

## INTRODUCTION TO PERFORMANCE MANAGEMENT

The Performance and Finance Sub-Committee will be taking a different approach to that taken by the individual, service-specific sub-committees. Having the opportunity to look at performance information in more detail, on a regular basis, will ensure that council officers, and external bodies, are held to account more effectively, and that issues can be examined properly on a more formal and reasoned basis.

### Performance management generally

#### Initial definitions

Performance management is,

**taking action in response to actual performance to make outcomes for users and the public better than they would otherwise be.**

This implies a number of necessary steps have been taken prior to these results, or outcomes, being achieved. These steps are:

1. What do we want to do?
2. How do we intend to do it?
3. How well are we doing it?
4. What should we do next?

Loosely, it is possible to say that the Overview and Scrutiny Committee will be interested in the “what”. The Performance and Finance Sub-Committee will be interested in the “how”. This division between policymaking and ongoing management is one of the reasons that links between the two committees will be crucial. The four steps above are a continuous, circular process, and as such are a key element behind “service improvement”.

#### Performance management and prioritisation

It is very easy to look at a performance management report, or scorecard, and to assume that all the measures under it have the same weight. This is often not the case. The importance of measures to the authority, and the ability to change those measures, is often very different.

Take, for example, two imaginary performance indicators<sup>1</sup>.

PI-1 – Percentage of schoolchildren achieving 5 or more GCSEs at A\*-C standard.

PI-2 – Percentage of schoolchildren with more than 5% unauthorised absence rate.

Achieving an improvement under PI-1 will require different action to achieving improvement under PI-2. For this and other reasons, the PIs may not be treated as having the same priority. PI-2 might be less of a priority than PI-1, as PI-1 may be one of a number of measures being used by central government to direct funding (or vice versa).

Internal issues might also drive which PI is seen as a priority. An organisation keen to secure a quick win might focus first of PI-2, which might be easier to secure immediate improvements on. An organisation with an eye on the resources required to improve performance might target those resources on PI-2, as they may feel that it is easier with the money available to delivery

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<sup>1</sup> Neither of these two performance indicators exists, although there are similar PIs in the SPR and other scorecards.

significant improvements on this indicator – for example, through techniques such as holding parenting classes.

So, although the PIs look similar on the page, it may well be that officers need to – or wish to – prioritise the performance on one rather than the other. It may be that targeting resources in this way will prejudice performance under other targets. In some situations it may not. What is important is that members should not expect to see “seas of green” on their scorecards. Limited resources mean that judgments have to be made on which issues are the most important for the authority and the borough at large.

### The balanced scorecard model

It is important to remember that the “balanced scorecard” performance management system – which Harrow uses, and which is used by the Audit Commission and other inspecting bodies to judge us – relates not purely to measurement, but to the management of resources.

This is an important distinction. Measuring performance is all very well. However, on its own it is of limited value. It does not address how performance might be improved, and it also provides a skewed view of services being provided – only easily-measured outcomes may be included.

It was for these reasons that the notion of the “balanced scorecard” was developed, in the US in the early 1990s. The balanced scorecard aims to present performance information from four different organisational perspectives, which together will provide an accurate view of the entire council.

Harrow also uses perspectives, but they are named differently (to reflect Harrow’s nature as a public organisation).

### The traffic light system, and other terminology

The “traffic light” system, used in performance reports in Harrow, presents an easy and straightforward method to identify, at a glance, areas of poor performance – with the caveats above related to prioritisation.

Harrow’s reporting system is managed using the SAP system. Scorecards populated using SAP will have a number of different elements and cards also contain terminology which might seem opaque, such as the following:

Measure owner – the officer responsible for providing information on each individual measure or target in a scorecard.

Commentary – information provided by the “measure owner” to support the PI data. It might explain why performance has slipped, or contain a brief summary of action being taken to improve performance. It is available in SAP but tends to be omitted from the official hard-copy publication of scorecards.

Perspective – Harrow has adopted five perspectives for use in its scorecards – the meaning of the term is explained in more detail above. Perspectives used for scorecards in Harrow are: service development, partnerships, resources, people and community impact.

Objective – under each perspective sit a number of “objectives”, which outline the aims which the council is trying to achieve. These are necessarily aspirational and are not in themselves measurable. For example, one possible objective might be, “Make services more responsive”.

Measure – a measure is the piece of information on which data is being collected, otherwise called a “performance indicator”.

Target – the target, in this context, is the level of performance which officers hope to achieve under each measure. Actual performance is then measured against the target to decide whether further action is necessary, or whether the target has been met.

Intervention – this is the point at which senior officers should intervene in delivery of services being measured. There is a point specified for every measure – possibly 10% below target – at which “intervention” applies (see below).

Variance – the amount of leeway around a measure that is permitted before an “intervention” is triggered. For example, most measures have a variance of 3, 5 or 10%.

Polarity – whether a high or a low score is “good”. Positive polarity indicates that a high score (eg 100%) is what is being worked towards. Negative polarity implies that a low score (eg 0%) is being sought. Binary polarity – significantly less common – indicates that the target is assessed by means of a yes/no answer.

## **Targets and measures themselves**

Measures, with their targets, are the most crucial part of the performance management system.

Critically, targets should be “SMART” – that is, Specific, Measurable, Achievable, Realistic and Timed. There is no point in setting unreasonable targets, or targets that are vague and unrelated to service delivery on the ground. Setting targets effectively is one method to ensure that resources are being prioritised properly, as it will give rise to questions and discussions over the nature of the investment necessary to improve performance.

Members often wish to ask questions about particular targets, but it is important to remember that often they are best considered in the context of the wider performance management framework. It is more important to consider some of the following issues:

- How does the measure contribute towards the council’s overall vision for the service?
- How does the measure reflect the aims of the relevant service plan, or group plan?
- What is the process for the setting of targets? How are targets arrived at?
- How do measures fit within the BVPI framework? How are resources prioritised?

These questions must also reflect the hierarchy of performance indicators, and other measures, that exist within the organisation. High-level plans should flow into service plans and operational work through the principle known as the “golden thread”. Measures should operate in much the same way – referring to higher and lower-level policy documents to ensure that they are fully embedded within the council’s service planning and service improvement strategy. The P&F Committee will have an important role to play in assessing the extent to which the organisation is living up to this aspiration.

## **Poor performance**

When an area of poor performance exists, the following questions are probably the most appropriate – bearing in mind the information above.

- Was the initial target SMART?

- Is there an action plan to improve performance?
- What resources can realistically be committed to improve performance?
- Are resources to improve being diverted away from other priorities?
- Will failure to improve performance under a certain measure impact upon performance on another measure, council-wide?
- Will failure to improve performance impact adversely upon the council's relationship with its partners? Will improvement require close partnership working?

### Good performance

Good performance also deserves consideration – particularly when it comes after a period of significant improvement.

- Does improvement under a particular measure demonstrate lessons for other parts of the council?
- What measures are in place to ensure that performance can remain consistently high?

### **Performance and Finance Sub-Committee**

#### Maintained expert knowledge

One of the strengths of the previous system was that individual committees were responsible for particular areas of council policy, and could build up significant expertise in that area.

For example, the Adult Health and Social Care committee would have developed skills in holding the local NHS bodies to account, and the Safer and Stronger Communities committee would have knowledge of the situation regarding environmental improvements.

The abolition of the subject committees need not mean that the quality of scrutiny will decline. The role of the individual scrutiny leads will become important in providing this specific expertise in future, gathering information outside of the committee context and bringing it to the chairman, and to the committee more generally.

More information on this process can be found in the Protocol being presented to committee at their July meeting, and further detail will be developed over the summer.

#### Cross-authority links

Because of the concentration of all performance-related issues in a single body, the committee will be in a unique position to be able to look at cross-cutting performance issues, and external performance issues. In this role it will be unique amongst council bodies, and as such can be expected to play a central role in service improvement.

### **Some important things to remember**

- The committee is not going to be able to be in a position to look at substantive performance information immediately.
- Training for members will take place over the summer, with the first substantive meeting taking place in the autumn.