

Performance management and planning audit

A MANAGER'S GUIDE

The Accounts Commission is a statutory, independent body, which, through the audit process, assists local authorities and the health service in Scotland to achieve the highest standards of financial stewardship and the economic, efficient and effective use of their resources.

The Commission has five main responsibilities:

- securing the external audit
- following up issues of concern identified through the audit, to ensure satisfactory resolutions
- reviewing the management arrangements which audited bodies have in place to achieve value for money
- carrying out national value for money studies to improve economy, efficiency and effectiveness in local government and the NHS
- issuing an annual direction to local authorities which sets out the range of performance information which they are required to publish.

The Commission secures the audit of 32 councils, 36 joint boards (including police and fire services), 15 health boards, 28 NHS trusts and six other NHS bodies. Local authorities spend over £9 billion of public funds a year and the NHS in Scotland spends over £4 billion.

This manager's guide was produced by the Management Studies Unit at the Accounts Commission for Scotland. Further copies are available from the Unit. It can also be downloaded from the Commission's website. Contact details are included on the back cover and inside back cover.

Introduction to the Guide

Background Best Value requires councils to develop a performance management and planning (PMP) framework, providing convincing answers to the following key questions:

- Q1 How do we know we are doing the right things?
- Q2 How do we know we are doing things right?
- Q3 How do we plan to improve?
- Q4 How do we account for our performance?

Scottish Office Circular 12/98 stated that the audit process would be used to cover the quality and content of all parts of the PMP framework by May 2000. As a result, the Accounts Commission will audit each council's progress in developing this framework at service level this year.

Each service to be audited should complete a written submission covering the issues set out in this guide.

The services to be audited in your council have been agreed by the auditor and the Chief Executive.

About this guide This guide is for managers who have been asked to complete a submission for audit. It details the audit process, the areas which managers should cover in their submission, and describes the key features a best value service would have in place under its PMP framework.

Audit objectives and focus The PMP audit has 3 main objectives:

- to provide independent external assurance that councils are making progress on implementing PMP frameworks
- to identify good practice and areas of concern
- to ensure that services are planning for improvement.

The audit will assess:

- the extent to which a performance management and planning system is in place
- the evidence for improvements in service delivery and/or service management that have been achieved as a result
- the service's planned improvements to its PMP framework, against which progress will be audited in future years.

The PMP criteria The Commission has set out ten criteria that will be used to audit progress in developing a PMP framework. The criteria are inter-related - they are not ranked in order of importance.

A summary of the PMP criteria

Q1 How do we know we're doing the right things?

1. We understand the needs, expectations and priorities of all our stakeholders
2. We have decided on the best ways to meet these needs, expectations and priorities
3. We have detailed plans for achieving our goals
4. Our plans are clearly based on the resources we have available

Q2 How do we know we're doing things right?

5. We make best use of our available resources
6. We make best use of our people
7. We monitor and control our overall performance
8. We have sound financial control and reporting

Q3 How do we plan to improve?

9. We actively support continuous improvement

Q4 How do we account for our performance?

10. We provide our stakeholders with the information they need about our services and performance and listen to their feedback

Audit approach The audit will be based on a concise submission from the selected services, detailing the extent to which a PMP framework is in place and highlighting planned improvements in both service management and delivery.

Auditors will review each service’s submission, check evidence on a sample basis to validate the submission, complete a more detailed review of selected topic areas and provide a copy of their completed audit template to the service.

Auditors will then meet with service managers to discuss the audit findings and the service’s planned improvements. The auditor’s role is to challenge the service on its submission, provide independent external assurance on progress, highlight areas of concern, and to ensure that the service is planning for improvement.

Progress against the planned improvements will be audited in future years.

The Audit Guide Auditors will be issued with detailed guidance by the Commission which will include audit templates to be completed by the auditor. This will be available to councils. **It is recommended that managers consult the “Audit Guide” when preparing their submissions.** This will allow them to ensure their submission provides the information the auditor will require.

Audit output Auditors will provide a report to each service detailing the audit findings and recording the improvement actions that will be the basis for audit in future years.

How to prepare a submission The service should nominate a lead officer to co-ordinate the completion of the submission and act as a contact point for the auditor during the audit.

It might be appropriate to ask different officers to complete different parts of the submission. If so, the lead officer should ensure that the different parts of the submission have been completed to the same level of detail and include the appropriate lists of evidence and planned improvement actions.

The requirements for a submission are set out later in this guide under each of the PMP criteria.

How the guide is structured This guide includes details of the information which is required from the service on each criterion. In addition, there are two templates which have to be completed.

The information on each criterion is set out in three parts:

- the criterion
- what your submission should cover
- key features of a best value service.

The criterion Your submission should be organised to provide information on each of the ten criteria. The criteria are inter-related, so you may find that parts of your submission can be cross-referenced.

What your submission should cover This part comprises a number of bullet points setting out the detail required in your submission. You **must** address **all** of the bullet points.

Your submission should convey clearly and succinctly to the auditor what the service has done and, more importantly, what it has achieved in terms of improvements to service delivery and management.

In some cases, improvements or approaches will have been implemented in only part of the service area (e.g. effective consultation with users may only have been carried out for about half of the service's activity). You must ensure that your submission makes it clear how widely each PMP criterion has been applied within the service area and where any improvements have taken place.

Some bullet points request copies of reports. This is the only documentary evidence that the service needs to supply to the auditor at this stage.

In other cases, the requirement is for a summary of activity. If you have already gathered this information as part of an **evidence-based** assessment for a recognised quality model (such as EFQM, IIP or ISO 9000-9004), you can cross reference your submission to the completed model documentation. You need not rewrite the information, although you should ensure that the quality model detail adequately addresses the bullet point in question.

You must ensure that the cross reference is sufficiently detailed to allow the auditor to easily source the required information. **A document, page and paragraph reference must be given for each bullet point** being addressed in this way. The quality model documentation should also be passed to the auditor. **Assessments undertaken prior to January 1998 will not be acceptable.**

Key features of a best value service This part describes what a best value service with an effective PMP framework in place would look like under each criterion.

It is not expected that services will necessarily have in place all of the elements described in *Key features of a best value service*, but these represent the medium-term objective of Best Value. Services may wish to refer to the *Key features of a best value service* to identify areas for improvement, or to assess the extent to which they have already developed such good practice.

Planned improvement template Your PMP submission to the auditor focuses largely on how well the service currently meets the PMP criteria. Best Value demands continuous improvement, so the service is also required to provide a list of proposed improvements to its PMP framework and service delivery.

The PMP audit does **not** require you to develop a separate improvement action plan. Improvements may already have been identified and incorporated into service, or other, plans and these should be detailed on the template provided. However, in completing your PMP submission you may also have identified gaps in the service's current PMP framework that are not addressed by existing planned improvements. In this case you should detail the additional improvements you intend to make to close these gaps. These should also be included on the template provided.

The auditor will review and comment on the extent to which your planned improvements close identified gaps in your PMP framework. The auditor may also wish to discuss with you any gaps that do not appear to be addressed by your proposed improvements.

It is important that you complete the planned improvement template fully. The list of improvements that you agree with the auditor will form the basis for the follow-up audit in future years. At that time, the auditor will be reporting on the extent to which you have achieved the improvements set out.

Evidence template The final part of the submission is the evidence template. You should **list** the sources of evidence available to confirm the detail of the submission under each criterion. The auditor will sample check this evidence. Therefore, **the service does not need to collate all of the evidence** before the audit begins. The auditor will request the particular evidence s/he requires. You should ensure that you identify evidence that supports the improvements to date which are described in your submission.

Queries Any questions about this guide should be raised with the external auditor.

Key stages of the audit: summary

Getting Started	
15 th and 17 th September 1999	1. MSU workshops for auditors on PMP audit.
September 1999	2. Auditor meets with council to agree audit coverage and timing. Details of agreed coverage and timing copied to Accounts Commission HQ.
	3. Copy of PMP manager's guide and audit guide passed to nominated services.
	4. Service areas prepare submissions.
Main Audit	
	5. Submissions passed to auditor.
	6. Auditor reviews each submission across all criteria: <ul style="list-style-type: none"> • checks that submission has been fully completed • completes audit templates and sample checks evidence • notes potential areas of concern • reviews list of proposed improvements.
Feedback and reporting	
	7. Auditor provides each service with a copy of completed audit templates which will be the basis for discussion and reporting.
	8. Auditor meets with service manager(s) to discuss audit findings and agree any changes to planned improvement actions.
	9. Auditor provides final report to service and Chief Executive.
	10. Auditor copies documentation to HQ.
	11. Key findings included in final report to members.
Follow up	
Subsequent years	12. Auditor follows up achievement of planned improvements.

	= dates to be arranged by auditor
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1 We understand the needs, expectations and priorities of all our stakeholders

Your submission should cover:

- a brief overview of your approach to consultation, with examples. *Consultation should be interpreted in its widest sense to include all approaches involving stakeholders*
- a summary of how the key findings from consultation have been used to improve services
- a summary of how you evaluate your consultation, including how you assess its cost-effectiveness.

Key features of a best value service

Best Value requires services to develop a customer-citizen focus. A best value service is responsive to the needs of its communities, citizens, customers and other stakeholders, and its plans and priorities are demonstrably based on such an understanding. It makes sure that it involves stakeholders in helping to identify policy and service priorities, including service availability, the standards of service to be delivered, and improvements that are required. Approaches to such consultation may involve community forums, citizens' juries, customer panels, surveys and other methods.

The service has identified its key stakeholders for its main areas of activity. These may include: citizens, service users (internal and external), elected members, the business community, the voluntary and independent sectors, suppliers, government, interest groups, staff, partner organisations, inspection and audit bodies.

The service is clear about why it is consulting, it targets relevant stakeholders, and it employs cost-effective approaches to consultation. Stakeholders feel that they have genuine opportunities to make their voice heard and that the service listens to, and takes account of, their views. The service can show how it has used the results of this work in its service planning, delivery and improvement.

A best value service also looks ahead to understand how stakeholder needs and expectations may change in the future. Changes might relate to the demography of the area, the social or cultural environment, the local economy, legislation, and local or national political priorities. There may be others. Such analysis ensures that the service proactively plans to respond to those changing needs. The results and service implications of such analysis are fed back to all managers who are engaged in planning so that they ensure their plans take such factors into account.

2 We have decided on the best ways to meet these needs, expectations and priorities

Your submission should cover:

- a list of the areas of activity where a systematic evaluation of the best way to meet stakeholders' needs, expectations and priorities has been undertaken
- a brief description of how the service identified and evaluated the alternative options for these areas of activity
- a copy of one report to decision-makers outlining the findings of an evaluation and the recommendations made
- a summary of service improvements which have been achieved as a result of such evaluation.

Key features of a best value service

Having understood stakeholder needs, expectations and priorities, a best value service chooses which of those needs will be met. It evaluates the best ways of meeting those needs.

The service rigorously evaluates which delivery option will ensure that stakeholders receive the highest quality of service possible within the resources available. Options may include in-house provision, service reconfiguration, partnership working, outsourcing, externalisation or a mix of these. There is a structured and documented approach to evaluation. Where a developed market exists for an activity, full consideration is given to the use of market testing or open competition.

Decisions on options take into account both quality and cost factors. Political and managerial judgement may also be involved. The evaluation process makes clear what these criteria were and how they were applied in reaching a decision.

3 We have detailed plans for achieving our goals

Your submission should cover:

- a list of the annual plans produced by your service
- a copy of the current service plan
- where there are multiple plans, a description of how you ensure that they are consistent and mutually achievable
- a description of how you relate your plans to the activities of other services or organisations where necessary
- a summary of how you ensure that service plan goals are translated into activities for teams and individuals.

Key features of a best value service

Clear and concise plans are essential in a best value service. Such plans link visibly to corporate goals and priorities and set out what the service intends to do, its overall priorities, performance standards and targets to be met and the resources involved.

Such plans provide the basis for guiding decisions and action, and for holding the service to account. Managers and members periodically review achievements against the plan.

Although a service may have to produce more than one plan, the service makes sure that these are internally consistent and produced as part of a single planning and budgeting process. This ensures that they are all mutually achievable within given resources.

Some of the service's goals and objectives may involve working with other organisations: health boards, Scottish Homes, enterprise agencies, fire and police services, voluntary sector agencies. A best value service ensures that such partner organisations are aware of each other's plans and have understood and agreed their respective roles in contributing to these. There are mechanisms in place for agreeing the broad role, contribution and responsibility of each organisation. There are means for clearly identifying the extent to which these contributions/responsibilities are being met and the progress being made towards achieving the identified objectives.

Within the service, there are mechanisms for ensuring that the commitments set out in plans are translated into specific tasks for teams and individuals to undertake.

4 Our plans are clearly based on the resources we have available

Your submission should cover:

- a summary of how you ensure that plan commitments are related to available resources
- a summary of what you have done to develop multi-year planning and budgeting.

Key features of a best value service

A best value service ensures that its plans are clearly based on the resources it has available. Resources will include finances, people, assets and information. The service knows what resources are available and ensures that they are applied to the right activities. Service plans have been properly costed and budgeted and are realistic and achievable given the available resources.

Although the focus will be on budgets for the forthcoming year, the service has also assessed the likely long-term availability of resources and resource priorities.

A best value service makes sure that it has the organisational capacity to implement all its planned improvements. Organisational capacity means that management and staff have the skills, knowledge, resources and time to implement the planned service improvements as well as continuing to provide day-to-day services.

5 We make best use of our available resources

Your submission should cover:

- a brief overview of how your service ensures effective resource utilisation
- a list of achievements in improved resource use in your service over the last 12 months
- a copy of any plans for improving resource use
- a summary of progress in developing costing systems.

Key features of a best value service

Good resource management is a critical aspect of best value and a key part of being a competitive service provider. Services must make best use of their available resources in the provision of services. A best value service has reliable and up-to-date information on the resources it has available and how it uses these.

The service has systematic approaches in place to monitor, manage and review its use of resources and has a good track record in improving its resource utilisation. These approaches cover asset management (property, plant and equipment), procurement and purchasing (co-ordination, supplier relationships and stock/materials handling), information management (control, communication and marketing) and the management of technology and intellectual capital.

A best value service has developed systems so that it knows the cost of its activities and services.

6 We make best use of our people

Your submission should cover:

- a brief overview of the information routinely available on the management and performance of staff
- a list of improvements in the management and performance of staff that have been achieved over the past 12 months.
- a copy of any plans for improving staff performance.

Key features of a best value service

In all services, Best Value will only be achieved if all staff are committed to, and involved in, continuous improvement. A best value service ensures that all staff are managed effectively and efficiently. Managers communicate service priorities and objectives to staff and ensure that those objectives are translated into tasks that teams and individuals undertake. Staff know what is expected of them, their performance is regularly assessed and they are assisted in improving their performance.

The service has accurate and up-to-date information on staff performance and a good track record in improving the management and performance of staff.

7 We monitor and control our overall performance

Your submission should cover:

- a brief overview of how your service ensures effective performance monitoring and control
- a copy of two consecutive performance reports
- examples of where your monitoring has been used to improve service performance.

Key features of a best value service

A best value service has a rigorous performance monitoring system in place. This includes identifying the key measures used to monitor achievement of service goals and objectives, and collecting and using those measures to manage both strategic and operational performance.

The service also regularly reports progress against its plans to senior managers and members.

8 We have sound financial control and reporting

Your submission should cover:

- a list of the key financial measures monitored by the service
- a brief overview of how your service ensures effective financial control
- a copy of two consecutive financial monitoring reports
- a summary of arrangements to 'follow the public pound' which ensure that external organisations receiving funding from the service are properly held to account.

Key features of a best value service

A best value service optimises its available income and ensures proper financial management of its expenditure. The service has identified the key aspects of its financial performance that it needs to monitor and act upon.

The timely reporting of financial performance takes place at all levels and action is taken to investigate and act upon any irregularities or under- and overspends. Budget holders have been identified and have clear responsibilities. They receive adequate and timely information to enable them to manage their budgets and performance.

The service has effective financial monitoring and control over devolved budgets and funding of external organisations through grants and awards.

9 We actively support continuous improvement

Your submission should cover:

- a summary of the key steps you have taken to support continuous improvement within your service
- a description of how you use benchmarking and details of the service improvements that have resulted from this
- a summary of improvements made as a result of best value service reviews
- a copy of a final best value service review report to elected members (or an interim report where no service review has yet been completed)
- a summary of information available on customer feedback and how this has been used to improve services.

Key features of a best value service

A best value service actively seeks to create a culture to support continuous improvement and organisational learning. It experiments in a managed way with new approaches, learns from its own experience and that of others, and is skilled at transferring good practice throughout the service. The service has identified the key steps to be taken to promote such a culture and these have been put in place. Such steps may include focused staff training and development, improved communications, the introduction and use of recognised approaches such as IIP or EFQM.

The service has progressed best value service reviews to support continuous improvement. In addition to these reviews, the service has in place ongoing approaches to ensure it regularly reviews its performance. This involves relevant key stakeholders and includes the use of customer feedback, suggestions and complaints and customer surveys.

The service uses a range of approaches and techniques to support continuous improvement. It ensures that staff have the necessary skills to contribute fully to continuous improvement. The service ensures the cost-effective use of benchmarking across all its activities.

10 We provide our stakeholders with the information they need about our services and performance and listen to their feedback

No submission is required for this criterion in 1999 as councils have submitted their plans for public performance reporting to the Scottish Executive.

Key features of a best value service

A best value service uses public performance reporting to ensure that its communities, citizens, customers and other stakeholders are aware of its plans, its priorities and the services that are available. The service tells its stakeholders what standards of service they can expect and it reports back on its performance and its plans for improvement.

The service has a range of approaches designed to communicate its performance effectively to different stakeholder groups. The content, channel, quantity and frequency of performance reporting take account of the information needs of each stakeholder group.

The service actively encourages feedback and comment on its performance from stakeholders and uses that information to improve its performance.

List of improvement actions

Service area: _____

Contact: _____

NB: For column 3, please distinguish between improvements in the management of the service and those that will be directly experienced by customers or citizens.

1. Description of the planned improvement.	2. Why has this improvement been chosen and which PMP criteria does it relate to?	3. What is this improvement intended to achieve? This should be both specific and measurable.	4. What are the key project milestones for this improvement? These should detail both relevant actions and timescales.	5. How will you know whether the improvement has achieved what it was meant to?	6. In which of your plans (e.g. service plan) is this improvement detailed?
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
etc.					

Service area _____		
Evidence Template		
Criterion	Sources of evidence	Contact person
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.	No submission required.	

Notes

Notes

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The Management Studies Unit Mission

We aim to be a centre of excellence for encouraging continuous improvement in the management of Scottish councils.

We will achieve this through the audit of management arrangements and by promoting good practice

We will be customer driven, innovative and work in partnership with councils, auditors and other bodies.

We aim to ensure that we have the skills and knowledge necessary to achieve this.

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