



**Creating an
Effective
Performance
Management
Framework**

A COVALENT WHITE PAPER

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PURPOSE OF THIS WHITE PAPER

Local Authorities ambitions and corporate priorities are governed by a wide range of different stakeholders and customer types. A typical council will produce a huge number of different strategies and plans, covering different areas and timescales, as summarised below.



Typically, these plans map out in some detail what the council is looking to achieve in specific areas, and broadly how it will do that.

A key role for Performance Management is to track how effectively these plans are actually being implemented in practice, report on progress to relevant people (usually a combination of senior officers and members) and initiate improvement programmes to address areas of underperformance.

In organisations as complex as councils, this performance management activity is complex, not least because it extends across the whole organisation, so it becomes imperative to define clearly and in some detail how the whole area of Performance Management will operate in practice. This has led to the notion of a Performance Management Framework, to give some shape to the many activities conducted in pursuit of the council's strategies and plans, and to offer a coherent structure for managing these activities.

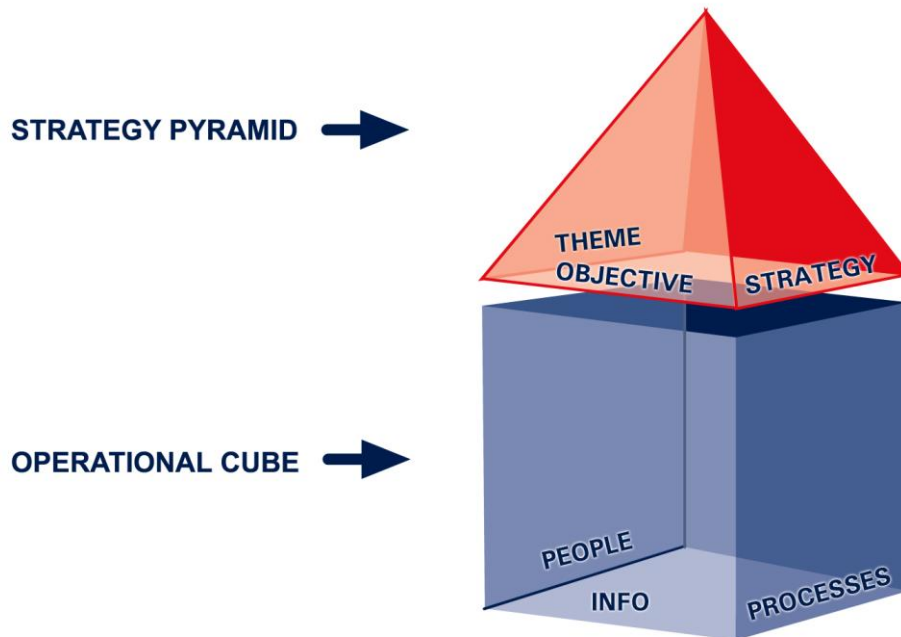
Generically a Performance Management Framework (PMF) comprises a number of elements:

- The strategies and plans being pursued by the council.
- Arrangements in place for reporting performance, and appropriate systems allowing the management of performance by councillors and officers.
- A timetable designed to synchronise corporate, service, and financial planning.
- The council's monitoring arrangements and processes for regular reporting on key priorities to chief officers and councillors.

In the pages which follow we outline a comprehensive framework which encompasses all the key elements in effective performance management. The PMF outlined in this white paper is one approach that we believe encompasses all the key elements of relevance to a local council. It is also the approach that our performance management software product, called Covalent, utilises to structure its database and to build a performance orientation into employees' day-to-day working.

THE COVALENT PM FRAMEWORK OVERVIEW

The Covalent Performance Management Framework has been developed to provide a logical structure to the many components involved in really effective Performance Management. The Covalent Framework consists of two Modules – the Strategy Pyramid and the Organisational Cube - which themselves have a number of components, as outlined below.



Module 1 is The Strategy Pyramid, a visual representation of what needs to be done, or more prosaically, the council's strategy. In order to describe the strategy in terms that everyone throughout the organisation can relate to, the strategy needs to be "cascaded" through organisational layers from corporate, departmental, business unit down to individual employees or teams. The progress and effectiveness of the strategy can be tracked using a four level hierarchy of Theme, Operational Strategies, Objectives and Performance Indicators.

Module 2 is The Operational Cube, covering all those activities involved in monitoring and taking action on strategy implementation. This encompasses three dimensions of People, Processes and Performance Information.

What follows is a detailed examination of all the components in these two modules. Part 3 then outlines a methodology for building an effective Performance Management Framework.

MODULE 1 THE STRATEGY PYRAMID

The Strategy Pyramid provides a mechanism to translate general strategic statements into specific hypotheses, objectives, targets and measures, and so help employees see the council strategies in a cohesive, integrated and systematic way.

At the outset it is important to stress that strategy is more art than science. Essentially a strategy is a set of hypotheses that using certain resources in a particular way will then lead to achievement of desired results. Whilst strategy is often described as providing the “how” for other terms such as mission and vision that cover the “why” and “who”, in reality there are a number of assumptions about the way things work behind every strategy, that may be called a cause and effect chain.

What the Strategy Pyramid does is make explicit these strategy hypotheses by describing them as a set of cause-and-effect relationships that are tangible and testable. Performance measures connect the desired outcomes from the strategy with the drivers that will lead to those strategic outcomes. In many ways, the Strategy Pyramid represents a *cause and effect diagram* that maps the relationships between different strategies and individual performance indicators, indicating which measures drive the desired outcomes. This enables the strategy implementation process to be tightly managed, and importantly validated to ensure that the hypotheses actually stand up and can be verified by practical experience and results.

Many councils now organise their strategies and performance information broadly following this strategy pyramid approach, even though the actual labels for each level in the hierarchy may change.

The Covalent Strategy Pyramid visually explains the council’s strategy across a four level hierarchy:

1. **Themes;** a high level grouping or perspective.
2. **Strategies** being pursued within each of the Theme areas
3. **Objectives**, priorities and goals to be achieved by each of those Strategies
4. Performance measures or **Performance Indicators** (PIs).

In effect Strategy provides the broad directional priorities, Objectives state what you must do well in order to implement the strategy, and Indicators how strategic success is measured and tracked.

1.1 THEMES

The generic term, Theme, is used as a high level grouping that consolidates the council strategy and related performance measures in a logical and practical way. In practice, the word Theme may be interchanged with a variety of other words, which essentially all convey the same meaning, such as:

- Perspective. This term is often used in the context of one of the popular Performance Management methodologies such as the Balanced Scorecard or EFQM Business Excellence model.
- Priority area, as in the council strategic objective or corporate priorities.
- Aims or Goals
- Principles
- Core Values
- Focus Areas

Whatever the term used, the critical thing to get right is calling the Theme 'elements' something relevant that staff can readily relate to.

1.2 STRATEGIES

The term strategy is used generically to convey that this is "what you're planning to do, in each of the theme areas". Other terms might be....

- Planned activities/ tasks
- Action programme
- Strategy initiatives
- Improvement programmes
- Key success factors

The important thing to remember about Strategies is that they are essentially hypotheses about how things work, so that by using certain inputs combined with processes conducted in a particular way then predictable outputs will emerge, and desired outcomes will be achieved.

Generic Local Government strategies

We have conducted an exercise to draw up a master set of potential council strategies, by consolidating the "local government shared priorities" (agreed between central and local government) with a cross section of strategies in practical use by councils. The resulting list of generic Local Government strategies is shown below.

Shared priorities

Education - raising standards in schools

Improving quality of life for: children/ young people; older people; families at risk.
Supporting vulnerable people

Health - Promoting healthier communities. Targeting key services to match need

Safety - Creating safer/ stronger communities. Working with other agencies, especially to tackle crime

Local environment management - healthier, greener, cleaner. Attractive public space, sustainable (Agenda 21)

Transport - meeting local transport needs

Economy/ Employment - Promoting economic vitality. Positive conditions for business/ employment, adult skills

Other priorities

Modern council

Equal council

Skilled council

Culture/ Leisure - increase accessibility/ quality of leisure facilities

Services - provide high quality, value for money, accessible services

Democracy - strengthening local democracy through community participation

1.3 OBJECTIVES

General strategies and vision statements are often vague so objectives or goals are used to get more specific, and articulate the accomplishments that will be necessary to achieve the vision. Objectives bring to life what you are trying to achieve with each strategy and.....

- Should describe an activity that leads to the desired final result, in concrete not abstract terms.
- Generally express an action, which can be most easily done by using a verb with an active connotation e.g. Improve, Increase, Reduce.
- Need to be set at each level in the organisation in a cascading fashion, so that achievement of lower-level objectives leads to achievement of macro, corporate objectives. As you go lower in the organisation, objectives tend to be based more on projects, process measures or activities, as well as on output measures which is fine as long as you can show the connections between process or activity goals and macro output goals.

As described in Paul Niven's book, *Balanced Scorecard for Government and Nonprofit agencies*, "objectives can be viewed as a bridge that spans on the one side your strategy of broad overall priorities and on the other your measures, which are the quantitative means by which you will gauge success. Performance objectives describe what you must do well to effectively implement your strategy. Objectives translate strategic priorities, which are often vague and nebulous, into action-oriented statements of what must be done to implement the strategy. The objectives are then further translated into more granular performance measures".

Objectives should be SMART, a commonly used acronym that stands for Specific, Measurable, Achievable, Relevant and Time-bound. Essentially, objectives are the measurable, desired level of performance for a particular performance measure and usually have two parts: the measure itself and the desired level of performance or target, usually with a time component. For example "Increase the % of benefits claims processing on time from 40% to 55% by November 2004".

Setting Targets for objectives

Targets are essential to make objectives meaningful, and to have some way of understanding whether a certain level of performance achieved is good or not. Targets.....

- Represent the desired results of a performance measure.
- Provide a point of reference toward which to guide your actions, decisions and resource allocations.
- Communicate the expected level of performance required to achieve success.

According to the Audit Commission, in their paper *Targets in the public sector*, there is growing support for a shift in the balance from nationally set targets to targets set by local organisations. The government has indicated its support for greater 'localism' (meeting the diversity of need and expectations of local people with highly tailored services and giving users a greater role in decision making). In addition, the emphasis is no longer solely on the performance of single institutions in delivering services, but increasingly on localities and the partnerships which aim to provide improved quality of life for communities and individuals. This changing landscape has already driven developments in target setting – for example, local public service agreements (Local PSAs).

It is important to be clear about two terms that are often confused

A performance standard indicates to the public the minimum standard of service they can expect from a public body. It is a promise made to service users about the levels and quality of service that they can expect, e.g. 'We promise to collect domestic refuse on the stated day each week, replace the lid on the bin, close your gate and leave the area clean and tidy'.

A performance target is a commitment made in advance to achieve a specific service level. When creating a target, there are a number of possible ingredients involved in expressing a desired level of performance:

Ingredient	Example
Direction: a verb that suggests the type of change associated with moving from the current level of performance to the targeted level e.g. increase, decrease, maintain.	Increase
Performance measure: the name of the measure that is (or will be) used to provide objective evidence of the degree to which the specific performance outcome is occurring through time e.g. speed of response, costs, application processing time, customer satisfaction.	Number of planning applications processed in 8 weeks...
Current performance level: the actual numerical value of the current average level that the performance measure is sitting on e.g. customer satisfaction is currently fluctuating around an average of 62%, application processing time is currently fluctuating around an average of 35 days per benefit claim.	From 65%....
Target: the numerical value that indicates the average level that the performance measure is required to be sitting on (research suggests performance improves when targets are expressed quantitatively) e.g. best practice speed of response for our peers is 1.5 days per enquiry.	To 80%..
Timeframe: the date or point in time by which the target level is to be achieved, e.g. if citizen take-up does not reach 35% by June 2005 we won't achieve new funding to further develop electronic service delivery.	By April 2004.

Selecting and Achieving targets

A variety of different methods of target setting are typically used, and are listed below in approximate order of most to least used:

- **Pluck it out of ...** thin air (or other places with no overt rationale)
- **A percentage improvement** on last year e.g. 10% reduction in costs
- What others are doing (**benchmarking**) e.g. industry best practice, world best practice
- What the **customer or stakeholder** expects or was promised e.g. a service standard
- What is feasible given current **process capability** and resource availability
- What level of improvement is needed in order to achieve a **higher order target** e.g. the level that market share needs to be in order to achieve revenue growth targets

Each of these methods are valid and valuable— *depending on the context in which they are used.*

Another important consideration is how the decision on whether or not a target has been achieved will be made. Generally this decision is based on some form of comparison between actual performance and targeted performance such as:

- **Point to point comparisons** which compare the most recent actual value of the performance measure with the target e.g. last month's average response time is 2.1 days per enquiry compared with target of 1.5 days per enquiry
- **Time series comparisons** which compare the overall average level of the performance measure with the target e.g. the long run mean for response time of 2.5 days per enquiry compared with the targeted average of 1.5 days per enquiry
- **Process capability comparison** which compares the actual range of variation in performance with target for variation e.g. actual response time is varying between 1.6 and 3.4 days per enquiry, compared with the targeted range of 1 and 2 days per enquiry.

The first method is usually a cause for dissenting or invalid conclusions about whether or not a target has been achieved. This is because statistical variation, inherent in any organisational process or system, is being ignored. The assumption is that last month's performance is representative of what the process or system is currently capable of. A sample of one is a useless sample! To know whether performance is improving toward the target level, you need to examine the time series, not the last point in that time series.

Regarding the future of target setting in local government, the Audit Commission has stated that, "Progress has already been made but there is now a need for a further shift. A shift to national aspirations that are not always accompanied by targets; a shift towards the more intelligent use of clusters of performance indicators; a shift towards an approach that is more sensitive to issues of complexity, diversity and equity and one that encourages and supports local experimentation and learning; and a shift to fewer nationally set targets and more targets set by localities. These shifts will take time but need to be made more apparent and more quickly for those organisation who have earned it."

1.4 PERFORMANCE MEASURES OR PIS

Performance Indicators (PIs) are quantifiable measures used to monitor performance and report progress. They define the way in which the actual level of performance being achieved is measured and are also used to track progress based on targets set for each objective. In practice, a number of indicators might be used to track progress of one objective, and they may be statutory or local indicators.

The act of defining a PI, and particularly defining the metric and the formula for calculating it, is crucial because the way you structure the PI affects the behaviour of individuals within the organisation. Selection of a particular PI signals that management is interested in this aspect of the organisation's performance; it therefore can have an enormous influence on employee behaviour.

When designing PIs, you need to consider what behaviour will this encourage and is this behaviour desirable? There is a danger that when the wrong things are measured, or they are measured in the wrong way, dysfunctional behaviours that are completely misaligned with the organisation's strategy are likely to be the outcome.

With regard to the actual measurement process itself, there are broadly two approaches - counting or judgement - with the former being the best approach, because performance is based upon a rating system with specific criteria. A measurement system based on opinions is usually unreliable because of the subjectivity and bias involved.

7 Principles for selecting effective Performance Measures/ PIs

Clearly, councils have little choice with regard to tracking statutory PIs but the following principles should provide some guidance when selecting local and other business-specific performance indicators.

1) Focus on the *Vital Few* instead of the trivial many. It is impractical to track all the PIs that make sense or that could potentially be of value. Generally, it is accepted that the maximum number of metrics any one person should be tasked to actively manage is around 20. Whilst the performance system itself may have hundreds or even thousands of indicators in the database, the important point is that no individual should have to focus on more than a few major ones. There also needs to be a distinction between the PIs that are not fundamental to the council's success -which can be looked at as the warning lights, reported on an exception basis without needing to be monitored every day - and the more strategically critical indicators.

Furthermore, too much data is the most common and most serious problem with performance management, because it wastes a great deal of valuable time. Managers have to wade through mounds of irrelevant data to get to the few buried kernels that they really need to manage their functions. Managers may think that a particular measure is related to success, when there is little hard evidence that this is the case. The way around this is to determine at the start what the vital indicators are and eliminate the remainder from day-to-day management focus.

2) PIs should present a balanced picture. A concept which has gain much acceptance (partly due to the growing popularity of the Balanced Scorecard model) is that of having a balanced collection of PIs. No single measure is going to transform an organisation so it is key to have numerous indicators across all the important perspectives, not just one important one. Success is about balance, not a mindless focus on quality, costs or any other individual measure.

3) PIs should focus on the Past, Present and Future. A balance of PIs across time-based dimensions is important as a remedy to the problem of totally focussing on the past, or the current period’s performance. Using a balance of past and future indicators will provide some ability to predict, or indeed influence, performance. And will ensure as much looking forward through the windscreen as focusing on the rear view mirror.

- ❑ *Lagging indicators* or past measures are so-called because they show performance that has already happened by providing data on outcomes or outputs that have already occurred.
- ❑ *Leading indicators* are future-focused metrics that serve to predict the performance of the present and past (or lagging) indicators. Trends in leading indicators need to be detected quickly enough so that corrective action can be taken. These leading indicators are the most critical of all because they help an organisation manage better. They are the types of metrics that are least often found in councils, partly because they are the most challenging to identify. Lead measures tell you how you are doing along the way; they can be identified by mapping your processes and noting critical milestones that flag possible performance problems.

Leading indicators should strongly correlate with lagging indicators so that they allow managers to predict future success. Otherwise you may spend valuable resources to make the needle move in a positive direction on the leading indicator gauges, but if this does not in turn lead to concurrent improvements in outcome measures, your time and money will have been wasted.

One way to guide the selection of potential leading indicators is to explain how improvements in the leading indicator will translate to improvements in outcome measures. In other words, ask “Can we influence performance on this measure and make the needle move?,” not “Can we control performance on this measure?”

Examples of connected Leading and Lagging Indicators

Leading Indicator	Lagging Indicator
Customer satisfaction survey	Future customer complaints
Population growth	Car park revenues
Employee stress levels	Staff turnover or illness
Growth in tourist numbers	Visits to museums
Safety audit scores	Lost time accidents

4) Align PIs with corporate priorities and goals. Whilst tracking performance within each service department is critical, councils must also seek to tightly link performance measures with high level strategic and corporate priorities. The many different strategies across the council’s departments can be drawn together and visibly aligned to the overall vision and priorities, whilst demonstrating the interdependencies between services. This provides staff with greater clarity on what is expected of them and their role in improving overall council performance. Employee motivation, and ability to perform well, improves when their goals are clear and staff can see the connection between their work and the organisation’s strategic objectives. This bridges the gap between organisational vision and what employees need to do to make it a reality and helps transform woolly strategic intentions into concrete actions that employees can relate to.

5) Use PIs that drive the right performance. Often organisations look for factors that can be counted and measured objectively but these things may not be what is really important. A combination of all types of process-related measures is needed.

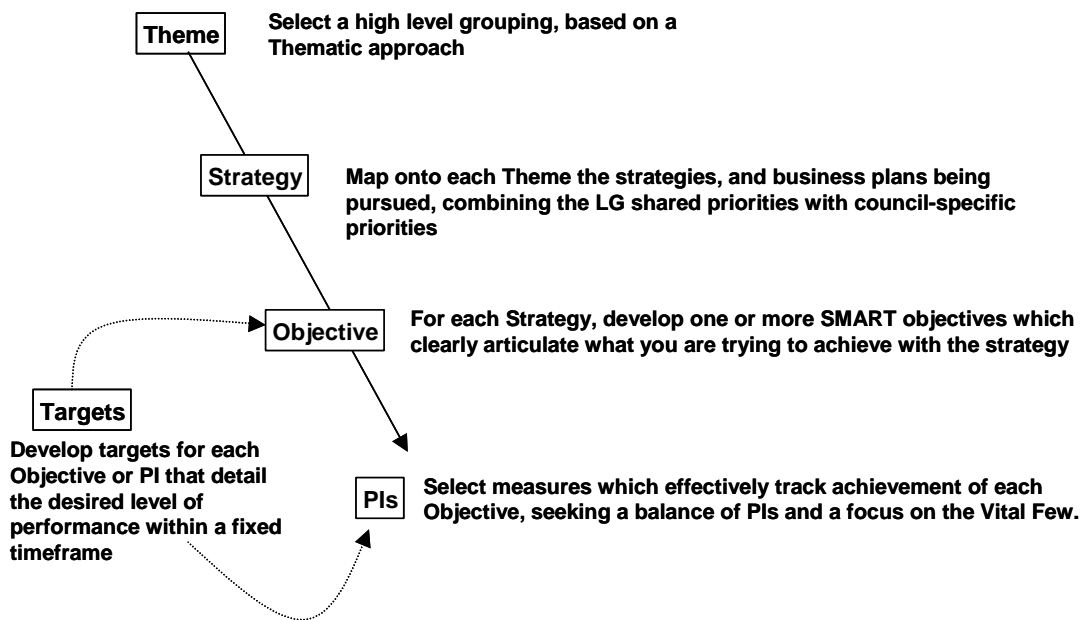
- ❑ *Input measures* quantify the amount of input to a process or activity either as an absolute amount (such as people time, or financial resources) or relative to another perspective (such as people time as a % of all time expended, or financial resources per quarter).
- ❑ *Output measures* are the direct results from using certain inputs, such as number of people served or level of service provided. Whilst output measures track activity, they fail to disclose whether customers are better off.
- ❑ *Outcomes or Results measures* reveal more about whether the input effort is making a difference. They track benefit received by stakeholders, and demonstrate results achieved. They can provide guidance in resource allocation decisions and guide an organisation towards its true aims. They help keep score on performance and tell where the council stands in its effort to achieve goals. But they do not tell how it got there or what it should do differently, and they don't help a multifunction team monitor the activities that enable it to perform a given process, nor what they must do to improve their performance.

In councils, processes are performed by people, not machines. This means that to control processes, you have to control behaviours. Logic says that if everyone follows a prescribed path of behaviours, predictable results will occur most of the time. Behavioural measures are measures of what people do, but more important are accomplishment measures, which are measures of meaningful performance. The problem with just measuring behaviour (such as number of calls handled per day) is that often the behaviours being asked for do not ensure that the quality of the service or product is good (e.g. enquiry is dealt with effectively from the citizens viewpoint).

6) Strive for consistency. Make sure the use of a measure, and the way it is calculated, is consistent, whoever makes the measurement and whenever they make the measurement. If the measurement process is not clearly specified then different individuals will track different data and the results will vary depending upon who takes the measurement.

7) Perform the "Is this practical" Test. Examine the practical issues closely such as: Can the data required to calculate this PIs be easily accessed and understood? Is there any ambiguity possible in interpretation of the results and what can we do to minimise this? Is the particular performance measure worth the cost that will be incurred in capturing the data at the frequency specified?

RECAP --- BUILDING A STRATEGY PYRAMID



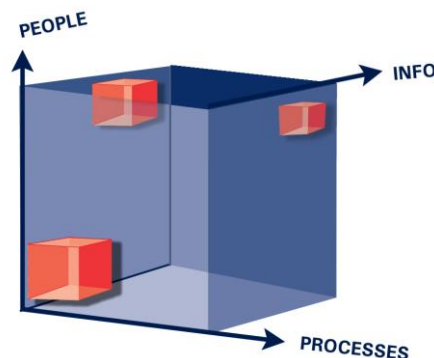
MODULE 2 --- THE ORGANISATIONAL CUBE

If the first module, Strategy Pyramid, defines what will be achieved, and how it is to be done, then this second module is all about making it happen. It is in essence about the nuts and bolts of how the council will work to manage performance, and turn the potential of its strategy into actual results by using performance information to make resource allocation decisions. The biggest Return on Investment from good Performance Management is the saving the drain on organisational resources from ineffective initiatives.

Broadly there are three dimensions in the Organisational Cube, covering all those activities involved in monitoring performance, taking corrective action and adjusting activities in the light of experience:

- ❑ **People**; the individuals who are accountable for performance levels, who are involved in performance improvement, and who are responsible for data collection. A critical aspect here is how senior people are involved and participate in the management system so that their decisions and actions are effectively communicated across the organisation.
- ❑ **Processes**; the mechanisms and procedures for measuring, reporting results, taking action and making adjustments. This also encompasses the decision taking teams and forums in which performance will be reviewed and decisions taken, such as Corporate Management Team meets, Scrutiny Committees and Cabinet meetings. An important parallel process is the act of managing the performance measurement system itself – making sure that it is refreshed and refined continuously, as well as ensuring that measures remain relevant to the needs of the organisation.
- ❑ **Information**; what is required to measure performance effectively, how results will be reported, and in what format. Essentially this is all about actually operating with the performance data, using it to understand what is going on across the organisation and applying that insight to drive improvements in business performance.

In practice the Organisational Cube comprises multiple mini-cubes of different combinations of People-Process-Information. For instance, mini-cube 1 might define the processes relating to Members and the performance report they will receive (perhaps the Scrutiny Committee quarterly report). Mini-cube 2 might cover Management Accountants weekly team meet using the Finance PIs monthly report, and Mini-cube 3 Performance Management unit data collection and reporting processes to produce monthly Management Team report.



2.1 PEOPLE

The people dimension needs to be defined in terms of the *type* of people and the *role* they play.

For Type of people, the most common approach is to work in line with the organisational hierarchy to identify the people who need to be involved in the Performance Management system and from there to define their roles, as follows.

Members. Elected members need to get actively involved in managing performance, not least because of the focus placed on this by CPA Inspectors. Ultimate responsibility and accountability for a council's overall performance rests with members, so failing to effectively manage performance is a failure to carry out one of the core functions of local government. Evidence from IDeA Peer Reviews indicates that local authorities that proactively involve and support members manage performance better than those that do not. Members need to regularly monitor information that measures performance against council priorities and progress towards achieving strategic objectives, as well as all statutory and local performance indicators. They need to make decisions and take action to improve performance, taking account of service performance when allocating resources. Members get involved through their responsibility for particular portfolios, or service areas, or council priorities through full cabinet meetings or committees dealing with particular areas.

Directors & Senior Officers. Officers are typically overall Performance Owners who manage resources and staff to achieve particular levels of performance. They are involved in multiple processes and a series of performance forums and meetings. In terms of information requirements, although generally they require fairly high-level performance summaries, in other cases they will require detailed information about a particular aspect of performance.

Heads of Service. Although these people operate at a different level within the organisation, the type of role they play and their broad information requirements are pretty similar to Directors & Senior Officers.

Staff. Involving the bulk of the people who will actually be doing the work to influence performance outcomes is clearly fundamental to effective Performance Management. Defining who these people are and what role they play is typically done along service lines. One of the key findings from the CPA process so far is the importance of staff knowing what is expected of them and of their managers knowing if they are achieving it. Making this happen requires cascading the corporate ambitions and priorities through all levels in the organisation and translating them into operational and service plans that employees can relate to. This is viewed as fundamental so that individuals can understand their role in achievement of the council's priorities, but also to allow managers to monitor their performance more effectively. There is also an emphasis on integrating staff appraisals with the PM system to allow cross-referencing of individual performance back to service action plan targets and objectives.

In any Performance Management Framework, there are **four key roles** that each person may play (some individuals will play multiple roles):

- ❑ Performance **Influencer** – the group of people who, by the work that they do and the activities they undertake, directly (or indirectly) influence the performance outcome in a particular area.
- ❑ Performance **Owner** – a person who is responsible for managing performance in a particular area, and with whom the buck stops. Typically there are degrees of ownership that reflect seniority levels, such as perhaps Responsible Officer, reporting to Service Director reporting to Member/ Portfolio holder. These are the people who utilise performance information to make decisions and initiate action.

- ❑ Performance **Tracker/ Reporter** – the people who are tasked with monitoring performance and producing reports that summarise the current situation relative to expectations. Many councils have a dedicated Performance Management unit for this purpose.
- ❑ **Data gatherer** – the people responsible for gathering performance data, by undertaking measurement activities or utilising information contained in other systems. These people are usually within an administration function in a service area or department.

Generally, defining the latter two roles provides the least difficulty. Defining who is tasked with gathering and reporting performance data is usually fairly straight-forward. Defining the first two roles tends to be more involved as across all organisational levels, stakeholders with a need for performance information must be identified, and the needs of each such group addressed.

People Types and the typical Roles they play

	Members	Directors & Senior Officers	Heads of Service	Staff
<i>Performance Influencer</i>		✓	✓	✓
<i>Performance Owner</i>	✓	✓	✓	
<i>Performance Tracker</i>			✓	✓
<i>Data gatherer</i>			✓	✓

2.2 PROCESSES

Within an effective PM Framework, there are typically four critical mechanisms or processes that need to be clearly defined:

- 1) **Measuring and gathering** performance data, which covers:
 - Defining what needs to be measured, what performance indicators will be used and how they will be calculated.
 - Identifying the source of the raw information for these performance indicators.
 - Determining the frequency of measurement.
 - Defining how the people with data gathering responsibility will interact with the framework.

- 2) **Monitoring & Reporting results.** The frequency with which results will be reported, and report content and format (with a series of reports having varying degrees of detail).

3) Taking action to improve performance. Within most councils, the process for tracking performance and deciding on improvement actions involves producing reports for discussion or presentation at a meeting. The prime decision taking forums tend to be Service Unit Management and Team meetings, Corporate Management Team meetings, Policy & Scrutiny Committees and Member meetings. One of the more valuable roles that an automated performance management system can play is to provide a way of capturing these actions, assigning them to a responsible person and tracking progress of these actions through to completion. In this way, Service Improvement Plans with a series of sub-actions remain within the focus of key decision-makers.

4) Making adjustments in the light of experience and to cater for changes in strategy plans or priorities. An important parallel process is the act of managing the performance measurement system itself and making sure that it is refreshed and refined continuously.

2.3 INFORMATION

The information contained within an effective PM Framework is much broader than just a collection of performance indicators. More usefully, it should contain information on the council's priorities, strategic objectives and particular strategies/ plans. It should also incorporate details of improvement actions and current progress on those. In some circumstances it would be appropriate to include information from other areas such as Risk Management, Service Planning and Finance. Consistent performance information at all levels of the organisation is essential so that performance measures for individuals and teams are directly related to measures for the organisation overall.

The information held by the performance system needs to be "customised" for each person playing a role involved so that they are not overwhelmed. Ideally every user of the information should have no more than 20 indicators for one area of responsibility.

The most critical element here is defining what information needs to be reported to different types of people, and the format of that content. This basically means deciding on the content and format of various performance reports. As expected, the higher up the organisation a person sits then the more these reports should contain summary information across a wide range of perspectives, whereas lower down performance reports tend to contain much more detail about very narrow areas of operation. However, performance monitoring needs to be integrated so that each report informs discussion at the next level up. The Audit Commission guidance suggests three layers:

- *"Corporate Monitoring.* Chief officers and the executive should receive regular (e.g. quarterly) reports monitoring progress on corporate priorities. This could consist of a set of PIs tracking priorities, updates on strategic targets and performance exception reports.
- *Department/Service management teams* should receive regular (at least monthly) reports on performance, which cover service priorities and monitor statutory and local performance indicators. This includes monitoring progress on objectives, targets and action plans in departmental/service plans.
- *Business Unit/ team monitoring* is done on a regular basis and includes monitoring progress on objectives, targets and action and business plans".

To the extent possible, it makes sense to come up with a series of predefined reports that the performance system can automatically produce whilst retaining an ability to create ad-hoc reports for occasional needs. Many of these reports should hone in on particular aspects of performance such as areas which have improved/ deteriorated or which are major priorities or which are subject to a particular focus at the moment.

3) BUILDING A PM FRAMEWORK; TEMPLATE

Firstly build the Strategy Pyramid, by populating the template below with details specific to your council.

Theme	Strategy	Objective
<p><i>a high level grouping which may be called a number of other things in various councils such as ...</i></p> <ul style="list-style-type: none"> • PM Framework Perspective • Organisational Unit/ Service area • Priority area • Aim • Principles • Core Values • Focus Areas 	<p><i>Strategies and actions being pursued within each of the Theme areas, such as</i></p> <ul style="list-style-type: none"> • Planned activities/ tasks • Action programme • Strategy initiatives • Improvement programme • Key success factors • Sometimes called Aims or Goals 	<p><i>Objectives and goals to be achieved by each of those Strategies. They should:</i></p> <ul style="list-style-type: none"> • Describe an activity that leads to a concrete desired result • Express an action • Be SMART and contain the measure itself and desired performance level. • Have Targets that express Direction, Performance Measure, Current level, Target level and Timeframe.

EXAMPLE STRATEGY PYRAMID

<p>THEME 1 (e.g. A Well Managed Council)</p>	<p>STRATEGY 1.1 (e.g. Ensure sound & efficient financial management)</p> <p>STRATEGY 1.2 - (e.g. Maintain IiP status & continue to motivate our staff)</p>	<p>OBJECTIVE 1.1.1 (e.g. Reduce speed of council tax collection from 40 to 30 days by April 2004)</p> <p>OBJECTIVE 1.1.2 (e.g. Reduce the number of processes involved in claims processing from 12 to 10 by year end)</p> <p>OBJECTIVE 1.2.1 (e.g. Improve staff satisfaction rating from 72% to 85% by Nov 2004)</p> <p>OBJECTIVE 1.2.2 (Increase staff knowledge by running 3 training courses during 2004)</p>
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<p>THEME 2 (e.g. A Prosperous Local Economy)</p>	<p>STRATEGY 2.1 – (e.g. Target resources to people and communities needing support) STRATEGY 2.2 – (e.g. Play an active enabling role in supporting housing needs) STRATEGY 2.3 – (e.g. Help create a thriving economy for residents and tourists)</p>	
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To enable effective performance management one or more Performance Indicators need to be mapped onto each individual entity in this period – that is, each combination of Theme, Strategy and Objective. Selecting PIs should be guided by the 7 Principles:

- 1) Focus on the *Vital Few* instead of the trivial many
- 2) PIs should present a balanced picture
- 3) PIs should focus on the Past, Present and Future
- 4) Align PIs with corporate priorities and goals
- 5) Use PIs that drive the right performance
- 6) Strive for consistency
- 7) Perform the “Is this practical” Test

Next, develop the Organisational Cube across three dimensions – People, Processes and Information - that cover all those activities involved in monitoring performance, taking corrective action and adjusting activities in the light of experience.

One approach is to create a template for every person involved in the Performance Management Framework that comprises the following details for each.

People	Role they play	Processes they are involved with	Information requirements
<p>Firstly define type of person, and then list names within each grouping</p> <ul style="list-style-type: none"> <input type="checkbox"/> Member <input type="checkbox"/> Director & Senior Officer <input type="checkbox"/> Heads of Service <input type="checkbox"/> Staff 	<p>Choose from ...</p> <ul style="list-style-type: none"> <input type="checkbox"/> Influencer <input type="checkbox"/> Owner <input type="checkbox"/> Tracker/ Reporter <input type="checkbox"/> Data gatherer 	<p>Choose from one of 4 generic processes, and define in some detail all sub-processes...</p> <ul style="list-style-type: none"> <input type="checkbox"/> Measuring and gathering performance data <input type="checkbox"/> Monitoring & Reporting results <input type="checkbox"/> Taking action <input type="checkbox"/> Making adjustments 	<p>Define in terms of</p> <ul style="list-style-type: none"> <input type="checkbox"/> Report content <input type="checkbox"/> Report format <input type="checkbox"/> Used by whom

REFERENCES

A wide variety of guidance and advice has been published by the government on the topic of effective Performance Management within local government. The following sources were referenced in the preparation of this White Paper:

- *Aiming to Improve: The principles of performance measurement*, Audit Commission
- *On Target: The practice of performance indicators*, Audit Commission
- *A Measure of Success: Setting and monitoring local performance targets*, Audit Commission
- *Choosing the Right Fabric: a Framework for Performance Information*, Audit Commission
- *Making Performance Management Work*, I&DeA
- *Targets in the public sector: Audit Commission Briefing*

This White Paper has also drawn on a wide variety of more general Performance Management books, the most important of which are listed below.

Balanced Scorecard for Government and Nonprofit Agencies, Paul Niven

The Performance Prism, Andy Neely et al

Winning Score, Mark Brown

Keeping Score, Mark Brown

Harvard Business Review on Measuring Corporate Performance

Performance Management, Briefcase Books, Robert Bacal

The Balanced Scorecard, Robert Kaplan and David Norton

The Strategy Focussed organisation, Robert Kaplan and David Norton

Power of Performance Management, Andre de Waal