

REPORT TO THE EXECUTIVE

Date : **26 MARCH 2003**

Title : **DEVELOPING A PERFORMANCE MANAGEMENT FRAMEWORK**

REPORT OF THE DEPUTY LEADER

IMPLEMENTATION DATE : 7 APRIL 2003

SUMMARY/PURPOSE

1. This report details proposals to establish a corporate performance management framework for the Council as set out in Appendix 1 (attached).

BACKGROUND

2. As part of the recent CPA inspection and the Council's new corporate planning arrangements, the authority has identified the need to introduce an improved approach to performance management. The detail of the proposed approach is set out in Appendix 1 (attached).

STRATEGIC CONTEXT

3. In October 2002 the Council approved its Corporate Plan for 2002/05. The Plan sets out 6 key aims to realise the overall vision of "improving Island life." Central to the realisation of the aims set out in the Plan is the need to establish an effective performance management framework ie. a means to ensure that the Council has the monitoring, service planning and decision-making mechanisms in place to deliver on its established priorities and targets.

CONSULTATION

3. The proposals outlined herein have been developed in close liaison with all directors and heads of service. External consultation has not been necessary for this report since it is concerned with internal management arrangements.

FINANCIAL/BUDGET IMPLICATIONS

4. The proposals put forward have, at this stage, no additional financial implications. The programme outlined will be delivered within existing budgets with the Corporate Policy and Communications Unit providing the lead role. Any budgetary implications arising from the development of the programme proposed will be identified over the coming months and fed into future budget cycles.

LEGAL IMPLICATIONS

5. A robust performance management system is an essential building block if the Council is to deliver best value in service delivery as required by the Local Government Act, 1999.

OPTIONS

6. The Executive has two options open to it :

Option 1 : That the programme outlined in Appendix 1 be approved subject to any amendments or comments which the Executive would wish to be taken into account.

The programme outlined has been developed in close liaison with all directors and heads of service. Advice and support has also been taken from the Audit Commission and the Improvement and Development Agency. It is considered that the proposals outlined provide a sound basis for the future performance management of the Council.

Option 2 : Reject the proposals and ask officers to come back with revised proposals.

As described above, the programme proposed has been the subject of detailed development work and has the support of all directors and heads of service.

EVALUATION/RISK MANAGEMENT

7. Option 1 is the recommended proposal to Executive. The proposals provide a sound basis for taking forward the performance management agenda. The main risk associated with this option is the dependency on all staff and members supporting delivery of the programme. Performance management is everyone's business – the main challenge for successful delivery of the programme will be securing and sustaining commitment across the authority. Part of the proposed programme involves development of an Internal Communications Strategy to tackle this issue.

RECOMMENDATIONS

That Executive approve Option 1 - that the programme outlined in Appendix 1 be approved subject to any amendments or comments which the Executive would wish to be taken into account.

BACKGROUND PAPERS

8. The following background papers are relevant :

- Report to Executive on the Council's Corporate Plan, 2002/05 on October 8 2002

ADDITIONAL INFORMATION

9. The following appendices are attached to this report :

- Appendix 1 : Developing a Performance Management Framework

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APPENDIX 1

DEVELOPING A PERFORMANCE MANAGEMENT FRAMEWORK

SUMMARY

1. This report details proposals to establish a corporate performance management framework for the Council. This will establish clear mechanisms for members and officers to ensure that the Council is able to achieve its vision of “improving Island life.” This will be achieved through putting in place mechanisms to facilitate effective corporate governance, organisational development, and community engagement together with appropriate supporting measurement systems to monitor and review on-going performance.

BACKGROUND

2. In October 2002 the Council approved its Corporate Plan for 2002/05 - the overall vision in the Plan is to “improve Island life.” To realise this vision the Plan sets out 6 key corporate aims for the Council :
 - Improving health, housing and the quality of life
 - Encouraging job creation and economic prosperity
 - Raising education standards and promoting lifelong learning
 - Creating safe and crime-free communities
 - Improving public transport and the highways infrastructure
 - Protecting the Island’s physical environment
3. In addition, the Plan also sets out 4 cross-cutting “commitments” which will govern the manner in which the Council will conduct its business :
 - Strong political and managerial leadership
 - Strategically driven excellence in service delivery
 - Improving our community focus
 - Continuous organisational improvement and staff development
4. Alongside the Corporate Plan will sit our Annual Action Statement – this will detail in-year priorities and targets which will ensure that, over the 3 year life of the Plan, the Council stays focused upon its core aims. Essentially, then, the Annual Action Statement is the Council’s Business Plan.
5. Central to the realisation of the aims set out within the Corporate Plan and the Annual Action Statement is the need to establish a clear performance management framework ie. a means to ensure that the Council has the monitoring, service planning and decision-making processes to deliver on its established priorities and targets.

PERFORMANCE MANAGEMENT – A DEFINITION

6. The working definition adopted for performance management is that advocated by the Improvement and Development Agency :

“Performance management is what an organisation does to achieve its goals.”

7. On this basis, performance management is concerned with **everything** the Council does to achieve its aims. Importantly it is about far more than just simple systems of performance measurement – it is also concerned with both **what** is done and **how** it is done.

WHY DO IT?

8. How an authority manages its performance is critical to its success as a modern Council. In particular, it offers clear and demonstrable business and organisational benefits :
- it provides a sense of organisational direction
 - it promotes accountability
 - it promotes customer-responsive service delivery
 - it supports effective political leadership and management
 - and, it supports effective resource allocation and best value
9. Whilst in many areas of Council service activity there are effective performance management arrangements already in place, at a corporate level there is no agreed framework which enables members and managers to regularly and consistently review and assess **overall** performance and to be confident that the authority is on track to achieving its aims.
10. Moreover, attention to the need to improve the Council’s approach to performance management has also been highlighted in a number of recent reports :
- the Corporate Performance Assessment (CPA) identified it as an area of weakness
 - the District Audit Annual Management Letter also identified it as an area requiring attention
11. The CPA inspection gave the Council an overall “Fair” ranking for the quality of services and how the Council is run. The Annual Management Letter concluded that “providing governance improvements are delivered and continue, the Council has good prospects of moving quickly to a “Good” overall ranking.” Performance management is, then, essential to the Council achieving its aim of becoming a high-performing authority.

THE CHALLENGE

“We are what we repeatedly do. Excellence, then, is not an act, but a habit”

Aristotle

12. The central challenge in developing and sustaining a corporate performance management framework is, therefore, making it **everyone’s** business. Unless all staff and members actively pursue and support the principals and proposals

outlined herein, the Council will be unable to ensure achievement of its aims and unable to demonstrate that it is delivering high quality and value-for-money services. Whilst securing comprehensive “buy-in” to the proposals will take time and sustained effort, it is a challenge which must be met.

THE PROPOSED FRAMEWORK

13. The proposed framework is illustrated in Diagram 1 (attached). Its core features are as follows :

1. The elements

Four key elements make up the proposed framework :

- **Corporate Governance** ie. our way of doing things - ensuring that we have the appropriate political leadership and management arrangements in place
- **Organisational development** ie. our members and staff - ensuring that we have the skills and abilities to do the job
- **Performance measurement** ie. how we're doing - ensuring that we have the appropriate targets and systems in place to regularly assess and review performance
- **Community engagement** ie. our customers and partners - ensuring that we have the appropriate mechanisms in place to facilitate community and partner input to service development and delivery

2. Delivery mechanisms

Realisation of our vision of “improving Island life” will be achieved through a hierarchy of inter-related plans, principally our Corporate Plan and accompanying Annual Action Statement, and our Service Plans.

3. To achieve.....

Through a focus on the 4 key elements described above and delivery through the outlined plans, the Council will be able to achieve its stated aims as outlined in the Corporate Plan.

THE PRINCIPLES UNDERLYING THE FRAMEWORK

14. The principals underlying this approach are based upon the Balanced Scorecard. This is a concept originating from Harvard Business School in the 1990's where it was observed that a common characteristic of many failing companies was a focus upon the “bottom-line” to the exclusion of all else. Conversely, successful companies kept an eye on a number of other measures of performance in addition to the financial ones. The Balanced Scorecard is a tool to assist companies to plan and monitor their performance more holistically.
15. Although originating in the private sector the Scorecard has now been extensively applied in the public sector and is a technique advocated by the Audit Commission. Whilst the conventional Scorecard uses different measurement perspectives to assess performance, it is proposed that the Council adopt the

four perspectives referred to above :

- Corporate Governance - our way of doing things
- Organisational Development - our members and staff
- Measuring Performance – how we're doing
- Community Engagement - our customers and partners

16. An equal focus upon all four perspectives will ensure that the Council maintains a balanced approach to performance management.

PUTTING THE FRAMEWORK IN PLACE

17. Behind each of these Scorecard perspectives lies a number of detailed “task related” elements which are summarised in Annex 1. Essentially this details the specific tasks which need to be undertaken to put in place effective performance management arrangements :

- **Corporate Governance**
This details the governance arrangements required to support performance management eg. Service Planning, Resource Prioritisation, Decision-making processes, Risk Management, Corporate Standards, Reporting processes, etc.
- **Organisational Development**
This details the capacity building arrangements required to support serviced delivery eg. Human Resources Strategy, internal communications processes, Personal Development Plans, Investors in People accreditation, etc.
- **Measuring Performance**
This details the measurement systems required to support performance management eg. development of quarterly performance indicators, systems for assessing performance with delivery of key corporate and service plans, etc.
- **Community Engagement**
This details the arrangements for improving links with partner agencies and the wider community eg. customer services, development of the Island Futures partnership, consultation processes, etc.

PRIORITIES FOR ACTION

18. A number of specific priorities have been identified for action over the coming 2-3 months with other tasks proposed to be undertaken later in the year. These priorities are :

- **Resource Prioritisation**
- development of a new system for determining the Council's operational priorities and resource allocation processes. Work in this area is well-developed and being led the Head of Business and Financial Services

- **Annual Planning Cycle**
 - development of a agreed planning cycle which sets out a clear and non-negotiable timetable for key corporate activities. Work in this area is being led by the Head of Corporate Policy and Communications. A draft timetable is attached (Annex 2) – this is subject to an internal consultation process before final agreement by the end of March
- **Service Planning**
 - development of a revised planning process to support the new resource prioritisation process. This is required to put in place clear and consistent arrangements for service planning across the Council. Work in this area is being led by the Head of Corporate Policy and Communications. A new format will be in place by the end of April
- **Performance Indicators (PIs)**
 - development of a “basket” of quarterly indicators by the end of April
 - action to improve the quality of PIs and minimise the number of indicators qualified by District Audit. Proposals will be agreed by directors by the end of April
 - development of a format for the proposed Quarterly Performance Management Reports. The first report will be submitted to Executive by May
 - production of a new-look Best Value Performance Plan by the end of June

Work in this area is being led by the Head of Corporate Policy and Communications.

- **Human Resources Strategy**
 - production of a Strategy for ensuring that our staff have the skills, abilities and motivation to support achievement of the Council’s aims. A draft Strategy will be completed by the end of April
 - development of a revised system for Personal Development Plans. Proposals will be developed by the end of May.

Work in this area is well-developed and being led by the Head of Personnel Services

- **Customer Services**
 - development of a strategy to significantly improve access to Council services. Work in this area is being led by the Head of ICT Services. A draft Strategy will be completed by the end of May

TAKING THE AGENDA FORWARD

19. At a member level, responsibility for taking forward the performance management agenda rests with the Deputy Leader. At an officer level responsibility rests with the Head of Paid Service. In order to ensure a corporate approach to performance management a new Business Management Group is to be established – chaired by the Head of Paid Service and with representatives from each directorate supported by key corporate personnel, the Group will have

overall responsibility for driving forward the performance management agenda. The Business Management Group will be supported in its work by occasional and standing “task groups” eg. the Performance Indicators Co-ordinators Group, Operational Risk Management Group, Business Continuity Group, etc. Details of the membership of the Group are summarised in Annex 3. The activities of the Business Management Group will be supported by a Project Team led by the Head of Corporate Policy and Communications.

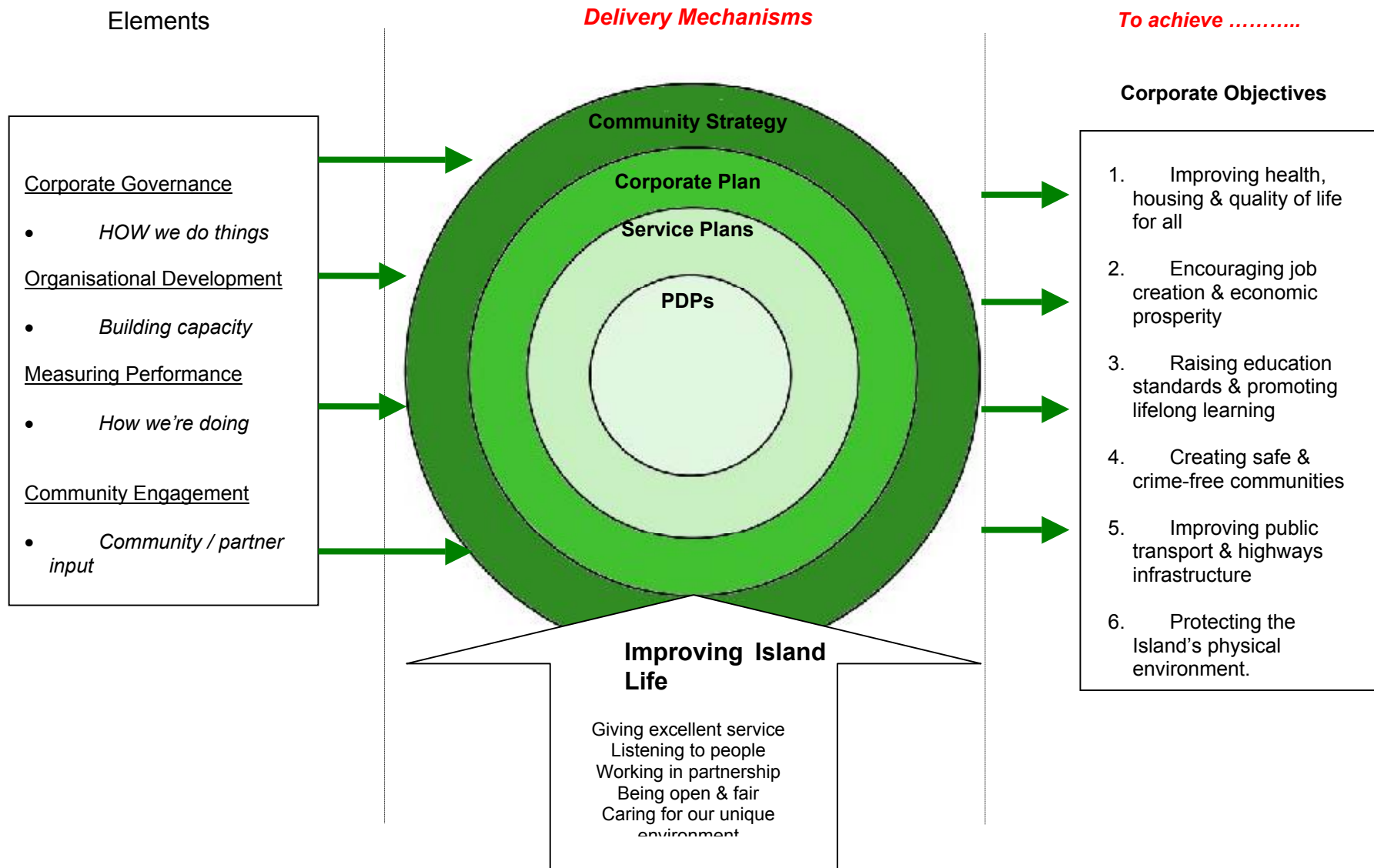
REPORTING ARRANGEMENTS

20. At present the annual Best Value Performance Plan (BVPP) is the main corporate mechanism for reporting on Council performance. Although this has been supplemented in recent months by quarterly Financial Monitoring reports, as an annual process this clearly limits the ability of members and managers to assess performance during the year. Accordingly, it is proposed that a quarterly reporting system be introduced - reports will go, in the first instance, to the Directors Group and onward to the Executive. Reports will set out, on a “reporting by exception” basis, an assessment of performance for each of the four elements making up the proposed framework. It is anticipated that the first report will come to the Executive in May. All reports will be available for scrutiny by Select Committees.
21. All Performance Management Reports will also be placed on the intranet and the Council web site; arrangements will also be developed to ensure that all staff and partner agencies are kept fully informed.

NEXT STEPS

22. Putting in place effective and sustainable arrangements for performance management will be a demanding task – it will require the active support of members and a concerted operational focus from directors and heads of service. Completion of all the proposed elements will take an estimated 12 months. However, the investment in time and resources will be essential if the Council is to achieve its aim of becoming a high-performing authority.

DIAGRAM 1 : Performance Management Framework



ANNEX 1 : PERFORMANCE MANAGEMENT FRAMEWORK – KEY TASK ELEMENTS

A. CORPORATE GOVERNANCE

- Annual planning cycle
- Service Plan (format & quality checking)
- Resource prioritisation
- Health & Safety
- Member / Management development
- Reporting processes
 - quarterly to Executive & DG
 - common intra-directorate processes
- Internal peer group review
- Risk Management
- Business Continuity
- Project Management
- Procurement Strategy
- Corporate Standards
- Best Value

B. MEASURING PERFORMANCE

- Quarterly basket of PI's
- Data systems (for all PI's)
- Plan monitoring
 - measurement of key **corporate** plans eg. Annual Action Statement, PSA, CPA Improvement Plan, Island Futures Strategy, etc.
 - measurement of key **service** plans eg. Local Transport Plan, Education Development Plan, etc.
- BVPP
- Refine traffic light system

C. ORGANISATIONAL DEVELOPMENT

- HR Strategy
- Corporate Training Plan / capacity building
- liP accreditation
- Culture change programme
- Internal communications strategy
- GAGS / e:govt. agenda
- PDP's (new format)

D. COMMUNITY ENGAGEMENT

- Island Futures development
- Citizens Panel / Consultation Strategy
- Communications & PR Strategy

ANNEX 2 : DRAFT ANNUAL PLANNING CYCLE (subject to further consultation)

Activity	April	May	June	July	August	September	October	November	December	January	February	March
SERVICE PLANNING	Annual Action Plan and service Plans approved by Executive	Task Groups set priorities Team awaydays to develop Service Plans	Service planning			Draft Service Plans to Select Comms.	Draft Annual Action Plan to Informal Executive			Team awaydays to finalise Service Plans		
BUDGET PLANNING	Financial year starts						Select Committee make budget recommendations to Executive	Executive consider draft budget proposals	Government grant settlement	Executive consider draft budget	Council approve budget	
PERF. MGT	Quarterly Performance Management report			Annual Performance Management report			Quarterly Performance Management report			Quarterly Performance Management report		
HUMAN RESOURCES	PDPs for all senior managers			Staff survey		Draft HR input for Annual Action			PDP Reviews	Finalise Human Resources input to Annual Action Plan		
PUBLIC AND PARTNER CONSULTn	Annual Action Plan to LSP	LSP reps involved in Service Planning & Task Groups					Draft Annual Action Plan to LSP Public budget consultation exercise					Service consultation exercise

ANNEX 3 : BUSINESS MANAGEMENT GROUP

