

# Performance management, measurement and information

A report on three events for local authorities organised as part of the joint IDeA/Audit Commission project.

## Introduction

- 1 The first round of comprehensive performance assessments (CPA) showed that performance management is a key factor in a council's overall performance.
- 2 The Improvement and Development Agency (IDeA) and the Audit Commission are working together on a project looking at performance management, measurement and information, known as the PMMI project. The aim is to give local authorities common messages about what works and in what circumstances.
- 3 As well as featuring learning events and a programme of action research, the PMMI project will lead to the production of a comprehensive tool for councils, the format of which has yet to be decided. The tool will help local authorities work out where they are, where they need to be and how to get there.

## Performance management conferences

- 4 In July 2003, the IDeA and the Audit Commission ran three events as part of the PMMI project, attended by representatives from a wide range of councils.
- 5 The events were designed to give councils the chance to share their experiences, problems, approaches and solutions. A number of key themes emerged from the presentations, group discussions, Q&A sessions and delegates' written feedback. These themes highlighted that successful performance management:
  - is significantly affected by the wider context of regulation and national performance monitoring frameworks;
  - occurs when activity is comprehensive and co-ordinated so that the system becomes more than the sum of its parts;
  - requires effective political input;
  - is underpinned by the right infrastructure of resources, culture, IT, structure and systems;
  - relies on the effective undertaking of tasks such as: setting targets, dealing with risk, maintaining focus, monitoring progress and managing performance; and
  - may require a focus on process, as well as outcomes, supported by strong project management.

## This report

- 6 This report summarises what participants in the three events had to say on each of the six key themes, based on their own experiences of project management.
- 7 It is not a comprehensive account of every point raised. Instead, it aims to give a flavour of the main observations, questions and ideas that delegates discussed, illustrated from time to time with direct quotes from participants.

## The wider context

*'There has been continuation of change and disruption – not just changing attitudes and knowledge but also structures. We have never had a period of stability, but you need these to embed cultural change. The government has played an important part in generating that change.'*

### **Event participant**

- 8 It was felt strongly by delegates that the national context within which councils are operating can have a significant impact (positive and negative) on their ability to effectively manage performance.
- 9 For example, where an authority shows no drive for improvement an external push can help. But constantly changing definitions and systems of measurement at a national level make life harder.
- 10 Delegates also thought that demands for information from different government departments were hampering local ownership and cross-council working. Some were also struggling to make the most of national data at a local level.
- 11 Finally, there was a view that national guidance on cost-related indicators needed to be simplified.

## Creating a comprehensive and co-ordinated performance management framework

*'What happens to the things that aren't the top priorities? Do you take the hard decision, or find out later that they are more important than you thought? Might you have just a few priorities but still do a lot of things as a council?'*

### Event participant

### A comprehensive framework

- 12 In theory, community objectives are set out in the community strategy then shown in more detail at corporate, service and individual level. Targets are then reflected in the financial strategy and budgets.
- 13 In practice, delegates felt this did not always happen so neatly, because:
  - political realities must be taken into account. At one council a leading member wanted to consult widely on corporate priorities, so it was necessary for departmental strategies to be developed separately;
  - other things still need to be done, even if they do not link to corporate objectives; and
  - you cannot always stop doing something immediately just because it is not top priority, you need an effective exit strategy.
- 14 Other issues which councils had experienced in developing a comprehensive framework included:
  - linking priorities and budgets at the right level. One council found it hard to link budgets to corporate priorities, but easier to link them to directorate objectives, where activities were more tangible;
  - involving human resources early on in incorporating an appraisal system into the performance management framework;
  - developing scoring systems to assess how much to spend on different priorities; and
  - integrating monitoring of different aspects of performance, such as performance indicators, personnel and financial information, is not easy. It needs to show the links between them rather than just reporting on them all together which can lead to information overload.

### A co-ordinated framework

- 15 Most participants felt that it was hard to get all the elements of performance management right at once. While there was experience of an organisation learning how 'to do performance management' by concentrating on tackling one aspect at a time, ultimately, to be really successful, all aspects needed to be working well.

- 16 Two other key points emerged. First, implementing a successful performance management system takes time, as rushing it carries real risks. Second, a comprehensive, co-ordinated performance management framework is likely to be massive and complex. In other words, councils should be prepared for the process to be both long and complicated.

### Using the different performance management models

- 17 Many councils were integrating quality and improvement models, such as EFQM and Balanced Scorecard, into their own frameworks.
- 18 Some are adapting these existing models to suit their needs. For example, one council was using EFQM for peer assessment instead of self-assessment.
- 19 Overall, delegates felt it was important to have stability, to find one approach that suited a council's way of working, which was flexible and capable of being adapted to many different situations.

## Ensuring effective political input

*'The more members can see they're making a difference, the more they get involved.'*

**Event participant**

### Getting members involved

- 20 Three broad lessons emerged from the events on how to involve members.
- 21 First, to get members involved, officers may have to stand back, although they will still have an important supporting role.
- 22 Second, officers need to be flexible about how, and in what areas, members engage with performance management. For authorities where members may be unfamiliar with performance management, members may be more engaged by focusing on operational issues, where the benefits of performance management can be immediately seen. Once engaged, members are then more likely to apply it to more strategic issues.
- 23 Finally, building members' capacity is crucial. Performance management can often be integrated into mainstream training and development activities, making it less likely to be seen as an add-on. Visits to other authorities can also be helpful.

### Setting priorities

- 24 Delegates generally felt that members face political pressures which can make longer term prioritisation more difficult.
- 25 Delegates had used innovative techniques to overcome these, including focusing on budget setting as a means of helping members prioritise.

- 26 Several participants said it was important to test and challenge priorities rigorously at the start, making them less likely to be undermined later by constituency pressures.

### Balancing the scrutiny and executive functions

- 27 While this was acknowledged to be proving challenging, some councils had found that scrutiny, especially if looking at cross-cutting issues, could help the organisation take a broad overview of its priorities, as part of performance management.

## Getting the infrastructure right for effective performance management

*'Praise matters. A letter from the chief executive or the leader has a lot of clout.'*

### Event participant

### Getting skills and resources right

- 28 Many councils, especially districts, felt they lacked the skills and resources needed to make performance management work. Delegates came up with a number of ideas for tackling this problem, including:
- more peer support across departments;
  - using auditors' expertise and findings;
  - buying in skills from other councils; and
  - setting up dedicated 'invest to save' or 'innovation and change' budgets.
- 29 Most important of all though, was identifying performance management as a priority in itself and putting resources behind it.

### Encouraging ownership

- 30 Between them, delegates identified four keys to developing a successful performance management culture.
- 31 The first was leading by example. Chief executives and senior members must show their commitment, with teams good at managing performance being encouraged to act as advocates. Examples of where performance management has brought results should be widely communicated.
- 32 Engaging staff was judged to be crucial. Delegates gave examples of where staff had been involved in setting priorities through workshops, visioning days and e-groups.
- 33 Training and communications were also singled out as important. There were many examples of where this had paid off, including secondments, newsletters and poster campaigns.

- 34 Finally, there was a feeling that performance management should be ‘part of the day job’ being built into individual targets and monitored through appraisal. Consistently sticking to the approach is critical if the culture is to be changed. At the same time, participants acknowledged that getting buy-in was neither simple nor predictable.

### Using information technology

- 35 Discussions at the three events showed many councils were investing in IT systems to support performance management.
- 36 Workshops highlighted the many benefits of using IT to include access to the latest management information, more comprehensive and systematically completed templates, a more streamlined process and better links between different levels of strategies and financial and personnel systems.
- 37 Some also felt that the use of IT increased ownership, by allowing staff easy access to the system – although it was important to put the right training and audit trails in place.
- 38 However, it is important that the authority recognises that IT systems will not solely be enough. They should continue to deal with other big issues of performance management, such as culture.
- 39 Cost can be a big issue, particularly for district councils. Two approaches can be taken to overcome funding issues – Implementing Electronic Government (IEG) funding or the development of simpler in-house IT systems.

### Getting service departments on board

- 40 Delegates reported that performance management was often seen as something that was done to or for services by the centre of the organisation.
- 41 Discussions found several ways that could help the centre to get departments on board:
- build closer personal relationships with departments;
  - put effective systems in place;
  - be supportive instead of directive; and
  - remember that all services are different.

## Performance management in practice

*'How do you integrate performance management with risk management?'*

### Event participant

#### Shaping a strategy

- 42 Delegates discussed whether different departments' service strategies should adopt the same format. Some argued that this made it easier to cross-reference and introduced useful corporate branding. Others felt that more flexibility allowed departments to adapt processes to particular circumstances and increased their sense of ownership.
- 43 One approach suggested was to produce a core list of what a strategy should cover, but leave the rest to departments. Another was to show how everyone's different strategies linked together in a diagram.
- 44 Those who attended the three events felt that it would be useful to have some model strategies – the IDeA is currently working on a project to produce some of these.

#### Setting targets

- 45 There were many observations on target setting, chiefly:
  - target setting is a skill, so it is worth investing in training;
  - do not obsess about the target itself, but focus on the benefits that will result from meeting it;
  - a process for challenging targets can be useful to cut down on problems later on; and
  - always have an action plan setting down how targets are to be met and who is responsible – it sounds obvious but not everyone does it.

#### Managing risk

- 46 Delegates suggested setting up a risk log or risk assessment register linked to the performance management system, to identify major corporate risks and more low-level threats.
- 47 The Audit Commission is currently working with the Association of Local Authority Risk Managers to identify best practice in this area.

#### Keeping it simple

- 48 Both speakers and delegates stressed the importance of focusing on the highest priorities. Many councils were concentrating on just 20 or 30 performance indicators, trying to make significant progress in these areas.

- 49 Discussions identified the following points that should be taken into account when using this approach:
- always strike a balance between national and local indicators;
  - focus on outcome indicators, and use contextual and process indicators to understand better why things are as they are;
  - as corporate priorities change, be prepared to change indicators as you make progress to avoid perverse incentives from concentrating on the indicator rather than the real outcome;
  - you may need to add more indicators in order to ‘drill down’ or get to the bottom of a particular issue.
- 50 At most of the councils represented, it is the directors and senior members who set the targets, although some were moving towards having just senior members doing this.

### Monitoring performance

- 51 Discussions showed that although most councils monitored performance there were big differences in the way they went about it.
- 52 Participants came up with a checklist of things to think about when monitoring performance:
- decide how often you will monitor;
  - be clear about how the information will be used;
  - make sense of the data by using comparisons, for instance with previous years and other councils;
  - use qualitative information to ‘tell a story’ which is more meaningful than just bare figures;
  - decide how information on performance will link to that on finance and human resources;
  - have a clear process in place – and know what the next stage is; and
  - do not let the sheer volume of information obscure key messages.
- 53 Many delegates felt that there was lots of other, softer information that could be used alongside performance indicators to build up a better picture, for instance the number of people walking dogs in a park. This could also help to present the information in a way that was meaningful for local people and give a good indication of a council’s ‘direction of travel’.

### Managing performance

- 54 How you respond to performance, both good and bad, is at the heart of performance management. It is important to remember to praise and encourage good performance.
- 55 Understanding the reasons for poor performance was seen as the key to dealing with it. For instance, one council analysed problem indicators and revealed a lack of skills and resources, along with systems and processes that were not working.

- 56 Delegates suggested trying to minimise the risk of poor performance by clarifying at the outset what is expected. Another approach was to allocate targets to a team rather than to individuals: there is less personal blame and team members can provide ideas and motivation to each other.
- 57 Whatever the reasons behind poor performance it was seen as important to provide support and, if necessary, resources to turn things round.

## Getting results

*'Too much emphasis on process turns members off.'*

### **Event participant**

#### Process versus outcomes

- 58 A number of workshops encouraged a focus on outcomes rather than process. It is all too easy to get engrossed in the process rather than meeting real needs. An emphasis on process can also put members off.
- 59 One way of focusing on outcomes was to think about what was meaningful for local people, rather than solely concentrating on fulfilling the requirements of central government or inspectors.
- 60 At the same time there was an acknowledgement that it was sometimes necessary to get the process right first, once this is sorted, the focus can then move to the outcomes.

#### Working with partners

- 61 An increasingly pressing issue was how to manage performance in partnerships, particularly the LSP, when there are different interests and performance management timetables and processes. No complete solutions were offered, though some authorities were working through the LSP to agree consistent performance measures, timescales and reporting processes.

#### Changing things

- 62 There was general agreement amongst participants that achieving results through performance management required good project management, which needs to be supported by training and sufficient, dedicated resources.
- 63 It was also important to have a dedicated team to monitor and manage a range of projects, to provide strong programme management.

- 64 One council presented its own checklist of what is needed to get results from a performance management system:
- a sound business system;
  - clear accountabilities;
  - established and understood methodologies;
  - assigned roles and responsibilities;
  - rigorous monitoring; and
  - active management.

## Feedback on the PMMI project

- 65 Delegates also commented on the PMMI project itself, identifying important characteristics of its outputs:
- keep it simple;
  - try not to be too prescriptive. Take into account the differences between councils, particularly recognising the district perspective, and have something to offer at whatever stage an authority is at;
  - it should work at different levels; you should be able to ‘drill down’;
  - it should be well structured and signpost a range of support and best practice case studies;
  - it should help performance management with partner organisations; and
  - it should join up with, not just the IDeA and Audit Commission, but other inspectorates and government departments.

## What next?

- 66 The PMMI project is continuing, consolidating learning from the IDeA and the Audit Commission’s previous work, carrying out research, sharing learning with local authorities and shaping the project outputs.
- 67 We are keen to involve as many councils as possible in the project and are currently setting up dedicated PMMI web pages accessible from our websites.
- 68 In the meantime, if you would like to get involved, email us at: [ihelp@idea.gov.uk](mailto:ihelp@idea.gov.uk)

**The Audit Commission** promotes the best use of public money by ensuring the proper stewardship of public finances and by helping those responsible for public services to achieve economy, efficiency and effectiveness, on behalf of the communities they serve.

The Commission was established in 1983 to appoint and regulate the external auditors of local authorities in England and Wales. In 1990, its role was extended to include the NHS. In April 2000, the Commission was given additional responsibility for carrying out best value inspections of local government services. During 2002 it introduced the Comprehensive Performance Assessment (CPA). In 2003, it took on responsibility for inspecting housing associations. Today its remit covers more than 15,000 bodies which between them spend nearly £125 billion of public money each year. The Commission operates independently and its findings and recommendations are communicated through a wide range of publications and events.

The Audit Commission is firmly committed to providing value for money in its own activities. Through Strategic Regulation we will focus our activity where the need for improvement is greatest.

**The Improvement and Development Agency (IDeA)** was established by and for local government in April 1999. Our mission is to support self-sustaining improvement from within local government.

The IDeA is a not-for-profit organisation and an advocate of the best in local government. We aim to deliver practical solutions to improve local government performance, develop innovative approaches to ensure the transfer of knowledge within local government and act on behalf of local government as a whole, building new platforms for joined-up, locally delivered services. To do this we offer a range of services, including tailored support to improve corporate and service performance, e-government services and spreading best practice ideas and experience through IDeA Knowledge.

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