

a manager's guide to
performance management
second edition

the performance, management, measurement and information project

purpose

This guide summarises the key messages from the Performance Management, Measurement and Information (PMMI) project, run by the Audit Commission and the Improvement and Development Agency (IDeA). Through PMMI, we worked with councils to identify existing knowledge and good practice and provide a better understanding of performance management in local government. Our guiding principle was to help answer the question: “How do we improve performance management?”

In this document, we aim to raise awareness and understanding of the subject and promote its effective use among council managers. Staff who support performance management or whose own work is performance managed will also find the guide useful. It describes an effective performance management system and the culture needed to make it work. It outlines improvements in many councils and how performance management can accelerate that improvement.

This is the second edition of the *Managers’ Guide to Performance Management*. Our original publication covered relevant Audit Commission and IDeA publications and set out the early PMMI findings. This guide builds on the earlier version, including conclusions from our work and highlighting a range of tools, guidance and case studies developed through PMMI.

using this guide

You can use this guide and a companion guide for councillors as a ready reference or to support workshops and training sessions. **The PMMI website mirrors the structure of this document** and gives easy access to presentations, additional information, government guidance, tools and checklists. For example, if we refer to guidance or a government document, you can use the website to download it or find a link to the original source document.

>> You can visit the PMMI website at www.idea.gov.uk/performance

contents

an overview of performance management	3
1 what is performance management?	3
1.1 why it's important	4
2 getting performance management right	6
2.1 why some people find it hard	6
2.2 the improvement journey	6
what does effective performance management look like?	8
3 the performance management system	8
3.1 the performance management cycle	8
3.2 vision and priorities	10
3.3 planning for success: corporate and service plans	12
3.4 targeting improvement	13
3.5 the performance measurement framework	16
3.6 performance information	17
3.7 reporting performance	20
3.8 performance reviews	22
3.9 taking action for improvement	23
4 people and performance	25
4.1 users, citizens and stakeholders	25
4.2 leadership	27
4.3 culture	30
4.4 skills and capacity	32
4.5 learning	34
5 performance management in partnership	35
appendix 1 PMMI resources	37
appendix 2 other useful resources	39

an overview of performance management

1. what is performance management?

To some people, performance management means collecting performance information. To others it implies a personal appraisal. The PMMI definition incorporates a range of different tools and activities used to drive improvement. We define performance management as:

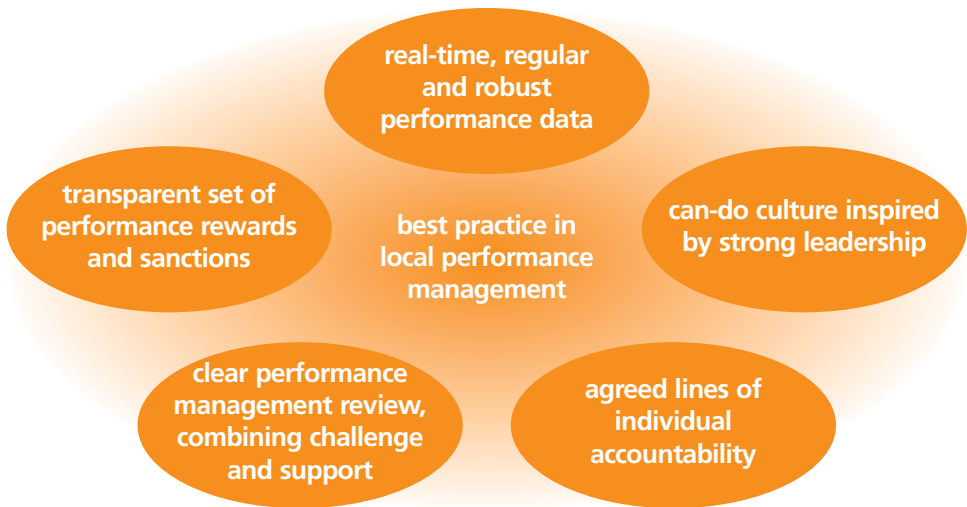
taking action in response to actual performances to make outcomes for users and the public better than they would otherwise be

Action may be at individual, team, service, corporate or community level. Improvement to outcomes should benefit service users but does not always mean increased service levels – sometimes better outcomes can mean delivering better value for money. Reducing levels of service in one area may free up resources to be used more effectively elsewhere.

Performance management will look different in different places, but effective organisations share some common characteristics, outlined in Figure 1.

figure 1: characteristics of high-performing organisations: performance rewards and sanctions may be extrinsic (financial rewards) or intrinsic (praise and recognition)

source: HM Treasury and the Cabinet Office's Devolved Decision Making Review.



Effective performance management requires:

- systematically deciding and communicating what needs to be done (*aims, objectives, priorities and targets*)
- a plan for ensuring that it happens (*improvement, action or service plans*)
- some means of assessing if this has been achieved (*performance measures*)
- information reaching the right people at the right time (*performance reporting*) so decisions are made and actions taken.

These plans and actions fit within a framework that we summarise as **plan-do-review-revise**.

Through this framework, learning can be harnessed in a **continuous cycle of improvement**. This approach is described in the performance management system chapter.

All aspects of management overlap. For example, leadership is not in itself performance management but is essential to its effective use. To work well, it must be co-ordinated with other systems, such as financial management (directing resources to areas needing improvement or strategic priorities) and risk management (managing risks to avoid failure).

1.1 why it's important

Performance management matters to everyone who wants to see local communities better served by councils and their partners. Managers can use it to ensure that services are improving and are more efficient. Councillors can use it to ensure that policy decisions are being carried out and citizens are being well served. Increasingly, citizens and partners can use aspects of performance management, such as public reporting, to hold the council to account.

Performance management is about good management, ensuring that your community, organisation and team goals are achieved. It helps to:

- prioritise what gets done and ensure there are sufficient resources to do it
- ensure local authorities provide value for money
- motivate and manage staff
- identify and rectify poor performance at an early stage
- learn from past performance and improve future performance
- increase user and public satisfaction.

Government sees performance management as an essential tool for achieving local and national priorities. It is also a way to demonstrate that councils are able to achieve important objectives with

less government control.

Under Best Value local authorities have a statutory duty to review services, to secure continuous improvements and report results to local people. This responsibility continues in principle but there have been changes to the specific practice. **Each change to government policy has put pressure on performance management systems to work more effectively.** You can find further information on the national framework at www.idea.gov.uk/performance.

Managing performance in partnerships has become more important, too. Government sees partnerships as a way of achieving better and more joined-up services. Local strategic partnerships (LSPs) enable public sector agencies, businesses, the voluntary sector and wider community interest groups to meet and agree priority improvements in their communities. The complex demands of delivering services through partnership also mean that local authorities need to adapt their approach to performance management to reflect the contributions of a number of partner agencies, while continuing to demonstrate progress towards agreed targets and objectives.

>>For more information see: *Securing Better Outcomes: Developing a new performance framework* at www.odpm.gov.uk, *Releasing Resources for the Frontline: Independent Review of Public Sector Efficiency* at www.hm-treasury.gov.uk and the HM Treasury and Cabinet Office *Devolving Decision Making: Delivering better public services: refining targets and performance management* at www.hm-treasury.gov.uk

2. getting performance management right

Performance management is a key tool for delivering better outcomes to users. Some councils find it difficult to implement; many others have found that they have achieved better local outcomes by systematically working to improve performance management.

2.1 why some people find it hard

Understanding why some councils find performance management difficult to implement can be the first step towards making it work in the real world of complex organisations.

PMMI research suggests:

- **the principles are simple, but the detail can be hard** – some aspects may require a specific set of technical skills, such as setting meaningful outcome targets; or require strong people management skills, such as dealing honestly and robustly with under-performance.
- **the whole system needs to work** – there are many interrelating elements that need to be developed over time. Sometimes it can be difficult to know where to start.
- **it needs the right environment in which to flourish** – the performance culture, addressed later in this guide, requires strong leadership and the desire to improve.
- **developing effective performance management is a long-term activity** – improving and embedding it can take several years, requiring constant attention and regular review.

2.2 the improvement journey

Improvement needs a systematic approach and people who champion the cause. Fundamentally, it is about managing change – it has to be planned, implemented and kept on track in an orderly and efficient way. We call this type of managed change the improvement journey.

It has five stages:

- taking stock
- setting direction
- getting started
- making it happen
- keeping on track.

The PMMI research found that these stages require constant repetition; **chipping away at problems to achieve improvement**. This means taking on what is manageable the first time

round and then taking stock and returning to areas that weren't practical or achievable at the outset.

There is no correct sequence for improvement, it depends on identifying weaknesses and relative priorities. Many councils observe and adapt the actions of other, high-performing authorities.

Some have found that, although making progress on several fronts is helpful, moving forward on one area is a good start. **Doggedness and determination are key factors for success.**

in practice

Through the PMMI action research programme, eight councils worked together to assess areas where they needed to improve performance management and went about tackling change. Their stories are highlighted in the PMMI improvement journey resource and in case studies on the PMMI website at www.idea.gov.uk/performance

>>For more information see: the *Improvement Journey* PMMI briefing and toolkit at www.idea.gov.uk/performance and the Improvement Network at www.improvementwork.gov.uk

what does effective performance management look like?

Effective performance management relies on systems and people working together to make sure the right things happen. The hard systems, processes and data are inseparable from the soft aspects, such as culture, leadership and learning. One simply doesn't work without the other. For simplicity, we will look at each aspect in turn.

3. the performance management system

A system does not stand apart from day-to-day management. Effective performance management arrangements can help to integrate planning, review, financial management and improvement systems to enable policy-makers and managers to make informed decisions and improve services.

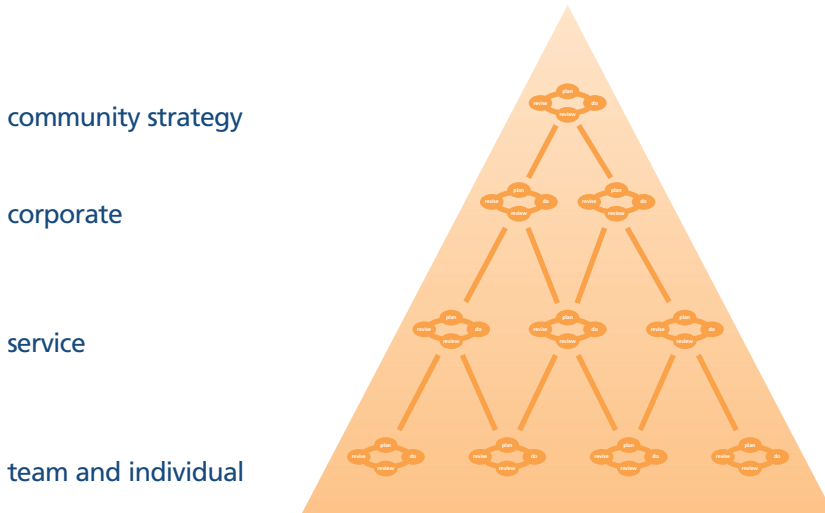
3.1 the performance management cycle

Our approach is based on the plan-do-review-revise cycle.

figure 2: the plan–do–review–revise cycle of performance management



figure 3: the plan-do-review-revise cycle takes place at many levels and over different timescales



The stages will look and feel different depending on where you are in an organisation and the timescale you are looking at. Major strategic reviews and revision may happen only every few years, although the cycle may occur every month at a more detailed level. On an informal level, managers may set tasks, observe performance and give helpful feedback from day to day.

The different levels in this cycle need to be integrated across various organisational levels – and with partners. The coordination of these cycles and cascading objectives from the top of the organisation through to the individual is sometimes described as the *golden thread*.

Good and improving authorities usually describe their framework in a way that gives a clear picture of how different elements – such as community planning, corporate policy, service and financial planning – fit together in the form of a long- or medium-term cycle.

3.2 vision and priorities

Councils are complex organisations delivering a range of services, often with partners, to local communities that have equally complex and diverse needs and wishes. **Successful councils work with users and citizens** to identify an overarching vision of their purpose, how they will lead the communities they serve and what they wish to achieve immediately, in the medium term and in the more distant future.

Inevitably, there will be a range of desired outcomes and limited amounts of time and resource with which to achieve them. Councils need to make decisions about which outcomes are most important, or urgent, and how to allocate scarce resources to best achieve them.

Making these choices is probably the most important and difficult part of the political decision-making process. Part of what makes this so hard is the need to balance many different considerations. For example:

- short-term achievement and a long-term duty towards local well-being
- meeting the will of the majority and protecting minority interests
- national policy and local desires and needs
- genuine differences of opinion, internally and externally.

As part of prioritisation councils may also need to take account of things that are important for achieving strategic aims, for example:

- laying the foundations for improvement – such as focusing on councillor-officer relationships or getting the finances right
- dealing with particular areas of weakness – such as failing services
- addressing wider aims – such as equalities, social cohesion or sustainable development.

Vision and priorities must be based on what can realistically be achieved, given council resources, and on what can be progressed by joining forces with partners. **Resources should bend to priority areas**, though they may not always map directly. This may mean deciding to spend more on some activities and less on others or even to stop spending on something altogether.

Priorities will exist on different levels. At the very highest level there will be strategic aims, focusing on what you want to achieve – that is, your council and community's vision and ambition. Prioritising these will reflect the medium- to long-term ambitions and are likely to be reviewed every few years.

Beneath these are operational objectives that focus on what you need to do to achieve strategic aims. Prioritising these will identify key areas of activity and areas where additional effort or resource will be directed to deliver improvement. Operational priorities will influence the decisions that managers make on a yearly, monthly and even daily basis.

Decisions about aims and priorities affect what people do day-to-day, so everyone needs to be clear about what they are. **Aims and priorities should be communicated through word and deed.** Leaders and managers and council publications should all clearly state priorities.

To reinforce this clarity, it can be helpful to explicitly identify low priorities and non-priorities. These might be areas that are less important to the community or where performance is already at an acceptable level. Low or non-priority areas can still be the focus for some work particularly where there is scope for making efficiency savings in order to release resources for investment elsewhere. There may also be activities that the council no longer needs to undertake.

In councils that prioritise well:

- evidence from stakeholders and the public has been used to establish aims and priorities
- councillors are involved in setting strategic aims and in ranking them, especially where there are big trade-offs
- aims and priorities, and their relative importance, are clear and underpin the vision and community strategy
- resources are linked to aims and priorities
- aims and priorities have been communicated internally and externally
- aims and priorities are cascaded down to individual actions and there are systems to support monitoring of this activity
- clear milestones and measures underpin the council's vision
- partners' priorities and plans reflect council priorities and vice versa
- priorities are reviewed at appropriate intervals to reflect changing demands and current progress.

>>For more information see the PMMI guidance on prioritisation, which can help frame decisions about priorities and provides useful tools at www.idea.gov.uk/performance

in practice

Derbyshire Dales has developed a prioritisation process that engages with its residents and stakeholders. This has led to a clear set of priorities that has been the focus for improvement.

>>For more detail, see the PMMI case study at www.idea.gov.uk/performance

3.3 planning for success: corporate and service plans

A corporate or community plan sets out high level visions, priorities and outcomes but the engine for achievement is often in directorate or service level plans, project plans and targets set either within services or corporately.

Councils have to publish information about performance and improvement through the Best Value Performance Plan. Performance planning brings priorities together and cascades them through to departments, services and individuals. In many, the consequent detailed planning is done at *service level*. **Many of the best councils take a co-ordinated approach to service planning**, with corporate teams providing support or guidance to service managers through templates, training or acting as critical friends.

Service or business plans are a cornerstone of effective performance management. An effective plan provides a solid foundation for achievement and forms a vital part of the golden thread, so each person understands how they contribute to achieving the council's improvement objectives. The service planning process is the opportunity to make rational and co-ordinated decisions about levels and types of provision and how and where to use resources: finance, people, skills and assets. It is also a key process for assessing **risks to achievement** and how to manage those risks.

Allocation of funding should be based on a clear set of priorities, so service plans need to integrate with budgeting and financial planning. Requirements to identify both cashable (reduced spending) and non-cashable (improved performance for the same spending) savings are part of the **national efficiency agenda**. The service planning process is the right place to identify areas where performance can be reduced, must be improved or where efficiencies can be achieved for the same level of service. Targets can help to set out what needs to be achieved and when.

in practice

East Riding of Yorkshire Council's system of service planning combines central support, training and an assessment exercise to help identify areas for service and performance improvement and build solid action plans.

>>For more detail , see the PMMI case study at www.idea.gov.uk/performance

>>For more information: see the PMMI service planning guidance at www.idea.gov.uk/performance

3.4 targeting improvement

Used appropriately targets can help to emphasise, communicate and achieve stated priorities. Used indiscriminately, they can lead to unanticipated, even negative, results. They are not guarantees of positive change.

Targets specify time-bound levels for improvement and are usually based around a particular performance indicator. **Standards** define minimum performance expectations. **Objectives** outline performance expectations that may be less strictly defined. Often these concepts are combined but it's important to remember that targets are a tool for **improving performance against a particular measure** over a given period of time. Not all activities or measures are appropriate for targets.

Well-designed targets are often described as SMART¹:

Specific

Measurable

Achievable

Realistic

Time-bound

1 There are a number of different ways to describe SMART targets but this mnemonic reflects the principles of most of them.

Targets can:

- promote accountability. These targets are likely to focus on outcomes or outputs that must be reported publicly – such as a specified level of better GCSE results within the next three years or a greater percentage of older people living independently.
- help manage a service, for example, by focusing on particular outputs (increased visits to libraries) or productivity measures (benefits claims decided more quickly).
- stretch performance. Identifying a goal that is difficult to achieve in full but where all progress is beneficial, such as all school leavers in higher education, training or employment.
- enable self-improvement. These may be personal performance or development goals that aren't formally reported on.

Understanding how you want to use a target will help you design and plan for its achievement. Using a target for more than one reason may be confusing or counterproductive. For example, don't use the same measure for an aspirational goal, which may not be fully met, and an accountable goal, which will attract consequences if it is not achieved.

Targets are not always the most appropriate improvement tool and should be **focused on things that really matter**. The criteria for using a target are:

- you can positively affect the outcome within the target's timescale
- there is enough predictability in the area of performance for a target to be meaningful
- it will help focus attention on a particular area of importance
- it will motivate people to look for new ways to improve
- it will signal commitment to users and stakeholders
- it's possible to monitor progress without disproportionate cost.

Finally, targets must be integrated into other performance plans, such as the community plan (for high level outcome targets), service plans or individual performance and development plans – and they must be adequately resourced.

>>For more information: see the PMMI target setting guidance and toolkit at www.idea.gov.uk/performance

in practice

If you decide that targets are an appropriate improvement tool, this brief checklist has a few things to bear in mind.

the outcome you are trying to achieve

- what is the ultimate objective? Are there broader aims you should take into account, for example, community strategy? What are the timescales?

defining where you are now and where you want to be

- what is current performance? What are the performance trends?
- are there any national targets or minimum standards? How do you compare with others?

identifying appropriate measures

- is there a clear measure and existing data against which to set and assess the target?

consulting with staff, members and citizens

- involve those who will deliver and be held accountable for the target. You need their knowledge, experience, ownership and understanding.
- who are the other stakeholders? How can you involve them or use known information about them in setting the target?

creating an action plan

- how will you achieve the target? What are the milestones on the way to achievement?
- who is responsible for performance?

monitoring progress

- how will progress be monitored?
- what actions will be taken in response to monitoring? How will those responsible for the target be held accountable?

>> A full checklist with supporting information is part of the PMMI target-setting tool at www.idea.gov.uk/performance

3.5 the performance measurement framework

Authorities that manage performance well focus on capturing and using information about actual performance – at all levels of the organisation. Reliable information means they can start to make decisions about what needs improving.

Outcomes can only rarely be measured in terms of a single performance indicator (PI), so we often need to identify a group that collectively **provides a picture of performance**. For a few indicators, this is often called a basket of PIs but **a local authority needs an entire performance measurement framework to be able to monitor a range of functions**.

HM Treasury, the National Audit Office, the Audit Commission, Cabinet Office and Office for National Statistics developed a framework that sets out the properties of a good system – the FABRIC of performance measurement.

Focused on the organisation's aims and objectives

Appropriate to, and useful for, the stakeholders likely to use it

Balanced, giving a picture of what the organisation is doing, covering all areas of significant work

Robust, in order to withstand organisational change or individuals leaving

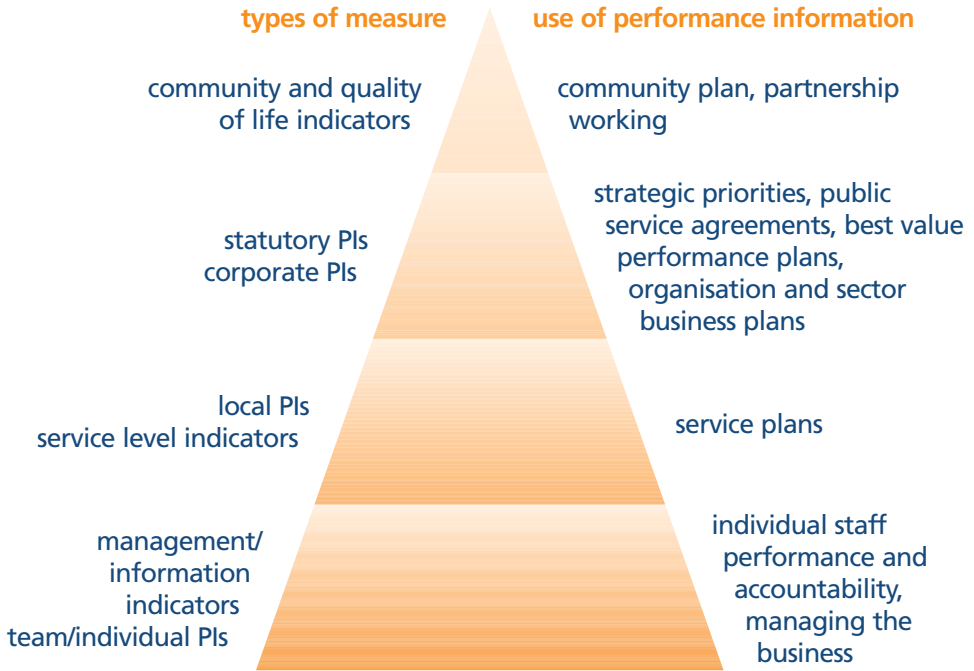
Integrated into the organisation, as part of the business planning and management processes.

Cost-effective, balancing the benefits of the information against the costs

Many local authorities use a well-known performance management framework, such as the European Foundation for Quality Management framework or the Balanced Scorecard, to help them order and arrange performance measures into a coherent picture. Such frameworks can help but should be adapted to local needs. There is specific PMMI guidance on some of the better-known frameworks in the *Review of Performance Improvement Models and Tools*.

People need different information at different levels of the organisation. Senior managers and councillors need a strategic overview of organisational performance while managers require information that helps them to manage their directorate, service or team. Individuals also need to know how they are performing. There will be a hierarchy of measures (Figure 4) reflecting the structure of the organisation and each of these must be owned by an individual – a named person must be accountable for the collection of the information and the performance itself.

figure 4: the hierarchy of performance indicators



3.6 performance information

Delivering better outcomes is a complicated business and difficult to measure. Indicators must not only adequately reflect what's going on but also **provide a basis for decision-making**, identifying areas for improvement or where learning could be shared. Part of the value of a good indicator is in comparing your performance against others, so wherever possible use existing indicators. It's easy to underestimate how complex and time-consuming it is to develop an indicator from scratch. The Library of Local PIs has ones that are tested, comparable and have been developed with councils.

Individual performance measures should be:

- **relevant** to what the organisation is aiming to achieve
- able to **avoid perverse incentives** – not encouraging unwanted or wasteful behaviour
- **attributable** – the measured activity is linked to the actions of an organisation or an individual and it is clear where accountability lies
- **well defined** – clear and unambiguous, so data will be collected consistently and the measure is easy to understand and use
- **timely** – producing information regularly enough to track progress and quickly enough for all the data still to be useful
- **reliable** – accurate enough for its intended use and responsive to change
- **comparable** – with either past periods or similar activity elsewhere
- **verifiable** – documented so that the processes of data collection can be validated and others can test or audit that this is an accurate measure of performance.

Source: Choosing the Right Fabric full details at <http://www.hm-treasury.gov.uk/media/EDE/5E/229.pdf>

The increased focus on quality of life within an area, rather than on simple measures of outputs and costs, creates a greater need for indicators that measure progress toward achieving broader outcomes such as healthier communities or greater educational attainment. **A council must express such priorities in a way that helps its managers, staff and partners work towards achieving those goals.** Community leaders must communicate these objectives in a way that ordinary people can understand and therefore judge if they have been achieved. This reinforces democratic accountability.

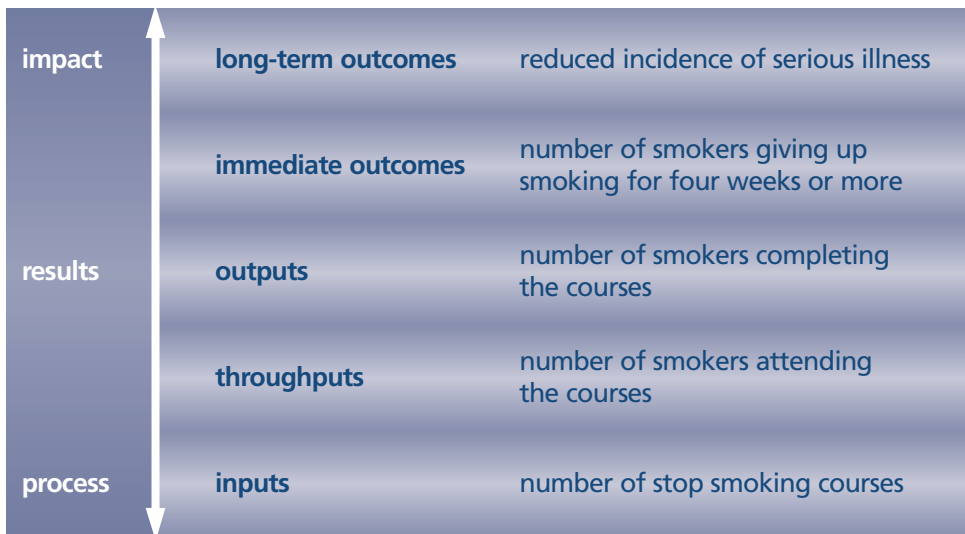
These outcomes need to be broken down into measures that show who's doing what and how they're performing.

Outcome indicators demonstrate impact. For example, if you want to know whether you have a skilled and learning workforce as an ultimate outcome, you will probably look at a number of measures. These might be the percentage of workers in an area with degrees or further education certificates; some measure of training opportunities and how well those have been taken up; and an employer survey on the suitability of the local workforce.

Some outcomes may take a long time to achieve but where the relationship between certain actions or behaviours and long-term outcomes is well understood – for example, smoking and health – you can use a series of easier to collect **proxy measurements** to mark progress. So you

can measure the number of stop smoking courses on offer (an **input measurement**), how many smokers are attending courses (**throughput**) and the number of smokers completing courses (an **output measurement**). An early outcome measurement is the number who gave up smoking for four weeks or longer. The longer-term outcome is a reduced incidence of serious smoking-related illness.

figure 5: measuring progress toward longer-term outcomes with a series of related indicators



>>For more information: see *Choosing the Right Fabric: A framework for Performance Information* at www.hm-treasury.gov.uk Visit the Library of Local Performance Indicators at www.local-pi-library.gov.uk The Audit Commission's Area profiles project brings together data, information and assessments, including quality of life themes, for every local authority area in England at www.areaprofiles.audit-commission.gov.uk

in practice

As part of an overall approach to improving performance management, some councils have focused on ensuring that measures are robust and reliable. For example, Lewes District Council uses 'friendly audits' to insure indicator robustness and has a network to support staff responsible for monitoring performance. Hastings Borough Council uses training and support to help services develop appropriate local indicators and celebrates both good performance management and better performance at an annual event.

>>For more detail, see individual case studies at www.idea.gov.uk/performance

3.7 reporting performance

Information presented to councillors, managers and the public influences their decisions. All performance reporting should help answer the question **'What do I need to know to make sure things get better?'**

Instead of reporting large volumes of data, successful councils build hierarchies of performance information that provide a balanced view of performance and are accessible to their specific audience – managers, directors, councillors, partners, the public and other stakeholders.

Performance reporting needs to be tailored for the information user. For example, a relatively small number of key indicators – 20 to 30 – are likely to be reported regularly to the senior management team and executive. These will be supported by a commentary that explains the information and tells a story. For other indicators, there may be **traffic-light reporting** (usually visual markers like colour or symbols to show where there has been underachievement or when a target is at risk of not being met) or **exception reporting**, when measures are reported only if performance differs from an expected standard. This can help to ensure that any problems are addressed early.

You need to agree the standards that trigger highlighting or inclusion in an exception report during the performance planning process and you will probably want to set tolerances for reporting. That is, understanding when under-performance becomes a problem that requires additional action and when, if ever, performance simply needs to be observed. **Tolerances** may be based on a variety of measures – for example, two reporting periods of declining performance; a cost overrun of a certain amount; measured performance declining by a certain percentage or falling in relation to other authorities' performance. The appropriate trigger will depend on the type of service and measure.

The tolerance might be set very tightly, reporting under-performance for any decline in important

areas, or more loosely, where variation is expected or does not pose a major risk to the council's overarching priorities. In some areas, performance may dip due to seasonal or other types of variation, and you will need to adjust tolerances accordingly. For example, you may not want to report a decline in visitors to the outdoor pool in January!

Simply reporting performance can't explain success or failure. In some cases, extra analysis is needed, perhaps using statistical or graphical presentation to understand the trend, the history and probable future direction of performance. Service managers and local authority staff who collect performance information have a responsibility to identify areas where additional analysis can help. Equally, senior managers and councillors have a responsibility to ask for and provide resources for additional analysis if necessary.

Key decision-makers need to ensure not only that they are receiving the right information but also that they have the right skills to understand and make use of it. Importantly, those who receive reports need to ask questions about the information they see. **Questions about performance need to be robust and answers need to be honest.** The atmosphere should be supportive with an emphasis on looking for solutions rather than apportioning blame. This productive atmosphere depends less on measurement and more on people and culture, covered in the next chapter.

in practice

Derbyshire Dales District Council uses its performance reporting to help manage risks to achieving its priorities and targets. Regular reports include comparison with national best quartile, whether a service is on track to meet its target, and performance trends. Reporting for 'on track' services is less frequent, while 'at risk' services are reported on more frequently.

At Wandsworth, councillors and top managers expect to see performance compared to other London boroughs. This is an important means of highlighting where performance needs to improve or where others might have good ideas.

In Hastings, if performance dips, relevant indicators are 'hot-housed' with more frequent reporting and a requirement for action plans to ensure attention is focused on improvement.

>> For more detail, see individual case studies and a checklist for questions that help you dig deeper into performance reports at www.idea.gov.uk/performance

IT-supported reporting

Some local authorities have used IT-supported systems, developed in-house or from a commercial software company to help with collecting, organising and reporting performance measures at all levels. In councils with well-developed measurement frameworks, IT systems can eliminate multiple entry of the same data, reduce error, enhance ownership of indicators and facilitate faster, tailored reporting. But they will not do the job of managing performance.

in practice

Both the London Borough of Harrow and Hastings Borough Council have implemented a commercially-available performance management IT system to improve measurement, reporting and engagement.

>>For more detail, see individual case studies at www.idea.gov.uk/performance

>>For more information: see the *PMMI Review of Performance Management Models and Improvement Tools*, the *PMMI IT performance monitoring guidance* at www.idea.gov.uk/performance and *Choosing the Right Fabric: A framework for Performance Information* at www.hm-treasury.gov.uk

3.8 performance reviews

All local authorities are under the Best Value duty to review services² and performance, although there is a great deal of flexibility about how this is carried out.

You should consider carrying out a service review if:

- regular performance or financial reporting indicates there is a problem with service level or cost, particularly in priority areas
- information from customers, satisfaction levels, complaints or other citizen challenges indicate there is a service provision issue
- there is a major shift of policy covering the service area to ensure provision meets new policy objectives
- it is unclear whether a service is still needed

² For more detail see ODPM Best Value Circular 2003/03 at <http://www.odpm.gov.uk/index.asp?id=1163718>

-
- there seems to be a good case for a new service or service configuration
 - there is a clear opportunity to work with other organisations to deliver common services.

Service or cross-cutting reviews shouldn't be overly bureaucratic and should focus on what you want to achieve. Anyone can carry them out but it is important to introduce elements of independent challenge and staff and users should be involved. In many authorities, scrutiny panels oversee reviews, particularly in relation to how services are meeting policy objectives.

in practice

The Centre for Public Scrutiny maintains a library of service and policy reviews on their website www.cfps.org.uk/reviews/index.php and offers examples of scrutiny reviews on a wide range of topics.

>>For more information: see the *Checklist for Challenging Service Reviews* and the *PMMI Review of Performance Management Models and Improvement Tools* for some specific review tools at www.idea.gov.uk/performance

3.9 taking action for improvement

Top-performing local authorities combine performance and improvement in a single agenda, often establishing a senior management group with responsibility for both. These groups, sometimes including executive portfolio holders, take responsibility for:

- regularly monitoring and acting on key performance indicators that reflect corporate priorities
- setting standards for performance and expectations of when action needs to be taken
- identifying tolerances for performance
- asking challenging questions about performance
- ensuring that there are robust action plans to address under-performance, redirecting resources where necessary
- following up planned actions, ensuring they have led to improvement
- sending out a clear signal that performance and improvement are being taken seriously at the highest level.

Setting up a separate group can help show how important performance management is in your council. When it is well embedded, a specific group is not always necessary, but council performance needs to be on management team and executive agendas, with plenty of time to discuss issues and decide actions.

in practice

At Chichester District Council, executive members and senior management meet together in the Performance Improvement Group. This group reviews performance and ensures that action plans are in place and are followed through.

>> For more details see the PMMI case study at www.idea.gov.uk/performance

4. people and performance

People are the critical factor in making performance management work. Staff need to be engaged and involved. A MORI survey³ of employee attitudes in local government showed that staff in higher-performing councils have higher levels of commitment and motivation. They have a greater ownership of council performance priorities because they feel more involved. Their views on improvement, priorities and performance are not only sought but acted on.

Leadership, organisational culture, individual efforts, skills and capacity and most importantly a **focus on users** are the key drivers for high performance and improvement.

4.1 users, citizens and stakeholders

Performance management can help to keep focus on the service users and citizens who should be at the heart of a local authority's systems and culture.

This starts with community planning so that the council and its partners are clear about what is important for local people. This must follow through to what the authority is trying to achieve and the tools used to support achievement – performance reporting, business planning, staff appraisals and service reviews. Including citizens and incorporating their views in the performance management cycle is essential to maintaining user focus.

Many local authorities excel at designing and carrying out consultation but are less successful at integrating this information into decision-making and performance management. Some have also made progress in understanding the relative importance that different groups attach to services, which aids prioritisation.

Beyond surveying users, councils should use customer intelligence; information about how, when and who is using services. This information can help to shape the delivery and effectiveness of services, help managers to understand if they are reaching priority groups and help the local authority to reach its diversity and equality goals.

Increasingly, local people are involved in planning and assessing services. Some councils ask them to evaluate performance in very visible front-line services and this, in turn, has helped managers to understand what users value.

³ Survey conducted on behalf of the IDeA, findings published July 2005. Results can be found at: www.idea-knowledge.gov.uk/idk/aio/886629

figure 6: embedding user focus in the plan, do, review, revise performance management cycle



Debate generated around the Office of the Deputy Prime Minister's the Future of Local Government local:vision discussion papers⁴ has suggested that as powers and duties are devolved to local government, it in turn will need to devolve functions and powers to partnerships, communities and neighbourhoods. This requires a new, collaborative performance management approach. Councils will need to **work with users and citizens, as they develop a greater voice** in managing the performance of councils through user groups, local area committees and neighbourhood forums. This will bring new challenges and means that councillors and officers will need to emphasise different skills, such as negotiating, communicating and influencing, to achieve better performance.

⁴ Speeches and policy discussion papers can be found at the ODPM local:vision section of their website <http://www.odpm.gov.uk/index.asp?id=1137789>

in practice

South Tyneside has engaged a range of user groups to help it set performance standards for its grounds maintenance service and to judge the service against those standards. This has led to some changes in performance specifications for the grounds maintenance contractor but users of the service are more satisfied and engaged with the services they receive.

The London Borough of Harrow has developed the Harrow Vitality Profiles that provide contextual and demographic information on a ward-by-ward basis. Councillors have used this information to ask questions about levels of service provision and differing outcomes and have become more engaged in performance management and policy review as they see how it affects people in their wards.

>> See the PMMI case studies at www.idea.gov.uk/performance for more detail.

>> For more information see the PMMI public involvement in performance management briefing at www.idea.gov.uk/performance

4.2 leadership

Everyone in a local authority has responsibility for performance management – but local authority **leaders must drive it**. What they say and do sets the tone for everything that happens within the council. Priorities should be agreed and clearly communicated throughout the council. When making decisions, leaders need to be seen using performance information if others are to become committed to using the systems that provide the information. Leaders at all levels must also be willing to understand the barriers to improvement and provide the necessary support to solve problems.

Leaders and champions, those who embrace and encourage others to use performance management, are needed at all levels – in healthy organisations leadership isn't confined to one group at the top.

Strong leaders and managers are clear about what kind of performance they expect and communicate the importance of everyone's contribution towards meeting corporate and community ambitions.

managerial leadership

Managers must make sure that an effective performance management framework is in place that links to other aspects of corporate governance, such as risk and financial management. Most importantly, managers must demonstrate that they use performance management and base management decisions on performance information.

Through their own behaviour and actions, managers must:

- model the behaviours associated with good performance management
- set out a clear vision
- clearly communicate performance expectations
- champion performance management
- stick with it, following through on improvement priorities
- allow staff the space and time for learning and development.

Managers' key responsibility is to help staff develop and achieve maximum performance. How managers develop some of these skills and approaches is outlined later in this chapter.

in practice

In Stockton-on-Tees, managerial leadership has played an important role in developing performance management by providing a mixture of clear-cut, non-negotiable requirements, support and encouragement. One officer described the chief executive as the driving force behind improvement and as "strongly committed to improving performance and to formal performance management techniques as one of the ways of doing that."

>>For more detail see the PMMI case study at www.idea.gov.uk/performance

>>For more information: the PMMI managers' checklist for improving performance management at www.idea.gov.uk/performance

political leadership

The role of all councillors is vital. Although they must take a strategic role rather than micromanage daily delivery, they must be hands-on with performance management to ensure that their objectives are met.

All councillors should have a good understanding of their authority's performance and how it is managed. This should be used to inform priorities and engage in service improvement. They should, to a greater or lesser extent, be involved in:

- setting or scrutinising the strategic direction, priorities and budget options for the council
- receiving concise performance reports that paint a clear picture of performance trends, perhaps through the use of colour and graphics
- asking questions about current performance and improvement plans
- using their local knowledge to draw out the larger pattern from complaints, ward surgeries and consultation events
- fashioning strategic solutions
- seeking assurance that adequate systems are in place to manage performance, risk and resources.

How councillors are involved may depend on their position; executive cabinet, overview and scrutiny panel, or as local councillors and the constitution of their authority, such as leader and cabinet model, elected mayor or 4th option committee system. Executive councillors are more likely to work with senior managers to monitor strategic objectives and ensure that there are plans for their achievement. In some councils, a cabinet member may also hold a portfolio for performance management or organisational development, which can be especially useful to raise its profile.

The role of overview and scrutiny panels could include:

- scrutinising the executive's use of performance management
- scrutinising officers' use of it
- very occasionally undertaking reviews of the system as a whole
- looking closely at the contribution of partners in specific areas
- undertaking policy reviews (ensuring actions are meeting policy objectives)
- undertaking less frequent in-depth reviews of service or cross-cutting areas of performance.

Some councils have developed coaching or training, sometimes using external facilitators, to ensure that councillors have a good understanding of how performance management works and what their role is.

in practice

Councillors can take on many different roles in performance management:

- East Riding of Yorkshire Council uses councillors as critical friends for each service area, ensuring that members are involved with service improvement.
- councillors at the London Borough of Wandsworth are the driving force behind performance management and service improvement.
- executive members and top managers work together on their Improvement Planning Group at Chichester District Council.
- at Cornwall County Council, working with councillors to develop better performance reporting has led to more councillors asking better, more robust questions.

>>For more detail, see the PMMI case studies at www.idea.gov.uk/performance

>>More information on a councillor's role in performance management and how it fits with other roles can be found in the IDeA publication: *A Councillor's Guide* www.idea.gov.uk/councillors, the companion to this publication *A Councillor's Guide to Performance Management* and the PMMI online conference report *Members' Roles in Performance Management* at www.idea.gov.uk/performance

4.3 culture

The right organisational culture is critical to improving the effectiveness of performance management – but notoriously difficult to describe or plan to change.

Culture can be thought of as the sum total of the beliefs, values and behaviours of individuals within a given group and it is a means by which norms of acceptable behaviour are established. Because culture is about what people believe and do, it has a huge impact on:

- what a council sets out to do, its vision, ambitions, priorities and targets
- how people are managed, motivated and supported in their jobs
- how individuals or groups respond to demands for improved performance
- how individuals and the council as a whole view and make use of performance management.

The PMMI project has identified two types of organisational culture:

- a **culture of performance** – where there is a real desire to improve and deliver the best possible services for local people
- a **performance management culture** – where there is a focus on aspects of managing performance, with a keen interest in developing and using systems that measure and report as the basis for taking action to do things better.

The distinctions between the two may be arbitrary, but potential is maximised where both come together as a **performance-oriented culture**. A performance-oriented culture entails:

- customer focus – a focus on the end result for users and citizens
- can-do attitude – people feel empowered and supported to innovate and take responsibility without fear of blame
- learning – feedback from staff/users and performance information are used to improve
- a positive approach to performance management – as a tool for improvement, not merely a form-filling exercise.

You can assess culture systematically using staff surveys and focus groups. It is also possible to achieve positive change in an organisational culture. However, it takes time and effort and involves:

- leading by example, displaying the behaviours associated with good performance management
- involving people in changing their own culture for the better
- consistently applying a system that is seen to work
- training, communicating and persuading.

in practice

Derbyshire County Council has created a culture that motivates and empowers staff to experiment with – and take ownership of – the improvement agenda. There is a helpful balance between providing structure and flexibility for learning.

>> See the case study at www.idea.gov.uk/performance for more detail.

>> For more information and specific activities for changing culture in your council see *Performance management: A cultural revolution* at www.idea.gov.uk/performance

4.4 skills and capacity

Improving overall performance means improving individual performance. You may need to improve individual skills and capacity, motivate staff and refine the systems people use or the organisational structures they work in. It may be about investing in the tools people work with – IT, communications systems – or moving resources around. It may also be about helping individuals to focus on performing better or building teams with the right balance of skills.

A co-ordinated system of performance appraisal, personal and career development is necessary. Managers and staff need to work together to design personal performance plans that outline how each person's work links to team action plans, service plans and corporate and community priorities. This reinforces the golden thread and identifies how individuals will develop and hone their skills to meet new challenges.

It is hard to strike the right balance between encouraging and motivating people to perform and dealing with situations where people are not performing. The first part is about making sure you develop, train and support people to do a well-defined job, **making it clear what good performance looks like**. The second part is about recognising and acting on poor performance. Managers often find this more difficult and it can become a block to improvement.

An improvement-focused management style requires both hard technical skills – such as being able to produce, read and take decisions based on performance information – and softer skills around communicating performance expectations, rewarding good performance and speaking honestly, but supportively, about under-performance.

>>For more information see the Audit Commission publication *Performance Breakthroughs*, the Improvement Network's People strategy section www.improvementnetwork.gov.uk and the skills and capacity section at www.idea.gov.uk/performance

in practice

Effective performance management requires that all managers and staff:

- appreciate its purpose
- know how the process operates in practice and what is expected of them as individuals
- recognise the link between organisational, team and individual objectives
- use a range of communication skills, such as effective listening, questioning and feedback.

Appraisers/reviewers must be able to:

- create team and individual aims from corporate and service objectives
- select appropriate performance measures, standards and indicators
- identify individual/team development needs and suggest ways of meeting them
- evaluate development activities
- assess performance and recognise good performance
- consider constraints affecting individuals and how to overcome them
- operate agreed approaches for dealing with good or inadequate performance.

Appraisees/reviewees must be able to:

- understand how their individual contribution supports organisational achievement
- propose objectives for themselves and define how these could be measured
- identify their own development needs from performance and career requirements
- consider any constraints on their performance and how these could be overcome
- evaluate learning and report how it has contributed to improved performance.

4.5 learning

Learning is crucial to developing a performance-oriented culture. Learning is about gathering and understanding information about what has and has not worked and using this information to change what is done – and there needs to be a willingness to challenge and be challenged. To engage in the process of learning, people need to feel comfortable and confident that what they share will be used in a constructive dialogue and not in apportioning blame.

Staff need time to reflect and learn from experience and to share their learning with others. For example, evaluation should be built into action, project or service plans, and time should be dedicated to discussing what has been learned. Some councils have benefited from establishing learning networks to share best practice or to develop specific performance management skills.

Learning networks work best when they are encouraged by senior management and staff are given the time and space to attend. The corporate centre should give practical support, such as arranging meetings or capturing information that can be downloaded from the intranet. Better learning networks bring in people from other authorities or sectors to share their knowledge, which can help **accelerate improvement by learning from the successes and mistakes of others** and through being open to external challenge.

in practice

Learning networks support staff in improving their own performance management practice. In Lancashire County Council, a central team developed a series of conferences to share good practice between front line service managers. These have developed into a practitioner network, supported by a virtual network on the council intranet, useful in a geographically dispersed council. Stockton-on-Tees also has a network of the 100 most senior managers who meet 2 or 3 times a year to work on improvement and cultural change.

>> See the case study for each council at www.idea.gov.uk/performance

>> For examples of learning in action, see the PMMI research case studies and the action research case studies at www.idea.gov.uk/performance

5. performance management in partnerships

Increasingly, public agencies are working together to meet community aspirations and needs. There is encouragement from government to work in partnership and a growing realisation that better community outcomes cannot be achieved through the efforts of one organisation alone.

The principles of good practice outlined in this guide apply equally to individual organisations and partnerships – but working across organisational boundaries introduces additional complexities. A single organisation must consider the wider management issues of working in partnership. It must consider the risks, benefits and costs of any partnership it's involved in and whether the partnership is contributing towards council and community objectives.

Within a partnership, organisations must agree how they will manage performance. Different types of partnerships require different approaches. Those that are primarily about building relationships and sharing information are unlikely to need complicated arrangements but may wish to share and discuss information about partners' performance. Those that are focused on delivery will need to agree how to manage performance.

Partnerships should consider:

- accountability – how will partners share in contributing to better performance? Who is responsible if things go wrong?
- external reporting – are constituent organisations accountable to different external bodies? How will that affect ways of working and performance management requirements?
- individual organisational objectives – identifying where they overlap, where they are in conflict and how any tensions will be dealt with
- sharing performance information – what will reporting arrangements be?
- organisation and communication – how will partners work together to achieve joint objectives? How will they keep each other informed?
- resources – will budgets be merged or pooled or will individual agency spending be aligned to partnership objectives? How will value for money be assessed?
- assessing the contributions of different partners toward complex outcomes – how will partners agree to share risks, costs, benefits and rewards?

Differences in systems, accountabilities and even the definitions of performance measures can be stumbling blocks – but cultural differences between partners may be even more difficult to overcome. Partners need to take time and be aware of each other’s organisational style. It may be worthwhile to identify and agree acceptable behaviours and ways of working together in writing.

in practice

- Lewes District Council hosted an ‘engagement’ party to strengthen relationships between partners. (PMMI case study)
- Darlington has supported its partners in using the council’s performance management framework, including rolling out its IT performance-monitoring software to them. (Partnerships: Governance and Performance online conference report)

>>More information can be found at www.idea.gov.uk/performance

Performance management in partnership is an emerging area for good practice, but there are already a number of resources available to help.

>>For more information, see:

- the Audit Commission publication: *Governing Partnerships: Bridging the Accountability Gap* and forthcoming companion guide
- a range of partnership resources at www.idea-knowledge.gov.uk
- the Improvement Network’s partnership section www.improvementnetwork.gov.uk

appendix 1

PMMI resources

The PMMI team have developed a range of performance management resources as well as signposting existing tools and guidance. These can be found on the PMMI website www.idea.gov.uk/performance in the PMMI resource pack.

PMMI guidance, reports and toolkits

- **A Councillor's Guide to Performance Management, 2nd edition**
- **The Improvement Journey** – a set of resources to help you improve performance management
- **Review of performance improvement models and tools** – a handy guide to popular performance management models and other resources
- **Performance management: A cultural revolution** – assessing and changing the performance management culture in your organisation
- **Service planning** – supporting and developing service plans in your council
- **Target setting** – practical advice on using targets to drive improvement
- **Performance management IT systems** – is one appropriate for your council and if so how should you go about choosing one?
- **Public involvement in performance management** – looking at the ways users and citizens can be engaged to improve outcomes
- **Prioritisation guidance** – useful tools and guidance for the prioritisation process
- **PMMI interim findings**
- **PMMI online conference reports** – covering performance management in partnerships, councillors' roles in performance management and embedding performance management

PMMI research and action research authorities

- Bath and North East Somerset
- Chichester District Council
- Cornwall County Council
- Derbyshire County Council
- Derbyshire Dales District Council
- Doncaster Metropolitan Borough Council
- Dudley Metropolitan Borough Council
- East Riding of Yorkshire Council
- Harrow Council
- Hastings Borough Council
- Lancashire County Council
- Lewes District Council
- London Borough of Merton
- Scarborough Borough Council
- South Tyneside Metropolitan Borough Council
- Stockton-on-Tees Borough Council
- Wandsworth Borough Council
- West Sussex County Council

>> For case studies visit www.idea.gov.uk/performance

appendix 2

other useful resources

publications

- *A glossary of performance terms*, IDeA, 2003
- *Acting on Facts: Using Performance Measurement to Improve Local Authority Services*, Audit Commission, 2002
- *Better Services for Local People: a guide for councillors*, IDeA, July 2002
- *Change Here!: Managing to Improve Local Public Services*, Audit Commission, 2001
- *Choosing the Right Fabric: A framework for Performance Information*, HM Treasury, the Cabinet Office, the National Audit Office, the Audit Commission and the Office of National Statistics, 2001
- *Making Performance Management Work*, IDeA, 2002
- *On Target: The practice of performance indicators*, Audit Commission, 2000
- *Performance Breakthroughs*, Audit Commission, 2002
- *Routes to Improvement*, IDeA, 2003

useful websites:

- Area profiles: www.areaprofiles.audit-commission.gov.uk
- The Audit Commission: www.audit-commission.gov.uk
- The Centre for Public Scrutiny: www.cfps.org.uk
- HM Treasury: www.hm-treasury.gov.uk
- The Improvement and Development Agency: www.idea-knowledge.gov.uk
- The Improvement Network: www.improvementnetwork.gov.uk
- Library of Local Performance Indicators: www.local-pi-library.gov.uk
- The Office of the Deputy Prime Minister: www.odpm.gov.uk

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