work plans. However in many authorities the service planning systems appear to be separated from what actually happens in delivering services, they describe how the service might be developed instead of being the agreed development plan for the service. This is reflected in a skills gap in business planning techniques that needs to be filled.

3.4.1.3. Finally, many authorities have working systems that provide decision makers with information on performance however taking action, or actually delivering the change required based on facts about performance, appears to be difficult. Managers have to have the necessary delegated and devolved powers and responsibilities, within an agreed framework, that will allow them to take timely and effective action.

3.4.2. People Management

3.4.2.1. There is a real need for people management skills in respect of individual or staff performance. This is vitally important if staff are to deliver the improvements required by their organisations. This means effective appraisal systems and modern human resource management by front line managers. Once these arrangements are in place getting team ownership of local performance indicators is made easier. There is certainly a clear need for more imagination in terms of staff development, including staff involvement in coming up with ideas for improvement and incentives for performance improvement. Only a handful of councils demonstrated effective policies in this area.

3.4.2.2. One particularly important issue with a direct effect on staff motivation and consequently performance was the difficulty many council managers experience when dealing with poor performance. In many cases the absence of management action in cases of poor performance was identified by frontline staff as being a major de-motivator. Finally, IIP was seen by many to be a useful driver for effective performance management, but actually had the opposite effect if it was perceived to be an end in itself. This clearly demonstrates that systems alone will not deliver effective performance management.

3.4.3. Project Management and Procurement Management

3.4.3.1. Actually delivering the change required once a decision has been taken on the performance of a service or unit requires project management skills. However this is a major area of weakness in local authorities and in part explains why it is difficult to effect speedy change when performance information indicates it is required. The peer review evidence also highlighted that even if project management skills were strong in one area, this expertise was not necessarily shared with and transported to other areas. This suggests the need for wider access to management development programmes based around the key skill sets required for effective performance management. Finally the result of reviews or projects often are recommendations for more reviews or projects again preventing rapid change.

3.4.3.2. Delivering change, as well as demanding project management skills, also requires in many cases, procurement skills to ensure the best value solution is delivered. The peer review evidence highlighted that in many authorities these skills were under developed. In addition procurement itself was not treated as a strategic function with the opportunities of economies of scale through shared services being lost. Where authorities have established a strategic procurement function, developed a clear procurement strategy and devolved day to day purchasing decisions to managers within an agreed framework the ability to quickly deliver improvements in performance is enhanced.

3.4.4. Financial Management

3.4.4.1. The ability to direct or re-direct resources to priority areas is clearly a vital part of effective performance management. Strategic policy led budgeting, that integrates service and financial planning, will allow members and senior managers to deploy available resources, both financial and otherwise effectively to secure the improvements in performance desired. However evidence from the peer reviews suggests that whilst many authorities have 3-4 year budget plans in place most are still disconnected from service planning. New thinking is required to link local visions and finance so that expressed outcomes are achieved for the community.

3.4.4.2. Measuring performance also requires decision making information on financial performance yet many financial information systems are still seen as unhelpful. Effective performance management also recognises that managers are best placed to respond to performance issues and to do so need to use their resources flexibly. However delegation of financial responsibility and the empowerment managers to take financial decisions appears to be limited. It is essential for managers to have effective information systems to support planning and management.

4. effective performance management

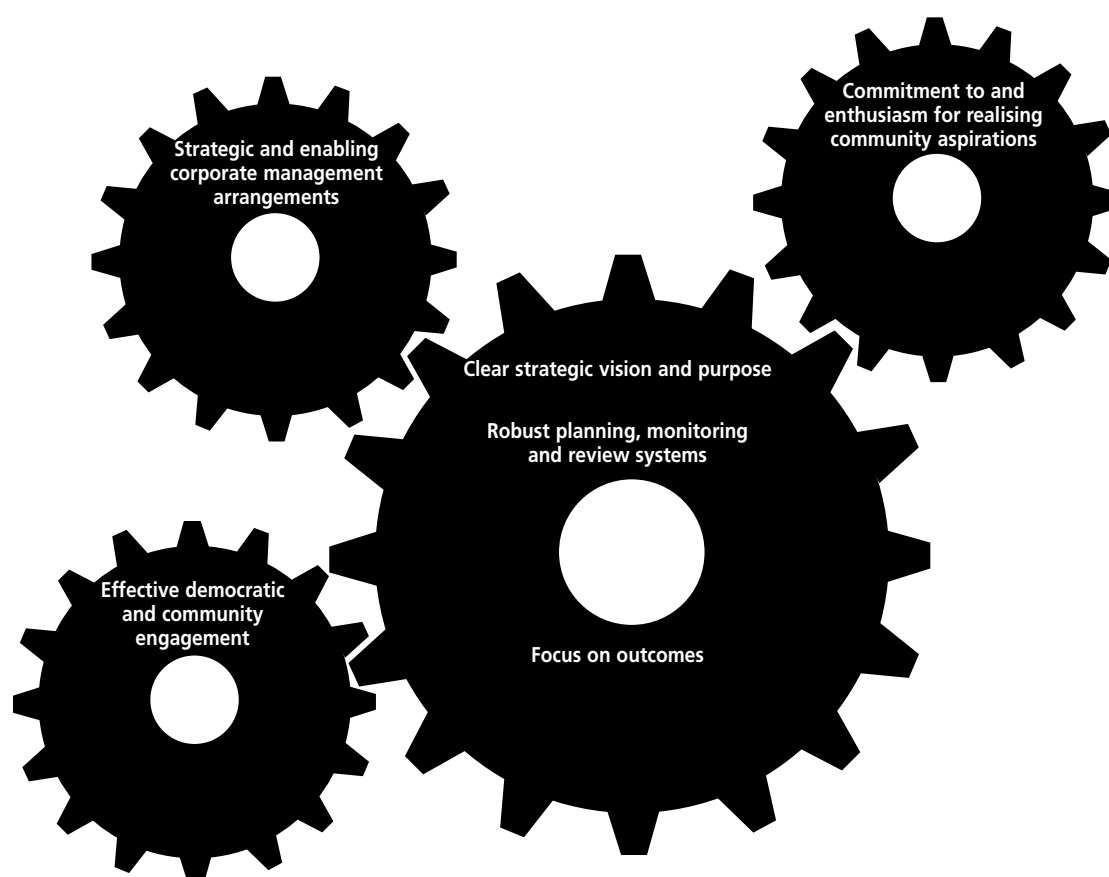
4.1. Creating the right environment – ‘the culture thing’

- 4.1.1. The development of modernised performance management arrangements requires not only effective management decision making systems but perhaps more importantly attitudes and behaviours on behalf of local authority leaders and staff that place performance at the heart of what they and the organisation do.
- 4.1.2. It should be clear from the issues identified by the peer review programme that systems alone cannot deliver improved performance. The culture of an organisation, the sum total of an organisation’s ways of operating and working together, needs to be considered when developing modernised performance management. From leadership that engages with people, through structures and processes that encourage working across departmental and organisational boundaries, to encouraging innovation and individual performance incentives. How an organisation operates and works together are the keys to improving performance. It is up to authority leaders to create an environment within which managers and staff can feel secure to innovate and be creative within a framework that clarifies accountability and probity

4.2. Characteristics of Authorities With Effective Performance Management Arrangements

- 4.2.1. By considering the evidence from the peer reviews and taking into account what constitutes effective performance management we can make a start at identifying what the characteristics of authorities with effective performance management might be.

Figure 3:
Characteristics of effective performance management



The diagram on the previous page (figure 3) illustrates the interdependency of the following characteristics:

- A clear vision and purpose and a focus on outcomes
- Commitment to and enthusiasm for realising community aspirations
- Effective democratic and community engagement
- Robust planning, monitoring and review systems
- Strategic and enabling corporate management arrangements

Appendix A gives some examples of the kind of evidence that would suggest effective performance management in a local authority for each characteristic.

4.3. As well as knowing what should characterise good performance management it is also necessary to know what can hinder it. To understand what needs to be done, local authorities need to assess why their performance management efforts may be failing. Authorities who struggle with managing their performance are often characterised by:

- departmentalism / silo working undermining the corporate direction and priorities;
- low morale and de-motivation, which undermines improvement efforts
- SMART (specific, measurable, achievable, relevant, time-related) targets not used for community / corporate objectives
- service planning not consistently applied across departments
- inadequate links between corporate planning, service planning and budget setting processes
- lack of linkages between plans and strategies
- plans that sit on the shelf
- members lack understanding of performance management
- corporate objectives not fully understood by staff / lack of ownership of objectives / targets
- Personal objectives not linked to corporate, service and team objectives
- know who has to deliver, but not how
- No clear statement of approach to performance management

4.4. The next section expands on what the characteristics of effective performance management are by looking at examples from two local authorities who have successfully delivered some of the key elements of effective performance management and overcome some of the barriers.

5. delivering effective performance management

5.1 Making it work

- 5.1.1. Stockton-on-Tees Borough Council and Spelthorne Borough Council both strive for effective performance management by implementing systems designed to meet the requirements of modernised local government and encouraging an environment, or organisational culture, geared to improvement.

5.2. Developing A Performance Based Culture

5.2.1. The Role of Local Authority Leaders

- 5.2.1.1. The peer review evidence clearly suggests that to ensure the approach to performance management was recognised and owned across the organisation it must be driven by the council's leadership. Where executive arrangements are in place this clearly means the council leader and cabinet. In Stockton the executive is comprised of a leader and cabinet whose responsibilities are based around community plan priorities. The Cabinet is made up of the leader, deputy and five members, each responsible for a strand of the community plan giving clear leadership and accountability for achieving the community plan priorities.

- 5.2.1.2. However ensuring the approach to performance management permeates right through the organisation the Chief Executive and Management Team have taken a leading role. In particular the Chief Executive ensures that he takes every opportunity to explain and reinforce the purpose and role of the council's approach to performance management especially through direct communications with staff. The involvement of staff in developing the framework and their own performance measures is seen as critical and reflected in the approach to appraisals. Communicating the overall framework to staff and recognising their contribution to the achievement of the overall priorities is achieved by road shows and through a customer care programme.

5.2.2. Local Authority Managers – The Role of Values and Management Principles

- 5.2.2.1. A clear, agreed and owned vision of where you want to get to is critical if performance is to be maximised and resources utilised effectively. Equally important is to be clear about what kind of organisation you want to be to achieve these improvements and the management style that is necessary to facilitate this. This can be expressed in terms of values and management principles.

- 5.2.2.2. In Stockton they have set out quite clearly what the organisation expects of its managers and staff in relation to how they do their work and how they will be treated. This in turn shapes the behaviours desired to develop a performance culture. The council is very clear that it is committed to the following values:

Organisational values

1. Putting People First – *Key Phrase: Respect*
2. Managing Resources – *Key Phrase: Efficiency*
3. Working with Others – *Key Phrase: Partnership*
4. Striving for Improvement – *Key Phrase: Challenge*
5. Performing Well – *Key Phrase: Skills*
6. Securing the Future – *Key Phrase: Protection*

5.2.2.3. The values are for all who work for the council to aspire to and are used to shape council policy. The council has also adopted the following management principles:

Management principles

1. *Managerial Culture:* We need to be managers not administrators eg. innovative, multi-skilled and concerned with the quality of what we deliver or produce.
2. *Tight/Loose Approach:* We must comply with Standing Orders, financial regulations, agreed policies etc. but beyond these, we must have freedom to manage.
3. *Accountability:* We must be responsible for our actions/services and accountable to our Members, Clients and the public and be prepared to respond efficiently and effectively
4. *Accessibility:* We must be accessible to our Members, Clients and the public and to each other.
5. *Performance based:* We must seek constantly to improve. We need to be innovative; to analyse and measure our performance against set targets, benchmark against comparators and embrace best practice.
6. *Public Service ethos:* we must not forget our commitment to the communities and the people we serve.

5.2.2.4. The principles are essential to the framework in making sure managers are clear about their role within the organisation. They also help to provide an environment where the emphasis is on performance and the achievement of outcomes rather than compliance and the monitoring of inputs. The principles emphasise the importance of accountability within a framework of empowered decision making.

5.3. Putting the Right Systems in Place

5.3.1. Assessing Where You Are

5.3.1.1. Management systems do have a significant role to play in delivering the right information to decision makers at the right time. However systems can become unwieldy and if designed incorrectly or in isolation can easily become redundant or avoided. Spelthorne Borough Council carried out an analysis of their strengths (+) and weaknesses (—) before embarking on designing a performance management system for the council. They found that they had:

Self Assessment

- + Well established corporate planning process
- Identified who had to deliver, but not how
- Not linked into Budget process
- No identification of resources required
- No consistency in performance management
- + End of year report to members
- No performance audit
 - where are we now
 - where do we want to be
- No real monitoring of indicators at management team / member level

5.3.1.2. From that position the council then identified what they did and didn't want from a performance management system. They were very clear about what they didn't want - a system with a heavy time commitment or the production of a large manual. They decided that they wanted a system that:

Performance management guiding principles

- would involve all the staff
- would result in the production of a concise plan
- could be used to form the basis of the BVPP
- could be readily maintained
- would be used as a prerequisite for action not an alternative to it
- would form the basis of individual targets

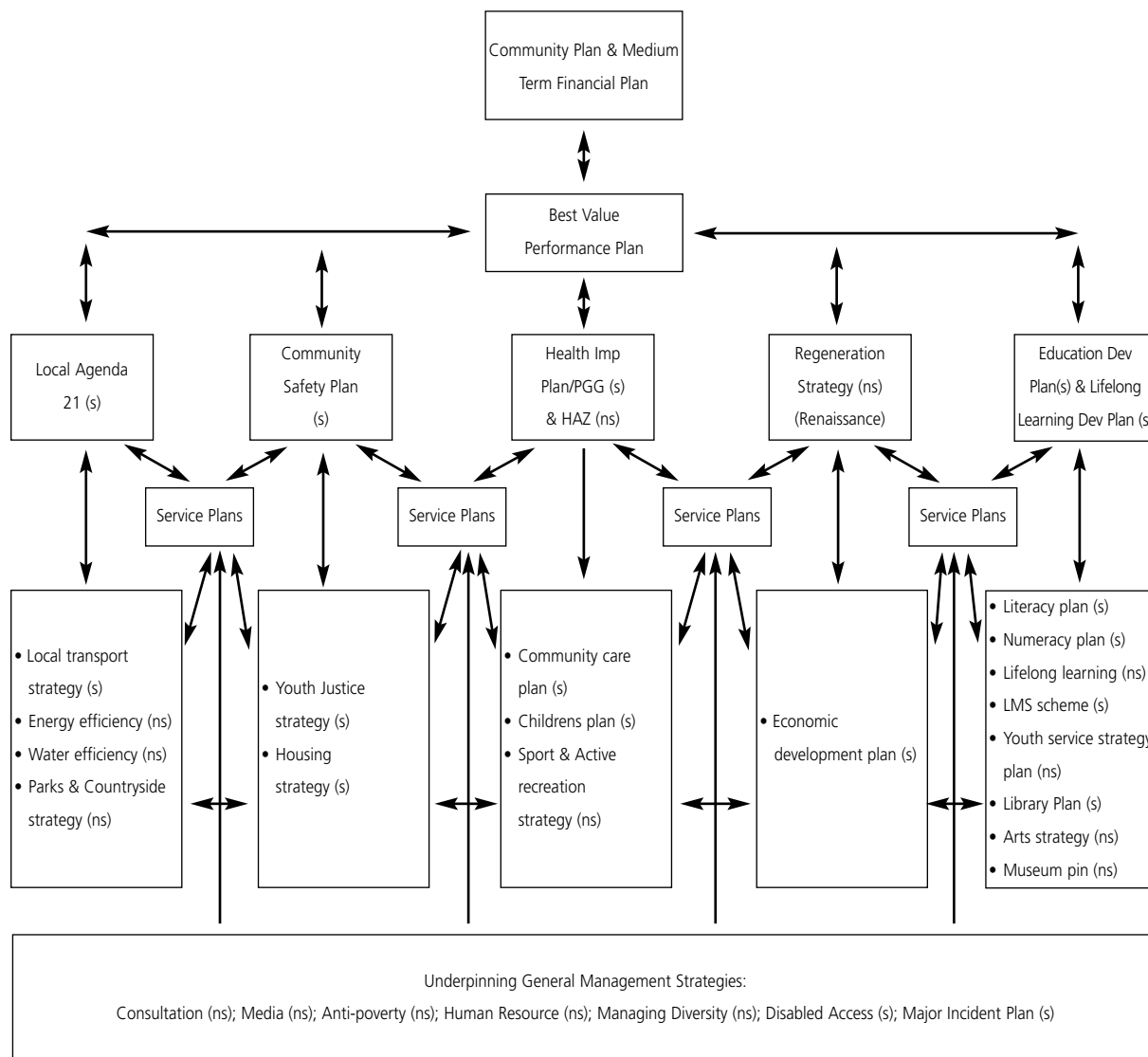
5.3.1.3. Conducting an organisational assessment is essential before embarking on designing a performance management system for any organisation.

5.3.2. Performance Management Systems - Linking and Co-ordinating Plans

5.3.2.1. The number of statutory plans local authorities are required to produce is overwhelming. Most of these plans also contain performance measures councils must report on back to central government. Stitching these plans together into a coherent planning system is extremely difficult and can easily overwhelm an authorities performance management efforts.

5.3.2.2. Stockton-on-Tees co-ordinates its statutory planning requirements through its service planning process so as to avoid duplication and ensure local and national priorities and targets can be considered together. The council's BVPP provides the bridge from the service based plans to the councils community plan. The following diagram illustrates how the Community Plan, BVPP, service plans fit together and contribute to the overall aim of the Community Plan of 'Promoting achievement and tackling disadvantage'.

Planning framework



ns = non statutory

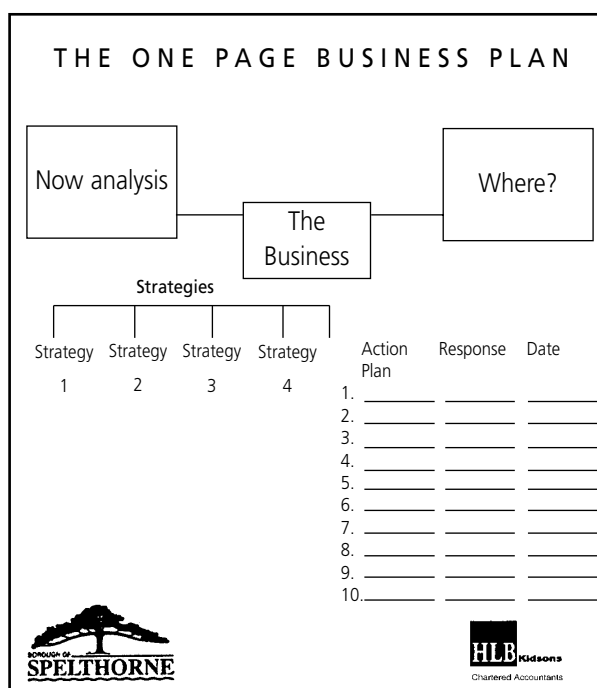
s = statutory

5.3.3. Introducing Service Planning

5.3.3.1. Following its assessment of what kind of performance management arrangements were most suitable Spelthorne District Council introduced a Performance Management Framework based on comprehensive service planning. Reflecting the requirements of the assessment the service plans have the following format on one page:

- Where are we now?
- Where do we want to be?

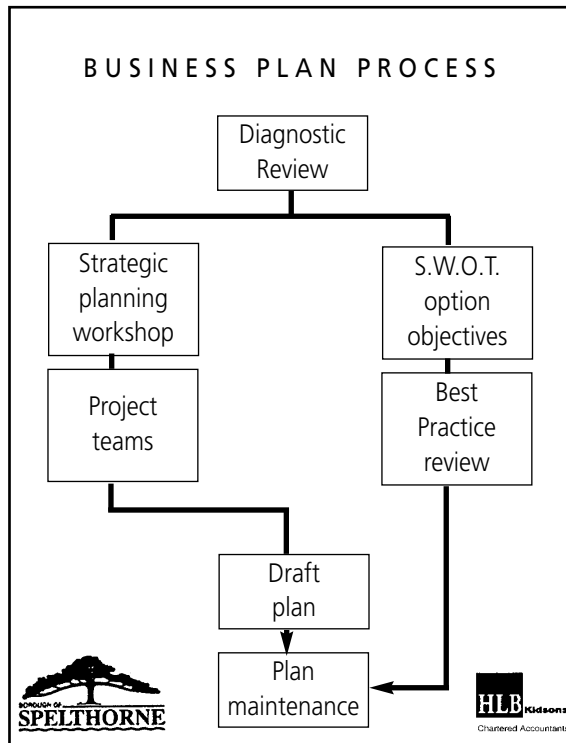
- How do we want to be?
 - Identify critical success factors
 - Strategies
 - Action Plan
- What are the resource implications?
- How do we monitor our success
 - Standards
 - Local indicators



5.3.3.2. The council were also clear about the process by which the individual service plans were to be developed. The key elements included:

- Standard format
- Concise (3 pages maximum)
- Involvement of staff through facilitated team days
- Cross reference other plans
- Build on what already exists - work programme

5.3.3.3. These elements were reinforced by the business planning process (described on next page) that was used in service plan production.



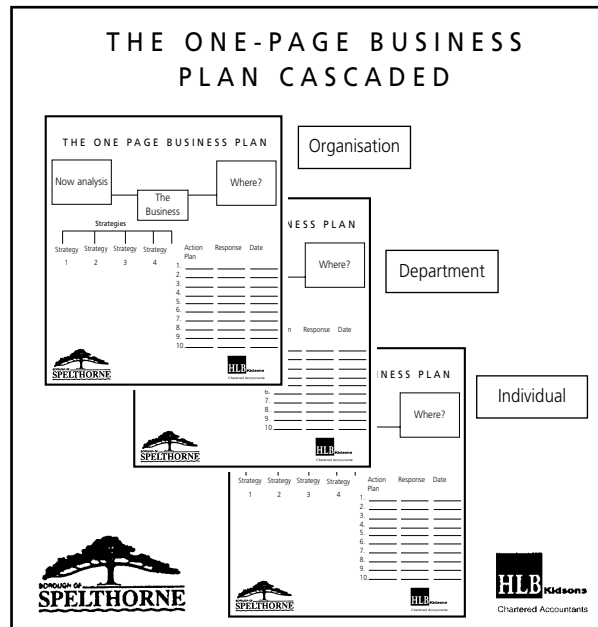
5.3.3.4. Spelthorne considered that the output from service plans enabled them to achieve:

- Good base data to enable the BVPP to be drafted
- A comprehensive set of service plans enabling corporate objectives to be delivered
- Identification of common issues- office accommodation / e-commerce
- A rigorous approach to setting targets and indicators
- Effective performance monitoring and reporting
- More focus on outputs/outcomes

5.3.3.5. The 'one page business plan approach' satisfied the requirements clearly stated in Spelthorne's assessment in respect of strategic planning also. The council saw the benefits as:

- A greater ability to prioritise key issues in the process
- A simple one-page plan made a simple transparent process
- It enabled an on-going process to be developed
- It gave emphasis to implementation
- It made commitment and involvement easier

5.3.3.6. The cascading approach is illustrated next.



5.3.4. Enabling Performance Review

5.3.4.1. Performance review is a key element of performance management. Tackling poor performance and the delivery of planned improvements as well as taking decisions and necessary corrective action is a key role for leaders and managers. However performance management systems often do not include the necessary mechanisms to enable this happen. Stockton-on-Tees has the following monitoring arrangements to ensure performance is tracked right through the organisation:

Monitoring arrangements

- An annual review of plans
- quarterly reports on progress against targets/Performance Indicators
- annual report on progress on the Community plan
- quarterly review of individual Directors
- annual departmental appraisal
- annual individual appraisal

5.3.4.2. Built into this review cycle are the council's best value reviews of services every 5 years and the best value performance plan and annual report on Performance Indicators. Effective performance management systems focus on the key performance issues for all stakeholders and develop the right balance between these. In Stockton consultation is built into the system so performance can be judged against measures important to stakeholders. The approach includes:

- Regular consultation on plans with partners and community
- All plans are approved by partnership boards
- Community plan approved by the Local Strategic Partnership (LSP)
- Regular opinion polls using MORI
- A residents panel using 1200 residents
- Use of 'user groups'

5.3.5. Importance of Performance Measurement and Ensuring Accountability

5.3.5.1. Identifying clear outcomes, which the authority needs to achieve to accomplish the vision set by the community, is vital. However defining a coherent set of performance measures and targets to measure progress towards these outcomes is equally so. Of course such targets need to be SMART (specific, measurable, achievable, relevant, time-related).

5.3.5.2. In Stockton the overall aim of the Community Plan provides the context within which the five main strands of the council's policy platform are pursued. The plan commits the council, in partnership with others, to:

Community plan aims

- secure a safe and attractive **environment** for current and future generations.
- Promote the **safety and social well-being** of the community.
- Improve the **health** of the local community.
- Further **regenerate** the Borough and improve the local economy
- improve opportunity and achievement in **education and lifelong learning**.

5.3.5.3. The council has identified key objectives, along with SMART and 'heroic' targets for each of the policy strands so that performance towards achieving the Community Plan can be measured. For example:

Corporate objectives

- Carbon Dioxide emissions from dwellings cut by 9000 tonnes each year
- The rate of youth offending reduced by a minimum of 10% by March 2003
- deaths from coronary heart disease and strokes reduced by 40% by 2010
- The level of unemployment in the Borough (6.5% January 2001) maintained below the average regional rate (6.6%)
- 50% of pupils achieved 5 or more A* - C grade GCSEs by 2002

5.3.5.4. To ensure the council is able to harness its resources, both financial and otherwise, to deliver these targets the service planning arrangements require cascading performance measures to be developed through the system. These arrangements also clarify who is accountable for delivering what. The service planning arrangements include the following:

Service plans

- for each department
- detailed
- outcomes, timescales and partners identified
- three year resource planning - annual revision
- feed into community plan

Unit plans

- as service plans in structure
- aggregate into service plans
- identify individual team leader responsibility

- Individual work plans
- feed into unit/service plans
- key individual outcomes
- development plans

5.3.5.5. A practical example of how the plans come together to help achieve the aims set out in the Community Plan is given below.

Cascading objectives

Community Plan target – *Zero homelessness*

Service Plan target – *100% homeless households offered accommodation within 21 days*

Estate management team target – *100% houses available for re-let within 28 days*

Individual work plan – *Collect keys, assess condition, arrange repairs, notify lettings when ready*

5.3.5.6. To help engender ownership and reinforce accountability for related individual and service performance measures the council actively illustrates how the accountability chain works from the ground level up. In respect of the examples given this can be illustrated using the following simple story developed by front line staff:

'Accountability chain'

- Receptionist puts key tag on keys, tying a good knot so that
- the keys do not get lost so that the
- locks do not need to be changed so that
- the property can be inspected so that
- the repairs can be started quickly so that
- they can be finished quickly so that
- an offer can be made quickly so that
- the community plan objective to reduce the use of temporary hostel and bed and breakfast accommodation for homeless households can be met.

The moral of the tale being, "remember tying a proper knot is important!"

5.3.5.7. In addition the council also ensures there is a clear understanding of how the work carried out by service providers relates to and contributes towards the organisations strategic objectives. This is done by defining the links, direct and indirect, between service provider activity and the strategic objective.

Linking work to strategic objectives

Direct link

95% streets to be of high/acceptable cleanliness



95% zone/patch to be of high/acceptable cleanliness

Indirect link

Maintain unemployment rate below regional



Increase the % job success for New Deal average by 7% 3 years

5.3.5.8. In respect of street cleanliness there is a direct link between council activity and the strategic objective and targets can be set by the council to directly influence the outcome sought. However in respect of unemployment the council is only one of a number of stakeholders aiming to deliver the strategic objective and must work in partnership to deliver it.

5.3.6. Financial Planning For Effective Performance Management

5.3.6.1. The budget setting process is the key management process within authorities. Planning and review systems must ensure that resources are allocated according to policy and priority. Effective performance management should ensure that performance monitoring and review informs the allocation of resources. However in many authorities the budget process is still independent of the service planning process which mitigates against policy led budgeting. To create the environment in which informed resource allocation and investment decisions can be made council's need to develop integrated medium term financial and service planning. Stockton's financial planning has the following features that reflect the management principles set out in section 5.2.2.

Financial planning

- 3 year resource allocation (certainty) – this gives managers the ability to plan over the medium term rather than on an annual incremental basis;
- flexibility of spend (opportunity) – managers can carry forward underspends and where agreed overspends (to be funded from the following year);
- delegation of authority (trust) – managers enjoy a high level of budget devolution so that responsibility for spending is with those closest to the customer; and
- keyed to Community plan objectives – resources can be redirected to priority objectives.

5.4. Tackling the Barriers to Effective Performance Management

5.4.1. As highlighted in sections three and four, the introduction of effective performance management not only requires the introduction of robust management systems and processes but also the creation of an environment or organisational culture that places performance at the forefront of thinking by managers and staff. However the creation of such a culture is the biggest challenge for many authorities as it requires not only changes in behaviour and attitude for staff but a change in the way in which they do their jobs.

5.4.2. Whilst this note does not attempt to tackle how to change the culture of organisations the experience of Stockton-on-Tees in introducing its performance management arrangements and tackling some of the cultural issues associated with this may provide others with some pointers. A first step for many will be the recognition and acknowledgement of these barriers.

5.4.3. There are some common myths associated with the introduction of performance management. More often than not they will take the form of resistance from managers and staff to the measurement of their performance. For example the following quotes are common ones.

- "I'm a social worker not an accountant"
- "you can't measure my service with PIs"
- "apples & pears - we're different to everyone else"
- "the cost of everything, the value of nothing"
- "means nothing to public/front line staff/members*" (*delete as appropriate)

5.4.4. These attitudes are symptomatic of resistance to the introduction of performance management and can manifest themselves in the following behaviours and problems:

- Apathy/hostility towards the arrangements
- Lack of ownership of performance indicators
- Understanding of the systems in use
- Complexity of best value
- Production of meaningless and excessive numbers of performance indicators
- Plans produced to 'sit on the shelf'

5.4.5. There are some key actions that can be taken by leaders and managers charged with developing performance management arrangements to tackle these problems and behaviours and start to develop a performance based culture. Key players need to ensure that they:

- clearly demonstrate the value of arrangements that encourage innovation and creativity and focus on improvement whilst empowering managers and staff;
- ensure that there is a flow down to all staff demonstrating their contribution towards the overall objectives;
- ensure the arrangements are effectively communicated to all and training is available to appropriate staff;
- ensure the system is owned by all departments, is as simple and realistic as possible and that planned developments are achievable;
- navigate the complexity of Best value by focussing on outcomes
- avoid meaningless and numerous PIs by focussing on key PIs critical to achieving priorities; and
- ensure plans are made 'real' by introducing 'SMART' action plans and regular review and reporting mechanisms.

6. developing effective performance management - critical success factors

- 6.1. The evidence compiled from the learning day and the response of participants indicate a number of factors critical to implementing effective modernised performance management arrangements in a local authority.
1. A clear sense of direction derived from the needs and preferences of customers and other stakeholders through a community planning process
 2. Internal planning arrangements that translate the community vision into corporate, service, team and individual objectives
 3. A balanced set of SMART performance targets based around the needs of customers, citizens, employees and other stakeholders
 4. A council leadership that is visibly committed to improving performance demonstrated by real and meaningful engagement with staff and other key stakeholders on performance issues
 5. A council leadership that uses the community vision to drive through change and to motivate employees
 6. Effective monitoring and review processes that lead to timely identification of performance issues and necessary corrective action
 7. Appropriate and timely performance information is made available to elected members in their executive and scrutiny roles to enable them to take effective decisions on performance
 8. A strategic policy led budget process that integrates service and financial planning that allows elected members to effectively deploy resources in response to performance requirements and policy priorities
 9. Effective programme and project management skills to deliver required changes in performance
 10. A strategic and enabling approach to people, procurement and financial management that enables, empowers and incentivises managers and staff to deliver objectives within a clear framework of accountability.

appendix a

What's needed	Characteristic
A clear vision and purpose	<ul style="list-style-type: none">• A clear sense of direction derived from the needs and preferences of residents, service users, and other stakeholders• All stakeholders share the vision and are committed to it• The vision translated into corporate objectives for the council• A process is in place that ensures real and continuing engagement with all stakeholders
A focus on outcomes	<ul style="list-style-type: none">• Outcomes, which the authority needs to achieve to accomplish the vision, are clearly defined• A coherent set of performance measures and targets have been developed for these outcomes• Targets are SMART (specific, measurable, achievable, relevant, time-related) and:<ul style="list-style-type: none">• Demanding• Of a manageable number• Both long (typically 3-5 years) and short-term (the year ahead)• Financial and non-financial• A mix of input, output and outcome targets• Under continuous review, not set in stone• Related and cascaded, so that the whole organisation understands the links between targets, and where responsibility lies for improvement
Committed and motivating leadership and management	<ul style="list-style-type: none">• Everyone from Chief Executive and political executive to service managers and staff are committed to improving performance• Senior management uses the vision/corporate objectives to drive change and motivate the organisation• Effective communication takes place between partners, stakeholders, members, management and staff – both upwards and downwards – that ensures objectives are understood• Good performance is explicitly acknowledged by chief officers and senior managers and incentives are in place to encourage performance improvement• Every target is 'owned' by individuals or collectively (units or teams) and accountability is clearly defined• Managers have the necessary delegated powers and responsibilities to take timely and effective action and the leadership provides a framework within which risk taking and innovation can take place• Managers clearly demonstrate their commitment to the vision and values of the organisation in a consistent manner
Effective democratic and community engagement	<ul style="list-style-type: none">• The role of members in reviewing and improving performance is clear in the new political arrangements and fully understood by members• The political executive receives timely, focused, appropriate and balanced information on organisational performance• The overview and scrutiny function has ready access to performance

- information on all aspects of council activity
 - User consultation is conducted on a strategic basis and provides the basis for performance monitoring
 - Consultation, resident and service user feedback is used when assessing performance, considering how to improve and setting targets
 - Performance measures reflect employee and partner perspectives as well as those of customer and management
- Robust planning, monitoring review systems
- A corporate plan that translates the vision into objectives and provides an overview of how the authority will work to meet those objectives (allocates tasks and resources) and coherently links existing statutory and non-statutory plans
 - Service/departmental plans that translate the corporate objectives into action plans
 - Performance is monitored and reviewed, where appropriate at corporate, department, service and unit/team level on a consistent basis
 - Performance monitoring and review system linked to corporate planning
 - Links between best value and other performance management arrangements are clear and explicit
 - Individual work plans and appraisal linked to service plans and corporate objectives
- People Management
- Employees regularly receive appraisals and the appraisal system has incentives built into it
 - Employees are routinely included in targeting setting and service improvement
 - Managers and staff are encouraged to innovate and take risks within a clear accountability framework
 - Good performance is recognised and celebrated
 - Managers have sufficient devolved responsibility, within an agreed framework, to make decisions on the deployment of human resources and specifically to respond rapidly to individual performance issues
- Project and Procurement Management
- Project management skills are spread across the organisation and used to deliver change
 - A corporate procurement function maximises procurement opportunities
 - Managers have sufficient devolved responsibility, within an agreed framework, to make appropriate purchasing decisions
- Financial Management
- Financial planning is medium and long term is effectively integrated with service planning and uses on performance information
 - Timely, appropriate, understandable and relevant financial information for considering performance is made available to both the executive and scrutiny
 - Managers have sufficient devolved responsibility, within an agreed framework, to make financial decisions and resource allocations to respond to performance issues

references

A Year In Focus

The Local Government Improvement Programme

www.idea.gov.uk

Meeting the Challenge

A Joint Report by the Public Service Productivity Panel

www.hm-treasury.gov.uk

For further information on and good practice in developing community strategies see *<http://www.idea-knowledge.gov.uk>*