

Devolving decision making:

1- Delivering better public services: refining targets and performance management

March 2004



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HM Treasury contacts

This document can be accessed from the Treasury Internet site at:

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For further information on the Treasury and its work, contact:

Correspondence and Enquiry Unit
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 4558

Fax: 020 7270 4574

E-mail: public.enquiries@hm-treasury.gov.uk

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FOREWORD

Since 1997, our Government's central objective – the heart of our vision for a prosperous Britain – has been to promote opportunity and security for all, first through building economic strength and then through public service reform.

Setting a modernisation agenda matched by ambitious targets to provide the necessary focus and discipline was the initial stage of the public service reform agenda.

Without this discipline and focus, our objectives – from improving literacy and numeracy performance in primary schools to substantially reducing waiting times and cancer and heart care improvements in the NHS – could not have been achieved.

People rightly want an end to post code lotteries whereby in some parts of the country standards fall way below the rest.

But our long term objective has always been to match ambitious national standards with a vigorous local autonomy and flexibility whereby we maximise efficiency, equity and a personalised service for the patient, the pupil and the citizen generally.

This opens up a challenging agenda for the second stage of modernisation and reform.

It includes far more radical devolution of responsibilities from Whitehall as we give the role of Whitehall a sharper focus.

It also demands greater transparency, proper audit and new incentives and an ambitious agenda to encourage local autonomy and managerial flexibility.

And this will require an accompanying reform of our framework of targets as they evolve to meet these new requirements.

Indeed we know that national targets work best when they are matched by a framework of devolution, accountability and participation – empowering public servants with the freedom and flexibility to make a difference: to tailor services to reflect local needs and preferences; to develop innovative approaches to service delivery and raise standards; and to give greater responsibility to front line public service managers. And so it is right to consider greater local autonomy, and its corollary, greater local democratic oversight.

So what are the next steps? As we prepare for the Spending Review, and as targets are achieved and national standards are established, this document sets out the first part of our review of devolved decision making.

The second part of our review is also being published alongside the Budget.

This provides an economic analysis of the persistent regional disparities in productivity and employment, and responds to the representations from Regional Development Agencies to the review. Building on the principles set out in this paper, it outlines the Government's next steps in devolving decision making to regional and local institutions to help deliver enhanced economic outcomes in the regions and localities of the UK.

We have already progressively refined our PSA framework and reduced the number of PSA targets as they have been achieved and national standards established. Local public service

agreements with local authorities now give greater local determination of priorities. We announced the abolition of service delivery agreements at the Pre-Budget Report – removing over 500 process and input targets. And local performance standards and local publication of performance data will progressively replace national targets.

One way forward is that local communities should have the freedom to agree for each service their own local performance standards - choosing their own performance indicators and monitoring both the national and local performance indicators with national powers as a backstop.

Accountability would be enhanced with local and national performance indicators published and tracked, and – as pioneered in New York - the local community expecting their local managers to continuously monitor and learn from their performance.

And in return for reform and results, and as an incentive to all the rest, the best performing localities will soon have even more freedoms and flexibilities that reflect a government that enables and empowers rather than direct and controls.

This new direction – this agenda for prosperity and social reform – moves us forward from the era of an old Britain weakened by ‘the man in Whitehall knows best’ towards a new Britain strengthened by local centres awash with initiative, energy and dynamism.

We are grateful for the many contributions to this work so far from across central and local government, regional organisations and other bodies – and we welcome further dialogue on the recommendations of this review.



EXECUTIVE SUMMARY

1.1 The Chancellor of the Exchequer announced the Devolving Decision-Making review in July 2003 in order to take stock and learn from the considerable achievements made in delivering public services since 1997. The review has the following terms of reference:

“To explore how best to achieve decentralised delivery and responsive local and regional services in a way that is consistent with equity and efficiency, against a clear framework of national standards”¹

1.2 Devolution and delegation form one of the Prime Minister’s four principles of public services reform, alongside standards and accountability, flexibility and innovation and expanding choice². There is a close relationship between these principles. For example, devolution and delegation, local flexibility and expanding choice are all essential to allow local providers to deliver services tailored to meet individual needs. Equally, a devolved approach must be coupled with national standards and accountability to ensure that an acceptable standard of services is maintained throughout the country.

1.3 The Devolving Decision-Making review contributes to the Government’s wider agenda of public service reform. The work has been carried out in close collaboration with other Government reviews. In particular, the conclusions of this document are consistent with the emerging findings of the Efficiency Review as well as other work carried out by the Prime Minister’s Strategy Unit and the Office of Public Services Reform.

1.4 The Devolving Decision-Making review has been conducted jointly by HM Treasury and the Prime Minister’s Delivery Unit. While the review’s conclusions are applicable across public services, fieldwork for the review focused on education, health, crime and local government and this is reflected in the examples used in the report. The review will publish further papers in due course: including how this approach can enhance the economic policy-making framework.

1.5 In the past, public services in this country have suffered from considerable under-investment. This has led to poor standards, inequality of provision and inefficiency. Since 1997, this Government has made improving public services through increased investment and reform its top priority. Public Service Agreements (PSAs) have played a key role, alongside increasing investment and independent inspection, in focusing effort on outcomes and raising standards overall. Resulting improvements in performance, capacity and the availability of transparent data now provide scope for the reform strategy to evolve further based on a more devolved approach to performance management within a continuing framework of clear national standards embedded in PSAs.

1.6 This next phase requires an evolution in the relationship between central government, local government, regional organisations and the front line. Central government needs to maintain a strategic role, ensuring national standards are met and maintained, but allowing greater scope locally to determine other priorities and to decide how best to deliver national outcomes. This requires change in key areas:

¹ Full terms of reference available http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2003/press_82_03.cfm

² Office of Public Services Reform, *Reforming Our Public Services – Principles into Practice*, March 2002.

- within a framework of national Public Service Agreements (PSAs), fewer targets and other external controls set in addition and greater scope for locally determined outcomes and methods of delivery;
- stronger local accountabilities and incentives for delivering improvements in public services based on timely publication of performance data; and
- increased performance management capacity within front line, local government and other intermediate tier organisations.

1.7 Developing a new and more integrated approach to targets and other controls will require increased local consultation. The effectiveness of PSAs must be maintained. PSAs should continue to provide clear objectives for achieving the real world outcomes that people across the country want. As targets on these national priorities are delivered and national standards are established, there should be scope for greater local flexibility, continuing the trend established in successive spending reviews. In parallel, the Chancellor of the Exchequer announced the abolition of Service Delivery Agreements (SDAs) in the 2003 Pre-Budget Report³, reducing the underpinning subsidiary targets that often focused on the process of delivery. To this end, it is also necessary to remove many of the targets and measures not related at all to the priorities set out in PSAs. Adopting these measures will reduce the overall number of external controls faced locally. Local organisations can now be given both the authority to make decisions as to how best to deliver against national targets and the freedom to set additional targets and measures most important to their local communities alongside national PSAs.

1.8 A more devolved approach makes it essential that local accountabilities and incentives to improve are strengthened. This is necessary to increase public engagement and so help ensure that services meet the needs of individuals. Clearer accountabilities along delivery chains will also resolve confusion within front line units, local government, and intermediate tier organisations (such as Strategic Health Authorities and police forces). To achieve this, it is first critical to identify a single organisation to performance manage each group of front line units, based on timely and regular performance data. This data should also be made publicly available to allow citizens to hold service providers to account more effectively. Second, credible incentives in the form of rewards and sanctions must be made available such that intervention by central government only takes place in cases of clear under-performance that the intermediate tier has not been able to correct.

1.9 For central government to devolve decision-making authority with confidence, these proposed changes must be underpinned by stronger capacity in performance management within front line, local government and intermediate tier organisations. Key to addressing this will be greater transparency of corporate capacity as well as performance improvements through tailored and supportive inspection.

1.10 Analysis of best practice in the public and private sectors in the UK and abroad suggests five areas that must be developed to strengthen local performance management capacity. These are: robust and reliable internal data reporting, strong leadership, clear accountabilities, performance review combining challenge and support and transparent rewards and sanctions.

³ HM Treasury, *The strength to take the long-term decisions for Britain: Seizing the opportunities of the global recovery*, (Cm 6042), December 2003.

I.11 The Government would welcome reactions to the analysis and recommendations outlined in the following chapters. The current approach will be developed in the 2004 Spending Review, but transition towards a more fully devolved approach will take place over a number of years alongside the Government's wider public service reform agenda, as standards continue to rise and inequalities to diminish. A full dialogue with front line organisations, local government and intermediate tier bodies will be crucial to success.

I.12 This document is divided into 6 chapters and 3 appendices. Chapter 2 discusses the success of the Government's approach to improving public services to date. Chapter 3 considers how to develop the approach to targets and other controls, while Chapter 4 considers how to strengthen the incentives public service delivery organisations have to improve and their accountability to local people and along delivery chains. Chapter 5 then discusses the opportunities to build trust and expose performance and introduces a 5-component framework for strengthened local performance management, which is developed in greater detail in Appendix 1. Chapter 6 provides conclusions. Appendix 2 describes the approach taken in developing the recommendations for this review. Finally, Appendix 3 looks to the future by assessing the implications of the recommendations in terms of the impact on each type of organisation involved in public services delivery and the opportunity to significantly reduce bureaucracy.

2

THE GOVERNMENT'S APPROACH TO IMPROVING PUBLIC SERVICES

INTRODUCTION

2.1 The use of Government targets and other external controls to drive up performance in public services has been the subject of an intense and informed debate¹.

2.2 The Devolving Decision-Making review was set up to analyse evidence and opinions on the existing targets and performance management regime and recommend how best to balance further devolution with meeting national aspirations. It is a key part of the Government's wider agenda to create improved, responsive public services².

2.3 This chapter reviews the Government's use of targets and other controls to date as part of its approach to delivery. It finds that Public Service Agreements (PSAs) have enabled considerable improvements in public services. Now that standards have risen and performance management systems have improved, it is right to look at how greater discretion can be given to the front line to make decisions about delivering improvements. As part of this new approach, it is also necessary to create stronger local accountability and better incentives to improve, ensuring that national minimum standards for all are achieved and maintained.

ESTABLISHING A PERFORMANCE CULTURE

2.4 Since 1997, the Government's top priority has been to improve the country's public services. Following many years of under investment, there was considerable inequality in the level of provision around the country and sometimes unacceptably low levels of performance and customer satisfaction. For example, in a 1996 survey on the running of health services in the 15 European member states, the UK was ranked as having the third lowest levels of satisfaction, with only 48 per cent of respondents saying they were 'very' or 'fairly' satisfied³.

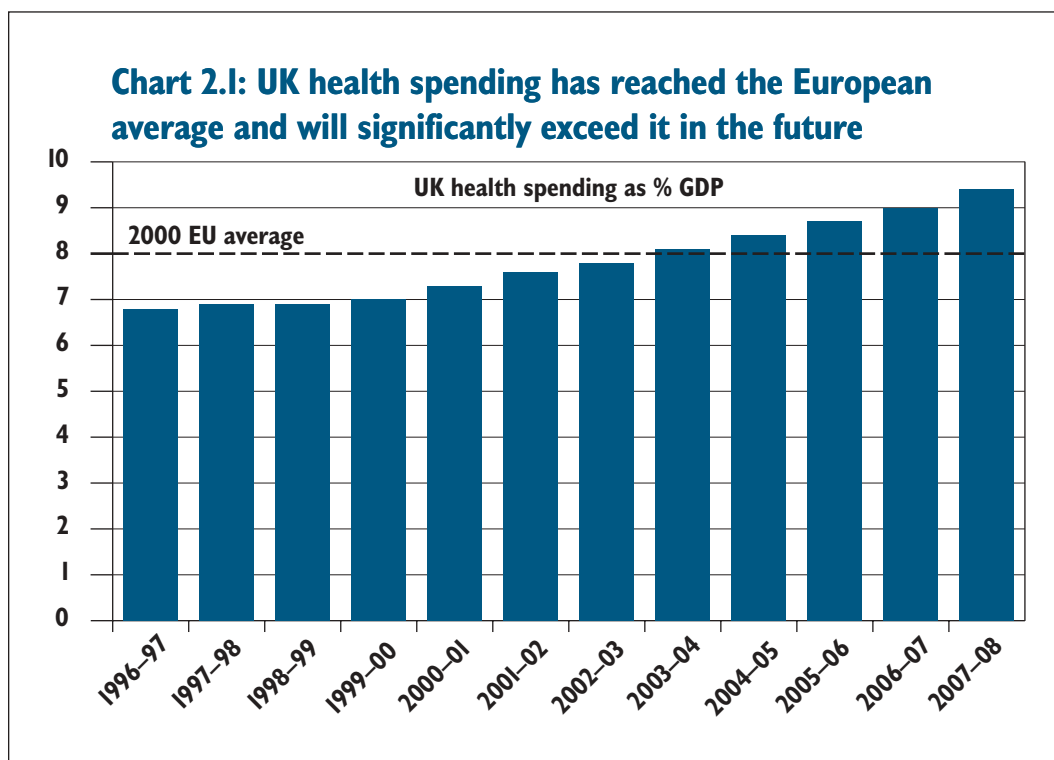
2.5 As well as these weaknesses, the lack of comprehensive and transparent national data on the capacity and performance of local public services required the Government to adopt a centrally driven approach to reform to inject ambition and direction into public services.

2.6 To reverse the history of under-investment, in addition to reform, successive Spending Reviews since 1998 have increased resources for public services to levels that now compare favourably with other major developed countries. The proportion of GDP spent on education in the UK, for example, has risen from 4.7 per cent in 1996-97 to a forecast 5.5 per cent in 2005-06. By 2007-08, UK health expenditure will have doubled in real terms since 1997, taking it to 9.4 per cent GDP, which is above the current EU average (chart 2.1).

¹ House of Commons Public Administration Select Committee, *On Target? Government by Measurement*, Fifth Report of session 2002-03, 2003. Audit Commission, *Targets in the Public Sector*, 2003. National Audit Office, *Measuring the Performance of Government Departments*, 2001.

² Office of Public Services Reform (2002).

³ Health Economics, *Citizens Views on Health Care Systems*, 1997.



2.7 Alongside increasing investment in the Comprehensive Spending Review of 1998, the Government introduced PSAs expressing the outcomes it was seeking. The aim of these was to:

- define clear, long-term, outcome-focused goals, to provide ambition and a sense of direction;
- represent a contract between the public and Government, adding a degree of accountability and transparency never seen before;
- promote equity and efficiency through the articulation of minimum standards that reduce postcode lotteries; and
- provide a basis for engaging experts, stakeholders and the public in a discussion about what the Government's aims should be and how they should be achieved (e.g. consultation on the new child poverty target).

2.8 These were complemented in Spending Review 2000 by supporting Service Delivery Agreements (SDAs), detailing the outputs associated with the outcomes sought in PSAs.

2.9 Since the introduction of the first PSAs, the Government has substantially refined and improved them. Between the 1998 and the 2002 Spending Review, the Government reduced the number of top-level PSA targets from over 240 to around 130. The reduction results entirely from achieving targets or rolling them into new, improved or consolidated targets. The total number of PSAs now equates to an average of seven per department. At the same time the Government has been consistently moving away from targets measuring inputs towards targets measuring outcomes that better reflect real-world improvements⁴.

⁴ National Audit Office (2001).

2.10 The Government has also introduced a mix of floor and aspirational targets to serve different objectives. Floor targets ensure equity and articulate minimum standards. In the 2000 Spending Review, the Government introduced floor targets in key areas, including education, crime, employment and health to ensure that citizens in all parts of the country can receive an adequate minimum level of service provision. Aspirational targets, which articulate the Government's long-term ambitions, are critical for injecting drive and focus into the management of public services. Examples include narrowing disparities in regional growth rates and increasing the percentage of children who achieve level 4 in each of the Key Stage 2 English and maths tests to 85 per cent.

2.11 As well as focusing improvements in priority areas, key outcome-based targets in PSAs have driven an increase in local and regional capacity to deliver. The rapid growth in comprehensive inspections of public services since 1997 has also helped by dramatically improving understanding of local performance and capacity. For example, in 2003 the Commission for Health Improvement (CHI) conferred star ratings on all trusts including Primary Care Trusts (PCTs), based on full inspection against 90 measures. In crime, Her Majesty's Inspectorate of Constabulary (HMIC) have completed inspections of all Forces and around 150 Basic Command Units (BCUs) since April 2001. Similarly in education, Ofsted has now completed the second round of full inspections of all 3500 secondary schools. The present phase of primary school inspections will complete in summer 2004.

2.12 In local government the Comprehensive Performance Assessment (CPA) has been introduced following the Local Government White Paper, *Strong local leadership; quality public services*⁵. For the first time the public now has detailed knowledge of the performance and corporate capacity of all 150 upper tier authorities. The CPA is also being rolled out to district councils and is being improved further for upper tier councils from 2005-06⁶. Alongside the CPA, incentives for improvement have been strengthened by developing freedoms and flexibilities for high-performing councils.

2.13 Capacity at the regional level has been strengthened through the introduction of Regional Development Agencies (RDAs). The RDAs have developed Regional Economic Strategies to drive more effective regional arrangements between key partners. The introduction of a single funding pot in Spending Review 2000 has further allowed the RDAs to focus their resources on the priorities and needs of their regions.

2.14 Central government has also been improving its own capacity, structures and processes in order to achieve an increasingly rigorous focus on delivery. This has been driven by the creation and work of the Prime Minister's Delivery Unit and the wider Delivery and Reform team in the Cabinet Office, alongside strengthened approaches to delivery planning in spending departments and the Treasury.

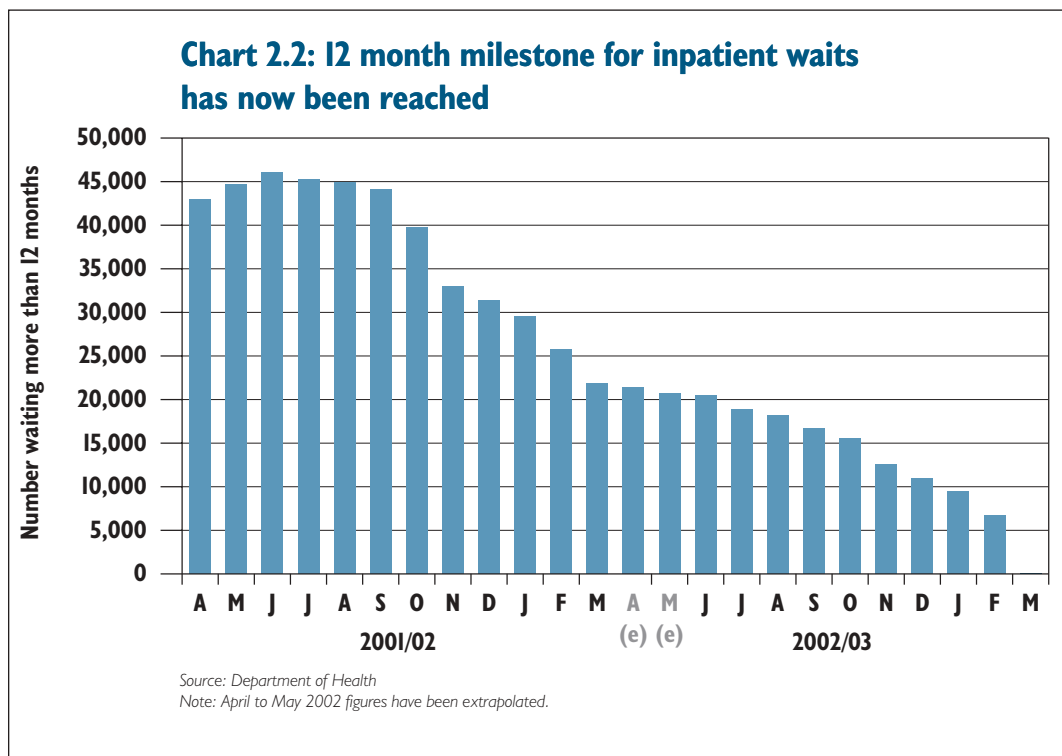
⁵ Department for Transport, Local Government and the Regions, *Strong local leadership; quality public services*, (CM5237), 2001.

⁶ Audit Commission, *CPA 2005 – the way ahead*, 2004.

A STEP CHANGE IN PUBLIC SERVICE DELIVERY

2.15 This approach has reversed the legacy of under-investment and underperformance, helping to deliver substantial improvements in many public services. The Government has met the vast majority of the ambitious PSA targets it set in 1998, with real improvements in outcomes being achieved in the major public services⁷.

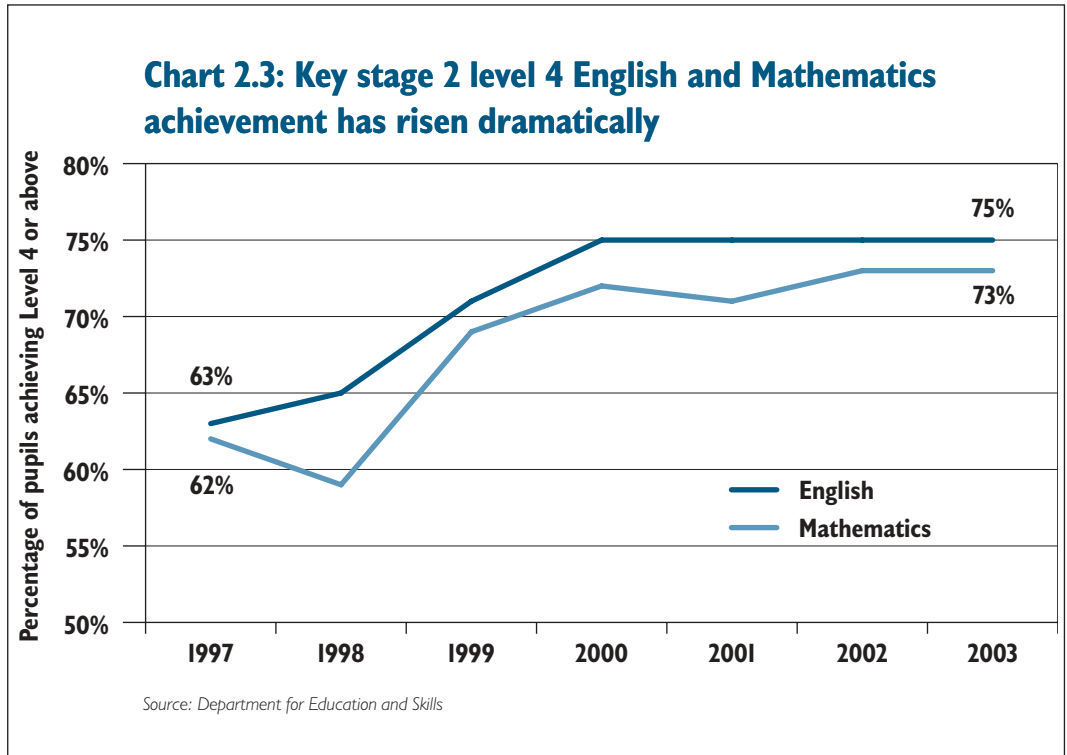
2.16 In health, for instance, ambitious PSAs have driven a reduction of over 99 per cent in the number of people waiting more than 12 months for an operation as waiting lists are reduced (chart 2.2). In addition, the Accident and Emergency milestone of having 90 per cent of patients referred, treated or discharged within 4 hours of arrival was successfully met in March 2003.



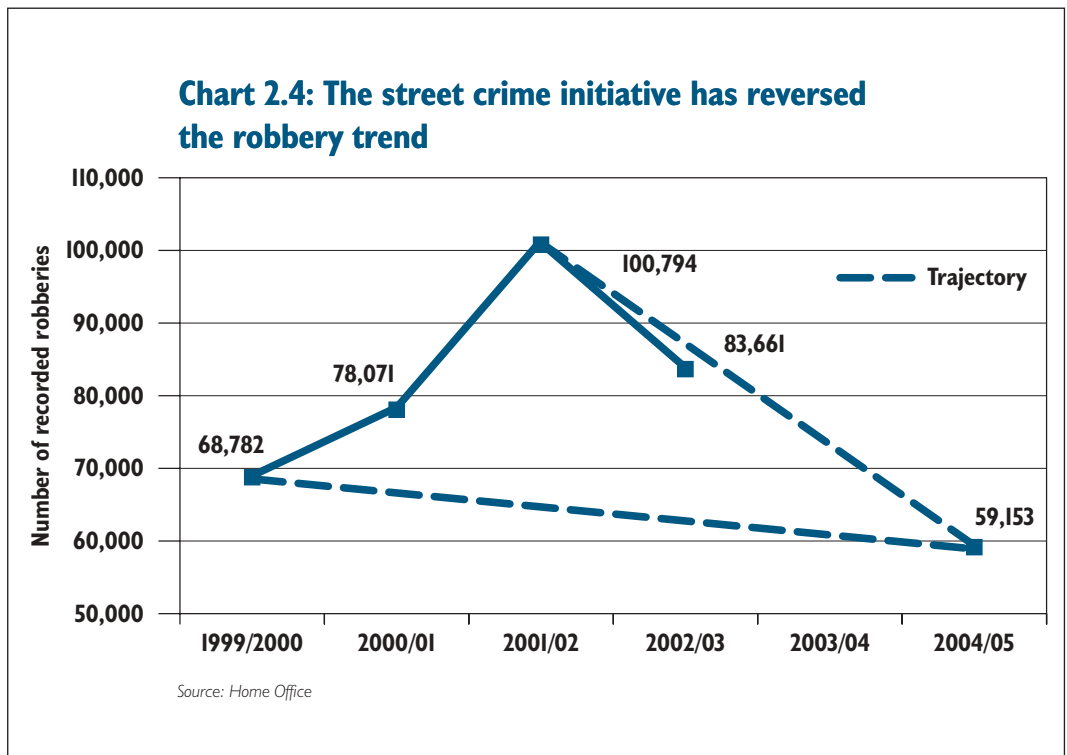
2.17 In education, standards at all ages have increased considerably. The percentage of children achieving level 4 in Key Stage 2 maths has risen from 62 per cent in 1997 to 73 per cent last year and from 63 per cent in English in 1997 to 75 per cent last year (chart 2.3). As a result, England now has the 3rd highest Reading Achievement of 9-10 year olds across the OECD⁸.

⁷ See www.hm-treasury/performance for an assessment of the Government's performance against PSA targets.

⁸ Mullis, I.V.S., Martin, M.O., Gonzalez, E.J., & Kennedy, A.M., *PIRLS 2001 International Report*, 2003.

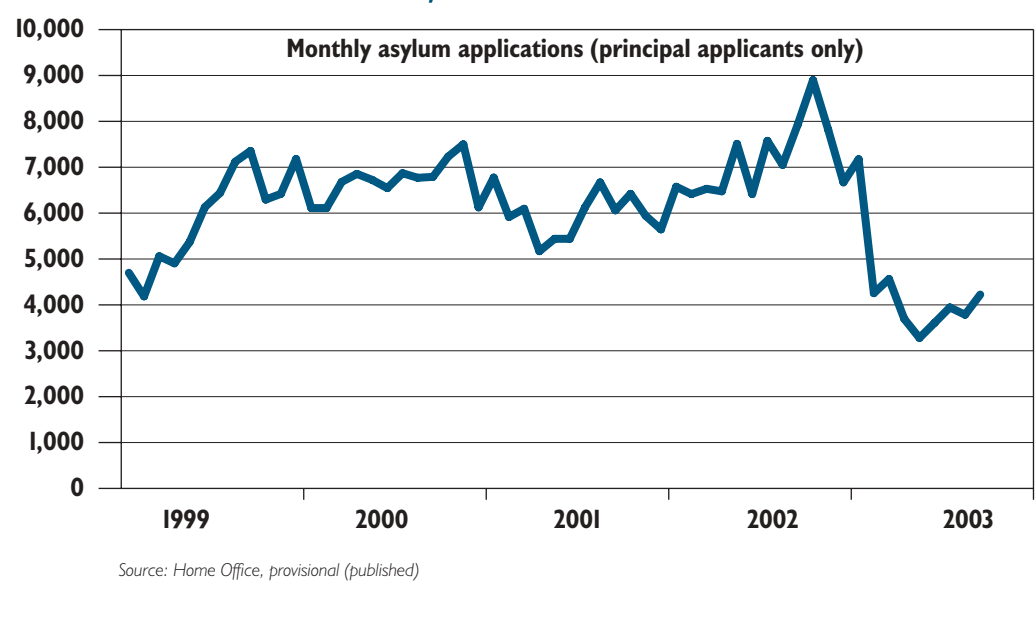


2.18 In crime, the street crime initiative has reversed the upward trend in recorded robberies from a peak of 100,000 in 2001-02 to fewer than 84,000 in 2002-03 (chart 2.4). A similar story has occurred in asylum, where the number of applications was halved between October 2002 (8,770 made in that month) and September 2003 (4,225) (chart 2.5)⁹.



⁹ Home Office Statistical Bulletin, *Asylum Statistics: 3rd Quarter 2003 UK*, 2003.

Chart 2.5: A substantial reduction in asylum applications was achieved in 2002/03



2.19 At the same time, the capacity of organisations that provide front line services has improved. Ofsted rated 48 per cent of secondary schools and 41 per cent of primary schools as having excellent or very good leadership and management in 2002-03 compared to 19 per cent and 15 per cent respectively in 1996-97¹⁰. Similarly, in the 2003 CPA, 26 upper tier councils moved up at least one category from their performance in 2002, while only 9 moved down. In particular, 14 of the 34 councils classed as poor or weak in 2002 have moved up a category in 2003 with only 5 going down.

WHAT IS THE IMPACT ON PEOPLE DELIVERING FRONT LINE SERVICES?

2.20 Recent evidence shows that core national priorities reflect the issues that the public cares most about. For example, PSAs exist on all the issues reflected in the top three answers in a recent MORI poll to the question “What makes somewhere a good place to live?”¹¹ These were: a low level of crime (56%); high quality health services (39%); and affordable decent housing (37%).

2.21 The overall approach taken by central government in driving delivery is also typically welcomed by regional and local organisations with the majority of local managers in public services welcoming the focus and direction provided by PSAs¹².

¹⁰ Ofsted, *2002/03 Annual Report*, 2004.

¹¹ MORI, *The Rising Prominence of Liveability*, 2002.

¹² Audit Commission, *Corporate Governance*, 2003.

2.22 A survey of public service managers conducted between May 2003 and January 2004 showed widespread backing for the Government's reform strategy. Eighty seven per cent of senior health professionals and 90 per cent of senior police officers supported the strategy. Forty six per cent felt that Government's ability to set clear standards had improved with only 15 per cent feeling that it had got worse. As the Prime Minister has said:

*"Some commentators assert a false dichotomy between national standards and local decentralisation. In reality, a strong framework of national standards backed up by enforceable entitlements is an important lever for users and citizens to drive local improvement. For example, our national programmes for literacy and numeracy have provided parents with the information and confidence to want to know more about how their children are progressing."*¹⁴

2.23 However, there are a number of risks that need to be managed in setting targets and controls beyond the national framework of PSAs. Crucially, it is important to limit the total number of input, output and process controls faced by the front line, local government and regional organisations to avoid the risks of:

- reducing the autonomy of public service managers. For example, RDAs consulted during this review suggest that central departments have a tendency to specify excessive detail with regard to targets and appraisal arrangements at the regional level;
- increasing bureaucracy as a result of the administrative burden associated with process and input controls. The Audit Commission found that excessive bureaucracy and paperwork can have a negative impact on the motivation of the workforce¹⁵; and
- reducing the coherence of the overall set of controls faced locally by an organisation. This can distract attention from delivering key priorities and reduce the effectiveness of organisations to deliver.

Box 2.1: Targets, measures and compliance requirements

Views on the precise definition of a target vary considerably. The review uses the following definitions:

Target: A quantitative indicator of performance combined with a specified level of required attainment (e.g. Department of Health PSA target to "Reduce to four hours the maximum wait in A&E from arrival to admission, transfer or discharge, by the end of 2004; and reduce the proportion waiting over one hour")

Measure: A quantitative indicator of performance without a specified level of required attainment (e.g. National Policing Plan measure: "Number of burglaries by 1,000 households")

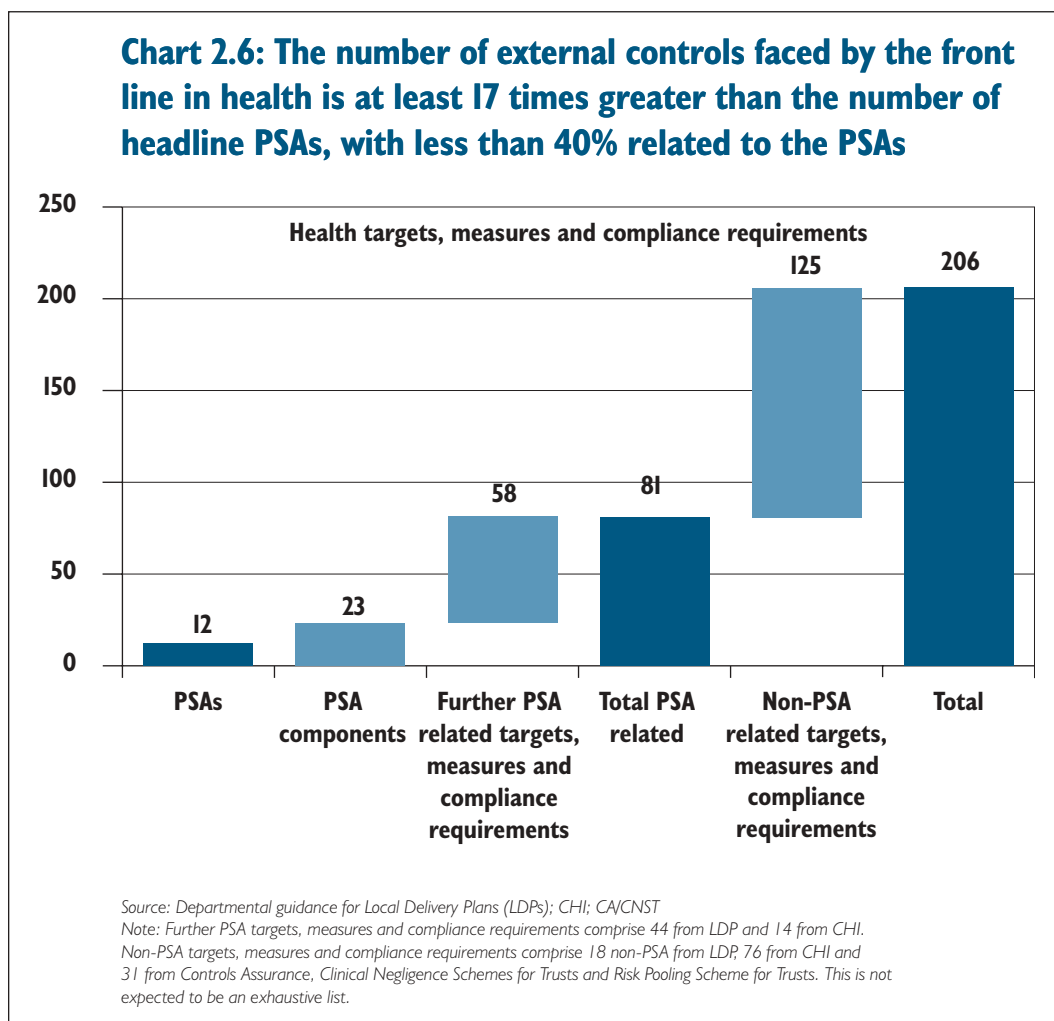
Compliance requirement: An obligation to which an organisation should conform (e.g. Ofsted evaluation criteria "Respect for feelings, values and beliefs of others")

Individual controls (e.g. targets, measures and compliance requirements) will constrain organisations to different extents. However, the total number of external controls in aggregate and the extent to which they often duplicate and sometimes are not aligned with each other directly determines the overall external burden imposed on front line units.

¹⁴ The Prime Minister, "We should not shy away from radical reform", A speech at a Guardian summit on public services, 29 January 2004.

¹⁵ Audit Commission, *Recruitment and Retention*, 2002.

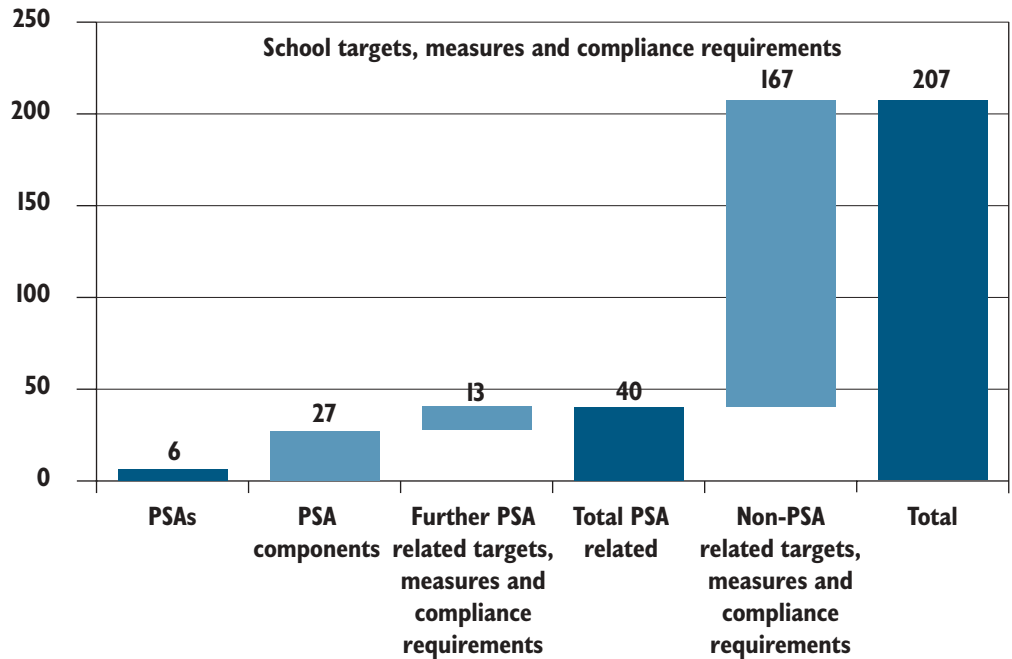
2.24 The review found that many organisations do face excessive externally set targets, measures and compliance requirements (box 2.1 above). When faced from the perspective of a local authority, hospital, school or other local organisation, the number of controls faced is dramatically higher than the number of PSA targets suggests. For example, the Department of Health has only 12 PSA targets across the NHS and Social Care. Front line trusts and PCTs however face more than 4 times as many PSA-related controls from the Local Delivery Plans and CHI. With a further 125 non-PSA related controls identified, the overall number of targets, measures and compliance requirements is more than 17 times greater than the headline PSA would suggest. This is shown in chart 2.7 below.



2.25 A similar picture emerges in education, as shown in Chart 2.8 below. A total of 207 targets and measures facing primary and secondary schools were identified, compared to 6 headline PSAs. This corresponds to a 34-fold increase. Within this total, 40 of the controls related to PSAs, which is over 6 times more than the number of relevant PSA targets. This analysis excludes the considerable number of targets, measures and compliance requirements that are typically found in LEA Education Delivery Plans¹⁶.

¹⁶ 307 separate criteria were found in the Education Development Plan analysed in detail, with others showing a similar number.

Chart 2.7: The number of external controls faced by schools is at least 34 times greater than the number of headline PSAs, with less than 20% related to the PSAs



Source: DfES; Ofsted; BVPIs
 Note: Further PSA targets, measures and compliance requirements comprise 4 from DfES, 8 from Ofsted and 1 BVPI.
 Non-PSA targets, measures and compliance requirements comprise 21 from DfES, 139 from Ofsted and 7 BVPIs.

2.26 The external controls facing police forces follow a similar pattern, with a quarter of the total number of targets, measures, compliance requirements and evaluative questions from HMIC related directly to the 9 headline PSA targets.

2.27 As the health, education and police analyses show, two factors drive the difference between the number of PSAs and the number of targets and measures actually faced:

- as PSAs are transmitted along the delivery chain, government departments, local government, intermediate tier organisations and inspectorates often set additional targets and controls concerned with inputs and processes; and
- government departments and other standard setting bodies set a large number of additional controls (at least 10 times as many as the number of headline PSA targets) in areas which do not relate to the PSA set at all.

2.28 The Gershon Review on efficiency is looking at these issues in detail and departments are already beginning to take action. The Department of Health is actively seeking to reduce the level of controls and bureaucracy faced at the front line, for example through the GP and Hospital Implementation and Monitoring Task Forces and the introduction of departmental gateway controls. Similarly, the Home Office has introduced measures, including the Police Performance Assessment Framework, to manage the reporting requirements of police forces and the Department for Education and Skills (DfES) is actively addressing bureaucracy in schools.

REFINING THE GOVERNMENT'S APPROACH

2.29 Refining the Government's approach to overall performance management is a crucial aspect of enabling and encouraging continuous improvement in public services. The progress made in the last six years reveal four key elements underlying the successes of the current approach: direction, transparency, flexibility and capacity (box 2.2).

Box 2.2: Elements of success distilled from the initial phase of performance management

Direction. Targets need to be SMART¹⁷ and used consistently but sparingly, bringing into clarity what matters most. A clear support plan also needs to underpin the desired outcome reflected in the target, as seen with the Numeracy and Literacy strategies backing up the Key Stage 2 target. Visible commitment should be given by senior politicians to ensure focus on the outcome is maintained, as was the case with senior Health ministers' level of attention and support to waiting time targets.

Transparency. Timely, high quality front line performance data should be widely and effectively used. This drives success in three ways. First, data should be communicated to the public to allow citizens to hold local services to account. Second, data should be published within front line organisations to stimulate improvements. To this end, police forces often publish and display weekly or monthly performance data within police stations. Third, the performance data should be transmitted to intermediate tier organisations and central government to allow informed use of external rewards and where necessary intervention. This is, for example, the case with the data provided by local councils to populate the Audit Commission's performance indicators.

Flexibility. Front line professionals need the flexibility to respond to local needs and national priorities, not just one or the other. Formal agreements, for example the local PSAs, help to ensure that a balance is struck between locally and nationally desired outcomes. Front line professionals also need to be given the opportunity and authority to make the decisions which will deliver the greatest public service improvements in their area. For example, the Code of Practice in Education explicitly devolves decision making to headteachers.

Capacity. Front line professionals need to have the operational skills and capacity necessary to make continuous performance improvements. The link between skills and performance is clear. For example, Ninestiles school in Birmingham, which has raised the percentage of children gaining 5 A*-C grades from 6 per cent in 1988 to 76 per cent in 2003, was rated 'very good' at teaching and learning during its most recent Ofsted inspection. Equally, local performance management capacity needs to be embedded into the heart of day-to-day operations. Dorset Health Authority's Chief Executive largely attributed their early delivery of all access targets to effective performance management.

At a national level, the delivery discipline of evidence-based challenge needs to be instilled across central government. To this end, the delivery planning and trajectories introduced by the Prime Minister's Delivery Unit are now widely used across spending departments.

¹⁷ Specific, Measurable, Achievable, Relevant and Timed.

2.30 The 2004 Spending Review provides a clear opportunity to begin to move to the next phase of public service delivery, as the capacity and performance of front line organisations has improved and the relationship between central government and practitioners over the last six years has developed.

2.31 In addition to the body of evidence from front line managers, the Government has also asked for input from local and regional organisations about their experiences with the public services performance framework. For example, the Government has invited RDAs to work together to identify the top ten institutional barriers that they believe are hindering effective co-ordination of policy decisions and service delivery in the regions as part of the Devolving Decision Making review. In drawing up their top ten barriers, the RDAs are looking at the extent to which the current target framework, lines of accountability, number of funding streams and central guidance are restricting the ability of the RDAs and their partner organisations to deliver. The Government will respond in full to the RDAs' input into the review in the Budget.

2.32 The Government's Skills Strategy, published in 2003, announced the formation of Regional Skills Partnerships (RSPs) as a key means of integrating activity on skills, training, business support and labour market activity in support of regional economic development¹⁸. RDAs were invited to co-ordinate the preparation of proposals to set up RSPs, in agreement with local Learning and Skills Councils, Jobcentre Plus, the Sector Skills Development Agency and the Small Business Service. A number of institutional barriers to delivery have also been identified during process of developing RSPs, and these have also been fed into the Devolving Decision Making review for consideration.

2.33 In addition a group of high performing local councils are working to collate and propose better connections between the targets and other controls that they and their partners face. This is part of the wider work on governance issues that the Innovation Forum, which was set up following the 2001 local government White Paper, is pursuing. It is focused in the key cross-cutting areas of children and young people, public health and community safety.

2.34 These examples and others explore how a more devolved approach could be established now local and regional capacity and performance have improved. This will allow for a smaller set of national, externally set, targets beyond PSAs as public services look to respond more to users and citizens. As the Chancellor of the Exchequer has said:

*“We know that national targets work best when they are matched by a framework of devolution, accountability and participation – empowering public servants with the freedom and flexibility to make a difference: first, to tailor services to reflect local needs and preferences; second, to develop innovative approaches to service delivery and raise standards; and third to enable – as we should – a bonfire of the old input, interventionist, departmentalist controls over front line public service managers – which is too often what they still find frustrating.”*¹⁹

¹⁸ Department for Education and Skills, *21st Century Skills: Realising our potential*, 2003.

¹⁹ Chancellor of the Exchequer, *A modern agenda for prosperity and social reform*, Speech to Social Market Foundation, 3 February 2003. Available at www.hm-treasury.gov.uk.

2.35 Significant devolution of performance management, within a clear framework of national standards, is consistent with wider work on public services, which shows that a more devolved approach can:

- increase efficiency through better local information and knowledge about implementation, and through greater flexibility to tailor services to local need²⁰;
- improve organisational morale and internal management capacity by empowering local leadership and frontline staff, thereby improving productivity through harnessing internal drivers of continuous improvement²¹; and
- create more room for public engagement with public services and strengthen local accountability of service providers by increasing their responsiveness²².

CONCLUSION

2.36 The Government has developed its approach to performance management since 1997 and achieved a step change in public service delivery and reform. As a result and as part of a wider strategy to devolve power to enable the delivery of more efficient and responsive public services, the Government can and should continue to evolve the performance management system. Recommendations for doing this should be consistent with the elements of success to date (box 2.2). Specific recommendations will often reflect more than one of these issues.

2.37 The following chapters explore how the Government can reduce unnecessary targets and controls beyond PSAs, how local accountabilities and incentives for improvement can be strengthened and how improved local performance management can underpin these changes. Alongside wider reform of public service delivery, this approach should achieve accelerated improvements in both core national outcomes and the priorities of local people as well as a substantial reduction in bureaucracy.

²⁰ W.E. Oates, *Fiscal Federalism*, New Haven: Conn Yale University Press, 1972.

²¹ T. Besley and M. Ghatak, Incentives, choice and accountability in the provision of public services, *Oxford Review of Economic Policy* Vol 19:2, 2003; D. Osborne and T. Gaebler, *Reinventing Government*, Addison Wesley, 1992.

²² A. Fung with E.O. Wright, *Deepening Democracy: Institutional Innovations in Empowered Participatory Governance*, Verso Press, 2003; V. and E. Ostrom, *Public goods and public choices*, in *Alternatives for Delivering Public Services* ed. E. Savas Boulder, Co: Westview Press, 1977.

3

REFINING THE GOVERNMENT'S APPROACH TO TARGETS

INTRODUCTION

3.1 The Government has injected ambition and direction in local public services and has begun to tackle poor performance by using targets alongside sustained investment. Targets have generally been welcomed, particularly where they form part of a strategy that is shared locally as well as centrally and where they provide a helpful degree of stretch and challenge to public service managers.

3.2 The next phase of public service reform requires an evolution in the relationship between central government, local government, regional organisations and the front line. Central government needs to maintain a strategic role, ensuring national standards are met and maintained, but allowing greater scope for local organisations, working with key partners, to determine other priorities in a local area and to decide how best to deliver national outcomes.

CONSOLIDATING AND SIMPLIFYING THE FRAMEWORK OF NATIONAL TARGETS

Refining PSA targets

3.3 Across the public sector, the priorities set out in PSAs provide focus and play a part in delivering real improvements. The 2004 Spending Review will maintain the focus on these priorities. Nevertheless, there is scope to refine further the PSA framework to ensure that targets are rigorously focused only on outcomes reflecting the Government's key priorities. They also need to be part of a more integrated approach to performance management all the way along delivery chains.

3.4 By focusing increasingly on priority outcomes, the Government has already reduced the number of PSA targets substantially. As the Chancellor stated in the 2003 Pre-Budget Report, PSAs will be focused exclusively on outcomes from the 2004 Spending Review¹. The overall number of explicit PSA targets should reduce further as they are achieved. In these cases, PSAs could include clear national standards rather than ever more stretching targets. Performance could then be measured against key performance indicators, providing better incentives for continuous improvement. This is most likely to be true for outcomes where ongoing performance improvements have become embedded in the culture of delivery organisations. The Government will also minimise the number of components in a single PSA. This will allow more power for determining priorities and methods of service delivery to be devolved to regional and local organisations.

3.5 It is also important that all PSAs are set in the best way possible to enable local organisations to deliver genuine improvements. There is scope for refining the current set to better reflect the desired outcomes and, where possible, public views. Overcoming these issues will require an increase in the level of consultation with regional organisations, the front line and the public on setting PSAs and determining how they are measured.

¹ The Chancellor of the Exchequer's speech announcing the 2003 Pre-Budget Report on 10 December is available at: http://www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr03/prebud_pbr03_speech.cfm

3.6 The Government also needs to develop more differentiated approaches to the local application of PSAs to reflect varying local circumstances and levels of performance, building on the fact that in some cases departments are already pursuing innovative strategies. Finally, central departments and sub-national organisations should avoid, where possible, setting additional national targets that prescribe the means and methods of delivering PSAs. PSAs should set the outcome and, other than in exceptional cases, the front line should then be responsible for identifying the best method of achieving that outcome.

3.7 This analysis is equally true at the regional level. Work by the National Audit Office, for example, recommends that the target framework for Regional Development Agencies (RDAs) should be simplified and aligned more closely with regional economic priorities².

Substantially reducing targets and controls not relating to PSAs

3.8 Departments must consider how the aggregation of input, output and process targets and other controls beyond the framework of national PSAs impact on the front line, local government and regional organisations. Too often targets, ring fenced funds and plan requirements that relate to particular initiatives are considered in isolation from each other. The aggregate picture locally, where the cumulative burden is faced, is rarely considered or understood. For multi-agency outcomes, departments should co-ordinate target setting approaches to ensure the aggregate number of targets faced locally remains manageable. Departments should also ensure incentives align for all the organisations involved to enable delivery of the shared target.

3.9 In some areas, work has already been carried out to create a coherent and manageable approach to performance management. For example, the Performance Management Framework for tackling drugs will take effect from March 2004³. The framework was developed through extensive consultation with Government Offices in the regions as well as local partnerships. The approach focuses on outcomes and will reduce the reporting burdens on local partnerships. It demonstrates that using key performance indicators as well as targets to focus on outcomes can reduce bureaucracy and the need for input controls such as ring-fencing.

3.10 Departments must look seriously at developing approaches to delivery and policy making that do not rely on excessive central regulation and bureaucratic methods but rather see regional organisations, local government and the front line as partners in the delivery of national priorities. Reducing targets alone will have a limited impact on the overall level of bureaucracy faced by schools, hospitals or local government if ring fenced funding remains at a high level or excessive numbers of plans are required. Following the Comprehensive Performance Assessment (CPA) in local government, for example, the Deputy Prime Minister announced a range of measures to reduce the controls imposed on local authorities⁴. This included a commitment to reducing the proportion of funding that is ring fenced to 10 per cent by 2005-06 and a radical reduction in the number of plans required by central government. The Government removed the ring fences from £750 million of local government funding for 2004-05 and is on course to meet its commitment by 2005-06.

² National Audit Office (2003).

³ Home Office, *National Drug Strategy Performance Management Framework*, 2003.

⁴ Office of the Deputy Prime Minister, November 2002. Available at:

http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_localgov_605410.pdf

Releasing high performers from further targets

3.11 To improve the scope for efficient, effective and responsive service delivery, local organisations need to face fewer input, output and process targets beyond the framework of national PSAs. However, the Government also needs to differentiate between high and low performers at the local level. It is necessary to strike the right balance between these concerns, providing a measure of autonomy to all, while ensuring that the Government is sufficiently confident that controls are in place to prevent unacceptable inequality in service provision as a result of poor performance in some areas. Equally, high performance needs to be rewarded with additional autonomy and flexibility to provide incentives for improvement and to increase efficiency in the use of resources.

3.12 As local organisations meet national standards articulated in PSAs and demonstrate their capacity to sustain and improve levels of service, there is greater scope to reduce the controls they face and increase local flexibility. For example, once organisations meet a national standard, further ratcheting up of target levels determined nationally should not be necessary. Instead, transparent data reporting on a timely basis can better drive continuous improvement. This requires a more discriminating approach by the centre in the way it interacts with local organisations. The CPA has begun to do this by introducing additional freedoms for high performing local authorities.

3.13 This approach will provide incentives for continuous improvement as an extension of the earned autonomy agenda. Publication of performance against the clear, stable national standards in PSAs will make transparent how different organisations are performing. If organisations begin to perform less well or drop below national standards, inspection and clear intervention strategies will operate to reverse the downward trend. The implications of wider data reporting and earned autonomy are discussed more fully in chapter 4.

INCREASING LOCAL FREEDOM TO SET TARGETS

3.14 This Government will always set outcome-based targets or standards for services it sees as key national priorities. In areas where local discretion is desirable, however, organisations must have greater autonomy to respond to citizen pressure and to set their own priorities and targets, alongside national priorities, for which they would be directly accountable to the public.

3.15 Experience in the US demonstrates the importance of devolution of accountability for public services at the local level. A tradition of strong city and local government means that locally elected politicians are seen as responsible for local services. Therefore, the drive for better service delivery comes from the local level, while the federal level is most concerned with programmatic interventions or setting minimum standards.

3.16 Increasing local accountability will mean that central government and its agencies should set fewer targets and controls beyond PSAs. This will allow increased freedom locally and in the regions to set targets in areas that matter most to citizens and ensure local government and other organisations have the flexibilities needed to deliver them. As Sir Ian Blair, Deputy Commissioner of the Metropolitan Police, has said: *“if localism is to work, then the number and the weight of national and, in my case, pan London targets must lessen. Within a framework of... targets for national achievement, we must develop bespoke targeting... this requires, first, a real commitment from all... to meaningful devolution”*⁵.

⁵ Sir Ian Blair, *Leading towards the future*, A speech to “The future of policing” conference, 10 October 2003.

3.17 Local Public Service Agreements (Local PSAs) demonstrate the potential of this approach. Local PSAs are voluntary negotiated agreements between an individual local authority and the Government. They were introduced in the 2000 Spending Review and are central to the Government's strategy to deliver improved public services, covering priority areas of health, crime and education as well as transport and housing.

3.18 Local PSAs have been widely welcomed in local and central government. They have provided several benefits:

- a structure whereby locally desired outcomes are placed alongside national priorities as part of the same performance management framework through a process of negotiation;
- additional incentives for delivery through financial rewards for success and scope for relaxing identified statutory and administrative barriers to delivery; and
- giving local authorities access to central expertise in target setting and measurement.

3.19 The Local Government Association (LGA), which worked closely with the Government in their development, has stated that *"the first round of [local] PSAs has been extremely effective at establishing a central/local dialogue about local priorities and agreeing financial rewards for high performance...[and] highlighted how local authorities working together with a range of local partners can develop innovative and challenging new ways of working"*⁶.

Box 3.1: Hammersmith and Fulham's local public service agreement

The London Borough of Hammersmith and Fulham's local PSA aims to tackle the causes and impact of criminal behaviour, disorder and unemployment. The Borough is using the local PSA as a key tool to establish minimum but rising standards of service and behaviour, to restore pride in its neighbourhoods and confront unacceptable behaviour. The 12 individual stretch targets form a group of interlocking, mutually supporting measures, that together create the momentum and visible difference needed to change attitudes and overcome historic problems. The local PSA was drawn up with the local strategic partnership, with the police as a key partner.

The local PSA has led to investment in schemes likely to have the greatest impact, complementing other funding sources. The pump-priming grant from the local PSA is helping to fund the implementation of an alcohol reduction strategy, including the promotion of alcohol awareness campaigns and a licensed trade responsible management programme in Shepherds Bush. The new Youth Response Team identifies young people aged 8-17 who are engaged in anti-social behaviour and diverts them into structured, supervised activities to reduce the likelihood of them becoming involved in criminal activities.

As part of the local PSA process, the Borough has developed innovative solutions to delivery. Freedoms and flexibilities agreed through the local PSA include the setting up of London's first Domestic Violence Specialist Court, supported by a partnership protocol and investment in advocacy and training. The Borough also recently became the first in the country to be given the flexibility to pool crime and disorder budgets.

⁶ Local Government Association, *Building on success – a second generation of Local Public Service Agreements*, 2003.

3.20 There are, however, lessons that can be learnt in developing similar approaches. It is crucial, for example, to ensure the negotiation between central and local organisations is organised so that it does not generate an excessive bureaucratic burden. Government departments also have to show the flexibility in agreeing possible freedoms that would be expected of a genuine negotiation. Local organisations on the other hand need to set targets that genuinely match the priorities of the public. It is also crucial that local government and other organisations and partnerships responsible for different services co-ordinate their approach to provide a credible strategy for improving services across a local area.

3.21 The Government is responding to these issues in Local PSAs and recently launched a second generation, which will, for example, improve the way local organisations work together to deliver improvement, particularly in cross-cutting areas such as economic development⁷. The first pilot agreements are due to commence in April 2004 and will increase local flexibility and reduce central control further to provide locally responsive public services combined with the Government's commitment to national standards.

CONCLUSION

3.22 This chapter has shown that, following public service reform, the Government can further refine its approach to setting targets and controls to better encourage continuous improvement in public services through a more devolved approach. In particular the review recommends that:

- The Government continues to refine the way it sets PSAs. This includes ensuring they focus exclusively on priority outcomes; increasing consultation with the front line and the public in setting targets; only using targets and controls to determine methods of delivery in exceptional circumstances; and ensuring targets are passed to the front line in a discriminating way.
- All target and standard setting bodies should review their performance management framework for key services, substantially reducing targets and controls that do not relate to the priority outcomes in PSAs and hence the aggregate burden faced by the front line.
- The Government should develop an approach that ensures when targets are met and standards established, high performing organisations are not set further targets.
- Approaches are developed, building on current work, that give front line units the freedom to propose targets and measures against locally desired outcomes that are considered in the same framework as national PSAs. Local organisations should also have considerably more freedom to determine how to deliver national priorities.

3.25 The following chapter builds on this analysis. It identifies how accountability to the public and the incentives for improvement must be strengthened as fewer input, output and process targets are set nationally and local organisations increasingly set their own delivery priorities alongside the national set. This will help to provide the environment for continuous improvement across all public services as part of the Government's wider agenda of reform.

⁷ Office of the Deputy Prime Minister, *Building on Success: a guide to the second generation of Local Public Service Agreements*, 2003.

4

STRENGTHENING ACCOUNTABILITIES AND INCENTIVES

INTRODUCTION

4.1 For the delivery of public services to be carried out efficiently and effectively, each organisation needs to know its role and have the authority and levers necessary to execute it. The current accountabilities of front line units, intermediate tier organisations and central departments sometimes overlap, leading to a lack of clarity over roles and misaligned incentives. At the same time, in some cases, there is a lack of transparency about the role and performance of individual organisations that can be a barrier to public engagement, reduce the pressure for contestability and weaken local incentives to improve.

4.2 This chapter considers how local accountabilities and incentives can be strengthened to ensure that a more devolved approach to public service delivery does not reduce the pressure for performance improvement. First it looks at how the better use of high quality, timely data can strengthen accountability and incentives by improving transparency. This can also facilitate the development of a credible set of rewards and sanctions by central government and other performance managing organisations. It then explores how organisations can better challenge and support the front line to improve. This brings the performance management role nearer the front line to take better account of local circumstances. Central government departments should then become responsible for setting direction and aspirations, holding local government and intermediate organisations to account for delivering outcomes and only intervening in the front line by exception in order to guarantee national standards.

INCREASING TRANSPARENCY

4.3 The wider use and publication of robust and timely data on front line performance can strengthen accountability and incentives by:

- giving the public access to transparent performance information and encouraging local citizen pressure and choice to drive improvements;
- increasing peer pressure to improve and professional respect of high performance through publishing clear, robust comparative performance data;
- providing the information for a more robust and intensified approach to rewards through the earned autonomy principle; and
- allowing the Government to develop clear strategies to increase contestability for provision and tackle consistent under performance through intervention based on transparent and understood trigger points.

4.4 Citizen engagement is an important driver of public service improvement¹. To enable the public to engage with services, a necessary condition is for them to have a timely understanding of the true performance of local services so they can effectively exercise their right to hold those services to account. Citizens then know when to demand a better or different service where standards have dropped or are worse than in comparable localities.

¹ For example: Derek Wanless, *Securing our future health: taking a long term view*, 2002; E. Ostrom, *Crossing the Great Divide: Coproduction, Synergy and Development*, World Development 24 (6), 1996.

4.5 At the same time, data is necessary to inform citizen choice. The introduction of choice of hospital for all patients waiting over 6 months by summer 2004, for example, requires the patient to be able to decide, based on data, in which hospital they would like their operations carried out.

4.6 More accurate and timely data is also essential to strengthen incentives for higher performance through rewards and sanctions. Regular, robust data allows both the direction of travel and absolute performance to be objectively judged. As a result, a tailored, proportionate and consequently less bureaucratic approach to performance management can be taken. This ensures that an organisation that has made substantial improvements from a low base is not penalised unduly while a historically high performing institution, which is coasting or lowering its standards, is not rewarded. Rewards for strong performance can include greater freedoms and flexibilities, financial gains or clear recognition for success. The Government has been taking this approach forward through the principle of earned autonomy². For example, following the Comprehensive Performance Assessment (CPA) in local government, increased flexibilities have been given to higher performing local authorities³.

4.7 The strength of an earned autonomy approach is that greater freedoms are explicitly linked to higher performance. It should not, however, be the only means by which a front line unit can achieve any degree of devolution from Government. Instead it should be used as an added set of freedoms to enable innovation, above and beyond those that should be granted to the majority of organisations as part of a more generally devolved approach.

4.8 The Government is looking to build on the approach to earned autonomy that is currently used in local government and elsewhere. Regional institutions, such as Regional Development Agencies and Government Offices for instance, could also in principle benefit from this approach to provide similar types of incentives for performance improvement.

4.9 The detailed freedoms that should be made available for high performers will differ from service to service. Consultation is therefore required between central and local government, intermediate tier organisations and front line units to establish a clear and appropriate set of trigger points and freedoms.

4.10 Local government and other intermediate tier organisations should also consider further rewards beyond earned autonomy, in line with the literature on performance management⁴. This should include but not be limited to financial rewards for high performance, as for example are linked to the achievement of Local PSAs. Non-financial incentives should also be investigated. For example, clear recognition and celebration of high performing organisations and individuals is a strong motivator in the public services. The perception locally is that the Government does not adequately reward good performance in this way. As one Chief Superintendent interviewed for this review said: *“We went through a stage where we were actually getting letters...about [what we were doing on] individual violent crimes...But we weren’t getting a letter in the same vein and language [saying] you’ve reduced your vehicle crime by 10 per cent this year, in that community you’ve reduced crime by 55 per cent, well done”*.

² Office of Public Services Reform (2002) (page 17).

³ ODPM (November 2002).

⁴ Grout, P.A. and Stevens, M. (eds), *Financing and managing public services*, Oxford Review of Economic Policy, Volume 19, issue 2, 2003; Public Sector Productivity Panel, *Public services productivity: meeting the challenge*, 2000.

4.11 Intervention and support strategies also need to be clearly determined, with the thresholds for performance that will trigger intervention or support clearly defined. Such an approach must be underpinned by reliable and timely data reflecting local performance. Intervention should be inversely proportional to performance and capacity. At one end of the spectrum, a challenge role may be sufficient. For consistently failing service providers, it may be necessary to require contestability, while for prolonged under-performance combined with resistance to change, partial or full management removal should be developed as a credible sanction.

4.12 Innovative approaches to performance management, developing these ideas, have been widely introduced in the US (see box 4.1 below). These have been driven by local people and politicians with the freedom and flexibility to determine how best to improve local public services. City mayors and other key figures have successfully driven reform locally by using data to identify weak performance, clarify and strengthen accountability and re-engage with the public. Although such approaches are also used in this country, there is significant scope for further improvement and wider take-up (see chapter 5).

4.13 While the benefits of data transparency are clear, there is a risk that poor implementation could increase the level of bureaucracy faced at the front line. To mitigate this risk:

- the relationship between necessary internal management measures and publically available data must be clarified. Delivery organisations need to collect robust, timely data to measure their own performance internally. So long as publically available data is a sub-set of that, the additional bureaucracy should be minimised;
- a clear set of performance indicators in each service needs to be decided and agreed across central government, local government and intermediate tier organisations and the front line. Again, this should be a sub-set of what is needed within front line organisations. In this way, data reported by one school or council can be easily compared to similar institutions in different geographies. These standards must be kept constant over time so that historic comparisons can be made;
- where multiple central government or other organisations require data, they should ensure that their requests are co-ordinated, so that the same piece of information is only requested once; and
- data systems needed to transfer and publicise performance information should be simple, reliable and efficient. They should also flow directly from the existing data used within front line organisations. This does not imply that a high technology solution is required in the short term. As Compstat has shown (box 4.1), spreadsheets and email can be effectively used to report the required data.

Box 4.1: US performance management approaches: New York's Compstat and Baltimore's Citistat

In response to the rising crime rate across the United States in the early 1990's, a range of innovative police performance management approaches were developed locally.⁵ More recently, the more successful of these approaches have been adapted to other public services. Two of the most successful approaches are discussed below.

New York's Compstat approach

'Compstat' as operated by NYPD is widely seen as the seminal case study of local, real-time performance management and improvement. Introduced in 1994, an overall 67 per cent reduction in recorded crime had been achieved by 2003 versus 1993 levels. While other factors contributed (including a 10 per cent increase in police numbers, implementation of the 'Broken Windows' theory and a rise in economic growth) there is little doubt that Compstat played a key role in this success.

The approach is grounded in data-driven problem solving combined with rigorous challenge. In the first year, a 10 per cent crime reduction target was set and exceeded. Thereafter continuous improvements have been expected and consistently delivered. Compstat involves four key steps in a weekly cycle. At a local precinct level, data is captured and entered and problem solving conducted. Central analysis and quality assurance then takes place at NYPD HQ via a 25 person team. This paves the way for the weekly accountability meeting, during which precinct commanders are challenged on their efforts to reduce crime. Analyses of crime patterns are pursued in detail with an emphasis on ensuring that robust crime reduction plans are in place. Senior representatives of specialist units and other agencies are also present and held to account against their commitments to crime reduction initiatives.

This process has six key benefits. First, there is a clear and persistent focus on the core outcome of reducing crime (as opposed to a focus on activity e.g., number of arrests). Second, accurate and timely intelligence about performance, allows rapid response to emerging city-wide trends. Third, problem solving and resource allocation are improved through support at the weekly meeting from highly skilled and experienced officers and a dedicated analysis team. Fourth, accountability is enhanced through making weekly performance transparent, directly linking consequences to outcome improvements and by clarifying the organisation structure to empower Precinct Commanders. Fifth, co-ordination across agencies is increased with a single forum used to hold all units to account. Finally, best practices can be shared during the weekly meeting and through observation and direct coaching from senior officers.

There are a number of myths surround the Compstat process. Too much weight is given to the role that IT plays in Compstat's approach. As the system has matured, greater use has been made of IT but it was not a pre-requisite for success. Manual data entry was the norm at the outset and most precinct level analysis was done by hand with transparency maps and crayons. The critical success factor was the collection of timely, robust precinct-level data – this had never been achieved before. Equally, peer comparison is not the critical incentive that it is often perceived to be. Instead, the key challenge for each precinct commander is to make year-on-year improvements against their own historic results. The suggestion that increased devolution to precinct commanders would reduce management control also turns out to be false, with the increased data transparency and Compstat meeting ensuring that accountability is actually strengthened.

⁵ Weisburd et al, *Criminology and Public Policy*, 2003.

Box 4.1: A case study in US performance management approaches: New York's Compstat and Baltimore's Citistat (cont.)***Baltimore's Citistat Approach***

Citistat was established in 2000 to replicate the NYPD Compstat processes across Baltimore's public services, including housing; recreation and parks; solid waste; the fire department; and environmental health. At the time, the city faced significant challenges in delivering public services. As Mayor Martin O'Malley said in June 2000 "...when I walked into this office, I inherited a 2 billion dollar budget and 16,000 employees all of whom had been wallowing in a culture of failure". In 2002, during Citistat's initial phase, estimated cost savings of \$29.8 million were achieved and significant improvements made in basic discipline (e.g. fewer days absence). Attention is now increasingly turning to improving outputs and outcomes.

The basic approach is similar to Compstat. The same four key steps are used as with Compstat, although the cycle is monthly rather than weekly. Each public service undergoes its own accountability cycle. Taking Housing as an example, data entry and local problem solving are carried out at the local maintenance office, with the Housing Department providing the quality assurance and analysis function and the accountability meeting being held at the Mayor's office. This meeting is closely choreographed with a standard room layout and pre-assigned seating.

Within the common basic approach, Compstat and Citistat differ in their approach to accountability meetings and the frequency of outcome data. First, challenge in the Citistat process is aimed at the top management within each service (e.g., Deputy Housing commissioner) rather than local maintenance managers (the housing equivalent to precinct commanders). Second, Compstat meetings feature challenge from senior practitioners, whereas the mayor or deputy mayor chairs Citistat meetings. Consequently the questioning is at a more strategic level in Citistat. Third, Citistat focuses more on identifying areas of under-performance rather than on developing specific answers to these problems, as takes place in Compstat meetings. Finally, in housing, Citistat uses fortnightly or monthly data in contrast to Compstat's weekly data. These differences are a deliberate result of tailoring the Compstat approach to a different environment and culture.

Conclusion

In both Compstat and Citistat, the start-up phase proved challenging, particularly in regard to increasing transparency and accountability. In New York, two thirds of precinct commanders moved on within the first 18 months of Compstat's launch. By overcoming these challenges, both approaches have had significant impact, not only in the way in which practitioners do business but also in the results achieved. Baltimore's ability to transfer the Compstat lessons to a new environment suggests that services in the UK should also be able to apply many of the Compstat techniques.

The comparison can easily be drawn between the evolution of the New York police and UK Government's approaches to performance management. Both initially set explicit and demanding targets to fuel ambition and provide direction. New York then followed with a continuous improvement aspiration underpinned by clear data reporting. Similarly, the UK Government aims to move to an evolved performance management regime in which greater emphasis is placed on bottom-up pressure driven by transparent use and publication of performance data.

THE PERFORMANCE MANAGEMENT ROLE OF LOCAL GOVERNMENT AND THE INTERMEDIATE TIER

4.14 The increased use of robust, timely data is necessary to support a more devolved approach to public service delivery. The next step is to determine how best to challenge and support local performance. This requires an organisational tier that is close enough to the front line to understand local realities but far enough removed to be objective and challenging.

4.15 Local organisations vary considerably in terms of governance structures, powers and mandates. Some are concerned with single services and accountable to single central government departments, while others govern a range of services and relate to a number of central government departments. Equally, some are responsible for commissioning services, for example PCTs, while others are pure service providers, such as Police Forces. There is a wider debate about how local governance more generally should develop to better enable improvement in public services across local areas.⁶ This report does not fully reflect that debate, but focuses only on how approaches to performance management can become more devolved.

4.16 In considering performance management it is essential to recognise the different responsibilities and accountabilities of local government in particular. Local authorities have more than managerial responsibility for delivering services locally. Their autonomy stems from direct accountability to the local electorate. Local authorities' role is therefore different from that of local bodies such as Primary Care Trusts that form part of national organisations such as the NHS. Local government has a strategic function involving working in partnership with other local organisations to improve the overall quality of life in the local area. Reforms in recent years, including the introduction of the well-being power and community strategies, have strengthened this strategic role.

4.17 Following a wide-ranging soundings exercise, the Government has announced that the level of interest in the three northern regions – the North East, the North West and Yorkshire and the Humber – is sufficiently high to hold referendums on elected assemblies. Therefore, the different status of local authorities may soon be replicated at the regional level where accountability could lie with elected regional assemblies in many policy areas including economic development, planning, housing, transport, culture, public health, rural policy, and crime reduction. Whether elected regional assemblies are created or not, the role of Government Offices will need to develop and adapt. In a framework with fewer national input, output and process targets and greater regional and local discretion, the Government Offices have an opportunity to improve the quality of decisions and reduce the administrative burdens on delivery agents.

4.18 Despite these differences, however, local authorities and any elected regional assemblies have a clear performance management role in some service areas that is similar to that of other sub-national organisations. In schools policy, for example, local education authorities work with central government, which has legitimate interests over the direction of policy, and the front line. Therefore although local authorities should not be treated in the same way as other organisations on account of their direct local accountability, there are services for which they will play the performance management role described below.

⁶ Corry, D., Hatter, W., Parker I., Randle, A., Stoker, G., *Joining up local democracy: governance for new localism*, New Local Government Network, 2004.

4.19 Partly as a result of the multitude of different organisations and partnerships that exist, there is often confusion around roles and accountabilities⁷. This is backed up by views from those in local organisations. As one senior member of a PCT said, *“I’m not quite sure what the role of the strategic health authority is in this, and whether they could be acting as a channel for communication or dialogue between primary care organisations”*.

4.20 Individual services face specific challenges. In Health, Strategic Health Authorities (SHAs) have a clear performance management role, but have few formal levers with which to influence outcomes. For example, the Primary Care Trusts (PCTs) hold the majority of the resources, limiting the incentives that SHAs can create to improve the performance of hospital trusts. In the police, the tripartite system often leads in practice to confusion regarding the relative roles of the Police Forces, Police Authorities and the Home Office.

4.21 For multi-agency outcomes such as reducing drug usage or helping deprived children, the environment is even more complex. Partnerships are often essential for effective delivery. Extra difficulties result as many central government departments are involved, each with different priorities. Local authorities find themselves in a similarly difficult position, where they have a local democratic mandate, but their flexibilities both for resource allocation and strategy setting are often constrained (for example through ring-fencing) in a way that sometimes reduces local accountability.

4.22 The nine regional Government Offices manage a large array of different programmes and funding streams from nine separate departments, but have limited flexibility to join up differently funded activities or to address specific regional needs. Government Offices are well positioned to understand the relative needs of communities in their areas and would benefit from greater discretion to take decisions about how and where some of the funding that they manage is spent.

4.23 It is, therefore, necessary to be clear about the performance management role of local government and other intermediate tier organisations in enabling performance improvements in public services. The review concludes that the role should include:

- Brokering agreement between communities, local services and central government departments that strikes a balance between the nationally set priorities and locally desired outcomes. This will require challenge and validation of the set of locally proposed targets and measures to ensure that these are stretching, achievable and relevant locally. Equally, Government priorities must be intelligently translated into targets and measures for the front line, in consultation with them. It is crucial that this function is carried out locally where there is better information and stronger relationships than at the centre, increasing efficiency and reducing the bureaucracy the front line faces.
- Developing a coherent set of targets and measures based on this agreement, against which each front line unit can be held accountable and rewards or sanctions applied. Effective analysis of performance data will underpin this approach, along with the assessment of capacity provided by inspectorates. Accountability to the public will be enhanced through regular publication of performance data.

⁷ Public Services Productivity Panel, *Working together: effective partnership working from the ground*, 2002.

- Intervening where required to direct and support improvement. On a case-by-case basis, this may for example include commissioning contested support, working directly alongside front line management and managing performance improvement teams. As a result, central intervention in the front line can be reduced only to cases where local government or intermediate tier organisations have failed to deliver improvements.
- Aggregating the front line targets and measures to provide an agreed set against which the organisation responsible for performance management can be held to account by government departments.
- Encouraging better performance management among front line organisations, following the principles set out in chapter 5.

4.24 The organisation that will be best placed to carry out the performance management role will vary enormously between different services and delivery chains. Departments should consider carefully which sort of body can best play this role in any particular delivery chain, and indeed whether a local body is needed at all. The issues surrounding the choice of organisation in each delivery chain can be disaggregated into three components:

- The right **geographical** level for the organisation to exist. This will depend on a number of factors including how many delivery organisations are below them and hence whether they are likely to have the capacity and information to be able to performance manage effectively. In education, there are around 3,500 secondary schools so a performance management body is most likely to be effective at a relatively localised level, while in health the fact that there are around 600 trusts means that the function can be carried out at a higher spatial level – as is the case with the 28 SHAs.
- The extent to which the service should be performance managed from a body concerned with the **single service as opposed to** being performance managed by a body concerned with a **range of services** in a geographical area. One critical issue is whether management as a single-service risks fragmentation that could limit the ability to achieve crucial multi-agency outcomes. For example there are good reasons for providers of children’s social service being performance managed by a body overlooking a range of other services concerning deprived children, such as schools⁸. It is equally important to consider the extent to which the service merits a single service body. Health for example self-evidently does, while waste collection is probably best managed as one of a package of services concerning local or neighbourhood areas.
- The **powers** needed to carry out the role effectively and the extent to which the wider roles carried out by strategic organisations such as local authorities, with their democratic mandate, can or cannot be sensibly split from performance management. For example, in some cases it may be necessary for the organisation carrying out the performance management function to have the ability to determine a degree of resource allocation to create incentives for improvement or to address areas of weakness. Equally, it may be optimal for the organisation in question to have a strategy setting role as is the case in local authorities through community strategies.

⁸ Department for Education and Skills, *Every child matters*, (Cm5860) 2003.

4.25 In practice, a range of models for ensuring that the front line is held to account for its performance are therefore possible. In order to ensure clear accountabilities, one organisation needs to hold sole responsibility for performance management. This should not, however, frustrate partnership working, which is essential to deliver successful services at the local level.

CONCLUSION

4.26 This chapter has shown how accountability and incentives can be strengthened throughout public service delivery chains.

4.27 As a result, the review recommends that the Government considers how to develop robust, regular data systems that do not impose unnecessary bureaucracy to monitor the performance of front line and intermediate tier organisations against priority outcomes. Such data should underpin a clear regime of rewards for high performers and intervention for low performers in line with the earned autonomy principle. Departments should also consider how to publish more transparent information to strengthen local accountability and encourage greater public engagement.

4.28 Second, in key services, departments need to consider whether and how to develop a more devolved performance management framework to challenge and support front line performance. This will require:

- identifying the right organisation to challenge and support the front line;
- being absolutely clear what are the elements of the performance management role that need to be carried out by local government or other the intermediate tier organisations and ensuring the chosen body has the necessary powers to carry out the role effectively; and
- ensuring that the arrangements give the front line the freedom to work effectively in partnership.

4.29 The following chapter explores how front line organisations should increase their own performance management capacity by building on best practice in England and abroad.

5

ENHANCING LOCAL CAPACITY AND PERFORMANCE

INTRODUCTION

5.1 For a devolved approach to public service delivery to work in practice, trust by central government in the front line's ability to improve public services and local government and other intermediate tier organisations' ability to hold them to account is essential. This trust should be informed by a clear understanding of both the capacity to deliver and timely information as to whether this capacity is being translated into performance improvements. Consequently, a shift in mindset of front line units, local government, other intermediate tier organisations and central government is required. Transparency about levels of capacity and performance must become standard across public services. Equally, central government departments must resist the urge to intervene and control unless performance is demonstrably below agreed expectations and the intermediate tier has not been able to address the issue.

5.2 The sections below detail the review's recommendations for enhancing local capacity and performance through:

- developing stronger front line, local government and intermediate tier performance management and measurement capacity, building on existing good practices across the country and abroad; and
- providing greater transparency of corporate capacity and performance improvements through tailored and supportive inspection.

DEVELOPING PERFORMANCE MANAGEMENT CAPACITY

5.3 Performance against real world outcomes remains the paramount concern of the Government's policy. However, it is difficult to disengage performance management capacity from success in achieving sustained and good outcomes in public services. Approaches based on increased investment or inspiring individuals need to be reinforced by good systems and practices that are maintained over time. Effective local performance management is critical not only for front line organisations, but also for local government, other intermediate tier organisations and for central government. At the front line, schools, Health Trusts and police Basic Command Units are able to use robust performance data to swiftly pinpoint areas of under-performance and take corrective action. At the same time, local government and other intermediate tier organisations can better challenge and support the front line. They are in a strong position to identify patterns of good or poor performance locally and bring together organisations to apply common approaches. The knowledge that performance is being effectively tackled at a local level enables central government increasingly to move away from a top-down approach.

5.4 It is vital that external performance management from local government and other intermediate tier organisations stimulates and reinforces the performance measurement and management approach inside front line units. In all of the best practice examples cited in this review, external performance management which complements internal practices was critical. Equally, frontline staff need to understand and accept the performance management framework their leaders are working within.

5.5 Performance measurement and management systems must be devised within organisations in ways that suit the business of each organisation and which can obtain the buy-in of front line staff. However, by investigating national and international best practice in health, education, crime and local government through more than 20 site visits, 5 critical factors that make such systems particularly effective have been identified (chart 5.1) and are summarised below. Each element is discussed in greater detail in Appendix 1. This work also builds on the Public Services Productivity Panel’s review of performance management best practices¹.



5.6 Skills and capabilities will need to be developed across local organisations if these good practices are to be successfully transferred. In most cases, the strong performance management capacity of the high performing institutions visited was built up over a period of years. The development of performance management skills and capabilities within the front line will, therefore, take a number of years. However, control government should provide incentives and active support to the front line alongside local government, other intermediate tier organisations and improvement organisations (e.g. the NHS Modernisation Agency). Work such as the Audit Commission and Improvement and Development Agency (IDeA) project on Performance Management, Measurement and Information are crucial to creating a common language on these issues and facilitating and spreading good practice at the local level.

Real-time, regular and robust performance data

5.7 The advantages of externally publishing performance data are covered in Chapter 4. Box 5.1 shows how data can and should be used within a front line organisation. For such data to be effective, evidence from the site visits shows that it must first be real-time and regular, so that action can be taken before issues develop into significant problems. Second, the data

¹ Public Services Productivity Panel, *Public services productivity: meeting the challenge*, 2000.

must be robust in order to stave off arguments about reliability. Third, sufficient resource must be devoted to analysing the data and ensuring that performance can be effectively challenged as a result. Fourth, data must be widely publicised around the organisation, as well as to the public and to external organisations. Finally, the information must be used by the organisation to identify strengths and weaknesses, inform decisions and drive improvements.

Box 5.1: Effective use of data: Fernwood Comprehensive School

While GCSE results in Nottingham City remain among the weakest in the country, Fernwood comprehensive school has raised its performance from 60 per cent in 1999 to 72 per cent of pupils achieving five A*-C in 2003. Extensive use of within-term performance data – led by the headteacher, working constructively and progressively with the LEA – has played an important role as part of a wider approach to rising pupil and school aspirations.

Real-time data focuses pupils and teachers on rising aspirations. From the late 1990s the headteacher started to analyse pupil performance data to try to understand differences by lesson and subject. By 2001 both pupils and teachers had endorsed the significant use of data, to the extent that they agreed to individual-level target setting and half-termly accountability.

Following a “baseline assessment of pupil potential” on arrival at the school, *pupils discuss and agree objectives.* Pupils’ diaries record what they want to achieve as tangible and real targets. The language of targets is used from the outset so that pupils are ambitious for themselves and not oppressed by the drive for better performance. Targets are set at the upper quartile of potential, with moderation for some forms of special educational needs. The school’s culture of continuously striving to maintain and raise levels of aspiration plays a central part in this process. Pupils understand both the implications for future career options and the implications for attainment levels if, for example, homework and behaviour do not improve.

Teachers meet half-termly with their head of department to review individual pupil performance and to identify opportunities to support further progress. The head holds regular meetings with both the head of department and individual teachers to monitor and manage the progress of individual pupils facing the biggest problems. Teachers record the progress of pupils in four ways – progress in learning, attitude, behaviour and personal qualities. Assessments of pupil attitude and behaviour provide early signals of risk to pupil attainments – thereby enabling early support. To guard against the potential for subjective assessments of individual pupils, the head and head of department make extensive comparisons of the data.

Extensive analysis of the data allows a range of crucial insights. From the pupil attainment and personal performance data, sharper identification and pinpointing of the causes of problems can be achieved. As a result, areas where individual teachers may need extra support can be quickly established. Better tailoring of curricular materials and teaching styles is possible based on the valuable “residuals” analysis performed by the LEA. Further analysis looks at the rate of improvement by ethnic group to identify where more tailored or extra support is required.

Box 5.1: Effective use of data: Fernwood Comprehensive School (cont.)

Challenge and support is evidence-based through pupil performance data and lesson observation. For teachers, the school's emphasis on "skilling-up" is particularly welcome – with coaching from the head and head of department to increase performance seen as welcome support and development and not as a challenge or threat. The head of department regularly observes lessons and suggests revised approaches to accommodate the learning styles of particular pupils. As part of annual teacher development planning, an individual teacher might for example be set a specific objective for behaviour control.

Can-do culture, inspired by strong leadership

5.8 Box 5.2 provides an example of strong leadership, which has been central to performance improvement in Wigan Metropolitan Borough Council. The need to provide clear and visible direction is a key component of creating a can-do culture that removes barriers to improving performance. The high performing front line organisations visited had a common culture in which everyone within the organisation was actively engaged in improving performance. At Ninestiles school in Birmingham for example, pupils set stretching targets for themselves and are absolutely clear as to what they need to do to achieve them. The working relationships between senior managers and their staff were also exceptionally strong in the organisations visited, with clear alignment around the central vision and approaches to raising standards. Recent evidence from the IDeA confirms the importance of including staff in the decision-making process². Levels of satisfaction around communication and input into decision-making were found to be much higher in local authorities rated 'excellent' or 'good' in the Comprehensive Performance Assessment (CPA) than those rated 'fair', 'weak' or 'poor'. Work is ongoing across the public services to build leadership capacity. Examples include the NHS University, National College for Schools Leadership and the Centre for Local Government Leadership.

² Improvement and Development Agency, *CPA & Employee Attitudes: the impact of motivation on organisational success*, 2003.

Box 5.2: Strong leadership: Wigan Metropolitan Borough Council

Wigan Metropolitan Borough Council was rated 'excellent' in both the 2002 and 2003 CPA, receiving the joint highest aggregate CPA point score for a metropolitan council. Particular attention was drawn by the Audit Commission to Wigan's "systematic approach to identifying and overcoming barriers to change". This is in large part a result of the strong, supportive leadership culture that has developed over recent years.

The Council has had strong and stable political and managerial leadership for over 10 years. This has allowed the political and officer leadership teams to develop strong relationships and to embed a culture in the organisation in which individuals are able and confident to take responsibility and to take risks in order to develop and improve services.

This approach is based around a clear vision that is developed by the leadership. It is underpinned by stretching goals that enable the organisation to continually move forward. Performance against objectives is then monitored closely using clear, robust and timely data. The Chief Executive describes this as a "show me" culture. It has developed recently as the organisation has matured and the guiding thought is that improvements must be demonstrated. With that proviso, staff are free to develop and try new approaches. This level of responsibility is empowering and satisfaction from successes reinforces the culture and approach.

As well as monitoring performance and supporting innovation, Wigan's leadership have regular meetings to brainstorm policy areas. Using data and other evidence they aim to establish what drives success in those areas and potential new approaches. In this way the organisation maintains a flow of new ideas and approaches. This allows future strategies to be developed and the organisation to continue to look forward.

Agreed lines of individual accountability

5.9 The Public Sector Productivity Panel highlight ownership and accountability as a critical element of successful performance management that can be reinforced through strong management and leadership. Their 2000 report states that: "*Ultimately individuals and teams must feel (and be held accountable) for delivery. Generating ownership from the whole organisation requires an intensive effort*"³. Box 5.3 gives an example of how this works in practice at Guy's and St Thomas's Hospital Trust. Performance contracts were used across each service, with clear outcomes lying at the heart of the documentation, not input or activity measures.

³ Public Services Productivity Panel (2000).

Box 5.3: Clear Accountability: Guy's and St Thomas' Hospitals Trust

The second largest Trust in England has a devolved clinical directorate structure to manage its services, spread across two hospitals in South-East London. The Trust has three stars, but it has faced some of the biggest waiting time challenges in the NHS over the last three years. The system used by the Trust has been shown to be effective in delivering major performance change.

The system is transparent and is supported by a timetabled structure of meetings and assessments. External stakeholders in the Trust, such as the Strategic Health Authority and Primary Care Trusts, are able to identify rapidly who is responsible for key deliverables and are able to access plans for delivery.

Clear downward accountability

The Trust holds a single Clinical Director responsible for the operational delivery of services in each of the eleven service directorates. That individual reports to an Operations Director working at Board level. Each Clinical Director is supported by a General Manager and Head Nurse. The Director of Performance advises the Board and the Chief Executive on performance progress and delivery risk.

Annually, Trust goals and objectives are agreed and devolved to named Directors and other senior managers with clear timescales. Those Directors and the clinical directorates are required to produce an action plan for each goal, which is assessed at routine intervals against actual performance. Taken together, this structure allows the Chief Executive to hold middle managers responsible for performance against explicit performance targets. No Trust goal is without a named individual, action plan or timescale.

Personal responsibility

The goals of the organisation and of individual directorates are also enshrined in the personal objectives of managers, including the Clinical Directors. Performance appraisal of all staff, including clinicians, includes discussion of the progress of the Directorates towards the goals of the Trust. At Directorate level the action plans referred to above are published, so that all employees are able to see who is responsible for delivery.

Clear performance review combining challenge and support

5.10 The style of review varied significantly across the organisations and services visited. A common theme emerged however, in which challenge and support were combined so that performance management was linked directly to problem-solving. Thames Valley police launched an innovative new approach at the beginning of 2003, based on a model used in Philadelphia⁴. Box 5.4 describes this approach and the benefits that it has brought.

⁴ A system based on New York City's Compstat system was introduced to the Philadelphia Police Department in March 1998. The essence of the process can be summarized briefly as: collect, analyse and map crime data and other essential police performance measures on a regular basis and hold police managers accountable for their performance as measured by these data. More information is available at: www.ppdonline.org/ppd_compstat.htm

Box 5.4: Clear performance review, combining challenge and support: Thames Valley Police

Thames Valley Police (TVP) have recently adopted a hard-hitting performance review cycle to drive up performance across the force. Following a visit to Philadelphia, the senior command team decided to translate that city's 'Compstat' process back to England. The TVP approach has 3 key characteristics: structure; challenge and support; and relentless follow-up.

Structure

TVP's new approach centres on a highly choreographed performance meeting, held every month since January 2003 in any one of the force's 10 area divisions. Changing the location for each meeting serves as a reminder that crime reduction occurs out in the community, not just back at headquarters.

Each meeting follows a set agenda, which aims to balance discussion of force-wide themes with a detailed focus on the host division. To ensure that performance management is not perceived as a negative process, each meeting also ends with a presentation on good practice and a short awards ceremony for officers and support staff.

Approximately 60 people attend the meetings. This includes the senior command team, the 10 division commanders, representatives from operational support departments, the Police Authority, the Local Authority Chief Executive and observers from TVP and other forces. The host division commander also brings his or her area command team, so that detailed questions can be answered within the meeting.

Challenge and Support

The Deputy Chief Constable (DCC) takes the key challenger role throughout, testing strategies and pushing for action to address performance risks. Extensive use is made of performance data including the Home Office's iQuanta system, with performance statistics and crime maps projected on full size screens to inform debate. Immediately prior to the main meeting, the DCC is briefed on potential challenges and identifies the areas to focus and probe on. During the meeting, support and advice are offered by the Senior Command Team and heads of specialist units (e.g., the Intelligence and Surveillance Team).

Relentless follow-up

TVP also emphasises relentless follow-up as a key characteristic of the review cycle. Actions identified in the latest meeting go on to form the first item on the agenda of the next meeting, with increased challenge where these actions have not been taken forward. The senior command team spends afternoons following each meeting 'on the job' with officers in the host division – seeing for themselves how policing in that area really works.

TVP has recently presented back their approach to the US Association of Police Chiefs. This example of policing best practice was well received, particularly as an example of how an approach pioneered in one geography can be successfully tailored to other policing environments and cultures.

Transparent set of performance rewards and sanctions

5.11 Box 5.5 shows how transparency around rewards and sanctions has been at the heart of Dorset and Somerset Strategic Health Authority's continued success in recent years. The need not only for managers to have credible rewards and sanctions, but for these to be widely understood throughout the organisation, came through across all services. These incentives

need to complement, but be distinct from, the rewards and sanctions that central government departments apply and need to be strengthened through clear accountability to the public.

Box 5.5: Clear rewards and sanctions: Dorset and Somerset Strategic Health Authority

Dorset Health Authority has delivered the 6 month inpatient waits target 4 years early. Since being merged into a single Strategic Health Authority (SHA), a similar waiting time situation has been created in Somerset. A significant element in this success has been the use of local rewards and sanctions to promote the early and continued delivery of key priorities. SHA senior staff identify 3 characteristics to this approach to incentives, which has made them effective: focus; consistency; and transparency.

Focus

Since 2003 the incentives programme has been formalised into a health economy wide programme of rewards for performance. Trusts have been paid a capital premium at agreed intervals for delivery against a list of priorities indicated in the Local Delivery Plan and confirmed in writing in annual accountability agreements. £100,000 is paid monthly to hospitals for key access targets, and quarterly payments are made to primary care and ambulance trusts. There are only two or three key targets, which encourage organisations' top teams to ensure delivery of these goals as a priority, and to avoid complacency given past success. The reward programme is tailored to the local circumstance, and although it reflects areas of national concern, principally access targets, the actual waiting times to be delivered are those agreed within the Dorset and Somerset health community.

Consistency

Reward payments are available to all types of provider trust, even though some do not have PSA deliverables. The use of incentives is part of a wider consistency of approach in supporting good performance and not investing in under-performance in organisations. The fact that this approach is longstanding is identified locally as a key component to its impact. The culture of the SHA is to "face one-way" on performance – reinforcing success. The implied sanction then is that development funding is not provided to Trusts that do not meet key targets. Equally, opportunities to be involved in national high profile modernisation projects are tied to delivery of 'the basics'. The payments operate on an all or nothing basis, and even hitherto successful Trusts are not paid if they have a small number of patients whose wait exceed the standards expected.

Transparency

The rewards and sanctions structure is not a private bargain between management teams, in the manner of some NHS contracting or commissioning. Instead, the system is highly visible externally. That visibility goes beyond organisational boundaries and sends a message to frontline staff. Once given to a Trust, staff will reasonably expect to see how the money is spent. The fact that the money flows throughout a financial year makes it simpler for Trusts to plan investments arising from their success. Crucially that planning is in the knowledge that reward is guaranteed if they meet their targets. As a result, the link between achievement and benefit is both immediate and transparent.

DEMONSTRATING CAPACITY AND PERFORMANCE IMPROVEMENTS

5.12 In assessing and encouraging capacity and performance improvements, inspectorates have a critical role to play. Independent inspection is crucial to ensuring service providers are accountable to the public and to the Government. Inspectorates provide assurance to the public about the quality of services provided and allow for comparison across providers and areas. Equally, inspection reports are a valuable source of information to central government on how organisations are performing. Furthermore, inspectors play a vital role in helping deliver complex, cross-organisational outcomes (e.g. children's services). Through taking the customer or citizen's perspective, inspectors help bring together the multiple organisations who need to collaborate if the outcome is to be achieved.

5.13 As shown earlier, the amount of inspection has grown substantially in recent years (see chapter 2). This has resulted in an improved understanding of front line, local government and intermediate tier capacity. There is now scope to develop a new approach, based on the Government's policy on inspection of public services. A new Ministerial Committee, PSX(I), will oversee the reform of current inspection arrangements, in line with the ten principles of inspection detailed in the Office of Public Services Reform's recent report⁵. This should lead to more proportionate, more risk based and less heavy handed and overlapping inspections in the future and provide greater value for money for both central government and inspected organisations. As a result, high performing organisations with strong performance management capabilities should face less frequent, less detailed or less broad inspection⁶. Inspectorates should continue to provide an independent assessment of front line and intermediate tier organisations' performance and potential. This should be achieved by focusing efforts in two areas.

5.14 First, independent audit of the performance improvements reported should be carried out to verify the performance of the organisation against a common framework of standards. This framework will allow comparability between different organisations and within a single organisation over time. Furthermore, it provides a consistent basis from which front line units can use measures reflecting their chosen priorities (against which they will be performance managed and inspected alongside the national set). Care will need to be taken to reflect the differences between organisations in applying this framework of standards. The problems faced by the Metropolitan Police, for example, will not be identical to those faced by a rural force. By inspecting against locally important outcomes as well as national priorities, this differentiation should be preserved.

5.15 Second, inspectorates should explicitly assess the performance management strength within front line units, local government and intermediate tier organisations. The five components identified above might form a basis for this assessment, but would of course need to be tailored to each organisation and service and build on the existing work carried out by inspectorates in this area. The CPA is one current example of this in that it assesses local authorities in terms of corporate capacity as well as service delivery.

5.16 Inspectors should not attempt to evaluate the details of every aspect of how an organisation does business, but instead their primary focus should be on performance improvements and performance management capacity. In carrying out their assessments, inspectorates should look to embed service improvements by providing support to inspected

⁵ Office of Public Services Reform, *Inspecting for improvement: developing a customer focused approach*, 2003.

⁶ Audit Commission, *Strategic regulation: minimising the burden, maximising the impact*, 2003.

bodies as to how they can improve, based on the inspectors' assessment of performance and performance management capacity. Such an approach is consistent with some recent developments, including the new approach for inspecting schools being developed by Ofsted⁷. Inspectorates can also draw upon lessons from good practice and signpost sources of further support as the Audit Commission and IDeA are currently doing through their joint Performance Management, Measurement and Information project.

CONCLUSION

5.17 Improving the capacity of all front line organisations to manage their own performance to the high standards already achieved by the best is a critical element in delivering continuous improvements in public services.

5.18 This review therefore recommends that government departments working with inspectorates create the framework and incentives to ensure that all front line units, local authorities and other intermediate organisations develop and adopt the five key aspects of local performance management already evident in the most successful local bodies. Local government and intermediate tier organisations will also be important in challenging the performance of the front line and developing the skills within front line units that allow them to manage their own performance improvement. Approaches should build on work that is currently going on in many areas and may best be further developed through demonstration projects.

5.19 Performance and capacity improvements also need to be made transparent. In line with the Government's policy on inspection of public services, inspectorates should focus their resources on verifying and supporting the performance measurement and management capacity of organisations as well as key service outcomes. The Government will also work with other organisations to fully implement the ten principles of inspection and external review agreed last year.

⁷ Ofsted, *The future of inspection: a consultation paper*, 2004.

6

CONCLUSION AND NEXT STEPS

6.1 As public services have improved since 1997, there is now the opportunity to move towards a more devolved approach to overall performance management as part of the Government's wider strategy for further public services reform. Site visits to delivery organisations and wider research conducted during the review reveal strong support for outcome-based Public Service Agreements (PSAs) set nationally. At the same time, there is a need to reduce the number of increasingly unnecessary input, output and process controls and to develop a system that is more responsive and tailored to local need. The relationships and knowledge developed over the initial phase of the Government's reform programme provide a clear opportunity for further change in Spending Review 2004 which would not have been previously possible.

6.2 The review concludes that the pace of public service improvements will quicken if there is a substantial reduction in external targets and controls beyond PSAs. This approach should clarify the Government's true priorities, so increasing the likelihood of achieving them. At the same time, it provides the freedom and responsibility for schools, hospitals, police forces and local authorities to tailor their services to the needs of their communities and to develop priorities that reflect needs across local areas. Stronger local accountability and incentives are increasingly necessary as controls are reduced. Robust and regularly reported performance data will help drive citizen choice and pressure for improvement. It will also ensure that high performing organisations are rewarded and that under-performance is swiftly identified and reversed. Earned autonomy should be a central component in the rewards strategy. Each group of front line units should be held to account by a single intermediate tier organisation equipped with the authority and levers to do so. This organisation should be held to account by central government, which should only intervene in the front line by exception.

6.3 These changes must be underpinned by increased local performance management capacity through the transfer of existing good practices in the UK and abroad and the development of the necessary skills locally. Performance measurement and management capacity should also be explicitly demonstrated and supported through more proportionate and risk-based inspection.

6.4 The scale of the challenge required to move to this new phase should not be underestimated. The new approach must be advocated and owned by public service professionals, inspectorates and central government departments alike. The changes require a well-planned approach to implementation. Central government, local government and other intermediate tier organisations must focus on supporting front line delivery and building the capabilities required to operate in a more devolved system. Structural change and new approaches within departments and along the delivery chain will also be required.

6.5 Most importantly of all, a new level of trust needs to be built between central government and public service providers. This trust will only develop if all parties demonstrate their commitment to devolution by undertaking the concrete actions required to make it happen.

6.6 The Government would welcome the views of all interested people and organisations on the reforms that are outlined in this document. The changes suggested in previous chapters will take time to develop fully but are a fundamental part of the Government's wider strategy for reforming and improving public services. The next steps are discussed in greater detail in appendix C.

A

APPENDIX A: BEST PRACTICES IN LOCAL PERFORMANCE MANAGEMENT

A.1 The five best practice elements of local performance management identified in Chapter 5 are investigated in more detail below.

REAL-TIME, REGULAR AND ROBUST PERFORMANCE DATA

A.2 Real-time, regular and robust performance data is the fundamental ingredient of a strong performance measurement and management system. Evidence from site visits to high performing organisations revealed four key success factors around the use of data:

- **Real-time and regular:** Front line data needs to be systematically collected and input with minimal delay and then swiftly analysed through standardised and well-understood tools. The optimum definition of “real-time” will vary from service to service. In crime and health, daily and weekly data for most areas (e.g. crime detection rates and access) should be available, while in schools, best practice suggests a half-termly refresh rate for pupil performance.
- **Robust:** Data must be sufficiently robust to stave off arguments about reliability. Equally, it must be consistent to allow comparison both with historic performance and across similar organisations. Efficient flows of data should not necessarily imply large IT investment. For example Compstat in the New York Police Department successfully ran on a paper-based system in the early 1990s and still relies heavily on relatively simple spreadsheets.
- **Resourced:** A well-staffed team answering directly to the individual challenging performance is necessary to provide quality assurance on data and analysis to inform challenging questions. A 20-strong unit performs this function at Wigan Metropolitan Borough Council, while a similar 15 person team exists with the Greater Manchester Police Force. Similarly in the US, both Compstat and Citistat are reliant on strong audit and challenge functions.
- **Reported:** Performance data should be widely published both within the organisation and to the public. Best practice examples include Lancashire Police’s Sleuth system and the plasma screens installed in Essex police stations highlighting the latest performance trends. Equally, Nhs.uk represents an ambitious attempt to provide the public with comparative information about health services.

CAN-DO CULTURE, INSPIRED BY STRONG LEADERSHIP

A.3 In the best practices observed, senior management had embedded a “can-do” culture of challenge in the pursuit of continuous improvement. Critical to this culture shift was the involvement of the leadership in articulating the merit and meaning of both performance improvement and the performance measurement approach. As a Chief Executive of a Strategic Health Authority (SHA) put it, “*The starting point was an acceptance that we all could do better and that we were in this together*”. The freedom to set targets and measures flowing from this articulation is therefore paramount and is a cornerstone of the model described in chapter 3. To embed the continuous improvement culture, the whole leadership

team (in both the intermediate and front line organisations) needs to be committed to making performance measurement and management central to day-to-day business as exemplified by Lancashire Police's 'Extended Command Team' approach. Their involvement in defining the approach that underpins the local system is therefore vital.

A.4 Good working relationships are a strong determinant of success in public service delivery, where hierarchical levers are often lacking. Leaders therefore need to balance personal visibility with ensuring that middle managers have the credibility to act on their behalf. This can reinforce their authority rather than dissipating it. In a highly effective organisation, such as Dorset and Somerset Strategic Health Authority or King's College Hospital, it was apparent that considerable energy was devoted to interpersonal relationships, to developing a coherent senior management message, and to engaging professional staff alongside senior managers. As another SHA Chief Executive stated, *"it is as important to manage the will to change, as it is the how to change or what to change"*.

AGREED LINES OF INDIVIDUAL ACCOUNTABILITY

A.5 Agreed lines of accountability between and within organisations are intrinsic to performance review. Personal ownership of the measures for which individuals will be held accountable reinforces this structure. Managers should therefore initiate and sign-off milestones and trajectories wherever possible. These measures must cascade clearly from the top-level targets of the organisation. Whether the outcome is a national or local priority, lines of accountability should be equally clear and managed through the same process. Best practice suggests that this external-internal balance acts as a reinforcement of both sets of measures rather than a hindrance to focus.

A.6 Accountability agreements – written, timed and linking outcomes to named responsible officers – are essential. Where these agreements span across organisations (e.g. between an SHA and a Mental Health Trust) it is important that real outcomes are at the core of documentation. Effective agreements also describe the style of relationship, triggers for intervention, and the escalation regime that will characterise joint working. The use of service level agreements, employed extensively by Essex Police for example, clarifies the role of different units within the organisation.

CLEAR PERFORMANCE REVIEW COMBINING CHALLENGE AND SUPPORT

A.7 A well-understood performance review process, combining challenge and problem solving support, emerged as a consistent theme in the site visits made. Three factors characterised successful reviews:

- **Timescales:** The limiting timescale factor should be the frequency at which data can practically be refreshed. Intervals of more than a month to 6 weeks risk losing their effectiveness as under-performance can no longer be swiftly identified and corrected.
- **Challenge:** A senior figure is officially responsible for challenging the performance of key individuals. This works equally within front line organisations and between the intermediate tier and the front line. Challenge is based on a thorough understanding of the performance data and centres

around the corrective actions planned to mitigate under-performance. While this figure may be the head of the organisation, it is often another member of the senior management team. A benefit of separating the challenger and leader roles is the removal of conflict with other roles that the Head or CE needs to play, including relationship management and financial deal brokering.

- **Problem-solving:** Performance review needs to drive action planning before meetings and critical appraisal within them. For this to be credible the challenger must have experience as an operational senior manager and be known to be capable and willing to intervene actively in turning around delivery. At Ninestiles school in Birmingham, a key role of the senior teachers is to move beyond pure appraisal and to actively support more junior members of staff as they learn their job. In County Durham and Tees Valley SHA, the improvement function is embedded within the performance management team as a key support resource to Trusts.

TRANSPARENT SET OF PERFORMANCE REWARDS AND SANCTIONS

A.8 A transparent set of performance rewards and sanctions are an essential part of ensuring delivery and stimulating innovation. Best practice suggests that rewards and sanctions are mutually reinforcing. Equally, sufficient attention needs to be given to creating a local rewards and sanctions structure if an externally driven, top-down approach, more traditionally associated with sanctions, is to be avoided. Rewards and sanctions gather value inside delivery organisations if they are widely apparent to staff, consistent over time, and flow directly from performance. Organisations with strong performance management approaches were able to provide this transparency, often through a small number of well-chosen and well-communicated symbolic acts. Rewards were given regularly (e.g. for monthly performance) and were not confined only to the very highest performance. Equally, all cases of under-performance attracted swift attention, with stringent efforts made to provide support. Where this failed, sanctions were applied including the credible threat of removal from position.

A.9 The localisation of rewards and sanctions is an important element in establishing the remit of a local performance management body. Although significant impact in that work can be derived from the line relationship intermediate tiers have into Whitehall, this is not, in our best practice examples, sufficient to maximise the impact of performance management approaches. Rewards are critical at Peterborough Hospital to stimulate innovation and risk taking in improving public services. In that instance skilled support and time to work on developing change ideas acted as a catalyst to major system reform.

A.10 Local rewards and sanctions offer a viable way to support continuous improvement in delivery, even where organisations have achieved national minimum standards. The challenge provided by a local, yet external, performance manager can valuably act as a catalyst for performance assessment and improvement, where managers within a front line unit may be inhibited by the apparent complexity of a situation or by the need to maintain relationships.

B

APPENDIX B: APPROACH TAKEN

B.1 This part of the Devolving Decision Making review has been conducted jointly by HM Treasury and the Prime Minister's Delivery Unit, with significant input from the Office of Public Services Reform. The recommendations have been developed primarily from evidence gathered through interviews and site visits to front line, local government and intermediate tier institutions in the UK and beyond, supported by active input from government departments and inspectorates. The recommendations of the review have been designed to be applicable across public services. However, the review focused on the areas of health, education and crime during the data-gathering phase and in order to test the validity of the model.

B.2 To drive the analysis of best practice approaches to local performance management, more than 20 UK site visits were conducted with front line and intermediate tier organisations across health, education, crime and local government. The sites were chosen based on information provided by relevant government departments that identified organisations that had performed consistently highly and/or created innovative local performance management solutions. The visits were carried out between August and November 2003.

B.3 To assess the strengths and limitations of the current national targets and performance management system, 30 telephone interviews were carried out with a representative range of senior police officers, health professionals, head teachers and Chief Educational Officers. A range of government and non-government reports were also drawn upon for further evidence.

B.4 To benefit from learning beyond the UK public sector, the performance management systems currently being used in a number of US cities were investigated. Site visits were conducted to explore the New York and Philadelphia Police Department's Compstat processes and Baltimore's city-wide Citistat approach. The approaches used in Chicago and Charlotte were also, more briefly, reviewed. Research was also conducted comparing the public service accountability systems in the UK, US, Germany, Sweden and Spain. Since these issues are also faced in the private sector, a short report was carried out into the approaches taken by a selection of companies.

B.5 To ensure consistency with other cross-cutting central government work on public services reform, the emerging recommendations of the Devolved Decision Making review have been presented as part of a series of seminars chaired by Sir Andrew Turnbull. Close collaboration with these other pieces of work has also taken place outside the seminars.

B.6 The recommendations of the review have been deliberately kept generic so that they can be applied across public services. In developing an improved accountability model, a simplified characterisation of the delivery chain has been used to facilitate the problem solving process and to develop guiding principles. In this characterisation, customers interface with a set of front line units (e.g. schools, hospitals, Basic Command Units). Intermediate tier organisations (e.g. Strategic Health Authorities and Police Forces) span geographically bound groups of front line units. Finally, government departments sit at a national level.

B.7 Reference groups in health, education and crime were created to test the robustness of the recommendations and their applicability to individual services. These reference groups included representatives from front line, local government and intermediate tier organisations, inspectorates and government departments. The findings from the site visits were further validated with those interviewed. To further test and demonstrate the robustness of the recommendations, a series of demonstration projects are envisaged to ensure that the recommendations can be made to work in reality.

C

APPENDIX C: RECOMMENDATIONS AND WHAT THEY MEAN IN PRACTICE

INTRODUCTION

C.1 This appendix brings together the recommendations in this report and looks at their impact in five areas: front line units; government departments; local government and intermediate tier organisations; inspectorates; and bureaucracy.

RECOMMENDATIONS

C.2 The document recommends that as public services improve, the overall approach to performance management should evolve by:

- refining PSAs through increased consultation in target setting, focusing exclusively on outcomes and using standards to monitor key national priorities once targets have been met;
- within the framework of national PSAs, substantially reducing all input, output and process targets and controls;
- releasing high performers from further targets, instead using robust, regular, published data to provide incentives for continuous improvement; and
- increasing the scope for local organisations to set targets and measures on local priorities against which they are held to account alongside national PSAs.

C.3 As PSAs are refined and focused on outcomes and other national controls are increasingly removed, it is crucial that accountability both to the public and along delivery chains and incentives to improve are strengthened by:

- publishing regular and robust data to increase transparency and encourage public engagement to drive continuous improvement from the bottom-up;
- sharpening rewards and sanctions, based on assessments of absolute performance and performance improvement; and
- identifying the appropriate organisation in local government or the intermediate tier to performance manage front line delivery with central government becoming more strategic and only intervening as a last resort.

C.4 Finally, local performance management capacity needs to be strengthened by:

- identifying and building on existing good practices across the country and abroad by creating incentives for local organisations to develop skills and capacity for robust performance measurement and management; and
- creating greater transparency of organisational capacity and performance improvements through supportive and more tailored inspection.

IMPACT ON THE FRONT LINE

C.5 The front line should benefit from the improvement and further reduction in nationally set targets. First, the framework of national PSAs will continue to set the Government's long-term ambitions for improving public services. To further refine PSAs, the front line will be consulted more effectively as national targets are set. Second, there will be more scope to identify and prioritise local issues as part of an integrated performance management framework. The appropriate organisation will performance manage front line units against this overall framework.

C.6 To strengthen the incentives for improvement, rewards should follow directly from strong performance. Ultimately, departments and intermediate tier organisations will determine appropriate rewards in consultation with the front line. Rewards should include further flexibility, beyond that granted to all organisations as controls are reduced, to determine methods of delivery locally in line with the earned autonomy principle, as well as financial and non-financial benefits and clear recognition of achievement.

C.7 Under-performance will result in swift and effective intervention. The organisation performance managing the front line will monitor both absolute performance and the direction of travel. A range of support and sanctions should be available for different levels of performance, including management removal where necessary. In cases of persistent under-performance, central government reserves the right to intervene.

C.8 The commitment to greater transparency through improving the use of regular data will have a positive impact on the front line, enabling local organisations to strengthen their own internal approaches to performance measurement. Improved access to information on local outcomes should also encourage greater interest and engagement from the public. This should result in increasing pressure to deliver better quality services. Similarly, exposing the relative and historic performance of peers should enhance the professional desire of practitioners to improve. Government departments, local government and intermediate tier organisations will continue to request performance data. Greater integration of local and national data systems over time should make this reporting task increasingly simple.

IMPACT ON LOCAL GOVERNMENT AND INTERMEDIATE TIER ORGANISATIONS

C.9 Local government and intermediate tier organisations will have much greater ability and authority to effectively challenge and support the performance of front line units to ensure services improve across a local area. This will necessitate mature negotiation with front line units over target levels for locally desired outcomes. At the same time, local government and intermediate tier organisations must intelligently cascade national priorities to the front line, again through a process of consultation and negotiation. Local government and intermediate tier organisations will then be responsible for combining the agreed local outcomes with national priorities into a coherent framework against which each front line unit can be held accountable. Wider governance arrangements to facilitate this process are being considered, including through the Innovation Forum of high performing local authorities, and will be crucial to success.

C.10 The performance management process for each front line unit will need to be determined and articulated. This will include the performance review cycle and the framework of rewards and sanctions. The data systems that will allow front line performance to be communicated and analysed must also be put in place.

C.11 Intermediate tier organisations will be clearly accountable to central government departments. As is the case for the front line, local government and intermediate tier performance will be made transparent to the public and to central government departments. This will increase the incentive to deliver continuous improvement in public services. Performance will be judged against the clarified set of national priorities alongside the delivery of locally desired outcomes. Clear rewards will follow high performance and under-performance will result in appropriate sanctions being applied, building on models such as Local PSAs.

IMPACT ON GOVERNMENT DEPARTMENTS

C.12 The role of government departments in relation to performance management will be sharpened and clarified. Delivery chains will look to each department to set a strong direction of travel for each service. This will be set through the framework of nationally desired outcomes agreed in PSAs as part of the next Spending Review. The particular outcomes chosen, the articulation of these as targets, standards or performance indicators as appropriate and the level at which the targets are set should all take place in consultation with the appropriate local and regional organisations.

C.13 Determining these nationally desired outcomes requires a challenging prioritisation exercise. While many outcomes are clearly desirable, if everything is a priority then nothing is. Departments must understand the true overall target burden on front line units and work to minimise it. This will involve limiting the number of input, output and process targets and measures flowing from the PSAs and substantially reducing targets, measures and compliance requirements not related to PSAs.

C.14 Departments will then be responsible for developing an integrated performance management framework against which local government and intermediate tier organisations will be held accountable. Again, consultation should lie at the heart of this process to ensure that realistic but stretching aspirations are placed on individual intermediate tier organisations and local government.

C.15 Active co-ordination across departments will also be necessary to achieve certain outcomes (e.g. drugs, anti-social behaviour). The optimal approach to performance management in these areas will differ on a case-by-case basis. Within this context, there is a strong need for a clear understanding of the aspirations across government, along with a joined-up approach for achieving these. Clear lines of accountability for local agencies are a necessity.

C.16 Overall, departments will need to be willing to put more trust in the abilities of front line units to deliver and other local organisations to performance manage them. This trust should be based on improving performance, the increased use of real time data and strengthened local performance management capacity. Critically, it should be converted into concrete actions through a clarification of the accountabilities along the delivery chain, combined with greater devolution of responsibility to local government, the intermediate tier and the front line. In particular, the resources, authority, rewards and sanctions required to

effectively performance manage the front line must be transferred to the appropriate organisation. In some cases, this delegation can happen with minimal changes to the existing structure of the delivery chain. In other services where a single organisation that could fulfil the necessary performance management role does not currently exist, more significant changes will be required.

IMPACT ON INSPECTORATES

C.17 Inspectorates will be given the freedom to focus their resources on organisations with greatest need, be they front line units, local government or intermediate tier organisations. Building on emerging practice in some areas, a differential approach to the frequency, depth and breadth of inspections should be taken, driven by performance data. As a result, high performing units should see less frequent and/or less broad and deep inspections. Similarly under-performers can expect greater scrutiny.

C.18 Inspectorates will have a clear role in providing a framework of national standards and measures covering the full range of desired outcomes. These standards will then be used as the basis for assessing an organisation's performance. They will also be used by local organisations as a starting point for proposing local targets and objectives. In this way, a common set of measures will be used across each service, allowing direct comparison of performance versus historic trends and peers.

C.19 Inspection should not attempt to cover every aspect of the front line's business and processes. Instead they should be focused around the delivery of outcomes (as defined by the standards framework) and the organisation's internal performance management capabilities.

C.20 Providing an independent assessment of each organisation's ability remains a critical role for inspection. However, inspectors should go beyond this and provide support to organisations as to how they can improve. This applies equally to improvements in achieving the desired outcomes and to strengthening their internal performance management processes.

IMPACT ON BUREAUCRACY

C.21 The level of bureaucracy should substantially decrease. Sharpening PSA targets, the removal of Service Delivery Agreements and more proportionate approaches to inspection sends a strong signal to government departments and local organisations that controls and bureaucracy will be reduced. There will also need to be significant further reductions in input, output and process controls beyond PSAs.

C.22 As departments, local government and inspectorates consider the cumulative impact on each front line unit, bureaucracy that results from unco-ordinated, over-lapping and unnecessary targets and other external controls should be greatly reduced.

C.23 The combination of stronger local performance measurement and management as well as greater data transparency should give central government increased confidence in the ability of the front line to deliver better outcomes. At the same time, as customers and citizens exert increasing upward pressure, it will provide additional incentives for improvement. As this level of trust and responsiveness grows over time, the desire for external control, with the inevitable bureaucracy that this brings, should be lessened.

C.24 Data transparency has a number of additional advantages in reducing the bureaucracy burden. Good performers can easily be identified and increasingly freed from external regulation. Equally, intervention can be more accurately focused on under-performing organisations. Approaches to inspection should also be made more proportionate. In particular, frequent, in depth inspections become unnecessary for high performers. At the same time, inspectors will focus on the core outcomes (both local and national) and on assessing the strength of the organisation's performance management process, rather than on everything it does.

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