

PERFORMANCE MANAGEMENT REVIEW

Submitted by: Head of Business Improvement and Partnerships – Mark Bailey

Portfolio: Customer Services and Transformation

Ward(s) affected: All

Purpose of the Report

This report outlines the ongoing process of review of the Council's performance management framework. This follows on from the presentation received by the Committee from the Head of Business Improvement and Partnerships at the meeting of 28 September 2011. The report sets out the initial findings of the review – carried out by the Audit Commission on behalf of the Council – and requests input from Members in terms of the findings and also the implementation of recommendations formulated as a result of the review taking place. It is envisaged that, as well as input received at this meeting, further input will come via a Task and Finish Group made up of members of the Transformation and Resources Overview and Scrutiny Committee, as per the Scrutiny Brief presented at the last meeting of the Committee on 28 September 2011.

Recommendations

- (a) That Members note the contents of this report.**
- (b) That Members communicate any issues on the review and its findings.**
- (c) That the Committee decide whether to establish a Task and Finish Group to examine the review in more detail, advise on the implementation process and report back to the next meeting of the Transformation & Resources Overview & Scrutiny Committee in January 2012 (as per the original Scrutiny Brief – see Appendix A).**
- (d) That Members request further updates on the process on the dates set out in the Scrutiny Brief, as found at Appendix A.**

Reasons

Following the abolition of the Comprehensive Area Assessment (CAA), the Local Area Agreement (LAA) and the dismantling of the national performance framework since May 2010, there is an acknowledged need for the Council to re-evaluate its existing performance framework to ensure that it is fit for purpose in the medium- to long-terms. In order to undertake this evaluation, the Audit Commission were approached to undertake a review of the performance management framework of the Council. This review was carried out during September and October 2011. This report sets out the process of review and also offers a number of initial findings and recommendations for the Transformation & Resources Overview & Scrutiny Committee to consider, both as a Committee and also in the form of a Task and Finish Group, should the Committee so decide. It is envisaged that, as the review reaches its conclusion and the implementation of the review's recommendations commences, that further reports will be presented to this Scrutiny Committee, as set out in the Scrutiny Brief (found at Appendix A).

1. Background

- 1.1 Alongside other local authorities, Newcastle-under-Lyme BC (NBC) has developed its performance framework in order to monitor and report performance against various national indicators and targets as established by central government. The process has grown in

recent years and has been a key part of the development of, first, the Comprehensive Performance Assessment (CPA) process in 2003/4 and, latterly, the Comprehensive Area Assessment (CAA) and Local Area Agreement (LAA) from 2006/7 onwards.

- 1.2 Together with these national imperatives, the development of a performance management framework has allowed managers and officers to collect and communicate information about the performance of service areas based both on national and local indicators and has allowed elected Members and the public, together with the Audit Commission, to challenge this information and establish whether services are improving or not.
- 1.3 Since May 2010, however, and the election of the Coalition Government in Westminster, the national framework for performance and the other aspects of this framework – including CAA and LAA – have been abolished. In addition, the role of the Audit Commission has been diminished in performance management terms.
- 1.4 The net result of these changes is that councils generally have a ‘free hand’ with which to organise their own performance frameworks, but with the important caveat that reductions in resources and increasing public expectation means that councils – more than ever – are being expected to deliver positive outcomes to the benefit of their community.
- 1.5 In meeting these new challenges, NBC has come to the conclusion that the existing performance management framework needs to be reviewed, in order to establish whether it is fit for the purpose set out above – namely, that it establishes what the key outcomes are for the community of the Borough; that it communicates how these outcomes are to be delivered and finally that it measures whether these outcomes are actually being delivered.
- 1.6 In short, the Council is seeking to measure more accurately the impact it is having on the well-being of local people and also whether this impact is improving as time goes by.

2. Outline of the Review

- 2.1 In order to establish whether the existing performance framework of the Council is meeting the challenges set out in the opening section of this report, a review was commissioned by the Council. It was agreed that the Audit Commission – given its experience of this area of work and its knowledge of many different local authorities – would carry out the review.
- 2.2 The review was undertaken during September and October 2011 and was divided into a number of key parts. These included the following: -
 - Review of key documents (including the Corporate Plan, service plans, project plans and other relevant documents including the Community Strategy)
 - Interviews with key officers and elected Members including members of the Cabinet, the Chair and Vice-Chair of this Committee and EMT/Heads of Service
- 2.3 This work was undertaken based on experience gleaned from elsewhere and with a remit to establish what is good about the existing performance management framework and what could be improved, based on the key drivers already mentioned in this report.

3. Initial Conclusions from the Review

- 3.1 Following completion of the review by the Audit Commission, a number of initial conclusions have been developed, which can be shared with the Committee at this stage and can be enhanced at the meeting itself.

- 3.2 First, the performance management framework developed by NBC is roughly in line with many other local authorities and is – essentially – a creature of its time as it is largely a response to the requirements set out by central government during the 1990s and 2000s.
- 3.3 Despite the framework being relatively successful in driving up levels of performance – evidence being the improvement of the Council in CAA terms – the existing framework does not meet the challenges already set out in this report, namely, to measure and report on the extent to which positive outcomes are being delivered for local people.
- 3.4 In a number of key areas, the existing arrangements in place measure and focus on activity and outputs, rather than pushing forward to measure and quantify the impact of these activities on the lives of local people and communities.
- 3.5 In addition, the current performance management framework used by the authority does not appear – based on the review’s findings – to adequately enable the organisation to assess the value for money of performance levels as no consistent approach to costs and performance is in place –in other words, how much is it costing the council to deliver particular levels of performance and is this the best way to do things in order to achieve best value?
- 3.6 A further point raised by the review concerns NBC’s partnership working arrangements, in that the Council is seen to recognise that partnership working is crucial in delivering key priorities but the necessary links with partners are not in place to realise these ambitions in all cases. The basic conclusion reached by the review, therefore, is that the absence of these links means that the council (and partners) cannot be confident that best use is being made of joint resources to bring about the necessary improvements (as identified by most if not all partners) to the quality of life for residents of the Borough.
- 3.7 Finally, the review – on a positive note – does conclude that, despite the various shortcomings highlighted in this section of the report, the existing performance framework has some strengths which will allow the council to develop it further and enable the creation (in partnership with others) of an outcome-focused framework that will allow NBC and its partners to be able to measure and report the impact the public sector as a whole is having on the quality of local life.
- 3.8 These strengths include: -
- A good basic understanding of outcomes (even if this is not always translated into practice);
 - A culture of focusing on measurement and reporting of performance as a basic part of service delivery and development; and
 - A clear desire on the part of the organisation to challenge itself and develop new ways of managing performance in order to keep it relevant, vital and effective

4. Key Areas of Focus for Review Implementation

- 4.1 The detailed findings of the review, building on the initial conclusions set out above, cover a number of main areas. These are: -
- Corporate Plan/Priorities
 - Delivery Planning
 - Success Measures and Indicators
 - Value for Money (VFM)
 - Project Management

- IT systems
- Personal Performance Management
- Reporting

4.2 It is envisaged that each of these areas will form the building blocks for the development of a 'new' performance management framework for the council. It is also envisaged that further information will be provided at the meeting of the Committee, to allow further questions and input from Members.

Corporate Plan/Priorities

4.3 The review concluded that the four corporate priorities in place are clearly stated in the Council's Corporate Plan. These are: -

- Creating a cleaner, safer and sustainable Borough
- Creating a Borough of opportunity
- Creating a healthy and active community
- Transforming our council to achieve excellence

4.4 Despite this clarity, and also the stated recognition that delivering against these priorities requires partnership working, there is no sense – according to the review – of whether these are simply council priorities or Borough priorities.

4.5 Building on this, the review questions whether the Corporate Plan itself reaches out to the Borough as a whole, given the fact that it articulates ambitions which can only be delivered with assistance from key local partners.

4.6 Priorities are also developed with partners via the (former) Local Strategic Partnership and in the Sustainable Community Strategy but – as the review recognises – it is not clear what can be achieved by having effectively two sets of priorities in this way.

4.7 The review notes that the Corporate Plan has a "good approach" to setting outcomes which make the priorities more specific, but these are of "mixed quality" in that not all are measurable, not all link with the priorities and not all are sufficiently robustly linked to specific success measures.

4.8 Most staff are aware of the Council's priorities, but not all have fully bought-in to them and some have a low level of understanding of how the priorities fit in with their day-to-day work.

4.9 Finally, according to the review, the approach of setting out the Corporate Plan by portfolio, rather than priority, has both strengths and weaknesses. The key strength is that accountability is clear for overall delivery, but the key weakness is that it makes it difficult to follow the link from priorities, through the more specific desired outcomes to the success measures and proposed activities.

4.10 In dealing with these perceived areas of challenge, the review makes some suggestions for further consideration.

4.11 The first of these is to potentially move from a Council-focused approach to corporate planning to an approach which involves key partners. In other words, the approach would be to produce a 'Borough Plan' rather than a Corporate Plan to show how all the key partners could plan to work together to address common issues and challenges.

- 4.12 In developing a Borough Plan, a jointly agreed set of priorities could be established and could also be linked to a manageable set of desired outcomes which clearly state the specific set of improvements that partners want to bring about. These outcomes, in turn, should be easily measurable and should be linked to a set of success measures and indicators.
- 4.13 The review further notes that – in adopting this approach – there may be a need to identify those issues and activities which fall under the Council only. If the priorities are developed and designed well, however, this list should be a relatively small one.
- 4.14 Even in the case of the ‘Transforming the Council’ priority – which could be construed as very much ‘Council only’ it is clear that, in a number of key areas, partnership working is developing if not already the norm (e.g. ICT, training and development and better use of assets).
- 4.15 In developing these new approaches, the review recommends that early discussions should take place between partners regarding any potential barriers to this proposed approach so that these can be dealt with at the outset.

Delivery Planning

- 4.16 The basis for delivery planning at present for NBC is the Service Plans. These provide a structure and focus for individual staff, who (as stated in the review) feel that they are a key part of the process. Plans are seen as well developed and clear with good information contained within.
- 4.17 Despite these acknowledged strengths, however, the review notes that Service Plans are not well-placed to serve as delivery plans for priorities and outcomes. They are developed as very service focused, rather than being corporate, and links between Service Plans and the four priorities are not always clear and partnership links are often not covered in enough detail.
- 4.18 In addition to these points, Service Plans do not always fit well in all cases and there are not enough clear links between corporate strategies and priorities/Service Plans.
- 4.19 The key consideration, therefore, for the Council is whether to continue with service planning in the way the organisation has done up to now.
- 4.20 If the decision is to continue, then better links need to be developed between Service Plans, corporate priorities and relevant success measures so that the Plans can be effective delivery vehicles for the priorities. Further integration also needs to take place between corporate strategies and Service Plans.
- 4.21 The alternative to continuing with the existing system is to develop joint delivery models with partners, designed to implement jointly agreed priorities and desired outcomes. Such plans would need to contain jointly agreed success measures, indicators and targets.
- 4.22 Finally, consideration needs to take place on the tracking of activities which fall outside joint delivery plans. This ‘residual service activity’ would be limited to those issues which do not relate to jointly agreed priorities.

Success Measures and Indicators

- 4.23 Good progress has been made by NBC in recent years on setting success measures and developing indicators to report against activity. These measures have tended to be based on the national indicator set and a number of local performance indicators.
- 4.24 A process has begun in recent times, as Members will be aware, of assessing the range of success measures and indicators used by the organisation to distinguish between those which provide management information and those which help measure outcomes.
- 4.25 The review concludes that too many of the existing success measures are designed only to measure activity and outputs, not outcomes. In other words, they measure quantity and have no information on the impact on quality of life for residents.
- 4.26 This means that there are few ways to measure progress against outcomes as the organisation is – in the main – measuring activity.
- 4.27 A final point made by the review is that information on performance is not disaggregated into any key variables such as age, place, ethnicity or gender. This means that the same things are being measured across the Borough regardless of any specific issues being faced in local areas by residents. This is despite the fact – as recognised by the review – that service areas are often designed based on local factors such as these.
- 4.28 The key challenge here is to develop success measures which enable the Council and partners to quantify the impact the public sector is having on desired outcomes.
- 4.29 In dealing with this challenge, the review recommends that success measures become more qualitative (providing information on the difference activity is making rather than simply recording the level of activity).
- 4.30 The review recommends keeping some quantitative measures, especially in cases of long-term issues such as life expectancy.
- 4.31 When developing success measures, the review argues that some will need to be disaggregated where it is felt to be sensible to do so. Knowledge of Members and officers in key areas of work will assist in this process.
- 4.32 Finally, joined up ways of receiving customer feedback with partners would be a useful approach to developing the impact of services and the delivery of desired outcomes.

Value for Money

- 4.33 The review recognises that NBC has developed good approaches to Value for Money (VFM) at the corporate level. Assessment of efficiency savings has been made and these have been compared with improvements in performance in specific service areas.
- 4.34 The Council is also involved with a number of benchmarking clubs that examine VFM in different service areas.
- 4.35 What is not in place, however, according to the review, are arrangements to provide a more focused management of VFM in service areas across the council. Performance is reported alongside finance, but this does not bring together cost and performance to show the return the Council is getting in specific service areas for the investment being made.

- 4.36 The net result of this is that – despite reporting budget outturns and overall spending levels to local residents – there is no assessment of VFM in key areas of work.
- 4.37 The challenge, therefore, is to develop a focus on VFM in terms of the return on investment.
- 4.38 The review recognises the difficulties inherent in this approach, but advocates better understanding of VFM across the Council involving the identification of a small number of service areas where VFM measurement could take place based on current levels of spending compared to current level of performance. Targets could be set to improve these different aspects in various ways – e.g. developing the same level of service at a reduced cost. This could then be reported to local people in order for them to see if they are getting more for their money on a year by year basis.
- 4.39 In addition, longer term approaches to VFM could be considered – for example, investment in capital projects and the impact on quality of life of this investment.
- 4.40 Finally, an approach could be considered to working with partners in collectively dealing with VFM issues on a joint basis.

Project Management

- 4.41 The review looked at project management in the Council on the basis of links with performance management only.
- 4.42 The review found that links are uneven at present between projects/programmes and performance management. As a result, activity and outcomes have not always been reported consistently as the collection and monitoring of project activity has often fallen outside the performance management framework. This position is improving, however, and the review recognises this.
- 4.43 The key challenge from the review is to ensure that all projects and programmes are firmly linked into the performance management framework. The review recommends that all project activity should be included in delivery plans (if approved) or the joint deliver plans outlined above.
- 4.44 In addition, SMART desired outcomes should be included with each project and programme which will link with specific priorities. Joint projects with partners should be developed in this way.

IT Systems

- 4.45 The review looked at the way in which IT systems help monitor, manage and report performance. IT systems have been used at NBC previously and this was noted by the review as being a positive process.
- 4.46 Despite this, however, some staff have indicated low levels of ownership and involvement with performance management systems.
- 4.47 The key challenge from the review in this area is to decide on what role IT systems play in the development of performance management in the Council. It may be necessary to speak to partners to develop joint performance management systems.

Personal Performance Management

- 4.48 The review assessed the personal appraisals system, in terms of how it links with the performance management framework. Only a relatively small number of staff were included in the review.
- 4.49 The review concluded that the system is generally used well, but that links to priorities is not always clear and there is uncertainty amongst some managers about the impact of the appraisal process on overall corporate performance.
- 4.50 The review suggested that more innovative ways may be considered to link individuals to priorities and desired outcomes.
- 4.51 One such approach may be to move away from a one-size-fits-all approach and give managers more discretion on how they manage performance.
- 4.52 There may also be an option to use the appraisal system as a source of qualitative performance information not captured elsewhere. Some individuals may be able to provide information which helps in delivering a desired outcome.
- 4.53 Finally, the review noted that moving to a 360 degree approach may increase motivation and staff buy-in.

Reporting

- 4.53 NBC has developed in recent years a detailed approach to reporting on how the Council is working to implement desired outcomes and deliver on key priorities.
- 4.54 An annual report style has been developed – which the review noted in a positive way.
- 4.55 Despite this, reporting was seen by the review as not being sufficiently focused on priorities, with too much reporting on activities and not enough on outcomes. This was seen as being the result of not setting outcome-focused success measures in the first place and the mixed quality of existing desired outcomes (as covered earlier in this report).
- 4.56 In addition, the annual report is seen as being too much about activities, with the result that local people are not able to assess the impact of activity on quality of life (despite being aware of the fact that the Council is always busy).
- 4.57 A further point made by the review is that reporting does not always demonstrate how poor or under-performance is being dealt with.
- 4.58 Finally, good examples are in place of how performance data has helped to inform resource re-allocation and allocation, but the review argues that there is no consistent approach to this.
- 4.59 In meeting these challenges, the review proposes a joint partnership approach (building on previous sections of this report) to reporting changes in the quality of life in the Borough. Reports, the review argues, should make the link between activity and outcomes (“we did x and there are now more/fewer y as a result”).
- 4.60 Such reports could still identify the success of individual organisations, but would clearly show how partnership activity has helped deliver outcomes.

- 4.61 The review proposes that reports should include disaggregated data where possible and where relevant and a more consistent approach to dealing with performance issues should be set out.
- 4.62 Finally, the review argues that performance should be clearly linked with resource allocation and protocols should be set up to deal with this.

Next Steps

- 4.63 The report covers the main conclusions of the review of the NBC performance management framework, as carried out by the Audit Commission during September and October 2011.
- 4.64 Members are asked to consider this report and make any comments, observations or ask questions either before, during or after the Transformation and Resources Overview and Scrutiny Committee meeting on 2 November 2011.
- 4.65 In conjunction with the Scrutiny Brief – found at **Appendix A** – the Committee is also asked to consider the established of a Member Task and Finish Group to examine these recommendations in more detail and to report back to the Committee at its next meeting.

5. **Options Considered**

- 5.1 Option A – Support the proposed approach set out in the report (Recommended)

This option is intended to aid the implementation process connected with the review of the NBC Performance Management Framework as outlined in this report through involvement of a Member Task and Finish Group in the review implementation process

- 5.2 Option B – Reject the approaches set out in this report (Not Recommended)

This option runs the risk of delaying the implementation of a new performance management framework for the Council and its partners and may therefore adversely affect the delivery of key plans and services for the Borough

6. **Proposal**

- 6.1 It is proposed that Transformation & Resources Overview and Scrutiny Committee note the contents and refer to the scrutiny brief relating to this report where required (see Appendix A).
- 6.2 It is also proposed that the Committee identify any additional areas of development that they feel may have been missed out of the report.

7. **Reasons for Preferred Solution**

- 7.1 As the report states, the review of the Council's performance management framework is a key component in moving the organisation forward following changes to the national framework since May 2010.
- 7.2 Developing a new approach to performance management is a key component in responding positively to the challenge financial and legislative environment for the Council and its partners.

7.3 A focus on delivering outcomes for the benefit of the Borough as a whole is a clear and agreed focus for the Council and its partners. It is envisaged that a newly developed performance framework will aid this process

8. **Outcomes Linked to Sustainable Community Strategy and Corporate Priorities**

8.1 The development of a performance framework is designed to develop measurable outcomes and robust planning and reporting processes.

9. **Legal and Statutory Implications**

9.1 These have been considered throughout the report and throughout the review process.

10. **Equality Impact Assessment**

10.1 An Equality Impact Assessment of the review will be completed following further input from Members and officers.

11. **Financial and Resource Implications**

11.1 There are no financial or resource implications at this time, although the implementation process may result in changes to existing processes.

12. **Major Risks**

12.1 The GRACE risk assessment for this work will be reviewed and the risks connected with implementing the review recommendations will be considered at the appropriate time.

13. **Sustainability and Climate Change Implications**

No direct implications at this time.

14. **List of Appendices**

Appendix A – Performance Management Scrutiny Brief

15. **Background Papers**

None.