

# **Progress Review - Performance Management**

**Vale of White Horse District Council**

**Audit 2005-2006**

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business; and
- auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998 and the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

### **Status of our reports to the Trust/Council**

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

### **Copies of this report**

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0845 0560566.

© Audit Commission 2006

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

[www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

# Contents

Introduction	4
Background	4
Audit approach	4
Conclusions	5
The way forward	6
Key findings	7
Embedding a performance management culture	12
<b>Appendix 1 – Action Plan</b>	<b>14</b>

## Introduction

- 1 Government initiatives, including best value, new political arrangements, public service agreements and, most recently, comprehensive performance assessment (CPA), have been aimed at improving the performance of local government and raising the quality of the services it delivers. This has led to increasing emphasis on the need for effective performance management.
- 2 Over the last three to four years, Audit Commission performance audit and inspection work has highlighted that many authorities still struggle to implement good performance management. Often authorities have performance management systems in place, but cannot make them work well in practice. This suggests that there are wider reasons for lack of success, other than the absence of a mechanism or framework.
- 3 One of the key reasons that has been identified is a lack of understanding of how performance management systems can drive improvement. An effective performance management system will underpin, and help deliver, a council's corporate priorities. Senior members and officers are essential to ensuring that this is understood in the organisation.

## Background

- 4 The Council's 2003 corporate performance assessment report scored performance management as 2 out of 4 - weaknesses outweigh strengths. The assessment found that a performance management framework was developing, but was not fully embedded into the Council's service culture.
- 5 The Council is committed to driving forward improvement in this area. Its CPA action plan identifies the following high level actions for improvement:
  - refine and simplify the Council's vision , aims and objectives – aligning the council's vision with the Vale Community Strategy;
  - using management information to manage;
  - embedding a performance management culture; and
  - more consistent application of Best Value '4C's'.

## Audit approach

- 6 Our objective was to assess how well the Council is progressing in implementing improvements to its performance management arrangements and to support the Council in its efforts by providing a 'health check' on current arrangements.
- 7 We reviewed key strategic documents and documents that support the Council's performance management systems. This was supplemented by discussions (interviews and focus groups) with councillors and staff from across the organisation.

## Conclusions

- 8 The Council has made some positive progress in developing and improving its performance management framework and has achieved those improvements that it identified as key through CPA improvement planning. Specifically, it has :
  - aligned its aims and priorities with those of the community strategy and published these in the first of a new style corporate plan;
  - improved the 'culture' of performance management in the Council by raising its profile and ensuring that senior officers and councillors assume a stronger and more visible role in managing performance;
  - reviewed its best value review methodology so that the process is less bureaucratic and ensures a more consistent and timely approach to reviews; and
  - commenced a review of its staff appraisal process.
- 9 Despite progress, there are still some important gaps in the Council's performance management arrangements:
  - the Council has not yet translated its corporate aims into outcomes for service users or communicated its aims and objectives clearly and consistently through its corporate documents. This makes it difficult for the Council to measure how well it is achieving its aims and objectives;
  - the thread from corporate level targets through to service and individual targets is inconsistent;
  - monitoring arrangements do not measure the contribution of the Council's key partnerships towards achieving its corporate aims and objectives; and
  - a performance management culture is not yet fully embedded across the whole organisation - communication and consultation with staff about performance issues has not been effective at all levels of the organisation and not all staff have a clear understanding of their role in performance management.
- 10 While the remit of this review did not include an assessment of the Council's capacity to deliver improved performance management, this was an issue that became apparent during our work. The Council appears to have very limited resources at its corporate core to fully develop the detail of its performance management framework. This presents a potential risk to how well the Council can progress its next phase of improvements.

## The way forward

- 11 The Council recognises that there is still considerable work to be done to ensure that performance management processes drive forward improvement and that it is fully embedded across the whole organisation. It is open to using our findings and recommendations to plan its next stage of improvement. In this context, key actions for the Council should include:
- Developing clear outcome based objectives, targets and performance measures which enable it to monitor progress towards achieving corporate aims.
  - Ensuring that key corporate documents articulate the Council's aims and objectives in a clear and consistent way.
  - Developing arrangements to enable the Council to monitor and evaluate the outcomes and effectiveness of its work with key partnerships.
  - Making the links between corporate aims and objectives and actions within service plans more explicit.
  - Further embedding performance management across the Council by:
    - involving staff, councillors and other stakeholders in service planning and target setting;
    - sharing and learning from the pockets of positive practice in involving staff in performance management, for example, in housing and benefits;
    - providing councillors, managers and staff with performance management training, particularly in relation to target setting;
    - investigating 'quality circles' or similar structures to engage staff routinely in identifying service improvements;
    - improving the way performance issues are communicated; and
    - monitoring implementation of the new staff appraisal system to ensure that it is used to clarify individual contributions to the Council's objectives.
  - Ensuring that the Council has the capacity to develop and implement further improvements to its performance management arrangements. This could involve the Council investigating how similar councils in the region resource and implement their performance management arrangements.
- 12 Our key findings are set out overleaf.

## Key findings

### Clarity of vision, aims and objectives

- 13** The Council has aligned its aims and priorities with those of the community strategy and published these in the first of a new style of corporate plan. However, the Council has not yet translated its aims and objectives into clear outcome based targets and performance measures or articulated them clearly and consistently through its corporate planning documents.
- 14** The Council's plans are not clear about:
- what the Council intends to achieve in terms of outcomes for service users;
  - how it will demonstrate success; or
  - how it will get from where it is now to where it wants to be.
- 15** For example:
- The community strategy, agreed in February 2004, sets out nine priority strands for improvement, however, not all strands are supported by SMART (specific, measurable, attributable, realistic and time bound) plans to guide delivery.
  - The corporate plan sets no outcome targets for its corporate aims or priority actions. It lists a number of priority actions that the Council plans to undertake to achieve its corporate aims. However, the majority of actions are internally focused, for example, around developing strategies or policies or changes to internal administrative processes and are not linked to outcomes for service users.
  - The best value performance plan (BVPP) includes targets against statutory best value performance indicators (bvpi's). However, the Council does not indicate whether or how achieving bvpi targets will help deliver its priorities. Furthermore, it contains no local performance indicators specific to the Council's priorities.
- 16** Consequently, it is not clear what outcomes the Council is ultimately trying to achieve in the context of service improvement to the public, what its milestones are or how it will know when it has achieved the desired outcomes.
- 17** A clear corporate priority should show all three of these elements as shown in Table 1.

**Table 1**

<b>Statement</b>	<b>Example</b>	<b>Comment</b>
We will achieve...	Facilitate the provision of affordable housing	This is the aim the council wants to achieve.
We will have been successful if....	By 2008, we have increased the number of affordable homes in the Vale by: <ul style="list-style-type: none"> <li>• securing x private sector homes for rent via partnership with private landlords;</li> <li>• x homes via partnership with RSL's; and</li> <li>• X units of key worker accommodation.</li> </ul>	These are the targets it has set to achieve its aim.
To achieve this we will.....	<ul style="list-style-type: none"> <li>• complete supplementary planning guidance on the provision of affordable housing;</li> <li>• return empty homes to use;</li> <li>• Integrate the aims for the provision of affordable housing with planning policies and budgets etc.....</li> </ul>	These are the main changes the council will make to achieve its aim.

- 18 Although it is possible to identify some or all of the above elements by reviewing the Council's supporting strategies and individual service plans, these are not set out simply and explicitly and to establish the links can be confusing as well as time-consuming.



- 19 The clarity of the Council's vision, aims and objectives is also hindered by how these are communicated in its key strategic plans. We found these confused by:
- the use of 'aims' and 'objectives' - the corporate plan refers to six 'objectives' that underpin the vision, not all of which are measurable and are better described as aims;
  - the Council's 'overall aspiration' of protecting and enhancing the sustainability of the Vale through the economic, environmental and social vitality of our towns and villages' and where this fits with its vision and corporate aims; and
  - inconsistent use of language between the BVPP and corporate plan - currently the BVPP refers to six priorities for improvement. The corporate plan refers to these as 'corporate aims'.
- 20 This limits the effectiveness of the BVPP and the corporate plan in communicating the Council's overall performance context to staff, the public and other stakeholders. We acknowledge that the Council has recently reviewed and refreshed its vision, although because of the timing of this exercise, this is not reflected in the current corporate plan. We accept therefore, that the lack of clarity and inconsistency between the Council's BVPP and corporate plan may be rectified in subsequent years.

### **Cascading targets**

- 21 The thread from corporate objectives, through to service plans and individual targets is not yet consistent so it is not always clear what teams or individuals should focus on to meet the Council's strategic objectives or how actions are contributing to achieving corporate aims.

### **Service plans**

- 22 Actions within individual service plans generally link to the Council's corporate objectives where appropriate but this link is not always explicit. Service plans set out individual service areas 'core objectives' and development objectives but it is not always clear what corporate aim or priority the action is aimed at contributing to. This hinders the effectiveness of the Council's service plans in cascading high level objectives down to team level so that teams and individuals understand how their work contributes to meeting the Council's aims and objectives. Furthermore, not all tasks in service plans are linked to SMART targets, which hinder the extent to which achievements can be measured.

### **Individual plans (Service and Personal Plan)**

- 23 The Council's current appraisal system does not yet ensure a 'golden thread' from its corporate priorities to the jobs that people do or enable effective monitoring of individual performance. The focus of the system has been more around personal development needs than performance management and because the Service and Personal Plan (SPP) has always been a confidential document between the appraiser and appraisee, this has prevented the plan from being used as an effective performance management tool. Consequently the current system is not very useful in helping people:
- understand how their work contributes to meeting the council's objectives;
  - know what they are expected to do and to achieve for the public; or
  - manage their own and their subordinates' performance.
- 24 The Council is aware of these shortcomings and is currently at an advanced stage of implementing a revised appraisal system, which incorporates a number of positive features. For example, the Council plans to ensure that the new system is closely aligned with its performance management framework, promoted amongst managers as of key importance and closely monitored. If implemented as intended, the new appraisal system should address the bullet points above. However, as the system is not yet fully implemented we are unable to comment on its effectiveness.

### **Using performance information to manage**

#### **Performance monitoring**

- 25 The Council's performance monitoring is rigorous in terms of process and tracking against individual projects and targets, but arrangements do not tell officers and councillors whether or not the Council is on track to meet its corporate objectives, aims/priorities. Furthermore, arrangements to monitor and evaluate key partnerships are undeveloped.
- 26 The Council's main corporate level monitoring is through corporate governance reports. This is a detailed quarterly report which is considered by the Strategic Management Group (SMG) and in summary, by the Executive and scrutiny. It includes progress against the CPA improvement plan, priority actions, current financial position, key staffing issues, corporate risks, best value and local performance indicators.

- 27 The performance monitoring system has a number of good features:
- it provides an update on the Council's priority improvement areas;
  - it uses a simple 'traffic light' system to show whether or not performance against pi's is on target, which is well regarded by councillors; and
  - provides commentary where performance is off target and actions taken to deal with variances.
- 28 Corporate governance reporting is supported by monthly performance meetings between strategic directors, assistant directors and portfolio holders. This is a formal process which ensures that strategic directors and key councillors are given the full context to any performance issues which provides added assurance to the SMG monitoring arrangements.
- 29 Service area annual and half yearly reviews are also used. This sets out details of notable success and efficiency improvements during the year, performance against target for bvpi's and local indicators.
- 30 Despite the above positive features, monitoring arrangements focus on Council actions rather than outcomes for the community and do not explicitly show how performance against its priorities, CPA improvement plan or performance indicators have contributed towards the Council achieving its aims and objectives. For example, arrangements do not show:
- what the council set out to achieve in the first place;
  - what it has achieved to date;
  - whether it is on track to meet its corporate objectives, aims and priorities;
  - what, if any, remedial action it plans to take where it is not on track; and
  - which pi's link to the council's objectives and priorities or differentiate between those that are key and those that are not.
- 31 This means that the Council is not able to clearly demonstrate progress towards intended outcomes.

## **Partnerships**

- 32 The Council is involved in a considerable number of partnerships but this work is not integrated into the Council's performance management arrangements.
- 33 The Council and its LSP has not yet agreed joint plans and targets for delivering all strands of the community strategy or consolidated priorities from existing plans into an over-arching plan to guide delivery. This is slow progress and without clear outcome targets and success criteria, the Council is unable to monitor progress towards delivering the community strategy, or how delivery is feeding into the achievement of its own corporate aims and objectives.

- 34 The Council has no formal process for routinely monitoring how the outcomes achieved by its partnership work are contributing to its aims and objectives. Furthermore, the Council does not have an agreed method for evaluating partnership outcomes and the effectiveness of partnership working to enable it to demonstrate whether a partnership is meeting its objectives or to assess the benefits or 'added value' that a partnership has achieved.
- 35 The Council has produced a briefing paper on the effectiveness of partnership activity, which represents some thinking around the need to manage partnerships. However, it is clear from this document that the Council is some way off developing a corporate methodology and guidance which will address the need for arrangements described above.

## Embedding a performance management culture

- 36 The 'culture' of performance management in the Council has improved, particularly at senior officer and councillor level, but it is not yet embedded at all levels of the organisation.
- 37 Service heads and councillors are now 'thinking' more in terms of performance management and there is a consensus that performance management has a much higher profile in the organisation. The Council's performance monitoring arrangements ensure that the SMG, senior officers and councillors all have a role to play in performance management and are held accountable for performance. This is also facilitated by the Council's scrutiny committee that has been more pro-active in identifying and questioning poor performance. There are also a few pockets of good practice at individual service level, where regular formalised discussion around performance issues takes place. However, there is little evidence that the Council has sought to engage and involve all staff in managing performance, and ensure their 'buy-in' across all levels of the organisation.
- 38 Consultation and communication with staff about key performance issues has not been effective and some sections of staff have had very limited involvement, if any, in the Council's performance management arrangements. Our focus groups revealed the following weaknesses:
- staff can not recall being consulted about the Council's most recent priorities;
  - staff involvement in the current review of the Council's new vision statement has been minimal;
  - not all staff have had the opportunity to contribute to the development of their respective service plans, nor have they been consulted on how best to improve services; and
  - corporate arrangements for cascading key performance issues, 'Team brief' are not implemented consistently and staff do not consider this to be an effective means by which to communicate performance issues.
- 39 Tellingly, few of the attendees at our focus group of front-line staff appeared to know how their individual or service performance targets linked to the Council's corporate aims or objectives.

- 40 The Council has done some work to improve understanding of performance management. For example, it has recently published a guide to performance management for all staff. We also acknowledge the work the Council is doing to implement a new appraisal system, which when fully implemented should improve awareness and understanding of how the Council's vision and objectives link to the work of individuals. However, without effective communication and opportunities for all staff to become actively involved in performance management, the Council is unlikely to win the necessary 'buy in' and culture change needed to make performance management work across all levels of the organisation.

### **Best value reviews**

- 41 The Council has agreed a new approach to conducting best value reviews. New arrangements provide for a flexible approach to reviews by differentiating between larger 'cross-cutting' reviews and 'service specific reviews'. No cross-cutting reviews have completed to date, but the intention is that they will involve a fundamental review of services, comprising larger review teams and routinely involve senior officers, councillors and external stakeholders. In contrast, service reviews are more about 'checking' and 'validating' current arrangements and to date have been conducted by a single officer.
- 42 These arrangements enable the Council to approach reviews in a way that is proportionate to the complexities and issues of the particular service area. This means that the review programme is less resource intensive and reviews to date have been completed over a shorter timeframe.
- 43 While this flexibility offers clear advantages, the Council is at risk of not facilitating adequate challenge through the service review approach. By not routinely involving senior officers, councillors and external stakeholders in the service review process, the Council is missing the opportunity to bring together the range of experiences and perspectives that are key to effective challenge. We understand from discussion with the Council that the service review approach does not automatically preclude the establishment of a wider review team, and the Council's approach to the external challenge element of a review will be considered through a risk based assessment at the scoping stage and tailored accordingly. However, this approach has not been explicit in reviews to date and the Council's best value review tool kit does not set out clear guidance. The Council is aware of the need to clarify its approach in this respect and intends to do so.

## Appendix 1 – Action Plan

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R1 Develop clear outcome based objectives, targets and performance measures which enable the Council to monitor progress towards achieving corporate aims.	3				
R2 Ensure that key corporate documents articulate the Council's aims and objectives in a clear and consistent way.	3				
R3 Develop arrangements to enable the Council to monitor and evaluate the outcomes and effectiveness of its work with key partnerships.	2				
R4 Make the links between corporate aims and objectives and actions within service plans more explicit.	3				

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
<p>R5 Further embed performance management across the Council by:</p> <ul style="list-style-type: none"> <li>• involving staff, councillors and other stakeholders in service planning and target setting;</li> <li>• sharing and learning from positive practice in the Council;</li> <li>• providing councillors, managers and staff with performance management training, particularly in relation to target setting;</li> <li>• investigating 'quality circles' or similar structures to engage staff routinely in identifying service improvements;</li> <li>• improving the way performance issues are communicated; and</li> <li>• monitoring implementation of the new staff appraisal system to ensure that it is used to clarify individual contributions to the Council's objectives.</li> </ul>	3				

16 Progress Review - Performance Management | Appendix 1 – Action Plan

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R6 Assess whether there is adequate capacity at the corporate centre to deliver improved performance management.	3				