



# Public sector performance management: A discussion report

This briefing is provided to APSE member authorities throughout the UK and will be of particular interest to those with responsibility for performance management, data information and service planning

## Key issues

1. Public sector performance management will form the basis of the achievement of efficiencies within local government
2. There are a myriad of performance information systems within the public sector
3. This briefing explores a report produced by 'oracle' about some of the current issues facing performance management within the public sector and concentrates specifically on the issues as they arise within local government.

## 1. Introduction

Performance management within the public sector is seen as a means to ensure the best use of limited resources. Within the current economic climate the public sector has been targeted for specific efficiencies savings of some £30 billion set out in the Comprehensive Spending Review 2007 with additional savings of £5 billion announced as part of the pre-budget report in November 2008.

There are on-going concerns that certain area within the public sector suffer from large variations to costs. Such costs could, arguably, be better contained if effective benchmarking information were available to explore and explain the differences that arise. A new report produced by Oracle also considers the need for greater transparency, flexibility and ease of understanding on some of the performance frameworks in place within the UK and this briefing explores some of the findings and assumptions made within the Oracle report.

## **2. Transformational government and performance**

Central government has attempted to distil its overarching priorities through public service agreements. These PSAs are grouped under four main headings:

- Sustainable growth and prosperity (PSAs 1-7)
- Fairness and opportunity for all (PSAs 8-17)
- Stronger communities and a better quality of life( PSAs 18-26)
- A more secure, fair and environmentally sustainable world (PSAs 27 -30)

Government has also set a series of overarching targets through other transformation measures including the Gershon efficiency agenda linked, in the case of local government, to the financial settlements of local authorities. This is most starkly evidence by a series of inter-related performance and management reviews. For example Sir David Varney's Report (Service transformation and better services for citizens and business), the Lyons review (re-location) and the Hampton Review (reducing administrative burdens associated with regulation, enforcement and inspection).

The new national performance indicators (NIs) also include a number of new NIs specifically related to better efficiencies such as reducing avoidable contact ( NI 14 ) which is designed to ensure that public services 'get it right first time'. However the measurement and success of such performance targets relies upon performance information within the public sector. In many areas the Oracle report argues that performance information is under-developed.

The Oracle report also highlights the fundamental shift from Comprehensive Performance Assessment (CPA), looking at an individual organisations performance to that under Comprehensive Area Assessment (CAA) which will provide comprehensive performance information on an area basis. Critical to the success of CAA will be a shared view between agencies about where resources should be targeted to meet shared local priorities.

This mirrors to a certain extent the Local Delivery Plans within the health sector with the plans targeting resources against delivery over a three year plan period. Targets within Health will be set and shared by the Strategic Health Authority and at Primary Care Trust level.

## **3. Assessment of existing practice**

The Oracle report refers to the myriad of different systems within both central and local government that requires different inputs and data dependent upon what is being

measured. For example, the budget setting process at national level, whilst at a local level there are moves towards more outcome based performance measures- such as the impact of actions on a local community in terms of health or prosperity indicators.

The Oracle report references criticisms of performance management in local government as potentially there is a 'circularity' issue in that Government sets targets, local government works to those targets and its [Government's] regulator reports on the success of those targets. This argument is made in terms of statements by Leo Boland the former Chief Executive of the London Borough of Barnet who references that 'Improvements in satisfaction levels amongst residents, for example, have not kept track with reported improvements in service delivery'.

Interviews for the Oracle report both formal and informal are reported to see performance management as:

- Primarily a reporting process
- Something which is best applied to transactional process
- A desire to adopt a standardised performance reporting framework
- The need to encourage collaboration

In particular the issue of transactional processes is worthy of note. Some of the interviewees commented that 'There needs to be an awareness that it's not always possible to clearly link resources and outcomes, it's not as easy as just producing widgets, there needs to be more emphasis on the importance of leadership , culture and incentivising'.

Another major issue is the so-called 'wicked issues' that require complex interdependencies. Efforts to resolve one problem may simply reveal another that requires different action. For example climate change that as well as requiring day to day action on issues such as increased recycling, or use of energy efficient public buildings, also require substantial effort to change citizen or user behaviour which will mean a wider approach than that simply available to a local authority. It is in this context that the report considers that performance management within the public sector could be viewed as simply a means to enforce collaboration between partners.

#### **4. Emerging best practice**

The Oracle report acknowledges that in the UK the public sector performance management is better developed than within many other countries.

Within Scotland the Oracle reports the adoption, by the Scottish Government, of the Virginia State Model of service delivery. This focuses attention on five strategic objectives and measures progress towards them. The five strategic objectives are

broadly aligned to the Westminster set PSA headings. However the lack of target based performance measures and sanctions for failing to meet targets appears to have produced less successful outcomes against targets. For example, waiting times averages and overall reductions in waiting times. However one may equally argue that compliance against targets does not necessarily demonstrate service improvements.

According to John Wilkes of Capgemini UK the public sector is already operating to different degrees on three levels of performance management but it is wrapped into performance monitoring and is according to Wilkes '*often patchy and they don't necessarily recognise it*'.

The three levels of performance management referenced are:

- Level 1, the most basic level is 'how are we doing against the plan?' i.e 'we aimed to make 10 and we made 10'.
- Level 2 is 'is the output the right one?' i.e we chose to build 10 but should the target have been 15?' So for example in public sector terms if our aim is to reduce childhood obesity our target might have been to close down all burger bars within a half mile radius of a school' was this the best way of restricting access to fatty foods?'
- Level 3 are 'did we choose the right outcome?' was choosing to reduce childhood obesity the best outcome' should we have focused instead on 'improving parental skills?'

## **5. Developing a mature approach to performance management**

As part of its report the Oracle references one of its own commercial systems and processes and some that it has developed for use with the US government. The report highlights '*The performance management maturity model*'. Looking at the stages of developing mature performance management systems from:-

- Unconsciously poor
- Consciously poor,
- Consciously competent
- Transformational.

The ***unconsciously poor*** organisation often operates within a silo approach with culturally disconnected divisions and business units each pursuing their own objectives. In such organisations there is often overlap and duplication of work. Information is regarded as 'power' and sharing information is sparse with a lack of trust

between different units. Decision making and creating action are obscure with little accountability for poor performance.

The ***consciously poor*** organisation recognises it has a performance management problem and will often centralise its control systems to improve a 'command and control' approach. Whilst business units might begin to share in corporate objectives the 'command and control' nature of the organisation means trust is still relatively low and communication 'mechanical'. The environment is one of reporting upwards to demonstrate performance against agreed targets.

The ***consciously competent*** organisation usually operates with a devolved structure using common core processes and systems. It strikes a balance between encouraging innovation and ensuring compliance with corporate plans and priorities. There are good levels of trust and accountability and information is used to plan and drive its own performance. Processes are designed to automatically generate the information that is needed and there is a culture for operational excellence.

The ***transformational organisation*** has already achieved operational excellence and is striving to achieve management excellence. The organisation is viewed primarily as a set of core processes with relatively fluid structures and teams that are flexed and adapted to meet changing circumstances and pressures. Collaboration is the norm for internal units and partners to achieve goals. The whole organisation is agile with high levels of innovation and trust. The culture is performance driven with high levels of transparency and real time systems showing forecast and actual performance against plans at all levels from personal performance through to organisation and collaborative performance.

## **6. APSE comment**

The Oracle report provides a useful focus for debate on the future of both service transformation within the public sector and the vexed issue of how best to monitor and manage performance improvement in the UK's public sector.

There are however a number of assumptions made within the report that APSE would seek to challenge.

Some interviewees referenced that public satisfaction levels had not necessarily matched the level of improvement marked by the Audit Commission. APSE would argue that in fact the levels of customer satisfaction overall with the UK's public service have tended to improve dramatically within individual services, and in part perceptions of local satisfaction with 'the council' as a whole are not borne out by satisfaction in individual services, such as leisure services or refuse collection.

The other main point here is that whilst there has been marked investment in public services and marked improvements in service delivery customer satisfaction is a variable measure. Public demands and expectations of public services have increased. For example more people in paid employment outside of the home and a choice driven agenda to meet new expectations – working parents – care for older people – which are placing new and rapidly changing demands upon public services

The report also does not sufficiently recognise in APSE's view some of the existing data collection processes that support continuous improvement in public services. Local authorities are capable of commonly sharing a range of data to support the measurement of both cost and service quality. APSE's performance networks service is used for example by over 250 UK local authorities, over a range of front line service areas, to allow cost and quality comparisons which facilitate the sharing of best practice to support improvements.

On a simplistic level this can be illustrated by looking at the improvement to recycling rates through shared information of refuse collection round reconfigurations and round frequencies. This is further supported by data validation processes that identify those authorities that have improved year on year on both the volume of recycling and numbers of recycling streams, associated costs compared to input data, such as labour costs and numbers, providing a comprehensive suite of performance information. This operational data is not however alien to the strategic objectives of the local authority on for example climate change (CO2 and landfill reduction) or the strategic targets on efficiencies (minimising landfill tax payments, operational efficiencies within the service).

The Oracle report correctly identifies some mature approaches to performance management, for example, the need for more timely performance information. Rapid early interventions in systems that allow for quick problem solving have already been identified by APSE.

The US City of Baltimore uses 'Citistat' which generates fortnightly performance reports allowing intervention when targets are missed. The targets are set by the Mayors office based on local priorities. Highlighting this system, at a recent APSE seminar, one of the key messages to come from the performance director at Baltimore was to use performance information for performance improvement – not merely to advertise the fact that stated objectives have been met. To request the APSE direct news article on the Citistat system click [here](#). Data collection therefore remains critical to the process and more importantly commonality of the data collection. With varying models for service delivery in local authorities' effective comparisons between authorities would mean more consistent performance information.

Whilst APSE recognises that the Oracle report is a useful invention in the debate about the future of performance management within the public sector one key element,

within the debate, which does not feature particularly strongly is the dynamics of Government objectives. Throughout the UK's four administrations, the moves to towards stringent public sector efficiencies, has jarred against the public policy direction of greater local decision making and accountability and localised priority setting.

The Conservative Party green paper on local government promises wide reaching moves such as a power of general competence and the Government white papers of 2001 '*Strong local leadership –Quality Public Services* followed by the 2006 paper '*Strong and Prosperous Communities*' set out very clear objectives to greater devolution and local decision making, bringing forward a range of 'freedoms and flexibilities'. Within Wales the performance framework has reflected moves to greater freedoms and flexibilities as part of its service improvement programme whilst in Northern Ireland the evolving role of the Assembly has seen moves towards diversifying powers to a local level. It is therefore very much a case of finding performance frameworks, within the UK, that adequately reflect local priorities against national governments' objectives.

Moreover the fragmentation of public services, with heavy reliance upon external contract delivery complicates effective performance management still further. An 'agile' management culture within a mature transformational model will make little difference to performance within the public sector if by default it is merely representative of a 'thin client' model of delivery locked into inflexible service delivery contracts. The debate brought forward by the Oracle report in APSE's view cannot therefore really take place in a vacuum without a much broader debate about retaining core capacity within the public sector to deliver services.

The full oracle report can be downloaded from the home page of the APSE website by clicking [here](#).

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