

REPORT TO: SCRUTINY COMMITTEE – 12 DECEMBER 2012

REPORT ON: MANAGING PERFORMANCE: ARE YOU GETTING IT RIGHT?

REPORT BY: DIRECTOR OF CORPORATE SERVICES

REPORT NO: 486-2012

1 PURPOSE OF REPORT

To provide Elected Members with a summary of the above national study that has recently been issued by Audit Scotland on behalf of the Accounts Commission.

2 RECOMMENDATIONS

It is recommended that Elected Members note the main findings arising from this national study, including a tool for checking progress (see appendix 1 in report) and tools to aid performance management and improvement (see appendix 2 in report).

3 FINANCIAL IMPLICATIONS

None.

4 MAIN TEXT

4.1 As part of its series of 'How Councils Work' publications, Audit Scotland has reviewed performance management and improvement on behalf of the Accounts Commission. This report highlights the importance of managing performance and explains that every one has a role to play. The report explains how to establish a performance management culture through the development of an effective performance management framework, good performance measures and the effective use performance information.

4.2 The report is divided into the following areas:

Part 1 - Introduction

This section introduces the concept of performance management and why it is so important in these challenging economic times.

Part 2 – Councillors have an important role in managing performance and delivery

This section explains that councillors need to be clear about what the council is trying to achieve and how they will monitor and review performance. They also need to be prepared to challenge officers on service performance to ensure that priorities are delivered and the needs of local communities are being met. Councillors can support improvement by showing they are actively interested in performance and taking action based on what the performance information is telling them.

Part 3 – Developing a performance management culture

This section emphasises that managing performance is everyone's business. In good councils, performance management practices are embedded throughout the organisation, are part of the day job and are not seen as a burden or an add-on. Where performance management is part of the culture, councillors and managers lead by example, by actively managing performance and communicating results. Good councils acknowledge good performance and deal with poor performance.

Part 4 – Developing an effective performance management framework

This section explains that for a performance management framework to be effective it needs to reflect the council's priorities and be integrated into business planning arrangements.

Part 5 – Developing good performance measures

This section explains that a good performance management framework uses a range of robust performance measures that provide a clear picture of performance. The measures should reflect a council's priorities and meet the needs of those who use them.

Part 6 – Using performance information effectively

This section states that performance information must be acted on to improve performance. Performance reports for the public are important for accountability and should be easy to find and easy to understand. Benchmarking is an effective way of helping organisations to deliver better services.

Part 7 – Developing self-evaluation and improvement activity

Performance management information should clearly identify where improvement is needed. There is a wide range of improvement tools and techniques available and councils need to select the most effective way to review and improve services. Self-evaluation and review must be robust and honest to be effective.

Part 8 – Partnership working

The principles of effectively managing performance also apply to partnership working. Partners need to have a shared understanding of priorities and the impact their work is having.

Part 9 – Key Points for action

This final section sets out a summary of the key characteristics of a council with effective performance management and improvement.

Appendix 1 – A tool for checking progress

This appendix is a checklist for councillors to evaluate how much they know about performance in their council and to help them to decide on action points.

Appendix 2 – Tools to aid performance management and improvement

This appendix lists the available tools to aid performance management and improvement with an explanation of what they are and how long it would take to implement each one.

4.3 The key messages from the report are as follows:

- councillors have an important role in managing performance and delivery and need to know and understand what the council is trying to achieve.
- performance management is everyone's responsibility and will only be effective when it is embedded across the organisation.
- performance measures must reflect the council's priorities and be used to support improvement.
- it is not enough to only measure performance; it must be acted on, reported, benchmarked and reviewed.
- good performance management information supports self-evaluation to show where improvements are needed.
- performance management information needs to be easy for our partners, customers and stakeholders to understand.

5 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

6 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7 BACKGROUND PAPERS

None.

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DIRECTOR OF CORPORATE SERVICES**

03 DECEMBER 2012

How councils work:
an improvement series for councillors and officers

Managing performance: are you getting it right?



Prepared for the Accounts Commission
October 2012



The Accounts Commission

The Accounts Commission is a statutory, independent body which, through the audit process, requests local authorities in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources. The Commission has four main responsibilities:

- securing the external audit, including the audit of Best Value and Community Planning
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- carrying out national performance studies to improve economy, efficiency and effectiveness in local government
- issuing an annual direction to local authorities which sets out the range of performance information they are required to publish.

The Commission secures the audit of 32 councils and 45 joint boards and committees (including police and fire and rescue services).

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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What do auditors say?

These boxes appear throughout this report and represent case studies from individual councils. They have been drawn from Audit Scotland audit reports. They are not key findings for all councils.

About our 'how councils work' series

The Accounts Commission seeks to support developments in best value and how to manage resources such as people and finance. We recognise these as two components vital to successfully delivering council services.

Our 'how councils work' series of reports aims to stimulate change and improve performance. We select topics based on the recurring themes and issues from our Best Value audit work, the work of local auditors and our annual overview report.

This is the fourth report in the series. The first, published in August 2010, examined roles, responsibilities and working relationships of councillors and council officers in achieving best value. The second report, published in June 2011, examined the relationships between councils and their ALEOs (arm's-length external

organisations). The third report, published in May 2012, highlighted the importance of good-quality cost information in policy decision-making and scrutinising performance. All reports are available on Audit Scotland's website: www.audit-scotland.gov.uk

This report highlights the importance of councils effectively managing performance and improvement to:

- deliver efficient and effective services to local communities
- show they are achieving best value.

We have worked closely with the Improvement Service in developing this report and we are grateful for their contribution.

Key messages



Everyone has a role to play in managing performance.



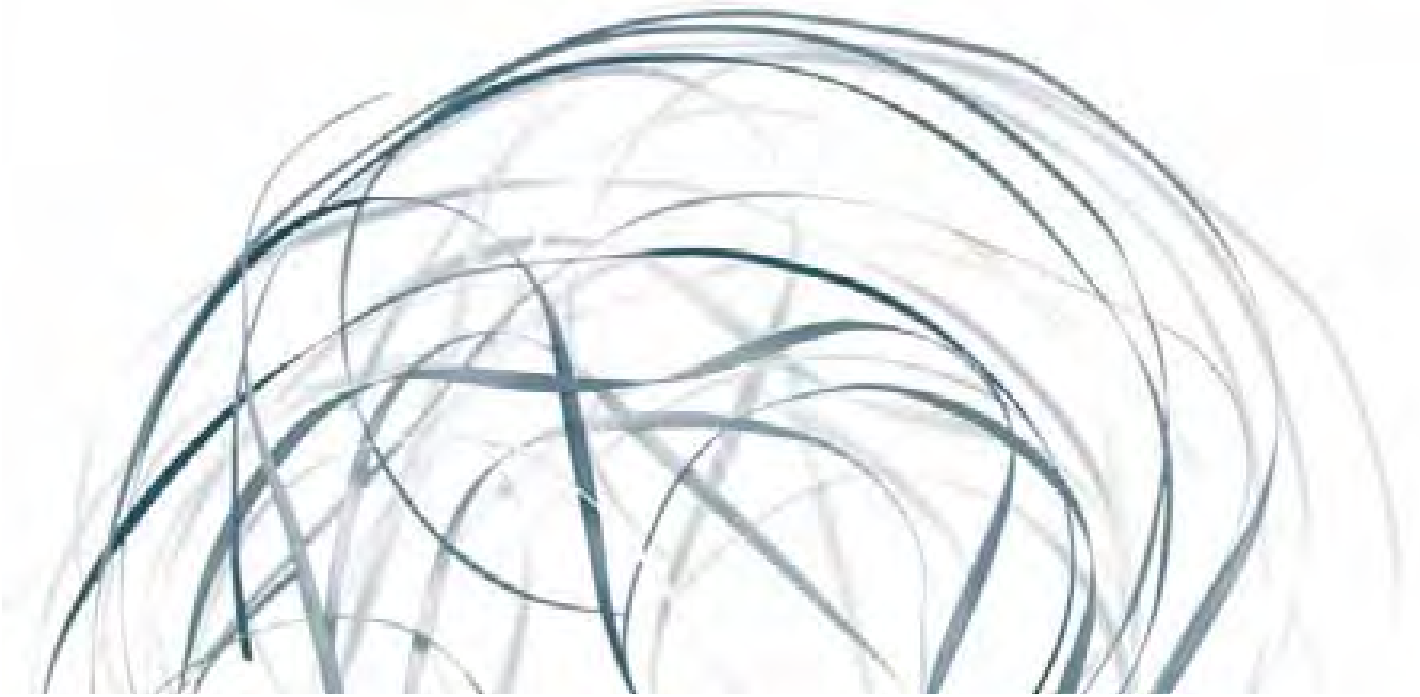
1. Our audit work has found that all councils can improve how they manage performance and improvement. Effectively managing performance and improvement helps councils demonstrate that they are delivering efficient and effective services to communities and are making the best use of resources.

2. Councils have a statutory duty to provide Best Value, set out in the Local Government in Scotland Act 2003. This duty applies to both councillors and council employees (council officers). Best Value is about councils continuously improving the performance of their services, and effectively managing performance and improvement is essential to achieve this.

3. The key messages in this report are:

- Everyone in the council has a role to play in managing performance.
- Councillors need good-quality performance information to make well-informed decisions, scrutinise performance and identify areas for improvement.
- Performance measures must reflect a council's priorities if it is to assure itself that its objectives are being met.
- Managing performance is important for governance and accountability.
- An effective performance management culture, led by both officers and councillors, is essential.
- Performance information must be acted on to improve outcomes.
- Self-evaluation and review activity form an important part of continuous improvement.
- Councillors and officers need to ensure that the principles of effectively managing performance apply equally when working with partners.

Part 1. Introduction



Having an effective performance management framework and culture helps councils to achieve Best Value.



Why is managing performance and improvement important?

4. In 2011/12, councils spent £21 billion on providing a wide range of important services for the public. In challenging economic times it is even more important that every pound is spent wisely, and that councils are as efficient as they can possibly be.

5. Audit Scotland reports¹ highlight that managing performance is an area where all councils can improve. No single council has all the elements of a comprehensive performance management and improvement framework in place.

What do we mean by managing performance?

Performance management involves gathering, analysing and acting on performance information to improve services and the quality of people's lives in the local community. Managing performance is a continuous part of the day-to-day role of councillors and all staff.

Source: Audit Scotland

6. Having an effective performance management framework and culture helps councils to achieve Best Value for the public money they spend. Effective and resilient performance management arrangements provide firm foundations for councils to:

- assess whether they are delivering their stated objectives
- assure themselves, and demonstrate to others, that they are delivering efficient and effective services to their communities and contributing towards outcomes.

7. Community Planning Partnerships (CPPs) also need an effective performance management framework in place to show how they are contributing towards outcomes for local communities.

8. During 2011, we gathered evidence on the self-evaluation arrangements in place across councils. This highlighted inconsistencies in the coverage and quality of information available to enable councils to implement effectively performance management. Having an informed view of how well services are performing and how corporate processes are contributing to this enables a council to focus on which areas they need to improve.

What do we mean by self-evaluation?

Self-evaluation is where a council systematically examines its own services, achievements, and processes to assess whether it is meeting its stated aims, objectives and outcomes efficiently and effectively.

Source: Audit Scotland

Who is this report for?

9. This report is for:

- councillors – who are responsible for setting the direction and scrutinising performance. They need to ensure they have the information and support available to enable them to do this. [Part 2](#) of the report focuses on the important role councillors have in managing performance
- chief executives and corporate management teams – who are responsible for delivering the council's objectives. To do this, they need to develop and sustain a culture of continuous improvement and ensure action is taken to improve performance

- managers – who are responsible for managing effective performance. They need self-evaluation frameworks to help ensure they are meeting the needs of communities and that all employees contribute to managing performance.

10. Our report combines information and guidance that already exists with the findings from our audit work ('what do auditors say?'). We have also included case studies to show how councils are using performance management in practice.


11. We want this report to stimulate discussion among councillors and officers and support change and improvement. This is critical given the current financial climate and the need to challenge existing ways of doing things. The report supports councillors and officers by signposting sources of information and guidance. We have also included checklists and other self-assessment tools that we hope councillors and officers will find helpful.

12. This report covers:


- the important role of councillors in managing performance
- the importance of leadership by both officers and councillors in developing a performance management culture
- developing effective performance management frameworks to support improvement
- developing performance measures
- using performance information effectively
- developing self-evaluation and improvement activity
- managing performance in partnerships.

1 Local audit reports, Best Value audit reports, overview reports and national performance audit reports.

Part 2. Councillors have an important role in managing performance and delivering improvement



Councillors need to be clear about what the council is trying to achieve and how they will monitor and review performance.



Councillors have an important role in managing performance. They need to be clear about what the council is wanting to achieve and how they will monitor and review performance. They also need to be prepared to challenge officers on service performance to ensure that priorities are delivered and the needs of local communities are being met. Councillors can support improvement by showing they are actively interested in performance and taking action based on what the performance information is telling them.

13. All councillors have a strategic role in managing performance. This can be council wide or may be service specific, depending on their role. They are responsible for setting the vision of the council, prioritising what needs to be done and monitoring how well it is being achieved. It is not about the operational management of services, that is the role of council officers.

14. Councillors need to develop a shared understanding of managing performance with senior officers across all service areas and partnership activity. In practice, this develops by councillors regularly considering performance reports in meetings and by discussing performance with officers. Councillors need to have the confidence, skills and appropriate training to challenge officers constructively and effectively. This sends out a clear message to council officers that managing performance is being taken seriously by councillors.

Councillors need to be clear about priorities and ensure appropriate performance measures are in place

15. Councillors need to be clear about their strategic vision and the council's priorities. All councils have finite resources and councillors have to ensure that what they are trying to achieve is effectively prioritised and resourced.



What do auditors say?

"Performance reporting to the committee is limited and inconsistent and this has impacted on the ability of councillors to scrutinise performance."

"The council reported performance against 308 indicators. The council recognised that this number of indicators did not enable clarity on the key issues for councillors."

"Quarterly performance reports have been produced since late 2009 and are made available to councillors. Councillors find the reports, particularly the narrative, useful. Reports could, however, be more balanced in terms of highlighting areas for improvement as well as the positive messages."

Source: Audit reports

16. A council's vision and its priorities are typically set out in either a strategic or corporate plan and are reflected in the community plan. Service plans or operational plans flow from these documents and should detail how individual services plan to deliver on the council's priorities. Councillors should review these plans to ensure they clearly reflect the council's priorities and therefore ensure that service performance is helping to deliver the council's objectives.

17. Once the council's priorities have been agreed, councillors need to decide what it is they want to know in order for them to assure themselves that they are achieving the desired outcomes. Councillors should work with officers to make sure they get the information they need to fulfil their role effectively and therefore need to consider:

- what information they need
- how often they need it
- how it should be presented, so that it is easily understood.

18. Councillors need a range of high-level indicators to help assess performance at a strategic and corporate level, supplemented by more detailed indicators on service performance. To be fit for purpose the information needs to be:

- accurate
- timely
- meaningful (but not overly detailed)
- relevant
- high quality
- well presented.

19. Councils are large, complicated organisations and it is not realistic or practical to routinely report on all aspects of performance. We have found that very lengthy detailed performance reports are not effective, as important issues can be buried away in the detail. Councils should therefore use tools to help councillors focus on the important issues.

20. Some measures might, for example, be reported on an exception basis to show where performance has varied from a specified standard. Councillors can be involved in helping to set the levels of variance and then be advised when performance is outside these acceptable levels.

21. Many councils use the 'traffic light' or RAG (red, amber, green) approach which uses colour coding to help highlight where performance is on track and where there are areas of concern.

22. Councillors should also use benchmarking data. Comparing performance trends against targets, over time and with other councils can prompt questions about performance such as ‘why is it other councils appear to be performing better than us?’ or ‘why are other councils apparently providing cheaper services?’

Councillors should actively scrutinise performance and act on the performance information they receive

23. Having set the strategic direction for the organisation councillors have a responsibility to scrutinise performance.

24. To fulfil this scrutiny role effectively, councillors need to hold officers to account and ensure they are delivering good-quality services by taking action to address any areas of poor performance.² Effective and challenging scrutiny by councillors demonstrates a commitment to Best Value and reinforces a positive performance management culture.

25. Councillors should robustly and constructively challenge service performance. Questioning is an important part of scrutiny. Simply considering performance reports is not sufficient and councillors have a responsibility to ask for explanations and additional analysis when necessary.

26. Many councils have committees and panels with a specific remit covering performance and scrutiny these are covered in more detail in [Part 7](#) of this report. These forums can be an effective way of scrutinising performance and supporting improvement. It is worth remembering, however, that managing performance and scrutiny needs to take place in all forums, from full council, through committees and subcommittees to less formal panels and working groups. Managing performance is not the responsibility of an individual committee.



How does it work in practice?

The council uses a combination of scrutiny committees and an audit committee to scrutinise performance. The roles and responsibilities of service scrutiny committees and the audit committee are clearly defined and do not overlap. Service scrutiny committees consider matters relating to service performance whereas the audit committee will consider matters relating to corporate service reviews, self-evaluation activity and external audit or scrutiny. A guidance booklet on scrutiny is provided to councillors. It covers:

- overall scrutiny arrangements within the council
- roles and responsibilities of individual councillors, committees and of officers
- the role of internal and external audit and inspection audit in scrutiny
- the work of the scrutiny committees
- the work of the audit committee
- contacts for members for assistance
- key techniques and lines of scrutiny questioning.

Source: *Guide to Scrutiny*, Perth & Kinross Council, September 2010



27. Performance measurement and scrutiny are only a means to an end and not an end in themselves. Councillors have an important role in taking decisions to respond to what the performance information is telling them. This might include:

- Revising plans and measures – where priorities or circumstances have changed.
- Targeting resources – to ensure priorities are delivered.
- Identifying improvement activity – to address any areas of concern.
- Considering options – about how or what services are delivered.

Councillors need training and support to fulfil their role effectively

28. Councillors need to have the appropriate support or training to ensure that they have a good understanding of how managing performance works and what their role is. This should be part of any induction process for new councillors and can also be useful for returning councillors. Training and support on managing performance should also form part of a councillor’s continuous personal development (CPD). Councillors may also benefit from specific training, for example, where they are part of specific review process or a member of a scrutiny panel.

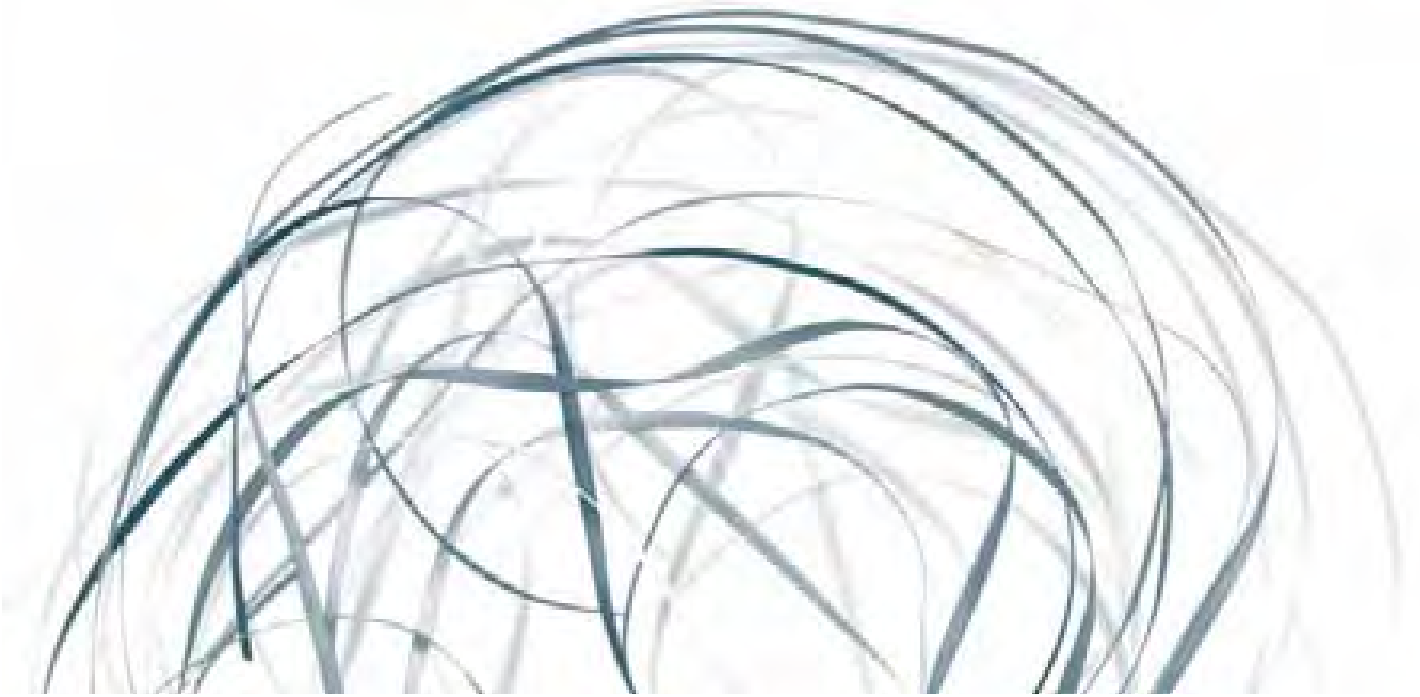
29. Appendix 1 to this report includes a checklist of prompt questions designed to assist councillors evaluate whether they receive the information, guidance and support they need to fulfil their role effectively.



Want to know more?

- *Guide to scrutiny (Perth & Kinross Council, September 2010)*
<http://www.pkc.gov.uk/NR/rdonlyres/B3A2393E-732F-4280-A3F2-F50E2501610E/0/FINALSCRUTINYHANDBOOKSEPTEMBER10.pdf>
- *Scrutiny: Driving Performance Improvement (Welsh Local Government Association, 2007)*
<http://www.wlga.gov.uk/english/overview-scrutiny-publications/scrutiny-driving-performance-improvement-2007/>
- *Guide to becoming a councillor (COSLA/Improvement Service)*
<http://www.improvementservice.org.uk/library/download-document/3444-the-candidate-s-guide-to-becoming-a-councillor/>
- *2012 councillor induction pack, Notebook 3 Corporate Governance (COSLA/Improvement Service)*
- *A councillor's guide to performance management (2nd edn), 2006*
<http://www.idea.gov.uk/idk/aio/4810912>
- *Audit Commission: Is there something I should know: Questions for councillors to ask (IDEA/Audit Commission)*
<http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/20090730istheresomethin gishouldknowrep.pdf>
- *Achieving excellence: An elected member guide to performance management (APSE)*
<http://www.apse.org.uk/research.html>
- *Case studies: The Role of Board Members in Strategy Execution: How an Effective Board helps to Drive Performance (Advanced Performance Institute)*
<http://www.ap-institute.com/case-studies.aspx>
- *CPD framework (Improvement Service)*
http://www.improvementservice.org.uk/component/option,com_is_blank/Itemid,1328/

Part 3. Developing a performance management culture



Councillors and senior officers need to ensure managing performance is part of their day-to-day business.



Managing performance is everyone's business. In good councils, performance management practices are embedded throughout the organisation, are part of the day job and are not seen as a burden or an add-on. Where performance management is part of the organisation's culture, councillors and managers lead by example, by actively managing performance, and communicating results. Good councils acknowledge and recognise good performance and deal with poor performance.

30. Performance management frameworks, systems and measures are essential – but they can only go so far. Having a good performance management culture in place helps councils to deliver their objectives and ensure they are providing efficient and effective services.

An effective performance management culture will help improve performance

31. An effective performance management culture will help councils deliver their priorities, improve services and outcomes and deal with the challenges that they face. This involves everyone, councillors, officers and partners, all having a shared understanding of what is expected and why. Fostering an effective performance management culture means that:

- councillors and officers share a common purpose and vision
- everyone knows how their work contributes to priorities
- managers and staff monitor and manage their own performance and achievements
- performance is reported regularly at all levels of the organisation



What do auditors say?

“The Corporate Management Team (CMT) should demonstrate strong leadership in managing performance and driving continuous improvement. CMT meetings, the forum for discussion of strategic issues, rarely focus on improvement activity and related performance issues.”

“The council has not had a strong culture of improvement, with significant weaknesses in performance monitoring and scrutiny by councillors and no strategic approach to self-assessments to help drive improvements.”

Source: Audit Scotland

- councils recognise and acknowledge where they are succeeding and where they need to deal with poor performance
- high standards of conduct and performance are expected and delivered.

32. Our audit work has identified a lack of an effective performance management culture as a common theme. There are a number of reasons why this seems to be the case. In some instances, we found a lack of awareness and leadership. In others, we found a focus on a system or process but not on developing a culture that would make best use of the systems that are in place.

Councillors and senior officers should demonstrate a good understanding of performance and share this across the council

33. Councillors and senior officers need to ensure that managing performance is part of their day-to-day business. In practice, this develops by councillors regularly considering performance reports in meetings and by discussing performance with officers. It also involves managers considering performance corporately in management team meetings as well as in service management meetings and team meetings.

34. Councils should regularly communicate about how they are performing throughout the organisation. This needs effective communication systems to be in place so that all staff are kept up to date on performance. Councils can do this in various ways, depending on where and when people work. For example, they can use:

- electronic media such as email or the council's intranet
- written media such as newsletters, briefings and notice boards
- discussions at staff conferences, team meetings and briefings.

35. Councillors should be kept up to date through performance reports and formal meetings but councils can also supplement this by communicating in other ways, such as councillors' briefings and notices on notice boards in the councillors' lounge.

36. Managers need to recognise good performance and openly acknowledge it at both individual and team level. Recognising good performance is also about sharing success stories and knowledge across the council and with councillors and partners. It is about highlighting how improved performance has made a positive impact on communities.

Everyone has a role to play in managing performance

37. Performance management is not something that is just done by managers; everyone has a role to play. [Exhibit 1](#) summarises the main roles and responsibilities within councils.

38. All employees need a clear understanding of how:

- their day-to-day own work contributes to the organisation's priorities
- their individual work objectives link to corporate objectives.

39. Effective induction processes for new employees are extremely important in setting the right expectations of performance for both the employee and the manager. In an effective performance review process, employees and managers focus on improvement and the employee's development. This forms the basis of the employee's personal development plan.

Exhibit 1

Main roles and responsibilities within councils

Group	Role	Responsibility
Councillors		
Council	Strategic role in setting vision and direction.	Setting council objectives and priorities. Monitoring overall council performance. Agreeing performance measures.
Committee	Holding officers to account on performance issues and providing constructive challenge.	Directing specific reviews to scrutinise decisions and offer alternative policy or service proposals to help improvement.
Councillor	Keeping a watching brief of the council's overall performance position, particularly areas of poorer performance and risk as well as areas of good practice and innovation. Use information received through surgeries and queries from members of the public when considering performance.	Providing challenge on performance issues.
Officers		
Chief executive	Ensuring action is being taken to deal with areas of poorer performance and risk as well as developing areas of best practice and innovation.	Taking action to deal with, or referring them to, the CMT or the council as appropriate.
Corporate Management Team	Managing performance and setting out what the council wants to achieve.	Challenging areas to improve and areas of risk. Implementing strategic decisions and sharing good practice.
Senior managers	Leading council services and taking the lead on continuous improvement; reporting performance to the public and corporately.	Carrying out self-evaluation of strengths, areas for improvement, outstanding risks and how these are being dealt with.

Source: Audit Scotland

40. Members of staff should discuss their performance regularly with their manager ensuring they have enough time and the appropriate skills to enable them to achieve their objectives. An employee's personal development plan should explain how the council will meet their development needs and should be reviewed annually.



What do auditors say?

"The chief executive, directors and assistant chief executive are using progress reports and delivery of performance targets described in business plans as part of the evidence to support regular performance management reviews with senior officers. The information forms part of the evidence for annual appraisal of senior officers and is being built into the current work to revise personal development processes within the council."

"The council has made good progress against its improvement priorities over the last year including a council-wide appraisal process for staff linked to performance management."

Source: Audit Scotland

Part 4. Developing an effective performance management framework



Managing performance is essentially about planning what an organisation wants to achieve, doing the work, reviewing what has been done and assessing whether it has the desired impact.



For a performance management framework to be effective it needs to reflect the council's priorities and be integrated into business planning arrangements.

41. Managing performance is essentially about planning what it is an organisation wants to achieve, doing the work, reviewing what has been done and assessing whether it has had the desired impact. This is often called the 'plan, do, review, revise' cycle (Exhibit 2).

42. Councils need to be clear about their priorities so they can understand what they need to measure when developing their approach to managing performance.

43. Councils also need to find effective ways of involving local communities and developing a good understanding of what local people need, want and expect from them. The results of this community engagement activity can then feed into the council's business planning processes.

Sound business planning forms the basis of what to measure

44. Good councils have business planning processes which clearly link high-level strategic priorities with more specific objectives for services, teams and individuals. This is often referred to as the 'golden thread' (Exhibit 3, overleaf). Audit work tells us that in the most effective councils there are clear links between strategic priorities (typically set out in Single Outcome Agreements (SOAs) and corporate plans), service priorities (captured in service plans) through to plans at an operational and individual level.

45. Each level of business planning should be accompanied by a relevant set of performance objectives and measures to assess progress and impact.

Exhibit 2

Types of performance measure



Source: Audit Scotland



What do auditors say?

"...we reported that work was under way to map the service plans' objectives and performance measures against the council's strategic priorities, key actions and the SOA outcomes. This work has been completed resulting in improved linkages between key objectives, strategic priorities and the SOA within service plans."

"The targets and indicators used in the performance management system are linked to service business plans and national outcomes. Links to SOA local outcomes and corporate priorities could be clearer and more explicit."

Source: Audit Scotland

Exhibit 3

What we mean by the 'golden thread'



Source: Audit Scotland

Many councils have had difficulty in implementing a comprehensive approach to managing performance

46. The principles of performance management are widely known. However, many councils have found it difficult to design and implement a comprehensive corporate approach to managing performance.

47. Audit work tells us that commonly experienced difficulties include:

- a lack of a corporate approach to managing performance – there are different arrangements across services
- weaknesses in the information available – information is of poor quality, unclear or incomplete
- a focus on introducing electronic systems at the expense of developing a performance management culture.

48. We have previously reported on the main features of an effective performance management framework (Exhibit 4).³

Exhibit 4

Key features of an effective performance management system

The process

- There is an effective corporate framework in place and embedded across the organisation.
- The system produces information that is accurate, timely and relevant to the council's priorities and service activities.
- The data is analysed to enable the quality of services at a global level, eg social work, and at a divisional level or area level to support the different levels of accountability within the council.

Focusing on action and improvement

- Information is monitored at an appropriate level.
- Poor performance is challenged.
- Effective action is taken to improve performance and the impact is monitored.
- Improvement actions are specific and measurable.

Source: Audit Scotland

Part 5. Developing good performance measures



Good performance measures are SMART.



A good performance management framework uses a range of robust performance measures that provide a clear picture of performance. The measures should reflect a council's priorities and meet the needs of those who use them.

Councils need to set clear performance measures

49. Councils need to use a range of measures including performance indicators, targets and trends to get a clear picture of whether the council is achieving its objectives. This is essentially the 'do' part of the 'plan, do, review, revise' cycle ([Exhibit 2 in Part 4](#)).

50. Good performance measures typically have the characteristics set out in [Exhibit 5](#). Performance measures are most effective where they:

- focus on the council's priorities
- are based on a sound understanding of current and past performance and what is likely to influence future performance.

51. Council strategic plans rightly span a number of years and it is therefore important that shorter-term, interim objectives or milestones are in place to assess progress. Similarly it is important that councils have a clear picture of current performance – a 'baseline' – so that they can assess both progress and impact over time.

Types of performance measures

52. To manage performance effectively, councils need to set clear objectives and then use a combination of measures to track progress and impact. They need good-quality information on:

- inputs – to understand what resources the council is using to deliver services and objectives

Exhibit 5

Characteristics of good performance measures

Good performance measures are SMART:

- **Specific:** the performance measure indicates exactly what result is expected so that performance can be judged accurately
- **Measurable:** data are available or can be collected relatively easily
- **Achievable:** they are realistic, not based on aspirations
- **Relevant:** they matter to the intended audience and clearly relate to the service being measured
- **Timely** and have information available frequently enough to have value in making decisions
- combine fact (quantitative) with views and opinions (qualitative)
- measure inputs, outputs and outcomes.

Source: Audit Scotland



What do auditors say?

"The BV2 pathfinder report highlighted the need for more comprehensive performance management arrangements including the need for good performance information which includes the views of customers and local people and analysis of comments and complaints."

"The council's performance reporting and monitoring remains too dependent on process-based information, such as the progress of specific projects, and SPIs divorced from local outcomes. It should rather take into account information on customer views and other service-user data; value for money; how well the council is achieving service standards; and delivering wider outcomes."

"The council has over 5,000 performance indicators on the performance management system, providing a wide range of detailed management information on the efficiency and effectiveness of services. Each service in the council has a suite of indicators that provide a multi-faceted view of performance, including the level of customer satisfaction, quality of service provision against service standards, efficiency and effectiveness."

Source: Audit Scotland

- processes – to know when and where services are being delivered and if they are being delivered on time
- outputs – to understand both the level and quality of the service the council is delivering
- outcomes – to assess what impact the services are having and whether they are achieving the agreed objectives.

53. Good performance management frameworks combine these measures to give a council an overview of performance. [Exhibit 6](#) describes the types of performance measures and gives examples. Knowing what it costs to deliver a service is an important input measure. Our recent report *Using cost information to improve performance* focuses specifically on using cost information and measures.⁴

54. People need different kinds of performance information at the different levels of the organisation. Councillors and senior managers need a strategic overview of organisational performance while service managers require information that helps them to manage their service or team. Individual members of staff also need to know how they are performing. This means that there is a natural hierarchy of measures ([Exhibit 7, overleaf](#)) which should reflect the hierarchy of plans described in [Part 4](#) of this report and the structure of the organisation.

Good performance measures take account of who and what they are for

55. Performance measures need to serve the purpose they were designed for. They should, therefore, be tailored for the information user. Councillors typically need a set of

Exhibit 6

Types of performance measure

Type of performance measure	Description	Example
Input measure	A measure of the resources used by a service or process. Some inputs relate to workload, others relate to the amount of resources used in a process.	Staff hours used Cost of school books
Output measure	The number of units of a process or service produced or delivered.	Number of hours of care provided
Process measure	Aspects of business or service processes such as completion rates, processing times, backlogs, error rates.	Days between request for care assessment and assessment Days to process benefits application
Outcome measure	A measure of the ultimate benefit from undertaking an activity or providing a service.	Improvement in standard of living and equality of opportunity Reduction in deaths

Source: Audit Scotland

high-level indicators giving them an overview of overall performance. Managers need more detailed measures to help them manage services, and team leaders need operational indicators to manage their teams.

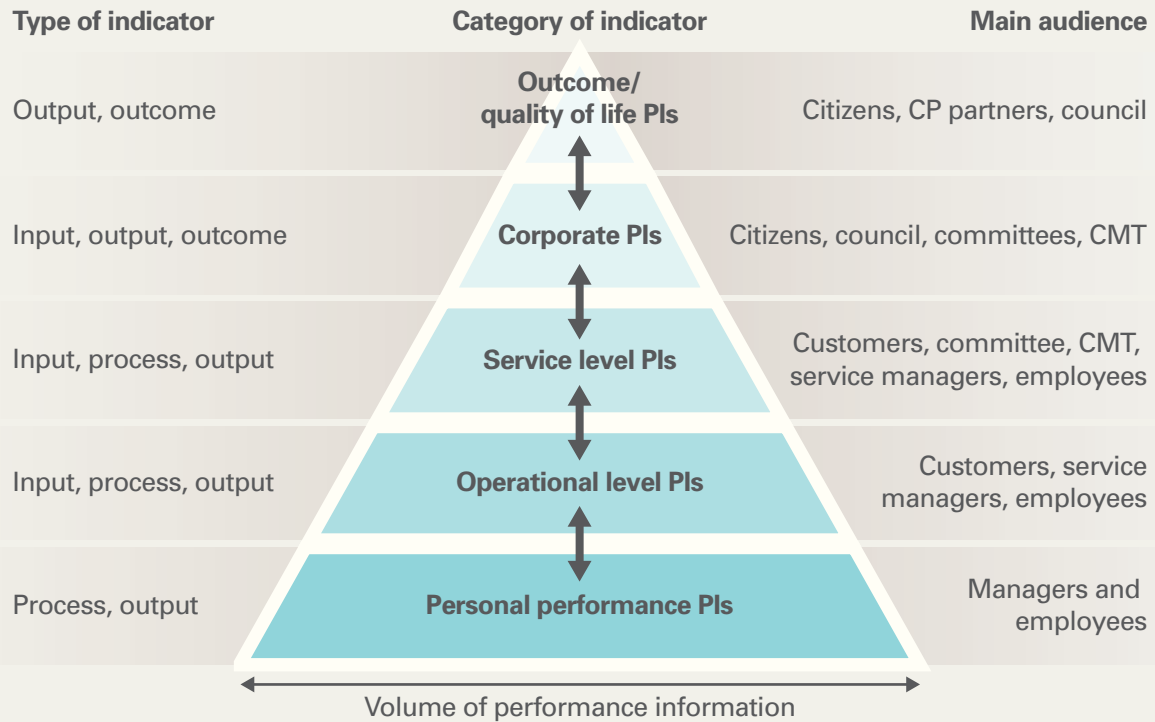
56. A regular core set of measures that summarises the council's overall achievement is useful for councillors, especially when backed up by a commentary that provides clear messages on performance. Other measures might be reported only to highlight where performance has varied from an expected standard. Councils use various methods to report performance information. For

example the RAG (red, amber, green) system uses colours to highlight positive performance as well as under-achievement or where there is a risk of not meeting a target.

57. Simply reporting performance by itself cannot explain success or failure. In some cases, extra analysis is needed, perhaps using statistics or graphs, to understand the trend, history and probable direction of performance. Service managers and staff who collect performance information have a responsibility to identify areas where additional analysis can help. Equally, councillors and senior officers have a responsibility to ask for and provide

Exhibit 7

Hierarchy of performance indicators (PIs)



Source: Audit Scotland

resources (people or money) for additional analysis if necessary. The most effective reporting by performance officers:

- presents information in an accessible way using appropriate charts rather than tables
- limits the number of measures in any one report to avoid information overload
- highlights measures that are causing concern, for example by using a dashboard to graphically represent performance information
- clearly explains reasons for performance being off target
- sets out what action will be taken to restore performance where measures are off target.

Good performance measures take account of customer satisfaction and the needs of specific user groups

58. Councils need to take account of the needs of their communities and people who use their services when deciding what performance measures to use. This is because customer feedback is an important measure of success or progress towards outcomes.

59. Councils that take account of the needs and preferences of the people who use services can adapt services and better satisfy the needs of their communities. Most councils survey service users and citizens in some way. Some have established customer standards that set out what people can expect by way of service quality. Reports from surveys, and about how well the council is meeting

customer standards, are useful performance measures. Information from complaints systems identify problems and also helps gauge customer satisfaction.

Performance measures are vital to demonstrate Best Value

60. Our Best Value audits have shown that councils need to do more to demonstrate cost effectiveness across the whole range of their services. They can do this by comparing cost and service performance trends over a period of time. Performance measures therefore need to include a combination of cost and quality indicators. Councils can also demonstrate Best Value by using benchmarking to compare themselves with other councils or comparable organisations. [Part 6](#) of this report covers benchmarking in more detail.



What do auditors say?

“As part of the improvement model all services are developing efficiency indicators to help the council understand its costs relative to other providers and authorities.”

Source: Audit Scotland

61. In May 2012, we published a report called *Using cost information to improve service performance: are you getting it right?* This report highlighted the benefits of using cost measures as part of a performance management framework. Would an apparently high-performing service be viewed in the same light if it appeared to be costing twice as much as a similar service in a neighbouring council, for example? Without good cost information, councillors cannot fully monitor and scrutinise service performance.

Good outcome measures are vital to demonstrate impact

62. Delivering better outcomes is a complicated business and can be difficult to measure. The measures councils use must not only adequately reflect what is going on but also provide a basis for decision-making, identifying areas for improvement or where learning could be shared.

63. Part of the value of a good measure is in comparing performance against others, so, wherever possible, councils should use existing measures. Using a range of sources of performance information to provide comparisons makes data more reliable. Sources include the Society of Local Authority Chief Executives (SOLACE) local outcome indicators, benchmarking groups, and statutory performance indicators from the Accounts Commission.



What does a good set of performance measures look like in practice?

In 2007, the five UK audit agencies (Audit Commission, Audit Scotland, National Audit Office, Northern Ireland Audit Office and Wales Audit Office) jointly launched a set of indicators for each of five corporate service activities: estates management, finance, human resources, ICT, and procurement. Two further services were added later: communications and legal. The indicators are widely acknowledged as a reliable source of measurement. Many public bodies across the UK adopted them voluntarily, and they are used for benchmarking. This suggests they have been successful.

The indicators produced for each corporate service area comprise a set of primary and secondary indicators that combine indicators of cost, user satisfaction, management practice, input, process and outcomes.

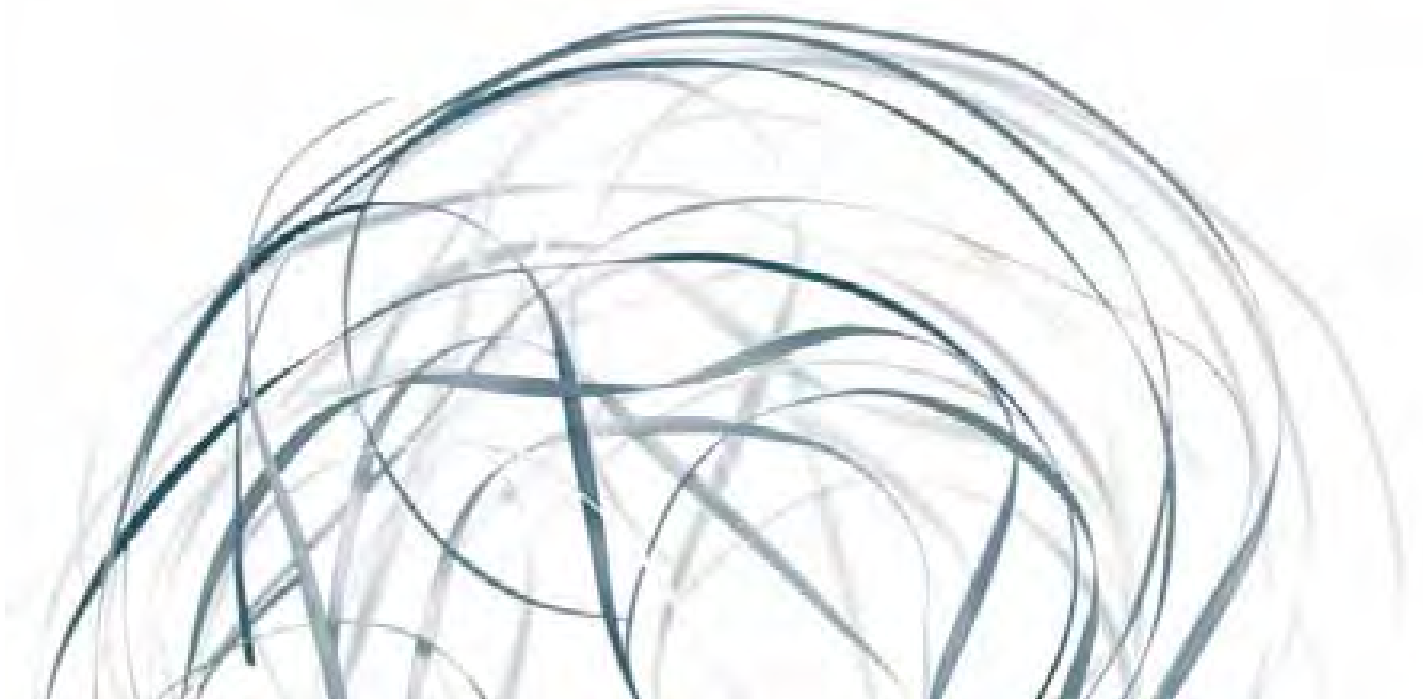
Source: Audit Scotland



Want to know more?

- *Using cost information to improve service performance: are you getting it right?* (Accounts Commission)
http://www.audit-scotland.gov.uk/docs/local/2012/nr_120510_hcw_costs.pdf
- *Value for money in public sector corporate services: A joint project by the UK public sector audit agencies*
http://www.nao.org.uk/publications/0607/vfm_in_public_sector_corporate.aspx
- *On target: The practice of performance indicators* (Audit Commission)
http://www.audit-commission.gov.uk/SiteCollectionDocuments/AuditCommissionReports/NationalStudies/archive_mptarget.pdf
- *A measure of success: Setting and monitoring local performance targets* (Audit Commission)
<http://www.audit-commission.gov.uk/Pages/default.aspx>
- *How to design key performance indicators: management white paper* (Advanced Performance Institute)
<http://www.ap-institute.com/white-papers.aspx>
- *Customer satisfaction measurement tool* (Improvement Service)
<http://www.improvementservice.org.uk/library/592-customer-first-programme/777-customer-satisfaction-measurement-tool/view-category/>
- *SOLACE/Improvement service local outcome indicators*
<http://www.improvementservice.org.uk/local-outcome-indicators/>
- *ABC benchmarking partnership*
<http://www.improvementservice.org.uk/resources/toolkits/benchmarking-for-improvement-toolkit/>
- *SOCITM benchmarking ICT service*
http://www.socitm.net/info/216/benchmarking_services/106/benchmarking_ict_service/1
- *CIPFA corporate services benchmarking club*
<http://www.cipfabenchmarking.net/corporateservices/>
- *Accounts Commission Statutory Performance Indicators*
<http://www.audit-scotland.gov.uk/performance/>

Part 6. Using performance information effectively



Councillors and officers need good-quality performance information that enables them to identify areas of concern and respond to these through well-informed decisions.



Performance information must be acted on to improve performance. Performance reports for the public are important for accountability and should be easy to find and easy to understand. Benchmarking is an effective way of helping organisations to deliver better services.

Good-quality performance information must be acted on to improve performance

64. Having a highly developed performance management framework is not an end in itself. It is vital that decision-makers take action based on what the performance information is telling them. For example, where performance measures are indicating that performance is poor, or deteriorating, a council should decide what action needs to be taken to improve performance.

65. Councillors and officers therefore need good-quality performance information that enables them to identify areas of concern and respond to these through well-informed decisions. The performance information therefore needs to be accurate, timely and meaningful.

66. Councils that manage performance well focus on gathering and using information about performance – at all levels of the organisation. Reliable information means they can start to make decisions about what needs to improve.

67. Where an action plan is developed to respond to performance issues councils need to have good governance in place to ensure they are delivered. Improvement plans therefore need to clearly identify:

- the issues
- action to be taken

- who will be responsible for action
- timescales
- what resources are required to implement the actions
- how progress will be monitored and by whom
- what the measure of success will be.

Performance reports for the public should be easy to find and easy to understand

68. Public performance reporting (PPR) is all about informing the local community about where the council is performing well and where they need to do better. It is an essential part of accountability. However, a recent Audit Scotland review showed there is significant scope to improve the methods councils use to tell the public how they are performing.

What do auditors say?

“The council has developed a PPR strategy and uses a range of methods for communicating and engaging with stakeholders. The council has worked with its residents to develop its PPR arrangements in line with residents’ needs. However, performance reports to councillors and the public did not set out clear targets for the council’s services and objectives for future service delivery. In addition, the reports did not set out timescales and measurable targets for how the council will address areas of poor performance.”

Source: Audit Scotland

69. To meet public performance reporting expectations councils need to:⁵

- clearly identify what information to provide at a service activity level and which at a corporate level
- use information from its performance management and information systems
- use a range of media to report how they are performing
- include guidance on how people can find more detailed information
- present information in a clear, easy-to-understand and concise format
- have an accessible feedback system which encourages people to comment on the information, and ensures the feedback is regularly reviewed.

70. An easy-to-understand and concise public performance report would typically include the following:

- Information on what services the authority provides, what people can expect from them, and how to find out more detailed information.
- Information on what the council has learned from consultations and how it will respond to them.
- Information on how the council works with partners on Community Planning.
- Information that shows the council is spending its money wisely and providing value for money.
- Information that provides a rounded, honest and balanced picture of how the council is performing.



What does it look like in practice?

A council carries out effective public performance reporting. The main aspects of this are:

- making information publicly available within a reasonable time of the period it refers to
- reporting on a range of information to show that it is securing best value across all services in:
 - how it uses resources, such as skills and money
 - in responding to community concerns
 - on equality
 - on sustainability
- using several media to communicate with the public. It makes information available on its website but also uses local newspapers and mailshots to inform the public. Performance information is easy for people to access from the website's homepage
- all reports and website information are in plain, clear language
- using visual devices to show performance information using red, amber and green 'traffic lights' graphics to help readers understand the information
- benchmarking family groups of councils to show how the council compares with similar councils. Data cover a three-year period where it is possible to make comparisons
- using cost information to show that value for money is improving over time. This is accompanied by contextual information explaining the data
- including information to show that the council listens and responds to the public. Examples include satisfaction survey results, complaints data and what action the council has taken in response to customer feedback
- including a balanced view of performance on areas of good performance and where improvement is needed.

Source: Audit Scotland



Want to know more?

- *The Local Government in Scotland Act 2003 – Best Value Guidance Measures to Support public Performance Reporting – Guidance for local authorities on reporting performance to the public (2005)*
<http://www.scotland.gov.uk/Publications/2005/01/20531/50061>
- *Best Value toolkit: Public Performance Reporting (Audit Scotland)*
http://www.audit-scotland.gov.uk/docs/best_value/2010/bv_100809_performance_management_toolkit.pdf

- Trend information, comparative information, and performance against targets or benchmarks to help people assess how performance is changing.
- Information that explains:
 - what the council is doing to improve its performance and impact
 - what targets it has for improvement
 - what improvements have been achieved since it last reported.

Benchmarking performance information helps improvement

71. At its most basic level, benchmarking is simply about making comparisons. Councils can compare their own performance over time, or compare how they are doing with other councils or other organisations. As far back as 1999, we published guidance about benchmarking in a report called *Measuring up to*

the best: a manager's guide to benchmarking which remains relevant today.⁶ More recently the report *Using cost information to improve performance*⁷ focuses on using cost information in benchmarking.

72. Using benchmarking effectively, councils might ask questions about their performance such as:

- Why is performance deteriorating over time?
- Why do other councils appear to be performing better than us?
- Why are other councils providing cheaper services?

73. Benchmarking can be an effective way of helping organisations to deliver better services by sharing knowledge and information directly and learning from other organisations. Benchmarking can be a powerful tool for managers to improve services, but used inappropriately it can also be expensive and can fail to deliver benefits.

74. Councils need to be clear about what they expect from benchmarking. This will provide a focus for their work, and will reduce the danger of making performance comparison an end in itself. Outcomes might include:

- lower costs
- better value for money
- improved 'customer' satisfaction
- achieving targets
- implementing good practice.

75. The factors that lead to successful benchmarking include:

- allowing enough time for planning and devoting enough people and time to benchmarking



What do auditors say?

"The council has been active in the development of the SCOTS¹ national road asset management performance indicator suite and national benchmarking exercises and can demonstrate improved performance management and reporting."

"The performance management framework can be further enhanced by the use of comparative data and clearer links to SOA performance."

Note: 1. Society of Chief Officers of Transportation in Scotland
Source: Audit Scotland



Want to know more?

- **ABC benchmarking survey**
The Improvement Service (IS) has developed a benchmarking toolkit in response to findings from research by the ABC Benchmarking Partnership.¹ The research found that managers in local authorities believed benchmarking to be important but they sometimes faced practical barriers when undertaking it. The toolkit aims to respond to some of the issues raised by the research by providing opportunities for self-learning and facilitated learning to help managers develop practical knowledge and skills.
<http://www.apse.org.uk/>
- **APSE performance networks**
Association for Public Service Excellence (APSE) performance networks are public sector benchmarking groups across the UK. They cover 14 services and members get a range of performance reports, comparative data and access to other resources.
<http://www.apse.org.uk/>
- **Public Audit Forum**
The UK audit agencies developed indicators designed to help public sector organisations understand, compare and demonstrate the value for money performance of their corporate services. These indicators have been used extensively by public sector organisations across the UK. More detail is available on the forum's website:
www.public-audit-forum.gov.uk
- *Measuring up to the best: a manager's guide to benchmarking* (Accounts Commission, January 1999)
http://www.audit-scotland.gov.uk/docs/local/pre1999/nr_9901_managers_guide_benchmarking.pdf
- *Better benchmarking for high performance* (CIPFA, 2010)
<http://www.cipfa.org/Policy-and-Guidance/Publications/B/Better-Benchmarking-for-High-Performance>

Note: 1. Members of the ABC Benchmarking Partnership work together to improve services by sharing and comparing data, processes and solutions to common problems.

6 http://www.audit-scotland.gov.uk/docs/local/pre1999/nr_9901_managers_guide_benchmarking.pdf

7 *Using cost information to improve service performance: are you getting it right?*, Accounts Commission, May 2012.

- ensuring councillors and senior officers support benchmarking activities
- organising the process of benchmarking
- defining the measures for comparison
- having clear objectives
- focusing on important issues
- identifying partners such as those with similar issues
- understanding why performance varies
- implementing change.

76. Overall, councils do not use benchmarking as much as they could. Some councils use benchmarking for specific services but it is not used consistently. Our report on *Maintaining Scotland's roads* for example, identified that councils have developed around 80 local performance indicators but that they are not used consistently across councils.⁸ This means that councils might not compare their costs and performance with other councils. The vast majority of indicators are about promptness of response. Only seven councils reported using indicators relating to customer service such as satisfaction levels or the number of third-party liability claims they received. As part of the road asset management project, the Society of Chief Officers of Transportation in Scotland (SCOTS) has developed performance indicators for road maintenance that all Scottish councils can use. This consistency allows councils to use benchmarking.



How does it work in practice?

A council has a single live, active corporate improvement plan that includes all its improvement activity and actions required at any point in time. The corporate improvement plan clearly details the action required and its intended outcome, the officer responsible for the action and timescales. All improvement activity is reported and monitored through committees and all committees are responsible for ensuring all activities make their way into the corporate improvement plan. The corporate management team and audit and scrutiny committee have joint responsibility for considering and monitoring improvement actions.

Source: Audit Scotland



What do auditors say?

“We found limited evidence that progress against the Best Value improvement plan and corporate improvement plan is being regularly monitored.”

Source: Audit Scotland

Revising activity in response to information improves performance

77. The ‘revise’ stage of the performance management cycle ([Exhibit 2](#)) identifies how councils might respond to what performance information is telling them. This might include:

- revising plans and measures – where circumstances may have changed so that plans are no longer achievable, objectives have changed or where measures are under – or over – ambitious or no longer relevant
- realigning resources – where a council may need to make changes to its workforce, assets or financial resources to achieve its objectives

- changing performance information – a council may need to change the quality of the performance information collected if this is not providing a basis for effective decision-making and scrutiny.

78. Audit work tells us that an integrated corporate improvement plan makes it easier for councils to prioritise improvements and manage improvement activity. Councils may in turn need to amend corporate, divisional, business, team and individual plans to reflect improvement priorities.

Part 7. Developing self-evaluation and improvement activity



Having considered the need for improvement, councils then need to consider the most appropriate way to respond.



Performance management information should clearly identify where improvement is needed. There is a wide range of improvement tools techniques available and councils need to select the most effective way to review and improve services. Self-evaluation and review must be robust and honest to be effective.

Performance management supports continuous improvement

79. Continuous improvement requires councils to consider whether they are providing services in the most efficient and effective way on an ongoing basis. Effective performance management arrangements should clearly identify where improvement is needed.

80. Having identified the need for improvement, councils then need to consider the most appropriate way to respond.

Self-evaluation and review is key to improving performance

81. Self-evaluation is a process which uses evidence, challenge and critical reflection to improve performance. To continuously improve councils should consider:

- how services are performing
- what impact services are having
- how effectively corporate processes support service delivery.

82. Councils need to 'know themselves' and what they can realistically achieve. Self-assessment activity can provide an organisation with a structured approach to improvement. It should also provide assurance:

- for the council – that it is improving
- for the public – that services are being provided efficiently

- for auditors and inspectors – that the council is critically evaluating its services.

83. Where there is evidence that self-evaluation is working well, auditors and other scrutiny partners can reduce their audit and scrutiny activity.

84. There is a wide range of review and improvement tools and methodologies available to councils. They include:

- Public Sector Improvement Framework (PSIF)
- European Framework for Quality Management (EFQM Excellence model)
- reviews at strategic, service and operational levels.

85. Appendix 2 summarises some of these and other methodologies. We do not favour any particular methodology over another. The most important thing is that councils choose tools that are effective and deliver improvement.

86. The characteristics of an effective improvement methodology are that it is:

- focused and proportionate – so that the council looks at the right things, and strikes the right balance to ensure that the time it spends reviewing things leads to tangible results
- structured, rigorous and challenging
- transparent, honest and realistic
- flexible – the review should be a learning process; positive experiences should be shared across the organisation and negative experiences should not be replicated elsewhere in the council.

87. During 2012, we surveyed councils to gauge the level and range of self-evaluation activity. Overall, this showed a commitment to self-evaluation. But it also showed inconsistencies in coverage and in the quality of how it was being used across services, outcome areas and corporate systems.



What do auditors say?

"The corporate self-assessment was completed in May 2010, and helped the council identify a number of areas for improvement. These actions are being taken forward in the Corporate Improvement Plan, and include an organisational development framework, a number of leadership development programmes, and further improvements in internal communications. A programme of PSIF reviews is also being rolled out across service areas."

"The service has undertaken self-assessment exercises but these have not been used effectively to provide internal challenge and prompt improvement. A cyclical programme of Best Value reviews has been undertaken covering all service areas. The reviews have contributed to improvements, however there is little prioritisation of the areas that are subject to review."

Source: Audit Scotland



What does good self-evaluation look like?

The council has a self-evaluation and improvement plan. This comprises:

- a regular strategic level self-assessment
- a cycle of service level reviews
- an annual review of corporate governance arrangements
- a cycle for service level self-evaluation using an established model
- a programme of business reviews targeting areas for efficiencies
- cross-cutting service reviews led by the Governance and Scrutiny Committee.

The council ask suitably experienced officers from across the organisation and internal audit to perform the reviews. A peer from another council acts as a 'critical friend' throughout the reviews providing an independent perspective and judgements. The output from each self-improvement activity is a clear, detailed improvement plan identifying actions, responsibilities and timescales. It feeds into the council's single corporate improvement plan. Progress is scrutinised and monitored by both the CMT and the Governance and Scrutiny Committee. The council has a track record of delivering improvements effectively.

Source: Audit Scotland



Want to know more?

- *Assess yourself: using self assessment for performance improvement (Accounts Commission, May 1998)*
<http://www.audit-scotland.gov.uk/about/ac/>

Audit work can help with continuous improvement

88. Both internal and external audit can support continuous improvement. Audit provides an independent and objective check on systems, processes and performance.

89. Internal audit teams are responsible for evaluating the effectiveness of a council's internal control systems. These are the systems that help an organisation to use its resources, economically, efficiently and effectively.

90. The CIPFA publication *Measuring up: An introduction to theories and concepts of performance management in the public services*⁹ states that 'Internal audit has a key role in relation to an organisation's performance management systems. It is in a unique position to provide an organisation with assurances about the overall integrity of the performance management systems: that they have been appropriately designed and are balanced, that they reflect both internal and external requirements, and that the data can be used with a measure of confidence.'

91. CIPFA's Technical Information Service (**Exhibit 8**) covers the internal audit's responsibility for providing assurance on performance information and supporting systems.

92. Most councils have audit and scrutiny committees. These committees typically are charged with considering internal and external audit reports and checking that the council's governance arrangements are sound. In some cases, they are also responsible for:

- holding administration councillors and officers to account for managing performance

Exhibit 8**Extract from CIPFA's Technical Information Service**

"It is the responsibility of management to ensure it has an effective performance management system but this can be independently validated by the internal audit service and may be subject to scrutiny by external agencies. This should enable managers across the council to use the information with confidence and manage more effectively. The aim of internal audit in this context is to provide independent assurance on the performance information and the supporting systems. The main audit objectives are:

- to review the extent that the performance management system and its accompanying targets and measures adequately supports and promotes the achievement of corporate objectives
- to establish to what extent the council has sound systems and controls to support performance management and to validate performance outputs
- to examine how far those systems and controls operate satisfactorily in practice and link with effective management information systems to monitor performance
- to examine the extent to which performance information is reliable, accurate and timely
- to identify appropriate ways of improving performance information systems and recommend actions where improvements are shown to be necessary, practicable and cost effective."

Source: CIPFA Technical Information Service – Internal Audit

- identifying areas of need or issues of concern
- directing service, cross-cutting or policy reviews
- directing and occasionally being directly involved in reviewing the performance review activity
- coordinating and managing the programme of scrutiny.

93. An effective audit committee can therefore provide a valuable independent check of the council's financial and non-financial performance and support improvement.

94. Councils are subject also to external audit and inspection and this provides a useful source of information to help them improve. Councils should have processes in place so that the relevant councillors and officers consider findings and recommendations. It is important that councils consider how the findings from external scrutiny can best be incorporated within its existing improvement plans.

95. Some councils, however, can rely too much on audits and inspections for assurance or to 'cover' specific areas of corporate activity. This leads them to exclude audit and inspection focus areas when considering their own improvement activity. External scrutiny is not a substitute for rigorous self-evaluation.

Part 8. Partnership working



Managing performance in a partnership
is complex.



The principles of effectively managing performance also apply to partnership working. Partners need to have a shared understanding of priorities and the impact their work is having.

96. Managing performance in a partnership is complex. The organisations in any partnership are likely to have different decision-making and accountability arrangements, organisational cultures and planning and performance systems.

97. All of this makes it all the more important that partnerships have good performance management arrangements in place as this helps to ensure partners have a shared understanding of the priorities and the impact that the partnership work is having.

98. Our audit work shows that:

- the performance management and reporting processes of

partnerships are not well developed

- there is a clear need to improve the way they report performance to the public.

99. Performance management systems for community planning need to cope with the demands of reporting on SOAs and the complexities of partnership working (Exhibit 9).

100. In November 2011, we published a report on economic development in Community Planning Partnerships (CPPs).¹⁰ The report found that, in more complex partnerships, CPPs differ in how they manage performance. Some CPPs acknowledge that they are not achieving some outcomes as planned, but take little further action. Sometimes this is because they feel lack of progress is outwith the CPP's control. In other CPPs, board members may work behind the scenes to find out why outcomes are

not being achieved and may agree informal actions to deal with this.

101. Some CPPs adopt a more collective and transparent approach to managing performance. They work together to understand why they are not achieving outcomes and to identify what different partners can do to deal with the problem. Building a culture of mutual respect and trust to enable partners to constructively challenge each other when outcomes are not being achieved is vital.

What do auditors say?

“The partnership is unable to effectively demonstrate progress against partnership outcomes due to partnership arrangements still developing and limitations with the partnership's performance management arrangements.”

Source: Audit Scotland

Exhibit 9

Good governance principle for partnership working

Key principles	Features of partnerships when things are going well	Features of partnerships when things are not going well
Performance measurement and management		
<p>Clearly defined outcomes for partnership activity</p> <p>Partners agree what success looks like and indicators for measuring progress</p> <p>Partners implement a system for managing and reporting on their performance</p>	<ul style="list-style-type: none"> • Understand the needs of their local communities and prioritise these • Have a clear picture of what success looks like and can articulate this • Have clearly defined outcomes, objectives, targets and milestones that they own collectively • Have a system in place to monitor, report to stakeholders and improve their performance • Demonstrate that the actions they carry out produce the intended outcomes and objectives 	<ul style="list-style-type: none"> • Prioritise their own objectives over those of the partnership • Unable to identify what success looks like • Fail to deliver on their partnership commitments • Do not have agreed indicators for measuring each partner's contribution and overall performance or do not use monitoring information to improve performance • Unable to demonstrate what difference they are making

Source: Audit Scotland

102. Our recent report on community health partnerships (CHPs) also emphasised how over-complicated performance reporting arrangements are for CHPs.¹¹ They are burdensome on CHPs as they need to take account of different national and local planning and performance monitoring systems and targets which have been developing over time. This means there is a risk that the different requirements may overlap and are not always aligned.



What do auditors say?

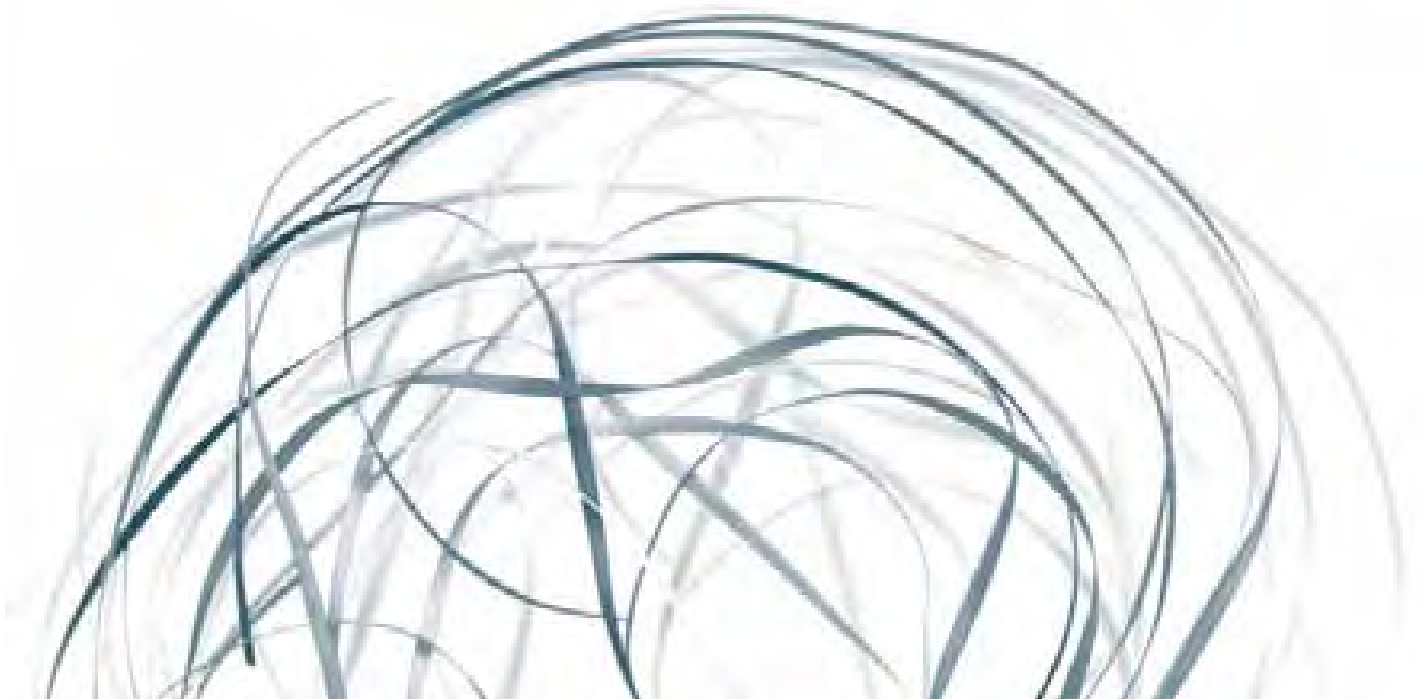
“We noted that arrangements to extend the council’s performance and risk management processes to the Community Planning Partnership (CPP) are now embedded. The council’s partners have access to the pyramid system and are able to populate and comment upon data in the scorecards.”

“The council has extended the improvement model and performance management system to its community planning partners ensuring consistency of approach to performance improvement.”

“Performance management remains underdeveloped and needs to improve to enable partners to effectively monitor progress against identified outcomes.”

Source: Audit Scotland

Part 9. Key points for action



An effective council will have the key characteristics for managing performance and improvement.



The characteristics of a council with effective performance management and improvement

An effective council will:

- have a developed culture where leaders demonstrate good management of performance and communicate regularly on performance and improvement issues
- have a corporate framework for performance management and continuous improvement
- be clear on its priorities and have plans that meet the 'golden thread' test
- use a wide range of measures to effectively manage performance
- use benchmarking to compare and monitor improvement against other councils
- encourage scrutiny and challenge from councillors
- use overview and scrutiny panels to challenge performance
- actively respond to areas requiring improvement
- use self-evaluation and reviews to demonstrate continuous improvement
- use internal audit service to assure performance management systems and measures
- work constructively with partners to manage performance and improvement.

An effective council will ensure that:

- all staff understand their role in managing performance and use it in their day-to-day work
- councillors understand their role in all aspects of performance management and improvement
- councillors are provided with clearly presented and quality information to enable them to make decisions
- both internal and public reports are of good quality and are tailored appropriately for their use
- the principles of performance management apply equally to working with partners.

Appendix 1.

A tool for checking progress

Questions for councillors	Yes/No	Action
<p>Performance management culture</p> <p>1. Do I have a good understanding of performance across the council?</p> <p>2. Does a key aspect of my role involve scrutinising performance information and challenging officers?</p> <p>3. Do I need training to help me understand performance management?</p> <p>Performance management framework</p> <p>4. Am I involved in establishing what communities need, allowing me to establish priorities?</p> <p>Performance measures</p> <p>5. Does the information I receive cover:</p> <ul style="list-style-type: none"> • service performance? • customer satisfaction? • trend data? • benchmarking data? • targets? • outcomes? <p>Performance information</p> <p>6. Is the performance information I receive concise, accurate, balanced and presented in an easily understandable format?</p> <p>7. Do officers provide me with performance information which is clear and concise and allows me to judge how well we are doing?</p> <p>8. Does the information I receive tell me:</p> <ul style="list-style-type: none"> • if we are meeting our targets? • why variances occurred? • what the implications are of not meeting the target? • if resources are adequate? • what impact it will have on people who use services, local people and partner agencies? • if there is an impact on equalities, sustainability or efficiency? • what impact this might have on corporate priorities? 		

Questions for councillors	Yes/No	Action
<p>9. Does the information presented by officers tell me:</p> <ul style="list-style-type: none"> • what performance is predicted over the short and longer term? • what action needs to be taken to see improved performance (this could include additional resources, more training)? • where there is under-performance when will it be back on track and whether additional resources are required to achieve this? <p>10. Does the information I receive allow me to challenge over and under-performance and question whether we are achieving value for money?</p> <p>11. Do I regularly challenge officers on the performance information presented to me?</p> <p>12. Does performance information provided by officers allow me to monitor progress on priorities and plans?</p> <p>13. Do I require any training or support to help me challenge officers on performance?</p> <p>Self-evaluation and improvement</p> <p>14. Am I aware of the self-evaluation and review processes in the council?</p> <p>15. Do I scrutinise the results of reviews and suggest appropriate action?</p> <p>16. Do I receive regular updates on progress against the improvement plan?</p> <p>Partnership working</p> <p>17. Do I work constructively with partners to improve performance?</p>		

Questions for officers	Yes/No	Action
<p>Performance management culture</p> <p>1. Do I regularly discuss performance and improvement at meetings?</p> <p>2. Do I communicate and discuss our performance with my team?</p> <p>3. Do all staff understand their role in managing performance?</p> <p>4. Am I managing performance in day-to day activities and do I share practice with others?</p> <p>Performance management framework</p> <p>5. Am I clear on our approach to managing performance?</p> <p>6. Is it the approach based on a clearly structured framework?</p> <p>7. Do we have a clear link in plans from corporate plans to personal work plans?</p> <p>Performance measures</p> <p>8. Do we have a comprehensive hierarchy of performance measures which provides councillors with the information they need to judge performance?</p> <p>9. Am I involved in benchmarking across our service, and do I compare performance with our peers?</p> <p>Performance information</p> <p>10. Does information provide a clear picture of performance?</p> <p>11. Am I clear on where we need to improve?</p> <p>12. Am I regularly challenged by councillors on performance issues?</p> <p>13. Do I use the internal audit service to provide assurance on our performance management systems?</p> <p>14. Do we present clear performance information to the public on our performance?</p> <p>15. Are our plans and resources revised in response to areas of concern?</p> <p>16. Do I regularly monitor action plans from improvement activity?</p>		

Questions for officers	Yes/No	Action
<p>Self-evaluation and improvement</p> <p>17. Do we have a framework for self-evaluation and improvement activity?</p> <p>18. Is our corporate improvement activity well coordinated?</p> <p>Partnership working</p> <p>19. Do we have a performance framework in place for partnership working?</p>		

Appendix 2.

Tools to aid performance management and improvement

Tool	What is it?	Estimate of time to implement
Balanced scorecard	<p>A strategic planning and management system. It provides a method of:</p> <ul style="list-style-type: none"> ensuring business activities are in line with the organisation's vision and strategy of the organisation improving internal and external communications monitoring organisation performance against strategic goals. 	Four to six months to implement depending on level of measurement in place.
Business process re-engineering	This is about analysing and designing workflows and processes within an organisation. A business process is a set of logically related tasks performed to achieve a defined business outcome.	Improvements anticipated in 6-12 months from the start of the project, although can be sooner for individual processes.
EFQM excellence model	<p>This is used as a basis for self-assessment, an exercise in which a service assesses itself against nine criteria. This helps to identify current strengths and areas for improvement against strategic goals. The model takes an all-over view to enable organisations to:</p> <ul style="list-style-type: none"> assess where they are understand their strengths and potential gaps in performance. 	Approximately 35 staff days over six weeks.
Investors in People	Specialises in transforming business performance through people. A framework of best practice that's outcome focused: it outlines what you need to achieve but never prescribes how, making it truly flexible.	Six months to three years from committing to achieving it.
ISO9001 quality management system	It is the internationally recognised standard for Quality Management Systems (QMS). It is a framework and a set of principles that ensure a common-sense approach to managing business activities to consistently achieve customer satisfaction.	Implementation to assessment takes approximately six to nine months.
Kaizen Blitz	It is a focused short-term project to improve a process. It includes training followed by analysis, design and implementation.	Usually two to three months from conception to bedding in a new process.
Lean review	Aims to eliminate waste in processes at all levels, from identified need to service delivery. It involves constantly reviewing processes to ensure they are constantly and consistently delivering value to customers.	Three to 36 months to fully implement.
Public Service Improvement Framework	A self-assessment framework that encourages organisations to comprehensively review their own activities and results. It provides various improvement tools so that organisations can look at how continuous improvement is working across the whole organisation.	Approximately two to four months.

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ISBN 978 1 907916 74 8

This publication is printed on 100% recycled, uncoated paper

