

CIMA

Setting Effective Performance Indicators

In a Best Value
Environment

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PREFACE

The guide has been prepared for use by local government staff to assist in understanding the value that may be gained from implementing effective performance indicators to monitor and manage performance levels. It has been formulated for all those operating under **best value** as a practical guide to the

- *role*
- *function*, and
- *importance*

of using performance indicators in the delivery of services under best value.

This guide has been prepared by CIMA's Local Government Group. The Group comprises:

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THE BEST VALUE ENVIRONMENT

From CCT to Best Value: The Legislative Context

The concept of 'Best Value' was conceived by the Government shortly after election in 1997. At the time of publishing, it is the foundation stone for the delivery of efficient and high quality services by local authorities to the communities they serve and, as such replaces the regime of Compulsory Competitive Tendering (CCT).

Under CCT, authorities were bound to allocate responsibility for the delivery of community services to the most 'efficient' service provider available. The provider could be by staff from within the local authority itself (ie by local government staff), from the open market (i.e. by a private company), or from a combination of the two, in fact by *any* service provider, providing it was the most efficient.

In practice it was felt that, under CCT, too little consideration was given to qualitative aspects of service delivery, with the result that the *quality* of services provided was sacrificed for the sake of cost.

To redress the balance between cost and quality, section 3 of the Local Government Act 1999 requires best value authorities (including *all* local authorities, the police authority, the London Fire and Emergency Planning Authority, and parish councils spending over £500,000) to

'secure continuous improvement in the way in which they exercise their functions, having regard to a combination of economy, efficiency and effectiveness'. DETR, 1999

The White Paper, 'Modernising Government', published in March 1999, sets out the Government's vision for public services into the 21st century. Of the five main themes set out in the White Paper, three have particular relevance to 'Best Value' authorities:

- *ensuring that public services are responsive to the needs of citizens, not the convenience of service providers;*
- *ensuring that public services are efficient and of a high quality;*
- *ensuring that policy-making is more joined-up and strategic, forward looking and not reactive to short-term pressures.*

Best Value is about delivering these commitments at a local level and local authorities, metropolitan, town and district councils are at the forefront of these changes.

WHAT *BEST VALUE* MEANS – THE THEORY

'A modern council – or authority – which puts people first will seek to provide services which bear comparison with... the best that is on offer from both the public and private sectors. *Continuous improvement in both the quality and cost of services will therefore be the hallmark of a modern council and the test of best value.*'

(DETR, 1998)

In the White Paper from which the above quote is taken, the government sets out a vision through which local authorities might deliver the services that the community wants, to a consistently high standard and at an acceptable cost.

This means that the authority must have a clear idea of what the community wants, and be able effectively to prioritise demands on resources. To satisfy this objective, it is likely that the council will have to draw on external resources and suppliers – as is acknowledged in the White Paper: '*most authorities recognise that providing everything themselves is both unrealistic and unnecessary.*'

The setting of priorities for service provision will require wide consultation with all sectors of the community. The authority needs to know what local people think of its performance, what others are capable of achieving, and where improvements are most needed.

To help authorities to establish authority-wide objectives and performance measures, the government has introduced a new framework of performance indicators, standards, and targets.

Some local authorities have established their own internal and external performance indicators, as well as using those set by the Audit Commission. Further, the Audit Commission has established a small number of council-wide 'general health' indicators, that '*reflect the underlying capacity and performance of local authorities as both democratic institutions and bodies responsible for managing a significant share of public expenditure*'.

BEST VALUE IN PRACTICE

In achieving best value, authorities will be delivering

- the *services the community wants*;
- to the *highest standard*;
- using *optimal resources*.

Put simply, to ensure delivery of best value to the local community, the following steps should be followed:

STEP 1

Development of a **community strategy**, setting out the broad objectives/vision for the local community. The community strategy should:

- reflect local aspirations;
- recognise the potential for others to contribute ideas and resources.

STEP 2

Clarify and confirm **strategic objectives and corporate priorities**.

In setting these objectives, elected members should seek participation from all sections of the community, and ensure community-wide **consultation**.

STEP 3

Once established, the strategic objectives and corporate priorities should be expressed in the authority's **best value performance plan**. This will provide:

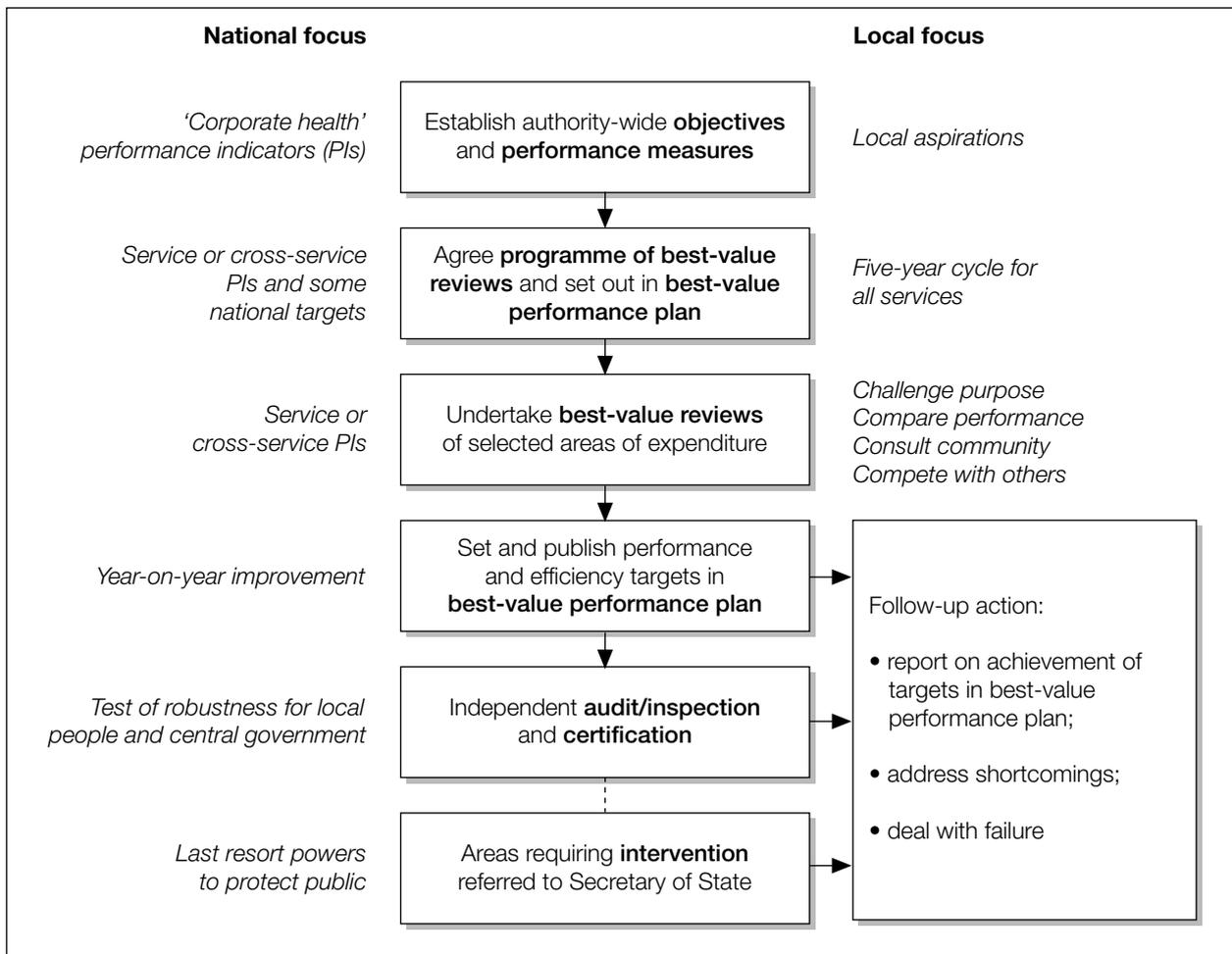
- a context for the programme of *service reviews*; and
- a summary of the authority's achievements and targets.

The programme of service reviews constitutes the nuts and bolts of ensuring best value for local authority staff. The reviews are

'the principal means by which authorities consider **new approaches** to service delivery and set **demanding performance targets** for all services so as **to deliver continuous improvement**'.

(DETR, 1999)

THE PERFORMANCE MANAGEMENT FRAMEWORK



(DETR, 1999)

BEST VALUE REVIEWS

In undertaking a best value review, an authority is under a duty to demonstrate to the district auditor that it has:

- considered new approaches to service delivery;
- set demanding performance targets for all services;

and, as a result

- delivered continuous improvement within this framework.

The reviews will have four elements:

- **Challenge.** Why and how is a service delivered?
- **Compare.** With the performance of others, across a range of relevant indicators;
- **Consult.** Local taxpayers, service users, partners and the wider business community in the setting of new performance targets;
- Consider fair **competition.** As a means of securing efficient and effective services.

To realise full potential, and in addition to the 4Cs (above), reviews will need to:

- consider quality issues;
- take a sufficiently long-term perspective;
- involve elected members;
- seek advice from outside the authority;
- involve those currently delivering services;
- question existing commitments;
- engage with users and potential users of services;
- address equity considerations;
- give effect to the principles of sustainable development.

In undertaking a best value review an authority must first establish organisational objectives, then challenge its current operations to confirm the **need** for a specific service.

Once this need is confirmed, it is through the setting and analysis of effective performance indicators that an authority can establish the current:

- **Economy** (appropriate input at minimum cost);
- **Efficiency** (maximum output from input); and
- **Effectiveness** (output achieves desired results)

of service provision.

It is the **performance indicators** which allow for effective **comparison**:

- with existing and potential service providers;
- of the authority's performance at different points in time.

PERFORMANCE INDICATORS

'In order to facilitate improvement, best value contains a performance management framework. This framework includes a set of national performance indicators and standards set by the Government'.

(DETR,1999)

Who Sets Performance Indicators?

Performance indicators may be set by external agencies (e.g. the government, the Audit Commission), or by personnel at any level within an organisation.

They may be set privately and informally by an individual and used to measure his or her own work rate and productivity.

The government has established a series of 'national performance indicators' to encourage local authorities to measure and report on their performance. The indicators that have been developed focus on *users'* experience of service delivery – they focus on *outputs* and *outcomes*, rather than *inputs*.

To enable users of the performance indicators (including residents, members and stakeholders) to understand how well the local authority is operating, both as an organisation and as a service provider, a 'family' of performance indicators has been established. This 'family' comprises:

- **local performance indicators.** These have two functions: they allow authorities to reflect local priorities, and provide authority managers with information to allow them to manage a particular service effectively.
- **national indicators.** Specified by the government, these (relatively few) performance indicators reflect the national interest in the delivery of local services. The Audit Commission specifies additional indicators to supplement those set by government. Together, these indicators are aimed at forming a coherent framework, which is further supplemented by locally set indicators.

Best value performance indicators

Best value performance indicators (BVPIs) are used in assessing and reporting, according to five dimensions of performance:

1. **Strategic objectives** – why the service exists and what it seeks to achieve.
2. **Cost/efficiency** – the resources committed to a service: the efficiency with which they are turned into outputs.
3. **Service delivery outcomes** – how well the service is being operated in order to achieve the strategic objectives.
4. **Quality** – explicitly reflecting users' experience of services.
5. **Fair access** – relating to ease and equality of access to service.

BVPIs may be classified as either:

- **Best value corporate health indicators.** These are 'corporate-level' indicators which provide a snapshot of how well the authority is performing overall, as a locally accountable institution.
- **Best value service delivery indicators.** These reflect national interest in the delivery of local services. They allow comparisons to be made between the performance of different authorities, and within the same authority over time.

Any effective performance indicator communicates information about the level of activity/performance in an organisation.

Performance indicators are integral to the meaningful assessment of activity, whether by an individual or an organisation. They provide a comparator and tool for measuring and monitoring performance levels for analysis:

- within an organisation at discrete points in time, and over a period of time;
- in comparison with other organisations, both public and private.

Indicators may be used as a basis for increasing productivity/activity levels through the setting of target activity levels – **performance targets**.

By quantifying levels of performance (e.g. the time taken to process an invoice) targets can be set, and performance measured to ensure a minimum standard is attained.

Through careful and thorough planning, and by monitoring performance indicators, organisations can ascertain the extent to which policies and strategies are being met.

By measuring activity levels and communicating performance indicators as targets, they may be used as a management tool by line managers to motivate individuals or groups of staff.

In setting performance *targets* for others, managers may find it more simple and effective to consult the relevant individual(s). This will have the following benefits:

- the individuals concerned are more likely to feel motivated to achieve a performance level of which they have had part-ownership;
- staff are likely to have greater specialised knowledge of *realistic* performance targets;
- the setting of difficult but achievable performance targets may motivate staff to consider the way in which they perform the task allotted to them, and to investigate whether this might be performed in a more efficient manner.

Conversely, where management sets performance targets for teams or individual members of staff without consultation, individuals may feel alienated and undervalued, and are less likely to be motivated by the performance targets set.

In setting organisation-wide performance indicators, it should be noted that, where operations may be geographically spread, what may be a realistic performance target and satisfactory performance level in one location may be an unrealistic target in another.

This might be the case where operating conditions, markets, local demographics and many other socio-economic conditions differ between regions. Where operations are widely geographically separate, and operating conditions are very different, comparison of crude performance indicators between one location and another will be meaningless.

ATTRIBUTES

To be of value as a tool to assist in implementing such changes, performance targets and indicators should be **SMART**:

- **Specific.** The subject of the target should be simple and clear.
- **Measurable.** The target should be quantifiable and easily measurable. Targets that require lengthy computation of data from many different sources are unlikely to be cost-effective and the resource cost of calculating the chosen variable may outweigh any benefit derived from it.
- **Achievable.** The target set should be achievable, although not easily achievable. If unrealistically high targets are set, motivation is lost. Conversely, where realistic targets (which can be achieved if effort is stimulated and increased) are set, personnel have been observed to experience an increase not just in 'productivity' but also in reward. Staff may experience a greater sense of job satisfaction in reaching targets, especially where they have been consulted in setting them.
- **Relevant.** The targets measured should be pertinent to the operation in question
- **Timely.** All targets should be set within a specific time frame.

Performance indicators may be set for individuals, teams of individuals or for the organisation as a whole.

Organisation-wide performance indicators are generally known as **corporate performance indicators**.

Corporate Performance Indicators

At a corporate level, authorities need to develop a range of performance indicators as a basis for monitoring their performance across all services and activities. These should reflect progress towards the attainment of strategic and corporate objectives, priorities and underpinning values.

Further information regarding the setting of performance indicators can be found in the CIMA publication *From Corporate to Individual: The Objectives Cascade*. To obtain a copy, please see the inside front cover of this booklet.

FUNCTIONS AND DANGERS

FUNCTIONS

Performance indicators may be used for different organisational purposes:

- **cultural change** – e.g. from administrative to managerial;
- **realignment of focus** – e.g. inward-looking to customer-oriented;
- **education of personnel** – in concepts such as accountability and service;
- **initiating, monitoring and evaluating change** – e.g. following the adoption of a strategic plan, or the introduction of re-engineering;
- **providing opportunity for a 'reality check'**, to ensure that progress towards immediate and ultimate objectives is being made.

DANGERS

The dangers of establishing and implementing a range of performance indicators as a management tool include the following:

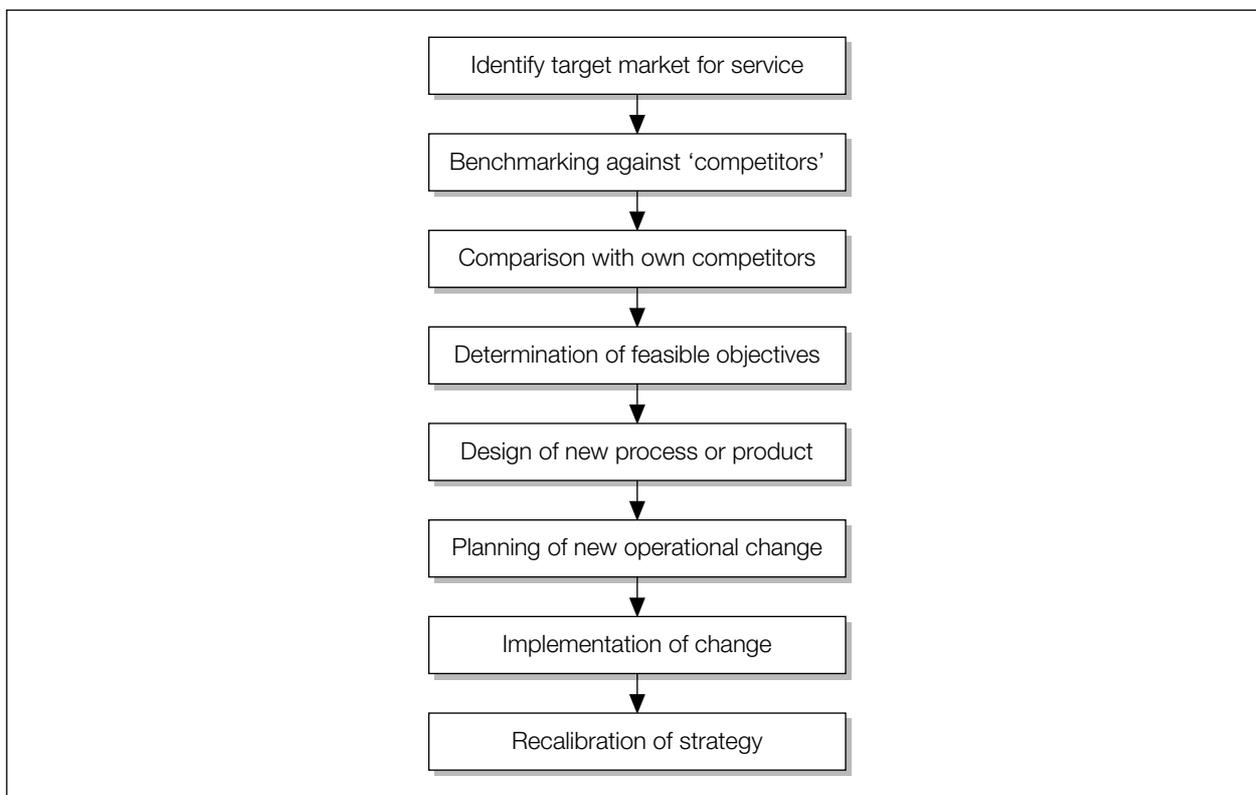
- The effective use of performance indicators relies upon their relevance to the function being measured/managed. Once set, indicators should be regularly reviewed to ensure that any operational changes have not rendered the performance indicator obsolete or misleading.
- Strict adherence to achieving the performance targets set from the agreed performance indicators should not become and end in itself.
- Some aspects of service provision may be difficult to express as a performance indicator. The most obvious example of this is *quality*. It could be argued that, since it is quality that has the most direct impact on *outcomes*, an incapacity to express and measure quality in terms of a performance indicator renders the use of performance indicators less than ideal.

BENCHMARKING FOR BEST VALUE

The process of benchmarking service provision has been undertaken by many commercial and non-commercial organisations. It allows companies closely to examine all stages of service provision/output production and to identify where they fall short of current best practice. Having identified areas for improvement, managers can determine and put into motion appropriate programmes of action.

For local authorities in a best-value environment that demands continuous improvements, the process of benchmarking performance against other organisations, both private and public, has become increasingly important. It can be used to assist local government to introduce cultural change and to realign organisational focus.

The basic stages of the benchmarking for change process are set out below.



CIMA's *Benchmarking Contacts Register* is available to all who register (registration forms are available from CIMA's website at: www.cimaglobal.com)

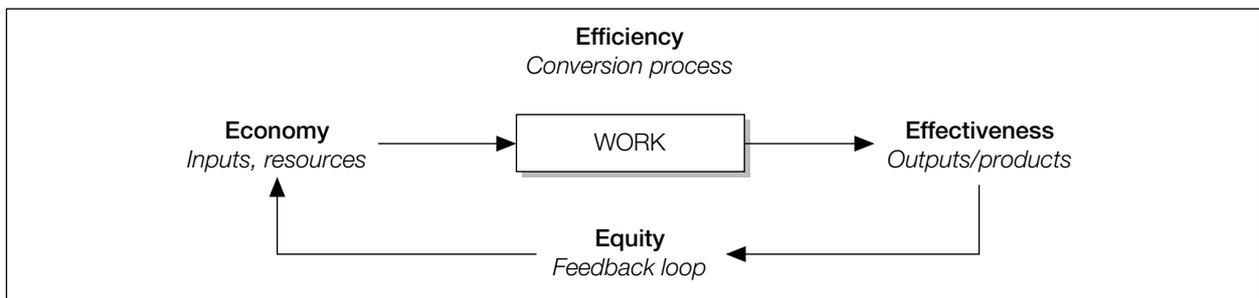
PERFORMANCE INDICATORS AND THE CHANGE PROCESS

The function of performance indicators is key at all stages of the change process:

- In the early stages of change they are vital in assessing the organisation's present position.
- From the analysis of relevant data, performance objectives and any necessary changes can be planned by identifying **critical success factors** (CSFs: those requirements that an organisation needs to satisfy most in order to achieve a desired outcome).
- During the implementation of the change, performance indicators are needed to monitor the success of the progress of change in the CSFs.
- Finally, reference to performance indicators provides the measure by which the results of the change process are evaluated.

This evaluation process should be considered in terms of:

- **economy** – obtain appropriate resource input at minimum cost;
- **efficiency** – generate maximum output from input;
- **effectiveness** – ensure output achieves desired results;
- **equity** – ensure rewards of achievement are fairly shared.



THE ROLE OF QUALITY

In achieving the 'best' balance between cost and quality, it is generally apparent that changes in cost have a directly inverse effect on the economy and efficiency of service delivery, such that as costs decrease, both economy and efficiency increase.

However, the same relationship is not necessarily observed when assessing the *effectiveness* of any change, where *quality* is likely to have an equally significant role. For this reason, local authorities are advised to note the need for a duality of cost and quality considerations in setting performance indicators in a best-value environment, where selection of the 'cheapest' service delivery option will not necessarily be the most appropriate – especially where quality is sacrificed.

A Few Tips...

- Balance cost and quality considerations by implementing, establishing and monitoring a range of indicators to measure a specific function.
- Only *directly controllable* variables should be monitored.
- Existing information systems should be used.
- Performance Indicators do not exist in isolation, and should be used in the context of the integrated system of planning, budgeting, objective-setting, monitoring and control.

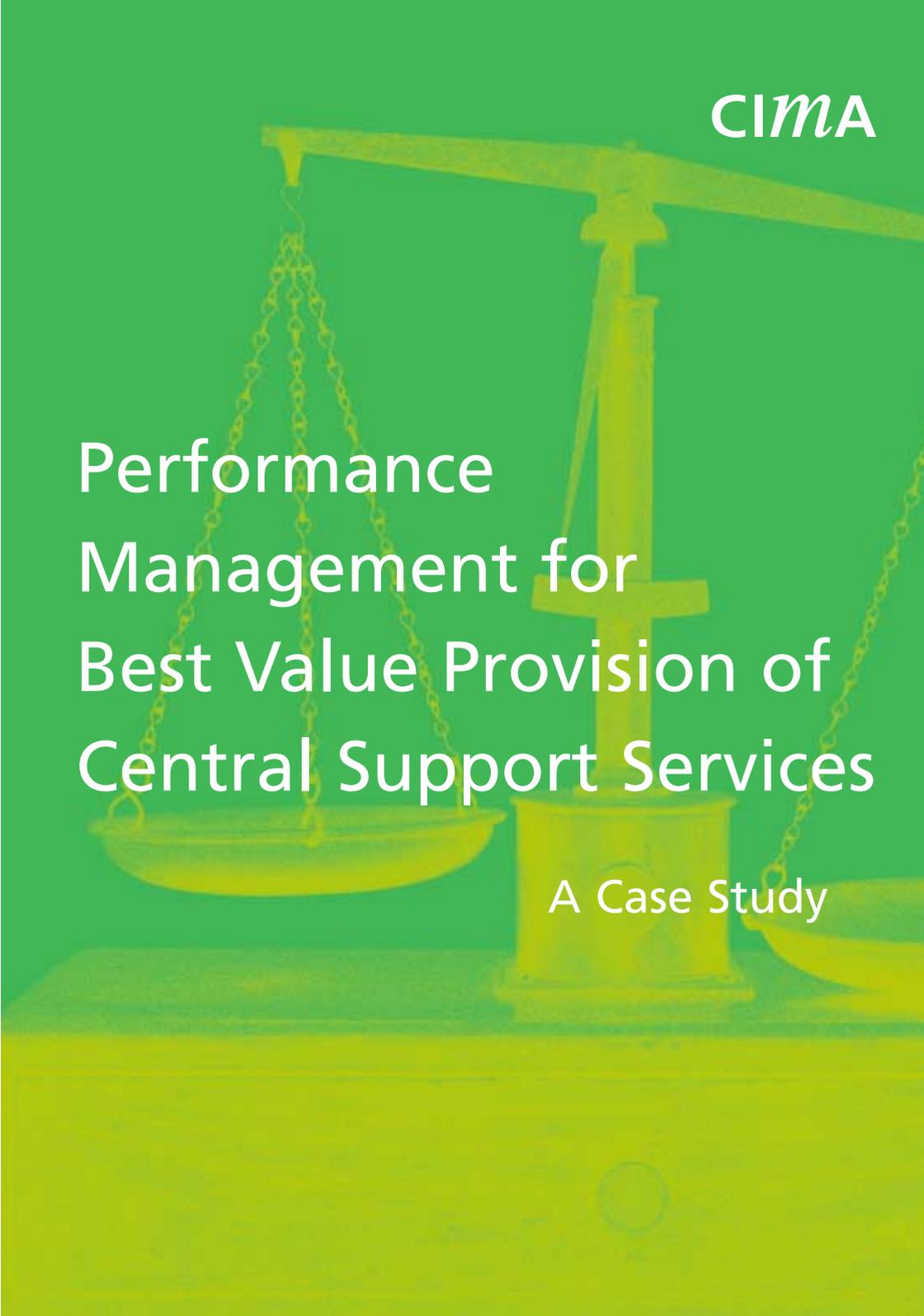
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A golden scale of justice is centered in the background, set against a dark green gradient. The scale is slightly tilted, with the left pan hanging lower than the right. The background has a subtle, repeating pattern of the scale's silhouette.

CIMA

Performance Management for Best Value Provision of Central Support Services

A Case Study

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1. BACKGROUND

- 1.1 At its meeting on 13 April 2000, the Policy and Resources Committee highlighted the need to provide high-quality and efficient support services, as they played a vital role in enabling effective public services to be delivered. In order to achieve this, the Committee had as an objective to set targets for the performance of Central Support Services.
- 1.2 In the 2000–01 policy framework document, one of the specific policies relates to Central Support Services – including a key milestone to formulate an integrated performance measurement system that is capable of highlighting the extent to which Central Support Services achieves the results expected of it by March 2XXX.
- 1.3 The objectives are to:
 - identify all relevant services, particularly focusing on legal, financial planning and human resources, as these had no performance measures in place;
 - establish financial performance measures which reflect costs and are consistent across sections, utilise targets indicating financial success, and be comparable over time and with other organisations;
 - establish stakeholder views which take into account the expectations of users of support services, those supplying the services and those that have overall responsibility for the services;
 - establish operational performance information which would be capable of comparison inside and outside the organisation, and which specifically relates to productivity;
 - establish the corporate governance ethos which links the statutory and professional requirements of integrity, openness and accountability to the overall assessment of performance;
 - establish a reporting mechanism.
- 1.4 The following report summarises the research carried out on the subject of performance management, the role of Central Support Services and the link with Best Value.

2. PERFORMANCE MANAGEMENT

- 2.1 Performance management is not a new concept. In the 1950s and 1960s, the use of performance management based on a balanced scorecard approach – where customer needs were considered important alongside profit, effective employees and well-managed processes – was the main reason attributed to Japanese success. It has been developed over the years in British industry and equally applies to services provided by the public sector.
- 2.2 Performance management has become something of an industry in its own right, dominated by ‘experts’ and management consultancies. It has been presented as a management theory, a fad and, by the committed, almost as a theology. Some managers misrepresent it as conceptual nonsense, while front-line staff are confused by more jargon and yet another management method detracting from real service delivery.
- 2.3 This is unfortunate because:
- it embraces a range of straightforward processes that are fundamental to, and indeed reflect, good management;
 - it links individual and organisational performance;
 - if undertaken properly and in the right spirit, it can add value to the Council;
 - there is nothing mystical about it;
 - and
 - it is not a universal panacea.
- 2.4 Performance management is a means by which managers can identify areas for improvement in service delivery.
- 2.5 The research undertaken identified the component parts of a performance management system which is illustrated in Appendix I and which has been customised to integrate with this Council’s policy framework and preparations for Best Value. It is relevant to all services.

3. CENTRAL SUPPORT SERVICES

- 3.1 Professional Support Services provides services to other departments and, therefore, indirectly to the public. The department consists of legal, accounting, personnel and information technology specialists, and the services are all provided within the Central Support Services Department.
- 3.2 Central Support Services is largely invisible to the public, operating behind closed doors. However, effective support services can add considerable value to the services that the public receives. Conversely, inadequate support can seriously undermine direct services.
- 3.3 As a group, Central Support Services has a considerable statutory role and this includes corporate and professional standards which are of vital importance to hold together the integrity of the Council's overall management in particular:
- **Policy standards** to protect interests – for example, there must be minimum standards set for equal opportunities, all in line with relevant legislation.
 - **Operational standards** to ensure a comparability of approach across the Council – for example, in Finance, adherence to a common coding system for recording transactions is required to enable the Council's aggregate accounts to be compiled and to allow corporate review of expenditure.

These standards should be set at a high level, they should be sound, and they should be regularly reviewed.

- 3.4 However, the corporate and regulatory roles have often become confused with the support role, and professionally related support services localised in central departments have come to be seen as a support to the democratic process and the core function, rather than as a support to front-line service delivery. Specialist knowledge held by professional support staff and the culture of government control (budgets, national directives, etc.) make it difficult to prevent such support staff from pursuing their own objectives at the expense of their users, particularly as there is a need for some form of central control.

3.5 Professional self-regulation via monitoring standards, etc., should address technical competence. However, there is an equally important measure relating to quality of service delivery. This aspect of performance recognises that the user is important and support-service providers need to ensure that they are aware of those needs and be responsive to them. In relation to professional standards and corporate controls, support-service providers will need to effectively communicate this role to their users to ensure better understanding. There is a need for a balanced framework, taking into account such providers' control and support role, by which the performance of professional support services can be effectively monitored.

4. BEST VALUE

- 4.1 The Local Government Act 2XXX states quite clearly that 'a best-value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised.
- 4.2 Performance management will assist this aim and, as Best Value covers all services, there is a need to have a robust set of professional support services that comply with Best Value and in turn support the direct services in achieving Best Value.

5. RESEARCH METHODOLOGY

5.1 In order to facilitate this study various methods of research were adopted, to establish a balanced framework which included:

- Secondary research utilising evidence of good practice already in place at this Council for general performance monitoring.
- Assessing the use of performance measures in other organisations – in particular the Audit Commission Family Group and Borssetshire Council.
- Primary research via ‘brainstorming’ sessions with all staff that make up Central Support Services to ascertain their views on how the department should be professionally judged.
- A questionnaire that was designed to identify internal users’ and providers’ views, expectations and perceptions of the three sections comprising Central Support Services. The users consisted of the Council’s Management Forum (98 senior officers); the providers consisted of all members of staff in the three sections.

6. FINDINGS

6.1 General performance

There were examples within the Council of good general performance measures that were being used, specifically:

- sickness monitoring;
- internal and external reports;
- cost per productive day;
- letter and telephone monitoring;
- adherence to Investor in People (IIP) standards;
- quarterly performance management reports.

However, in areas where these were being used, use was also made of a time-management system. It was established early on in the study that, in order to effectively measure performance, it is necessary to collect data in a meaningful and manageable form. It therefore became an initial target for all three services to have in place a system for recording data. The Council's IT unit had already developed an in-house time-management system which has been adopted by the three services to different degrees. Further developments are currently taking place (particularly with Legal Services) to ensure that the monitoring system itself, is effective and efficient.

6.2 Specific indicators

Specific targets for the individual services were adapted from performance data supplied from other Councils (where applicable) and from the brainstorming sessions. Performance criteria emerging from this exercise were essentially related to processes and management targets and will include the relevant milestones set by the Council.

6.3 User views

The views from users had not in general been overcritical. Most (over 79 per cent) viewed all the services as having at least sufficient understanding, and satisfactory overall relationships or better.

The views of the providers in all three services showed a willingness to change. In particular, the need to raise awareness among users through the internal marketing of their services, thus ensuring that user needs are met, was seen to be critical for the long-term survival of the in-house providers.

6.4 Performance review

The type of performance measures emerging were generally related to annual targets which would be suited to annual, as opposed to quarterly, performance review.

An example of the type of performance indicators within the various dimensions is attached as Appendix 2. These indicators will be developed further over time by the heads of service, in relation to corporate priorities and Best Value.

7. RECOMMENDATIONS

- 7.1 The study and balanced framework should be used as a basis to develop performance management systems for all support services.

- 7.2 The Director of Central Support Services should report on an annual basis to the Committee on the performance of all professional support services within his remit. This will include a brief outline of the services, a review of the previous year's targets, and developments for the forthcoming year.

Previous consideration: Nil

Background papers: file available in Central Services Department

Officer contract: Miss J Roberts, Head of Financial Services, Tel 12121212

APPENDIX I:

Performance Management System

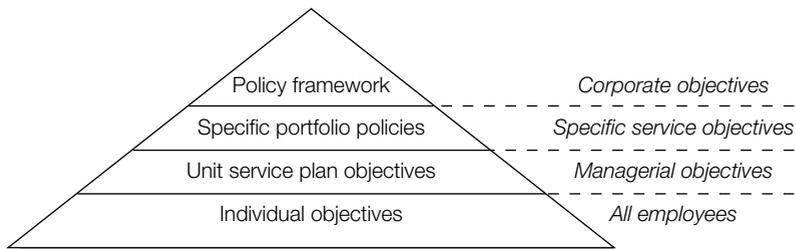
Introduction

The purpose of a performance management system is to improve performance in meeting corporate objectives by linking the objectives with service, unit and individual targets and by effectively measuring and reporting on the actual achievement of these targets; the results being evaluated at each step and fed back into the performance management cycle.

Objectives

The first step in the performance management system is setting objectives. At each level in the hierarchy, the objectives become more general and relevant to a greater proportion of the Council's activities. Thus, at the top, the corporate objectives are relevant to *all* of the Council's activities. The corporate objectives are not managerial in nature; they are decided by elected members on behalf of the community, and are set first.

Hierarchy of objectives



Policy framework

The policy framework was agreed by the Council on 8 February 2XXX. This document sets out a number of overarching policy themes which are intended to be an integral part of all the Council's services. These themes will be in place until May 2XYB which is the end of the term for the current administration.

Specific portfolio policies

Within the policy framework are specific policies which have been developed to underpin the overarching themes and which relate to the portfolio responsibilities of the deputy leaders (the Cabinet). Each policy has a set of key milestones (targets) by which the success of the specific policies can be measured. These targets will be reviewed in May each year to determine whether they have been achieved and to establish targets for the year ahead, including forecast targets for the further remaining term of office. In turn, these key targets will be used to inform the budget process as to political priorities. A fundamental service review under the Best Value regime could significantly change these policies and targets.

Unit service plan objectives

Heads of service will incorporate the objectives and targets outlined in the policy framework into manageable objectives and targets for their respective units. At this level the role of performance management also reflects the internal needs and priorities of management. The unit service plans, in accordance with the IIP process, are updated in June each year; this update includes an evaluation of objectives and targets for the preceding year and the establishment of new objectives and targets for the forthcoming year, together with an action plan. All objectives at this level are linked to the overarching policy themes and/or specific portfolio policies.

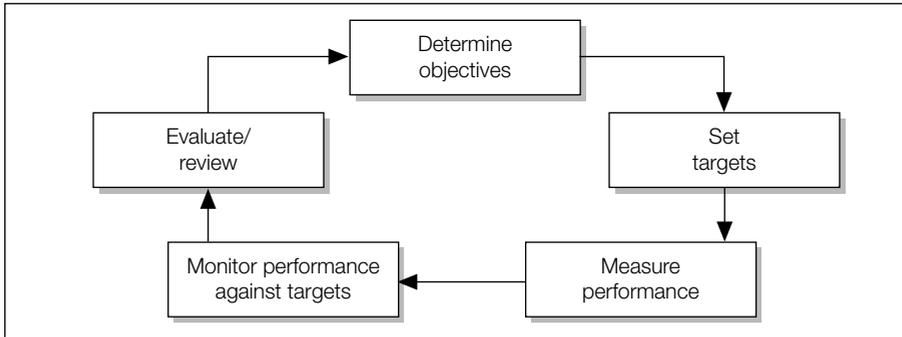
Individual objectives

As part of the IIP process, every Council employee has a review and development interview which is held between the employee and his/her line manager. This process includes the review and setting of individual objectives, targets and action plans which is in line with the hierarchy of objectives, previously identified.

Performance Management Cycle

The objectives are translated into targets which are measured, monitored, evaluated and reviewed at the various levels throughout the hierarchy and to various degrees at the management level, depending on the systems operated within the various service units.

Performance management cycle



Targets

The objectives start the process of performance management and are essentially related to the overarching aims behind future decisions or actions.

Targets are those objectives expressed in a form that can be measured. They are precise statements of what the Council/managers and individuals are expected to achieve, or aim to, in a future period. They are designed to influence behaviour and are intended to:

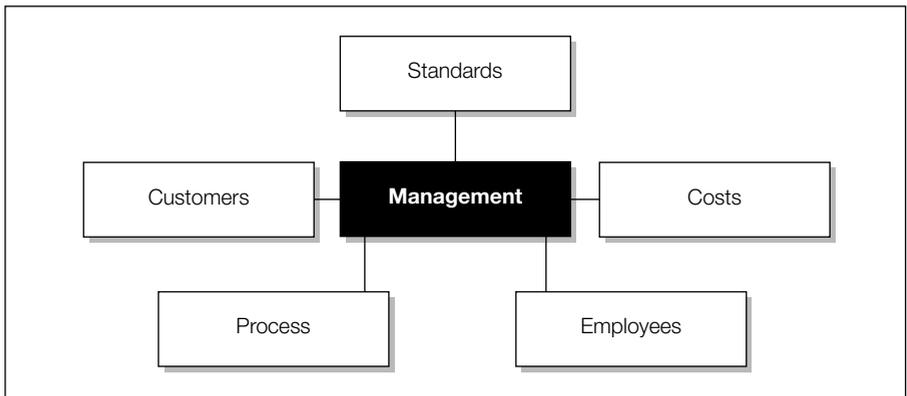
- be related to a corporate objective;
- be capable of being transferred down the hierarchy to individual targets;
- be achievable but capable of providing a degree of challenge, in particular by reviewing procedures and processes;
- have a clear, consistent definition to allow comparisons over time;
- be easily understood by all stakeholders;
- have the commitment of all stakeholders;
- be easily and readily measurable;
- have a named individual with clear responsibility for achieving the targets.

Measurement and Monitoring

Targets throughout the hierarchy are translated into performance measures to demonstrate how well an objective is being achieved, recognising that what gets measured gets managed. This is undertaken to varying degrees throughout the Council. Certainly all statutory targets are measured; however, there are some service units that do not effectively measure performance.

It is necessary to collect relevant data in a meaningful and manageable form in order to effectively measure performance. The Council's time-management system (TMS) is a useful management tool for recording and reporting productivity data for measurement, and there is increasing use of it throughout the Council. The performance management officer has set up a group to review the monitoring of performance in all managerial areas and is currently undertaking an audit of what is actually being done. This will assist in the ultimate objective of having an integrated performance management system in place for all service units by April 2XYB. Performance has to be measured and monitored over all aspects of the Council's activities (including all direct and support service areas) and in dimensions which are critical to our success, including financial, operational, managerial, customers, employees and professional standards. Best Value identifies the need to have a balanced set of measures for monitoring performance, taking into account all the critical service delivery requirements and including qualitative and quantitative measures.

Balanced Performance Measurement Framework for All Services



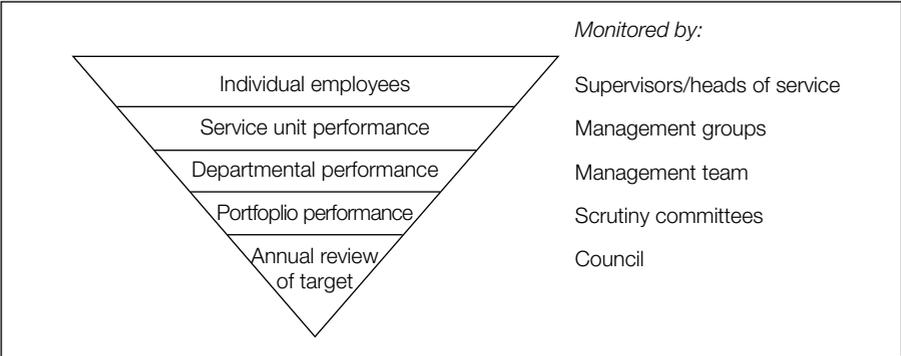
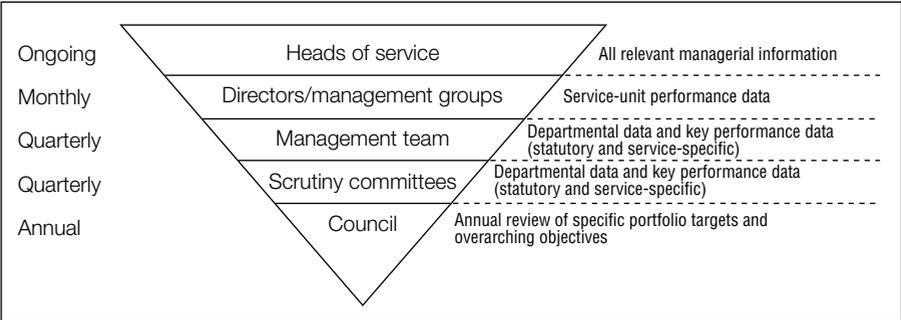
Standards	These include professional and quality standards which are subject to external scrutiny – for example by the district auditor, ISO 9000, etc.
Costs	These include costs per productive day, rates of return for direct service organisations, etc.
Employees	As the most valuable resource the effective measurement of the individual's contribution in terms of their competence and development through monitoring sickness levels, adherence to standards, management ability, etc., is important.
Processes	This includes all operational processes and forms the basis of the majority of performance data currently held.
Customers	Responding to the views of external and internal customers is a fundamental requirement of any balanced performance measurement framework.
Management	This area includes the overall management of the unit and is essentially geared to heads of service. Measures in place will include the requirements to undertake reviews, reprocess, manage performance, etc.

Performance Review

Reporting and presenting performance information to the various levels of management in the hierarchy is essential for the system to have credibility. All targets at all levels need to be monitored and reviewed in order that continuous improvements can be planned. However, it is important that the system meets the needs of the various tiers of the hierarchy. Day-to-day management information revolving around the managers responsibility for ensuring service delivery will be significant. It is important that only key performance data is reported up the hierarchy in relation to the targets set at each level.

The current process for performance review at Borset is established and forms the basis for effective performance management review. Currently, every quarter, a mass of information is collected from each department which is considered by their respective management groups (directors and heads of service). A substantial amount of this data is related to inputs and outputs and, while useful for monitoring workloads, is not all performance-related. Relevant information is then considered by the management team. From this, relevant performance related data, including statutory indicators, is fed through to the respective scrutiny committees for member review. At each stage of the process, particularly where targets have not been met, explanations have to be provided and areas for improvement identified.

Not all services produce meaningful performance data. Therefore, as services do start to provide this information, there will be an even larger mass of data to be considered by management group and the management team. This has been recognised and, in order to meet the criteria for effective performance review throughout the hierarchy, the system of review will be developed along the following lines:



Summary

The performance management system that is evolving at Borset has the following characteristics:

- established corporate objectives and targets cascading through the hierarchy;
- effective measures to assess how well targets are being met, taking into account all the dimensions of performance to ensure balance;
- reporting information from the bottom to the top of the organisation in a relevant and meaningful form;
- utilising results from performance data to review objectives, targets and management processes.

The system complies with part II of the Council's *Policy Framework 2XXX–XY* which outlines a specific policy on performance management, identifying with the overarching policy on resource management.

APPENDIX II:

Performance Management Framework – Financial Planning

The table overleaf shows the type of performance indicators used by the Council in setting its objectives and targets.

<i>DIMENSION/INDICATOR</i>	<i>MEASURE</i>	<i>TARGET</i>	<i>CORPORATE LINKS</i>		
			<i>Policy themes</i>	<i>Specific milestones</i>	<i>Corporate targets</i>
Management: general					
● Performance monitoring system in place	Report to scrutiny committee	March 2XXX	Resources: support services	R14	
● Annual report to resources scrutiny committee, 28.03.XX	Report completed	July 2XXX	Resources: support services	R14	
Management: specific					
● Completion of final accounts	Draft statement by mid-August	31 July 2XXX	Resources management		
● Completion of budget process	Council tax set Housing rents set	Mid-March Mid-February	Resources management		
Standards: general					
● External responses: letters	Sampling Exception reports	100% – seven working days	Resources: Cust. service		
● External responses: telephones	Sampling Exception reports	100% – 15 seconds	Resources: Cust. service		
Standards: specific					
● Satisfactory accounting standards	External audit opinion	Unqualified accounts	Resources management		

CONTINUED...

CORPORATE LINKS DIMENSION/INDICATOR	MEASURE	TARGET	Policy themes	Specific milestones	Corporate targets
Processes					
● Treasury management – interest earned	% compared with local authority seven-day rate	≥ average interbank rate	Resource management		
● Budgetary control reports despatched to heads of service	Record date sent out	100% within 5 days of 4-wkly cycle	Resource management		
● Balance housing rents	Record date cleared	100% – every Monday	Resource management		
Finance					
● Costs of unit	Cost per chargeable day	Below ave. for priv. sector/top 25 councils	Resource management		
Staff					
● Sickness absence	Days sick as % of productive days available	2XXX–XY 2.7% End 2XYX 2.4% End 2XYY 2.1%	Resource Management		✓ ✓ ✓
● Investors in People	Compliance with IIP standards on review and development	100% compliance	Valuing people		✓
Customers					
● Awareness	User feedback/survey	Brochure: April XX	Resources: support services		
● Written communication	User feedback/survey	Improve clarity (already started)	Resources support services		