

Best Value toolkit: Performance management



Prepared by Audit Scotland
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Introduction

The Audit of Best Value

“Achieving Best Value is about ensuring sound governance, good management, public reporting on performance and a focus on improvement”

The duty of Best Value applies to all public bodies in Scotland. It is a statutory duty in local government, and in the rest of the public sector it is a formal duty on Accountable Officers.

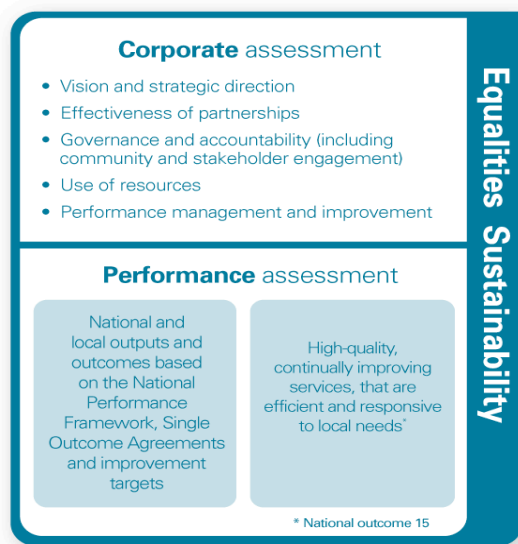
Best Value has already been a powerful force for improved performance and accountability in local government, and it will play an important role in supporting the Concordat and the development of Single Outcome Agreements between the Scottish Government, councils and their partners, and in streamlining and coordinating the scrutiny of public services. It also has the potential to underpin the National Performance Framework and the ‘management scorecard’ elements of Scotland Performs.

On behalf of the Auditor General and the Accounts Commission, Audit Scotland has identified a set of principles that form the basis for a consistent approach to the audit of Best Value across the public sector, although its application will differ to reflect factors such as the different accountability regimes and reporting arrangements in place in different sectors. This will enable us to apply a consistent set of expectations across all the bodies that we audit, and to reflect and support the reality of partnership working between organisations.

The Best Value toolkits are a key part of the practical application of the BV audit. They provide an evaluation framework that will help auditors to reach robust judgements on how public bodies are delivering Best Value. However, they cannot generate Best Value judgements on their own. They cover only part of the process. Judgements about Best Value also involve consideration of service standards and performance, outcomes and how effectively continuous improvement is being achieved. The framework through which the various elements of the Best Value audit are brought together to arrive at an overall conclusion on the extent to which an organisation is achieving Best Value is outlined below:

Exhibit 1

Framework for a BV audit of a public body



Source: Audit Scotland

As the diagram demonstrates, Audit Scotland’s approach to the audit of Best Value entails both corporate assessment and performance assessment elements. The former focuses on how an organisation plans and conducts its business and manages its resources while the latter looks at the quality of those services and the outcomes for service users.

Audit Scotland is committed to ensuring that Best Value auditing across the public sector adds value to existing arrangements, is risk-based and builds on our existing knowledge of individual public bodies, and that of our scrutiny partners. Specifically we aim to:

- report on the delivery of outcomes for people who use services
- protect taxpayers’ interests by examining use of resources
- put an increasing emphasis on self assessment by public bodies with audit support and validation
- work collaboratively with other scrutiny bodies to ensure our work is aligned and prevent duplication.

The Best Value toolkits

The Best Value toolkits are a series of audit diagnostics, which will help reviewers to establish the extent to which public bodies' arrangements are designed to achieve, and are actually delivering, Best Value. They have been developed to support the corporate assessment process around the five corporate assessment areas noted in Exhibit 1, and the two cross-cutting themes of equalities and sustainability. However, as each toolkit also incorporates a series of questions on the impact of the area under review, they will also provide some evidence to support the assessment of service performance and outcomes.

The Best Value toolkits have been developed as audit tools in consultation with specialist practitioners, and representatives of public bodies and professional groups.

The toolkits take the form of structured key questions, with a matrix of possible levels of performance, ranging from basic to advanced practice. The matrices cannot of course capture all of the ways in which a public body may address the requirements of Best Value, so there is clearly scope for auditors to exercise balanced judgement and for public bodies to respond flexibly in demonstrating how the key areas of challenge are addressed. Individual evaluations are made about the level a public body has attained in each question or area. However, these have not been weighted and it is not intended that these be used to determine an overall scoring for any toolkit. They are designed to contribute to sound professional judgements, not to replace them.

Using the toolkits

The toolkits are designed for application by Audit Scotland's auditors when carrying out Best Value audits of public bodies. In practice, the toolkits will be applied as part of an audit process, whereby the auditor makes enquiries, seeks supporting information and forms conclusions based on the evidence obtained.

Audit Scotland recognises that bodies may find the toolkits helpful in carrying out general organisational reviews or specific service reviews and are therefore available in the Audit Scotland website www.audit-scotland.gov.uk. It should be stressed however that public bodies using the toolkits do so at their own discretion. The toolkits are designed principally as audit tools that are part of Audit Scotland's overall Best Value audit methodology and are not expressly produced for self-assessment purposes.

Any organisation using the toolkits to inform their own corporate or service-based self-evaluation processes will need to consider the local context when applying them, and also the indicative rather than conclusive nature of the findings when interpreting the results. The toolkits were designed to elicit contextual information and provide evidence for arriving at professional audit judgements. They are not intended to be, and cannot be, used in a “tick-box” fashion.

The Best Value toolkits are generic in nature, in that they are not specific to any one type of public body or to any one sector and are designed so that they can be applied to all public bodies. Auditors will require to be sensitive to the differences between organisations both in terms of different sectors and varying scales of operation.

This toolkit forms part of a suite of audit products that will be applied, over time, to support a structured, evidenced based, judgment on an organisation’s approach to the use of the resources with which it has been provided and its achievement of Best Value.

Auditors’ evaluations

The toolkit takes the form of a series of questions based on identified good practice. It then offers four sets of descriptors, these being:

Does not meet basic requirements	An organisation may not yet demonstrate the basic practice level in any particular category.
Basic practices	Minimum acceptable standards, which would be sufficient to allow an organisation to demonstrate sound performance.
Better practices	As basic, with some elements of good or even best practice, but not on a consistent basis.
Advanced practices	Consistently demonstrating good or best practice and contributing to innovation.

Best Value Corporate Assessment Framework Definition: Performance management

Action and improvement oriented

- The organisation takes action that leads to improved performance, or enables it to meet its objectives. The organisation can demonstrate clear improvements in performance and outcomes as a consequence of its improvement activity.
- The organisation and its stakeholders (community, partners) have a clear and accurate understanding of how the organisation is performing and how far it is meeting its objectives.
- The organisation and its partners invite external challenge and evaluation where appropriate with a view to improving the delivery of their objectives

Performance culture

- Leaders champion the use of performance management (including self assessment) as one of the means for achieving improvement. Leaders lead by example in proactively managing performance and talk publicly about improving performance.
- Members (board or elected) are actively interested in performance management and help drive improvements.
- Good performance is recognised and celebrated. The organisation effectively and systematically deals with poor performance at individual, team and service level, leading to action being taken to improve. Managers and staff have the skills and abilities necessary to manage performance
- Performance management is seen as part of the job, integral to the way in which officers and members operate. Staff are involved in managing and improving performance (setting targets, receiving regular feedback on their own performance and being provided with corporate performance information).
- There is learning across the authority, with partners and more widely, on how to improve performance, with time and opportunities explicitly made available so to do. There is willingness to learn from mistakes without an atmosphere of fear or blame. The focus is on improving outcomes for citizens.

Effective processes that deliver improvements

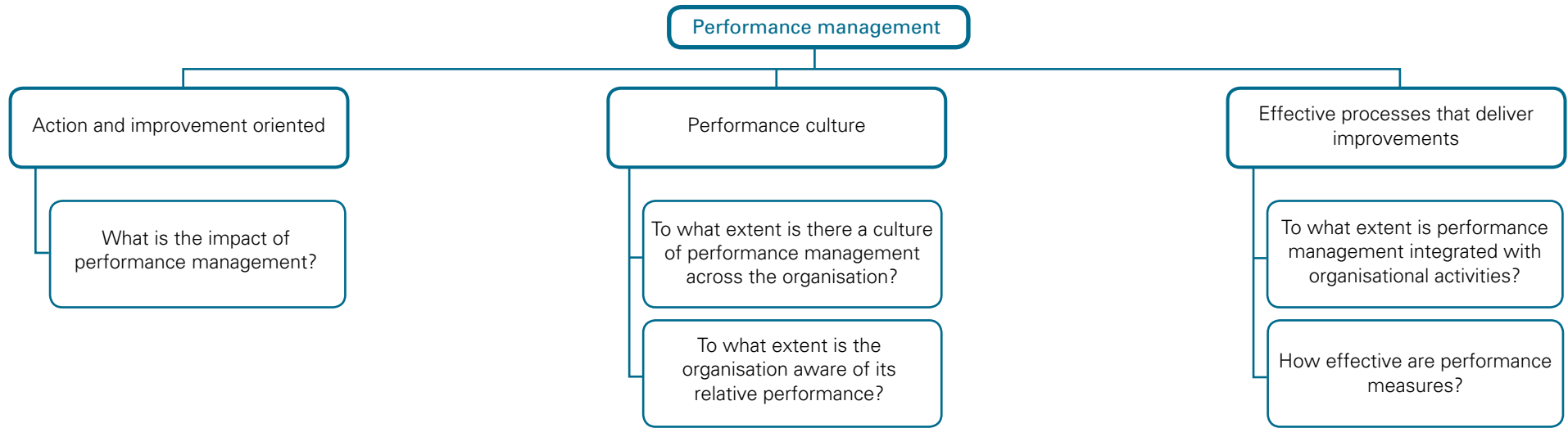
- There is an effective performance management framework, including all elements of the plan-do-review-revise cycle, and appropriate use of improvement tools and techniques, embedded at all levels in the organisation, and with others with whom it fulfils its functions in partnership.
- There are clearly defined, effective and complementary roles in performance management for policy and decision-making committees / boards There is an effective balance between central support and control, to ensure an effective system with flexibility to allow for differences across the organisation, and encourage ownership of performance management.
- The performance management framework is fully integrated with the management of finance, people, IT, information, and property, including the planning, reporting, use and re-allocation of these resources. The performance management process plays its role effectively in relation to other initiatives and activities such as community planning, SOA, and efficiency.
- The authority consults and involves users, clients, citizens and other stakeholders, and this is used in developing indicators and targets and monitoring and managing performance. Planning, data collection and analysis, reporting and action take full account of the needs of minority and other specific groups and geographic areas.

Notes on Matrix

Tests that performance management has a positive impact on managing performance and achieving objectives. Performance management should be part of day to day management and be consistently applied across the organisation, and be underpinned by effective processes. This toolkit closely links to the Challenge and Improvement toolkit.

The levels in the matrix indicate a range of performance from having a basic performance reporting framework in place, to achieving a real impact through managing and improving performance. Better performance includes working closely with partners, the availability and effective use of timely performance information, and the ability to manage risk and improvement actions as part of a coherent system.

Best Value toolkit: Performance management



Performance Management Best Value Assessment Matrix

	Basic Practice	Better Practice	Advanced Practice
1. Action and improvement oriented			
1.1 What is the impact of performance management?	<p>The organisation can demonstrate a general improvement trend across services; and /or overall progress against its objectives.</p> <p>Performance management supports challenge and decision-making, improvement and reporting of significant activities.</p>	<p>The organisation can demonstrate good progress against its objectives including improvement, value for money, or realising efficiencies or cost savings as appropriate.</p> <p>The organisation has a track record of effective and improving service delivery.</p> <p>Performance management enables effective challenge, objective decision-making across the organisation, and supports accountability through effective reporting, including public reporting.</p>	<p>The organisation has a strong track record of improvement, and in delivering both organisational and shared partnership objectives.</p> <p>Performance management enables it to demonstrate best value across its activities including quality, cost and customer satisfaction.</p> <p>Performance management is used to demonstrate accountability through effective public reporting – the organisation is recognised externally for its strong performance in meeting its objectives, and as an improving organisation.</p>

Performance Management Best Value Assessment Matrix

	Basic Practice	Better Practice	Advanced Practice
2. Performance culture			
2.1 To what extent is there a culture of performance management across the organisation?	<p>Leaders* are aware of performance in significant areas across the organisation and challenge performance and make decisions accordingly.</p> <p>Performance management systems are in place but practice varies across the organisation.</p> <p>Leaders address under-performance and monitor progress accordingly, but not consistently across all activities</p>	<p>Leaders can articulate performance across partnership, organisational, service and project activities; and have a balanced picture of performance in terms of quality and cost, customer satisfaction and comparative performance.</p> <p>Performance is actively and consistently managed across the majority of organisational and partnership activities.</p> <p>Leaders recognise the importance of performance management to fulfil their role, and ensure good practice in is adopted throughout the organisation.</p> <p>Decision making takes account of the performance across the whole organisation; including the impact on wider policy objectives and outcomes.</p>	<p>Consistent and effective performance management is practised across all organisation and partnership activities giving a structured view of both customer facing and internal activities.</p> <p>Decision making takes account of wider performance in delivering shared local outcomes; and in forward planning to mitigate risks.</p> <p>Good practice is shared both internally and externally with partners to create a positive culture of learning; leaders understand the reasons for both good and under-performance and take appropriate action.</p>
	<p>Performance objectives are communicated to employees, but not routinely.</p>	<p>Performance objectives are regularly communicated to employees across the whole organisation and individual objectives are set accordingly.</p>	<p>Objectives are clearly understood by employees across the whole organisation; individuals and teams work effectively to achieve objectives and seek improvement.</p>

Performance Management Best Value Assessment Matrix

	Basic Practice	Better Practice	Advanced Practice
2.2 To what extent is the organisation aware of its relative performance?	<p>Comparative performance is understood for significant activities including performance trend information.</p> <p>The organisation is aware of good practice in certain areas both within the organisation and externally.</p>	<p>A wide range of meaningful comparisons with external organisations are used to seek improvement; where possible comparator information is verified</p> <p>Performance trends are understood in the context of local circumstances and national / or comparator performance.</p> <p>Performance assessment and self-evaluation is widely used to give a meaningful understanding of relative performance strengths and weaknesses.</p>	<p>Performance assessment and self-evaluation is used systematically across the whole organisation, including its contribution to partnership objectives.</p> <p>There is a strong focus on external comparisons and stakeholder / customer views.</p> <p>External challenge and evaluation is used to seek improvement on a regular basis</p>
3. Effective processes that deliver improvements			
3.1 To what extent is performance management integrated with organisational activities?	<p>A clear framework is in place to set out roles and responsibilities across the organisation; performance measures, and the reporting, monitoring, and action cycle.</p> <p>Performance management is in place for significant corporate or organisation-wide activities, as well as individual services.</p> <p>Performance management supports service planning, resource planning, and performance reporting including objective public reporting as appropriate</p>	<p>Performance management framework gives a structured view of partnership activities, as well as organisation and individual services.</p> <p>Reporting and decision-making cycles are appropriate to enable the effective planning and management of services.</p> <p>Performance management includes improvement, risk management, project management and corporate objectives such as equalities, asset management, and workforce planning.</p> <p>Performance management makes effective use of good practice where appropriate eg public sector / inspectorate quality frameworks, strategy mapping.</p>	<p>Performance management framework allows a structured view of progress against local outcomes, as well as partnership, organisation and individual services.</p> <p>Performance management is an effective tool for assessing impact against outcomes, and for evaluating policy.</p> <p>Performance management ensures that improvement activity delivers benefits, and that mitigating action is taken to address risks.</p>

Performance Management Best Value Assessment Matrix

	Basic Practice	Better Practice	Advanced Practice
3.2 How effective are performance measures?	<p>A range of cost and quality indicators are in place to support significant activities, and allow statutory reporting.</p> <p>There is evidence that the performance information is accurate and reliable (eg internal and external audit validation)</p>	<p>A balance of measures is in place to provide a clear picture of performance, against organisational objectives.</p> <p>Measures cover an appropriate balance of: effectiveness (outcomes and quality, customer satisfaction); efficiency (inputs and outputs); economy.</p> <p>Trend and comparative performance information is consistently used to allow an objective understanding of relative performance.</p> <p>Measures are both timely and user-friendly and pitched at an appropriate level for the audience – giving the “right information, to the right people, at the right time”.</p>	<p>A balance of measures is in place to provide a clear picture of performance, against both partnership (local outcomes) and organisational objectives.</p> <p>User / customer satisfaction measures are widely used as part of the organisation’s strong customer focus.</p> <p>Appropriate performance information can be readily accessed throughout the organisation; and externally via objective public performance reporting.</p> <p>Measures and targets are continually reviewed in consultation with partners, stakeholders and people who use services.</p>

* Leaders refers to board or elected members and to senior managers

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