

HM Treasury
Cabinet Office
National Audit Office
Audit Commission
Office For National Statistics

CHOOSING THE RIGHT FABRIC

A Framework for Performance Information

FOREWORD

The business of government is complex. What matters to the public about performance of government cannot meaningfully captured in one, or even a dozen performance measures. Given the sophisticated demands for information from a wide range of stakeholders, including Parliament, government must respond in kind with world-class performance measurement and reporting systems.

Performance information is a cornerstone of our commitment to modernise government. It provides some of the tools needed to bolster improvements in public sector performance including improving accountability, performance management, risk management and business planning.

Good quality information also enables people to participate in government and exert pressure for continuous improvement. In addition to empowering citizens, this information equips managers and staff within the public service to drive improvement. Performance information is thus a catalyst for innovation, enterprise and adaptation.

Like other parts of the economy, the challenge for the public service is to find new ways of working smarter. The business of modern government is increasingly complex and continually challenging. In such a dynamic environment the public sector needs high quality performance information so that it can be responsive to citizens in a rapidly changing world. This framework is a commitment to that end.

Our organisations are committed to high quality performance information and to supporting the public sector in improving performance information and performance management. This guide summarises our common thinking on this subject, in particular the need for a good system of performance information to be focused, Appropriate, Balanced, Robust, Integrated and Cost Effective - choosing the right FABRIC

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COMPTROLLER AND AUDITOR GENERAL



THE CONTROLLER, AUDIT COMMISSION



NATIONAL STATISTICIAN



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EXECUTIVE SUMMARY

This framework sets out the general principles behind producing high quality performance information – that is information used to measure an organisation’s progress towards its objectives. It looks at what sort of information is worth collecting as performance information, and the principles behind pulling together a set of performance measures. It has been put together jointly by the National Audit Office, Audit Commission, Cabinet Office, Office for National Statistics and HM Treasury, reflecting common thinking of these organisations.

The sections discuss the role of performance information, and the practical issues in putting a performance information system in place. They also give some pointers to further sources of information and guidance around government.

The material in this document provides a guide – a framework for looking at performance information - not hard and fast rules. It’s rarely possible to have the perfect performance measure – defining measures, setting targets and collecting performance information is a balancing act between using the ideal information and using what is possible, available, affordable, and most appropriate to the particular circumstances.

Chapter 3 looks at **inputs; outputs; and outcomes** - in a health context, they might be drugs purchased; people treated; and improved health respectively. Ultimately, we are aiming to improve outcomes, and so should measure them. But sometimes outcomes can be hard to measure. And we need to understand how inputs and outputs and associated processes are contributing to outcomes. So performance measures need to look at inputs and outputs as well. It’s also important to look at performance in **context**, establishing factors external to government that affect an outcome.

Chapter 4 sets out the properties of a good systems of performance information – the FABRIC of performance information:

- **Focused** on the organisation’s aims and objectives;
- **Appropriate** to, and useful for, the stakeholders who are likely to use it;
- **Balanced**, giving a picture of what the organisation is doing, covering all significant areas of work;
- **Robust** in order to withstand organisational changes or individuals leaving;
- **Integrated** into the organisation, being part of the business planning and management processes; and
- **Cost Effective**, balancing the benefits of the information against the costs.

Chapter 5 sets out criteria for individual performance measures. Measures should be:

- **Relevant** to what the organisation is aiming to achieve;
- able to **Avoid perverse incentives** - not encourage unwanted or wasteful behaviour;
- **Attributable** – the activity measured must be capable of being influenced by actions which can be attributed to the organisation, and it should be clear where accountability lies;
- **Well-defined** - with a clear, unambiguous definition so that data will be collected consistently, and the measure is easy to understand and use;
- **Timely**, producing data frequently enough to track progress, and quickly enough for the data to still be useful;
- **Reliable** - accurate enough for its intended

- use, and responsive to change;
- **Comparable** with either past periods or similar programmes elsewhere; and
- **Verifiable**, with clear documentation behind it, so that the processes which produce the measure can be validated.

Chapter 6 sets out some practical issues around developing and introducing performance measures in practice, including:

- setting targets;
- using the performance information, and incentivising staff; and
- keeping the performance information system up to date.

Finally Chapter 7 sets out some places to go for further help, including sources of expert advice at the National Audit office, the Audit Commission and the Office for National Statistics.

1.INTRODUCTION

1.1 This paper sets out key concepts and criteria commonly used in performance information in the public sector. At the heart of this framework is a set of criteria for designing and reviewing performance information systems and the measures within those systems.

1.2 The framework is designed as a guide to constructing a performance information system and deciding on performance measures. It should help to spread best practice; establish common principles; and make it easier to integrate national and local performance information systems.

Who is this framework for?

1.3 The framework is designed with public sector managers and staff in mind, but it contains principles which can be applied throughout the public and private sector.

Why is performance information important?

1.4 Performance information indicates how well an organisation is performing against its aims and objectives.

1.5 Good performance information helps identify what policies and processes work and why they work. Making the best use of available data and knowledge is critical to improving the performance of government as a whole. Performance information is key to effective management, including business planning, monitoring and evaluation.

1.6 Externally, performance information allows effective accountability. With appropriate information, Parliament, members of the public and other stakeholders are able to exert pressure for improvements and can better understand the issues involved.

Why has this framework been prepared?

- 1.7 This framework is a key part of the government's commitment to improving performance information practices. It represents an agreed set of principles and has been developed in consultation with other parts of the public sector.
- 1.8 This framework does not replace previous documents. It presents a simple overview of the key concepts and ideas: other publications can provide more detailed and specialised guidance.

A word on terminology

- 1.9 There is a range of guidance using different models of performance information. Different authors use different terms: however, the underlying ideas are usually the same (Annex III contains references to other guidance). 'Performance measures', and 'performance indicators' are both used to refer to measures of how well a service is performing against its objectives. This paper will, for consistency, use the term 'performance measures', although all the points that are made are equally relevant to performance indicators.

- 1.10 'Targets' express a specific level of performance the organisation is aiming to achieve. 'Standards' express the minimum acceptable level of performance, or the level of performance that is generally expected.
- 1.11 The term 'performance information system' refers to a set of performance measures for an organisation and the processes for producing that information. Where a single measure may look at one aspect of a service (number of cases dealt with) the system should give a full picture, reflecting the different dimensions of the relevant service (For example the number of cases, quality and expense).

- 1.12 There is increasing interest in the field of performance information, and there will be issues which this framework does not cover, or new approaches to performance information. Comments on framework, and the government's strategy for performance information are welcome.

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2.THE ROLE OF PERFORMANCE INFORMATION

- 2.1** This chapter briefly outlines the ways in which performance information can encourage improvement in public services.

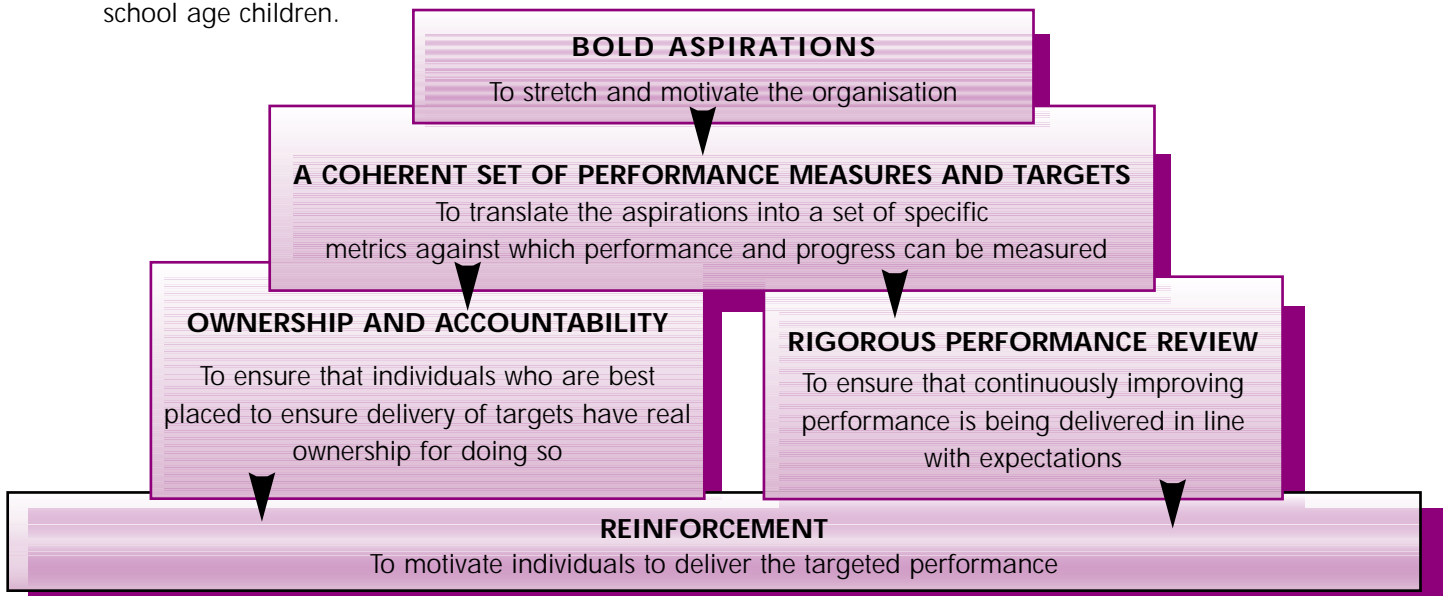
Strategy and policy development

- 2.2** Performance information shows how well an organisation is performing against its stated objectives. Knowing how well the organisation is currently doing is essential in developing strategy and policies to meet the organisation's aims.
- 2.3** Performance information will often need to be supplemented by other information, to give a picture of how a situation is changing. For example, to develop an education strategy, information will be needed on how well the current system is doing, and likely pressures in the future, such as increases in the number of school age children.

Business planning

- 2.4** One of the purposes of business planning is to translate high-level objectives into management action and linked performance measures. Performance information should be an integral part of business planning.
- 2.5** One business planning model¹ is set out in Figure 1. Performance measurement is one of the key five elements of business planning that it identifies. Other elements in the model are beyond the scope of this guide to describe in detail. But the criteria for good performance systems and measures are based in part on ensuring that performance information is of sufficient quality to play its part in this model.

Figure 1 - Business Planning

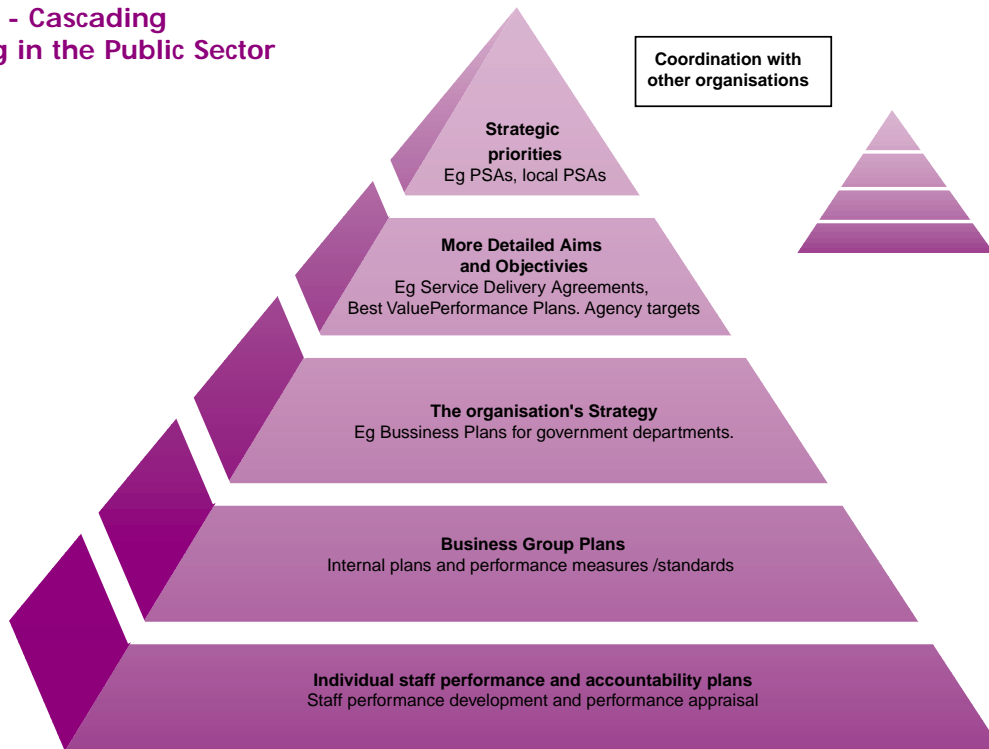


¹ Contained in Performance Management published by the Cabinet Office: <http://www.cabinet-office.gov.uk/civilservice-reform/documents/pmang.pdf>. Or in the Public Services Productivity Panel report, meeting the challenge published by the Treasury: <http://www.hm-treasury.gov.uk/pdf/2000/psppjoint0108.pdf>

2.6 Business planning is something that should take place throughout an organisation. Figure 2 shows how the high level business plans should cascade through organisations to an individual's responsibilities. Just as business plans should

cascade through an organisation, so performance information needs to be collected and used at all levels.

Figure 2 - Cascading Planning in the Public Sector



Performance management

2.7 Performance management can refer to managing the performance of an organisation or an individual. Performance information should help managers to understand how well the organisation, parts of the organisation, and individuals are performing. Clear measures of performance allow clear targets to be set, and people to be clear about what level of performance is expected.

2.8 Performance information should help to inform management decisions. As well as describing whether the required level of performance has been achieved, it should also help in deciding how to allocate resources.

Accountability

2.9 Performance information helps to make public services accountable to stakeholders, including the public and Parliament. Performance measures describe whether the service has achieved the goals that were set.

3.INPUTS, OUTPUTS AND OUTCOMES IN CONTEXT

- 3.1** The business of government can be complex. To help in describing and measuring what government does, government activity is often broken down into inputs, outputs, and outcomes.

AN EXAMPLE - HEALTH

Through this chapter the provision of health services will be used as an example.

INPUTS

INPUTS: The resources that contribute to production and delivery. Inputs commonly include things such as labour, physical assets, and IT systems.

For example, doctors, nurses, or scanning equipment.

OUTPUTS

OUTPUTS: the final products, or goods and services produced by the organisation for delivery to the customer.

For example, the number of effective medical treatments, or operations which take place.
(of the appropriate quality)

OUTCOMES

OUTCOMES: the impacts, or consequences for the community, of the activities of the government. Outcomes are normally what an organisation is trying to achieve.

For example, longer life expectancy and better health².

- 3.2** Performance measures are used to help identify the important dimensions of each input, output or outcome. The relationship **between** inputs, outputs and outcomes can also be a valuable measure of performance.

- 3.** Outcomes are what an organisation is trying to achieve – ideally they should be measured, and should be the top level targets for an organisation. However, performance measures shouldn't concentrate solely on outcomes: there may be a delay between outputs and outcomes, or it may not be clear how much of a change in an outcome can be attributed to an organisation. For example, a health initiative carried out now may lead to improvements in health which only become clear in many years time. It is important to understand how inputs, outputs lead to outcomes. Evidence about these links can help in identifying which inputs and outputs, it is most important to measure. it is also important to look at the value for money: whether an outcome is achieved for a reasonable cost.

- 3.4** So, in addition to outcome measures, performance information systems may also look at outputs (eg as proxies to outcomes) and inputs. Often the outputs of one business area will be the inputs for another.

²As noted earlier terms are used in different ways in different fields. The term 'outcome' is used in two ways within the health field. 'Clinical outcomes' is used to refer to the immediate outcome of a specific treatment; this corresponds more closely to 'output' in the terminology used in this chapter. 'Health outcome' refers to the longer term benefits, and corresponds more closely to the use of 'outcomes' in this chapter.

AN EXAMPLE – PSAs AND SDAs

The Government has published high level Public Service Agreements (PSAs). These are its priorities and strategic objectives with measurable targets – the vast majority of these measure outcomes.

The Government has also published Service Delivery Agreements (SDAs) for every government department. SDAs explain how the Government aims to deliver the high level targets in the PSAs, and how it will modernise and reform to get better value for money. The SDAs include measures of outputs, processes and inputs which deliver the outcomes which the Government is aiming for.

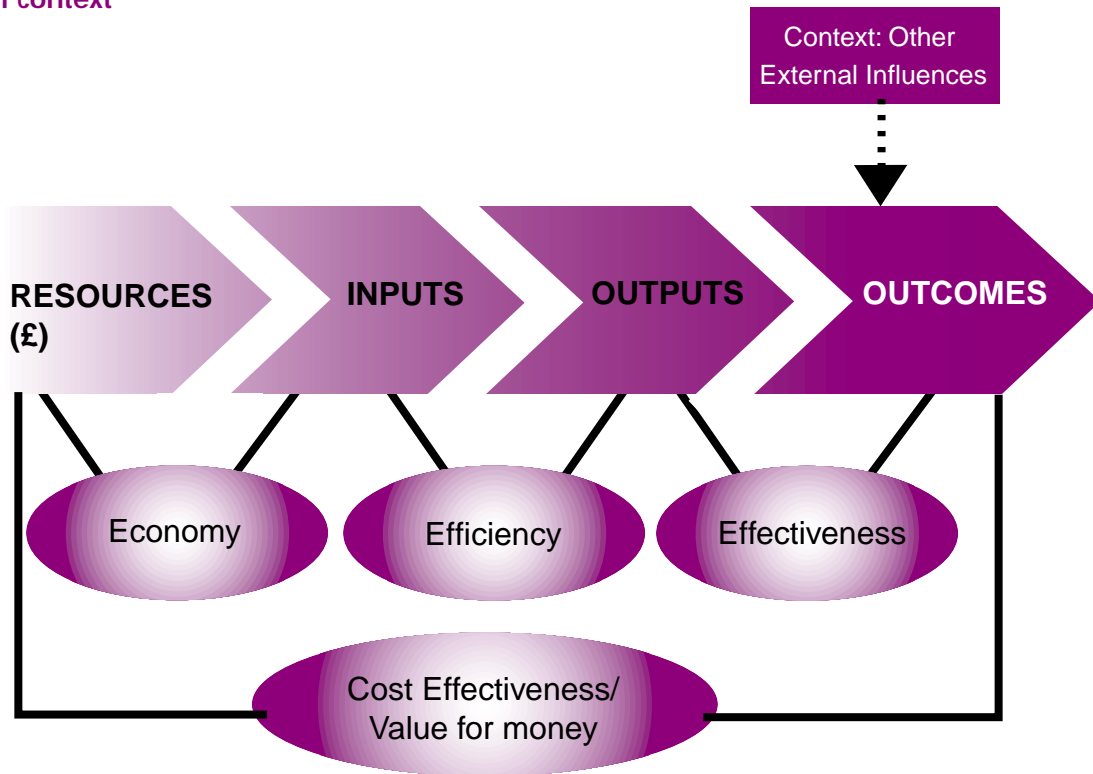
Each Government Department will have its own targets for internal management, linked to the PSA and SDA targets. Again these will measure a variety of outcomes, outputs, and inputs. Individual members of staff will have targets which link to the targets of government departments.

Types of performance measures

- 3.5 One approach to measuring performance is to look at the relationships between inputs, outputs, outcomes, that is economy, efficiency and effectiveness.
- 3.6 An **economy** measure looks at the costs of acquiring the inputs to the programme. For example, what is the cost of drugs for a certain treatment?
- 3.7 An **efficiency** measure looks at whether we are getting the maximum output for the inputs that go into the process. For example, for given hospital facilities, and standards of care, how many patients are being treated?
- 3.8 Finally an **effectiveness** measure looks at whether the outputs of the programme lead to the desired outcomes. Trying to measure effectiveness is particularly important where there are lots of influences, outside the organisation, which will affect the outcomes. For example, estimates of the number of people giving up smoking because of an anti-smoking campaign, would give an indication of the effectiveness of that campaign in improving peoples health.

Figure 3: Performance information: Inputs, Outputs and Outcomes

Performance in context



Context

Context: information that describes the wider environment an organisation is working in, including factors that may affect the outcomes which the organisation is aiming to achieve, and factors which may affect how well the organisation can operate.

3.9 Contextual information can help to interpret performance information. It should help answer questions like:

- are there any unintended outcomes (good or bad)

- was the organisation responsible for the outcomes? Was the organisation working against existing pressures, or with them? and
- were there other factors that prevented the organisation working well? For example, sudden increased demands for emergency services due to extreme flooding, may reduce the response time of those services.

4. WHAT MAKES A GOOD PERFORMANCE INFORMATION SYSTEM?

4.1 This chapter sets out six key criteria in designing an effective performance information system. The chapter looks at requirements for the performance information system overall rather than for individual measures, which are described in more detail by chapter 5. By system we mean the process of producing and disseminating performance data, painting a complete picture of the organisation in a way that a single measure could not.

The Criteria themselves

4.2 The system should be:

- Focused** on the organisation's aims and objectives;
- Appropriate** to, and useful for, the stakeholders who are likely to use it;
- Balanced**, giving a picture of what the organisation is doing, covering all significant areas of work;
- Robust** in order to withstand organisational changes or individuals leaving;
- Integrated** into the organisation, being part of the business planning and management processes; and
- Cost Effective**, balancing the benefits of the information against the costs.

Focused

The performance information system should focus on the organisation's aims and objectives.

4.3 Performance measures should be prioritised on the strategy and objectives of the organisation. Performance measures should aim to measure what the organisation is trying to achieve.

4.4 At any given level of the organisation there should not be more measures than are necessary to capture the key objectives at that level. One way to look at this is to ask what action the performance information could cause the organisation to take. Information that is interesting but not directly relevant shouldn't be included in a set of performance measures. This should not stop contextual information from being collected and published elsewhere, or mentioned in any narrative supporting the performance measures when it adds significantly to the picture of the organisation's performance.

Appropriate

The information being collected should be appropriate to, and useful for, the stakeholders who are likely to use it.

4.5 It is important to consider who will use the information and how and why it will be used. There are a range of customers for performance information with different requirements. Consulting potential users will help gauge what their requirements are, and ensure that the system produces data which is relevant to them.

Consultation should include both internal stakeholders (staff, management, and Ministers) and external stakeholders (eg people who use the service, including user groups or the general public). Guidance on external consultation processes has been prepared by the Cabinet Office³.

Balanced

The performance measures should give a balanced overall picture of what the organisation is doing, covering all significant areas of work.

4.6 Different stakeholders will have different needs for the performance information (and possibly a different perspective on what ‘good’ performance is). The table below show these perspectives can differ. It may be necessary to tailor performance information for different users presenting different users with different sub-sets of measures which are most relevant to them, in a way that is accessible to them.

4.7 The performance information system should give a balanced view of the work of the whole organisation. Systems that focus on only part of the organisation’s output are likely to lead to the unmeasured activities being neglected. This can happen when measurements focus only on an aspect of delivery which is easily measurable, for example quantity rather than quality.

RANGE OF PERFORMANCE PERSPECTIVES.

Using the example of provision of health services:

Stakeholder	Perspective
Patients	Waiting times for treatment; measures of effectiveness of treatment.
Groups of patients with specific needs	Availability of multi-lingual services; availability of services to help people with disabilities; availability of 24 hour services for specific conditions.
Management	Measures of cost per treatment; number of people treated.

³ It can be found on the Cabinet office website at www.cabinet-office.gov.uk/servicefirst/index/consultation.htm

Consultation : Performance Indicators for Local Authorities

Since 1992 the Audit Commission have specified and published performance indicators for local authorities. In developing indicators the Audit Commission consulted with up to 700 stakeholders. The feedback was published and issues responded to. In addition to seeking comment, the Audit Commission also kept in contact with authorities to ensure that indicators were interpreted consistently and advice offered if any problems emerge in their implementation.

In addition to regular interaction with stakeholders, the Commission also engaged leading academics and professional bodies when establishing the indicators. The Audit Commission also undertook market research to determine the issues that the wider public were most interested in when it came to performance measures.

The DETR adopted many of the same consultation principles for the Best Value Performance Indicators which have had statutory effect since April 2000.

Further information can be found in the Audit Commission reports "On Target" and "Aiming to Improve" and "Listen Up- Effective Consultation" [references in Annex III].

4.8 An unbalanced system will have significant gaps or biases in the performance being measured (the coverage of the system). This may cause perverse incentives or promote undesirable changes in behaviour. For example, measuring the quantity of letters answered but not the quality may encourage substandard responses.

4.9 Establishing performance measures in partnership with stakeholders can help to test whether balance has been achieved. Looking at the range of different measures within a system can also help to check that the system is balanced:

- Using economy, efficiency and effectiveness measures – described in chapter 3 - across different parts of the organisation. These look at different elements of producing the service: whether the cost of inputs has been minimised; whether producing of the outputs for given inputs are efficient; and whether the outputs are effective - ie the right outputs.
- Measuring timeliness, quality and cost dimensions in a systematic fashion. Cost reflects the financial side of an organisation's activities; quality the features of a service and how appropriate they are for the user; and timeliness covers how responsive the services are.

- Employing the Best Value themes: strategy, cost/efficiency, delivery outcomes, quality and fair access.
- Using the 'balanced scorecard': looking at, for example, final outcomes, financial and efficiency perspectives, learning perspectives, and investment perspectives.

The Balanced Scorecard

The balanced scorecard approach to performance measurement was originally developed in the private sector⁴. If measurement focuses on sales and profits managers can appear successful in the short term while ignoring long term development of the business, for example customer relations or staff training. The balanced scorecard approach tackles this by measuring both the ultimate outcome of the business, and aspects of the business that need to be maintained in the long term. It is balanced between financial and non-financial measures and across stakeholders.

The balanced scorecard groups performance measures under four headings, four which are often used are:

- ★ The business processes perspective – are the processes within the business working well? Is the organisation producing what it needs?
- ★ The financial perspective – is the organisation operating efficiently and within budget?
- ★ The learning perspective – does the organisation develop its staff, and take on board developments in technology? and
- ★ The customer perspective – how do the organisation's customers perceive it? Is the organisation satisfying its main customers?

Different groups may be used depending on what factors are important for the success of an organisation, for example 'meeting the goals of civil service reform' or 'meeting PSA targets' for a government department. The scorecard should be balanced between the overall objectives of the organisation and the processes and milestones that need to be met in order to achieve these in the short and long term.

⁴ The Strategy - Focused organisation. How Balanced Scorecard Companies Thrive in the New Business Environment by Robert S. Kaplan, David P.Norton. A website describing balancedscorecards is www.balancedscorecard.org

Robust

The performance information system should be able to withstand organisational changes or individuals leaving.

4.10 The performance information system should be set up in a way which can survive organisational changes. Risks that could threaten regular production of the performance information should be managed. For example:

- The system should be able to withstand changes in personnel, it should not be dependent on the knowledge, skills, or influence of a single individual; and
- performance measures should, ideally, not depend on a single way of producing a service. So if the way a service is provided changes it should still be possible to collect comparable performance data.

Integrated

The performance information system should be integrated into the organisation, being part of the business planning process and management processes.

4.11 The performance information system should be part of the organisation's management systems – not an add-on. Objectives and targets need to be shared so staff understand how their work contributes to the performance of the organisation as a whole.

4.12 Ensuring that there is a strong relationship between performance information and management systems has two benefits. First, measures of performance are then likely to be 'owned' by managers and staff, making it more likely that opportunities for improving delivery will be identified and acted on. Secondly, regular use of performance data will help increase their reliability and accuracy. Failing to link performance measures to existing management and budgeting systems risks parallel, and wasteful systems.

4.13 The information system should have clear links between overall measures of the success of the organisation and individual measures of success. It should be clear how individual's targets contribute to business area targets, and how, in turn they contribute to the organisation's targets as a whole.

4.14 Figure 4 gives an example of how high level objectives can be cascaded to performance measures which individuals, or teams can take responsibility for:

Figure 4: Developing measures to support an objective

Measures can be developed by asking 'how will the objectives be achieved?'

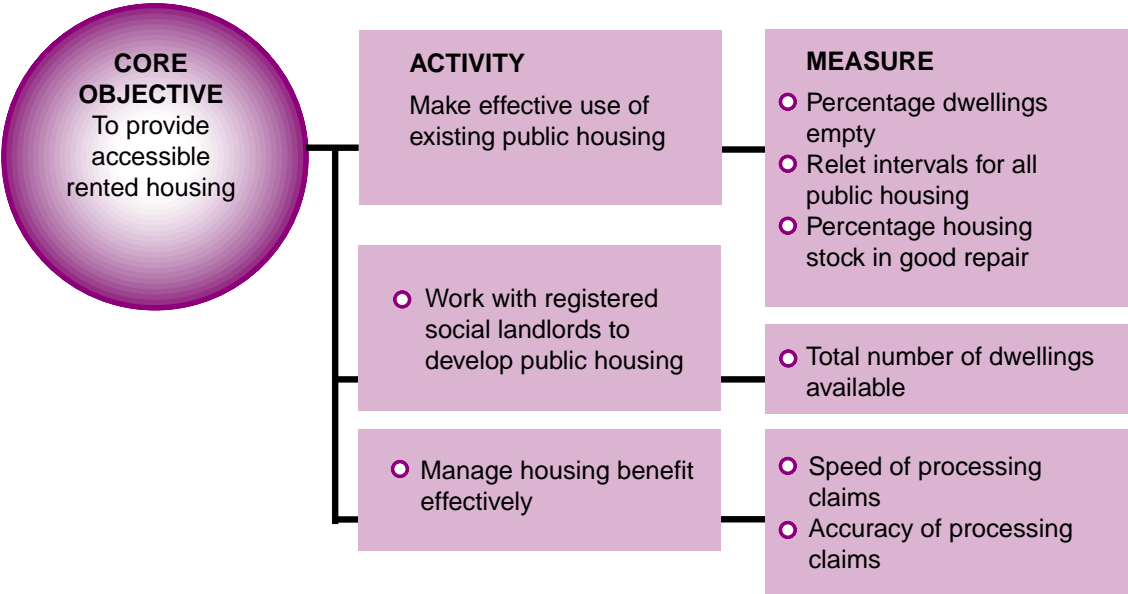


Diagram taken from Audit Commission’s Paper: *Aiming to Improve* (Exhibit 3 page 10)

Cost Effective

The resources put into collecting performance information should be proportionate to the benefit which the information brings.

4.15 The cost of collecting performance information should be justified by the benefits the information brings. Costs can be monetary, but other burdens imposed by requests for information should also be considered; for example, the time taken to fill in forms, to put in place new processes and even the time managers take to review the performance information. These costs and burdens can input on the organisation and

upon others who help to supply the service. The Regulatory Impact Unit in the Cabinet Office⁵ can provide advice on assessing the costs to business, or burdens imposed within the public sector.

4.16 The cost of producing performance information should be balanced against the use of the information and how it will improve performance. The costs and benefits of the performance information system should be regularly reviewed.

4.17 One way of minimising the cost is to use existing data sources. A vast range of data is already collected within the public sector it is often more efficient to tap into existing sources

⁵ More information about the public Sector Team in the Regulatory Impact Unit can be found on their website at: www.cabinet-office.gov.uk/regulations/PublicSector/Index.htm.

rather than make a new request. Where different organisations' interests overlap a common system could be used for collecting information, this helps to minimise the burden on front line staff of providing data by 'joining up' requests. A common data system also helps to ensure that departments are basing their decisions on common information. Statbase⁶ contains a range of existing official data. Other sources of data will only be found by talking to organisations with similar interests to see what information they collect.

Applying the Criteria

4.18 Setting up a performance information system is as much an art as a science. There will be a challenge to balance the competing demands of different criteria. For example, the *Focus* criterion urges concentration on the measurement of key objectives, while the *Balance* criterion suggests that measures must capture all important areas of activity, and major dimensions - quantity and quality - of performance.

5. WHAT MAKES A GOOD PERFORMANCE MEASURE?

5.1 This chapter looks at eight criteria which good performance measures should meet. As with the criteria for performance information systems it is necessary to balance the different demands of the criteria.

5.2 As measures need to focus on how well outcomes are being achieved – and how all the management, planning and delivery process are contributing to their achievement – it is important for organisations to recognise that they may need to work with others in measuring their performance. A good way to organise and manage working together is to share outcome targets and set out the contribution each partner will make.

5.3 A performance measure should be:

- **Relevant** to what the organisation is aiming to achieve;

- able to **Avoid perverse incentives** - not encourage unwanted or wasteful behaviour;
- **Attributable** – the activity measured must be capable of being influenced by actions which can be attributed to the organisation; and it should be clear where accountability lies;
- **Well-defined** - with a clear, unambiguous definition so that data will be collected consistently, and the measure is easy to understand and use;
- **Timely**, producing data regularly enough to track progress and, and quickly enough for the data to still be useful;
- **Reliable** - accurate enough for its intended use, and responsive to change;
- **Comparable** with either past periods or similar programmes elsewhere; and
- **Verifiable**, with clear documentation behind it, so that the processes which produce the measure can be validated.

⁶ Can be found at: www.statistics.gov.uk/statbase/mainmenu.asp

Relevant

The measure should be relevant to what the organisation is aiming to achieve.

- 5.4** An individual measure should aim to measure success in achieving a particular objective. It is easy to fall into the trap of targeting easily measured processes, eg number of letters answered. But they often do not address the core objectives of the organisation.
- 5.5** It is often hard to find measures of success against the objectives of a public sector organisation. The ideal is to find measures that fully capture and represent the objective in question. It is often better to try and measure important objectives imperfectly, than ignore them altogether. An imperfect measure can still help in setting priorities and in planning; helping to put out the resources an organisation uses into context; and providing at least a starting point in judging the organisation's performance.

Avoids perverse incentives

The measure should not encourage unwanted or wasteful behaviour.

- 5.6** The measure should avoid creating any perverse incentives - that is behaviour that exists to meet a target, but not to improve service to the customer. An example of a measure with a

perverse incentive is a measure of the speed in answering letters, which is not balanced by a measure of the quality of responses.

- 5.7** The uses data are put to may cause perverse incentives. For example if performance pay is linked to the number of medical treatments which are provided, then staff may be encouraged to deal with lots of easy treatments rather than a small number of difficult treatments. Whether a perverse incentive actually causes changes in behaviour can depend on the culture of an organisation.
- 5.8** Performance measures which focus directly on the objective to be attained avoid creating some of the perverse incentives that can arise when specifying measure around intermediate stages or processes. Measuring outputs or processes in lieu of outcomes, for example, can encourage management to be unresponsive to changed circumstances, or to maintain old processes when new ones could yield better outcomes.
- 5.9** Avoiding perverse incentives often involves ensuring other criteria are met:
- Does the measure fully capture an associated objective – or does it leave out important dimensions of performance? Can unwanted activities be legitimately counted under the measure?
 - Is the measure well-defined? Have key terms been sufficiently tightly defined to avoid measured performance being different in nature to that originally envisaged?

Attributable

The activity measured must be capable of being influenced by actions which can be attributed to the organisation. It should be clear where accountability lies.

5.10 Performance measures should measure something that the organisation can reasonably be expected to influence. It should be clear who is responsible for the organisation's performance against that measure.

5.11 Ideally the measure should also give an indication of how much of any change can be attributed to the organisation. Some measures may reflect more than one aspect of a service, and so it may be difficult to attribute the organisation's role in any change. For example, the number of complaints about a service will reflect both the standard of the service and how willing

service users are to complain - which may in turn depend on their confidence that complaints will be taken seriously. An increased number of complaints could reflect an increase in the confidence of customers that the organisation will take their complaints seriously. Contextual information may help to shed light on what is driving changes in these sorts of measures.

5.12 In some cases the **degree** to which an organisation's activities create the desired outcomes will not be clear. In these cases it is still appropriate to set outcome targets key to the stakeholders (eg to increase employment). These targets help focus an organisation on priorities and its overall goal. General targets may be supplemented by more specific outcome targets at other levels in an organisation. For example the number of people to find work through the New Deal. A range of other information should be collected and used for other purposes such as strategy, policy development, and research.

Reduction in Road deaths

Example

It can be difficult to establish with sufficient reliability what causes a particular outcome. At a national level, reduction in road accident casualties will result from the effects of a wide range of measures within the broad areas of safety engineering, education, training and publicity and enforcement. At the local level, targets can be consistent with national targets together with local strategies for achievement. Some specific measures can be monitored and in addition progress to meeting targets can be used as a performance measure even where specific accountability is not practicable

Well-defined

The measure should have a clear, unambiguous definition so that data will be collected consistently, and the measure is easy to understand and use.

5.13 There are a number of steps to ensuring a measure is well defined:

- The definition should be **easy to understand** to the users of the measure, whether they are internal managers, user groups, or individual users of the service.
- The definition of the measure should be **unambiguous** – this is important to ensure that data is collected consistently, and to ensure that people have a common understanding of the measure. This includes specifying the improvement that the organisation is aiming for.

5.14 These two demands need to be balanced: a definition easily understandable by a member of the public, may need more explanation for those collecting the data. This may point to the use of a summarised definition for a lay audience, with a more detailed definition for those involved in the delivery and management of the services. The two should, of course, be consistent.

An Example – PSA targets and technical notes

As an example PSA targets for central government departments aim to set in simple language so everyone can understand them. More detailed definitions are set out in an accompanying technical note.

One of the Sure Start PSA targets is to 'Reduce the number of 0-3 year old children in Sure Start areas living in households where no one is working by 2004.' The technical note includes further details including:

- where definitions of 'adult' and 'working' come from (Labour Force Survey and Benefits Agency Definitions);
- how the data are collected (the Labour Force Survey); and
- how the measure will be expressed (as a proportion of children in the area rather than an absolute number).

Timely

Data should be produced frequently enough to track progress and, and quickly enough for the data to still be useful.

5.15 There are two elements to a performance measure providing timely information:

- The measure should provide data **frequently**

enough to track changes that are taking place in order to take action.

- The measure should provide **up to date** information, with a short time-lag between the period the data covers and when the data becomes available.

5.16 The importance of having frequent data, soon after the event, will depend on the speed at which policies can be changed to affect the outcomes; and the length of time before the target is due.

5.17 There is often a trade off between accuracy and timeliness. Producing statistics quickly means that some data sources cannot be used, and less time can be spent on checking the data. There is also a trade off between the cost of collecting data, and the frequency of collection.

Reliable

The measure should be reliable: accurate enough for its intended use; and responsive to change.

5.18 To be valuable, performance information should be reliable. All stakeholders, including staff and managers must have confidence that any performance information faithfully represents what it purports to represent.

5.19 A performance measure should be statistically valid – a measure based on a very small sample of cases may show large fluctuations. It should also be responsive to change, that is it should pick up significant changes in

performance. For example, a measure which relies on a yes/no question for customer satisfaction will fail to register the difference between someone being just satisfied and very satisfied.

5.20 A wide range of mechanisms might be applied to ensure that performance information is reliable. A useful checklist for ensuring the provision of good quality performance data has been produced by the National Audit Office in their report **Good Practices in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies**. A checklist from this report is attached as Annex II. Ways to help ensure data is reliable include:

- Using statistics which have been defined as **National Statistics**. These statistics will comply with standards of transparency, quality and integrity. Furthermore, the statistics are reviewed on a five yearly basis to ensure continued compliance with technical criteria. It may not be possible for all performance measures to be collected and published under the National Statistics regime.
- **Independent reviews of performance information systems**. In particular, where performance against targets is the basis for team bonuses, external validation of the systems used to collect the data should be considered.

Comparable

The measure should be capable of able to be compared with either past periods or similar programmes elsewhere.

- 5.21** In order to assess progress we need to be able to make comparisons between current and past performances; or the organisation's performance and performance in similar organisations elsewhere (eg other countries, or other local authorities).
- 5.22** In order to help ensure the measure remains comparable:
- Minimise the changes in definition over time. Where changes are necessary try to estimate their effect on existing measures so comparisons can be made between periods before and after the change.
 - Use standard definitions where these exist. For example, other departments may be measuring similar concepts, or international definitions may exist which allow comparison between countries.
- 5.23** New measures may not initially be comparable over time, but as more data is collected comparisons will be possible - this criteria should not stop new measures being collected.

Verifiable

The measure should have clear documentation behind it, so that the processes which produce the measure can be validated.

- 5.24** The 'well-defined' criterion calls for a measure to be defined in an unambiguous way, so that different people will have the same understanding of what the measure means. This is a first step in ensuring that a performance measure should be collected and documented in a way that allows other people to check, or validate the measure.
- 5.25** Ensuring the measure is verifiable is important in maintaining consistency, and ensuring that producing the measure does not depend on a single individual. Having clear documentation also helps to promote confidence in the measure.

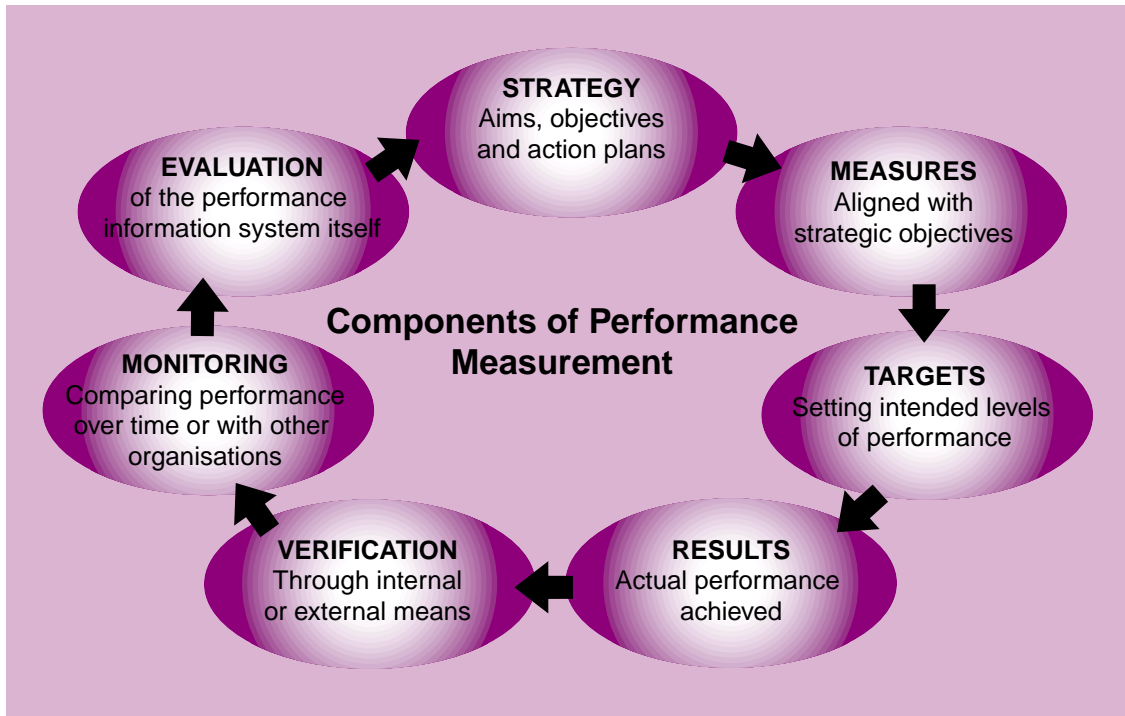
6.PERFORMANCE MEASUREMENT IN PRACTICE

6.1 Implementing a performance information system is not a simple technical exercise. Poorly implemented systems risk being burdensome, without helping to improve performance –

generating cynicism. This chapter looks at some of the issues involved in implementing a performance information system.

Components of Performance Measurement

Putting performance measurement into place in an organisation involves more than producing a set of high quality measures. The measures must be set in the context of the organisation, the results of the measures followed through, and the system itself evaluated. This diagram sets out elements that need to be in place for performance measurement to be most useful. Some of these are described further in this chapter.



Setting Targets

6.2 Performance measures quantify an organisation's progress – targets set a specific goal, challenging an organisation to improve. Ideally a target set against a performance measure should be SMART: ie specific, measurable, achievable, relevant, and timed. If the performance measures meet the criteria promoted in this framework, it is likely that targets related to the measure will naturally be relevant and measurable.

6.3 More information about setting target can be found. "A Measure of Success: Setting and Monitoring Local Performance Targets" (Audit Commission 1999)

Using performance measurement

6.4 The effect of performance measures and targets will depend on the **culture and values** of an organisation.

6.5 In order for performance information to have its fullest effect on an organisation it needs to be **'owned' by staff**. Involving staff in setting the performance measures helps, so they can understand how their actions impact on the measures, and so contribute to the objectives of the organisation. Ideally there should be a clear 'line of sight' between individuals' targets and the aims and objectives of the organisation - so it is clear how one set of measures connects to another. It is particularly important to install a sense of ownership and be clear about responsibility where a target is shared

between organisations.

6.6 Managers should **demonstrate that the performance information is used**, that the results are analysed, and changes in the organisations performance are monitored. This will help motivate those collecting the information, and those whose performance is measured by the information. Managers should also provide feedback based on the information, strengthening its credibility.

6.7 Performance measures can be used to **compare organisations and to identify best practice**. Tools such as performance tables or benchmarking can be used to identify areas where performance can be improved, or other organisations learnt from. More information about benchmarking can be found in the Audit Commission paper "Getting Better all the Time: making benchmarking work" or through the public sector benchmarking service⁷

6.8 Comparisons need to be made in an intelligent way, otherwise they risk demoralising staff. Comparisons should be like with like, and should take into account differences in circumstance (for example a service based in a deprived inner city area may be under more pressure than a similar service in a wealthy suburb). Comparisons can also become difficult if an organisation has a blame culture, as people become defensive, rather than seeking to learn from the comparison.

6.9 Performance information can **provide the**

⁷ The public Sector Benchmarking Service website is at: www.benchmarking.gov.uk

basis for incentives – whether in the form of recognition, performance pay, career advancements, or other rewards. Linking team or individual bonuses to targets makes it especially important that the targets are SMART.

Presenting Performance Information

6.10 Performance information needs to be presented in a way that is accessible to the audience that will be using it. In presenting the data we should be clear who will be using it and what they will be using it for. In reporting performance information, some of the issues worth thinking about are:

- Can you use graphs or charts to make the main message from the data such as trends - more accessible?
- Are the limitations of the data clear? For example, are movements in the data significant?
- What contextual information will help to make sense of the data?

There are a number of other sources of information on presenting statistical data which may be useful⁸

Keeping the Performance information system up to date

6.11 Performance information systems need to be evaluated periodically to ensure they are still measuring what needs to be measured, and providing value for money in the way the measurement takes place, and the way the information is used.

6.12 Measures need to be kept up to date to take account of changes in circumstances both internal and external to the organisation. Changes might occur if priorities shift, if the demand for services varies, or if a particular programme has been completed. Changes or additional measures may also be necessary if the original measures are found to be flawed.

6.13 Technical changes may be needed if new methods of measuring the relevant performance become available; or if definitions or classifications change.

6.14 A balance needs to be struck between constantly re-specifying the performance measure to keep up to date with changing circumstances, and leaving the performance measure unchanged in order to assess progress on a consistent basis.

⁸ For example Plain Figures by Chapman & Wykes (TSO-1996)

7. SOURCE OF EXPERTISE

- 7.1** The previous chapters have given a brief overview of the sort of questions which lead to a good performance information system. However, each individual system and measure will provide its own challenges, and this is not the place to give advice on specific ways and dangers of collecting data. This chapter sets out who else it may be helpful to talk to.
- 7.2** There are several related initiatives to provide support for public sector bodies developing performance measurement systems. These initiatives draw on relevant expertise on particular areas and facilitate the networking of good practice. The main groups involved are:
- **the National Audit Office** who have created a Directorate of Performance Measurement to co-ordinate work on performance measurement in financial audits, reviews of central government bodies' governance arrangements, and in value for money studies. The Directorate makes sure that the advice and support given to Departments in the course of audit business reflects this breadth of experience. And the Directorate frames value for money studies to afford Parliament a view of progress in measuring performance, while aiming to establish and promulgate good practices. The Directorate can help central government Departments, Agencies and NDPBs with the development of sound and cost-effective performance measures and measurement systems.
 - **the Audit Commission's Centre for Performance Measurement** which is a focus for learning through action, bringing together managers in local government and the NHS, and developing strong networking links with academia, public and private sector organisations tackling similar issues. Staff from organisations who wish to explore performance measurement issues can be seconded to the Centre - to research particular issues or to build personal expertise. The Centre is well placed to deal with queries or research proposals from local bodies, or from others across the public sector who have interests in performance measurement of the local delivery of services.
 - the **Office for National Statistics** has a central unit which can provide advice on methods, and on quality assurance for statistical systems through central government. The unit maintains links with the academic community, and can advise on how data systems can be put on a methodologically sound basis.
 - these have been brought together by the Treasury in a **Performance Information Panel (PIP)** made up of experts from around government, including the Cabinet Office, the Office for National Statistics and the Treasury, as well as representatives from the National Audit Office and Audit Commission. The organisations included on the panel have experience of providing advice on the technical quality of Public Service and Service Delivery

Agreements, and commenting on the development of guidance for Spending Reviews. Where there is a demand the Panel will look to provide advice in other areas involving the application of information systems and measures. It will also try to summarise lessons learned on specific aspects of performance information in publications. The secretariat to the Panel will act as a central contact point for requests for advice which can be directed to the experts most able to help.

7.3 Further information on the above groups, with contact points can be found on the web at: www.hm-treasury.gov.uk/performance_info

Other people to contact

7.4 Performance measures can be based on a very wide range of data – from administrative data (how many people on a waiting list) to opinion surveys (are the public happy with a service). As such there is no single expert on the collection of performance information, but the following list is a suggestion of where to start:

- Specialists in Government, including accountants, statisticians, economists, social researchers, and operational researchers. The particular skills that are relevant will depend on the sort of thing you are trying to measure.
- In particular departmental statistical Heads of Profession, who should be able to provide statistical advice on measurement, data collection, and existing sources of data. Jon McGinty in ONS: 020 7533 6210, jon.mcginty@ons.gov.uk can advise you who your departmental Head of Profession is.

- The Cabinet Office can provide information on the roll of business planning and performance information in Modernising Government, and on quality tools.
- Other organisations providing similar services may have thought through similar measurement issues. This may include other local authorities, or similar central government departments in other countries.
- Academics may have worked on similar issues.

8. CONCLUSION

- 8.1** The framework for performance information is designed to help the public sector by setting out key concepts underpinning performance information practices across government.
- 8.2** In promulgating the framework we hope to encourage the development of a more substantial body of knowledge. The concepts outlined in the framework provide the guiding parameters for helping to build that knowledge. Accordingly, the framework is intended to be more enabling than prescriptive.
- 8.3** If it enables closer collaboration and cooperation between public servants around a coherent set of shared and commonly understood principles, then it will have been a success. A common framework sets a foundation for greater co-ordination and joined-up working within all levels of the public sector.

Annex I

Definition of key terms⁹

Aim

A summary of the overall objectives. The aim provides a vision statement that embraces the desired future that the organisation is working towards.

Economy

Relates to the cost of inputs being consumed. Economy measures can be used to indicate whether the right price was paid to acquire the necessary inputs.

Efficiency

Efficiency represents the relationship between outputs and inputs. Efficiency is the ratio of output to input.

Effectiveness

The extent to which outputs achieve the desired outcomes. Effectiveness measures are concerned with the strength of the relationship between a given intervention and outcomes.

Cost effectiveness (or Value for Money)

The relationship between the resources consumed and the outcomes achieved. Cost effectiveness measures highlight how well the costs of interventions have been translated into desired outcomes. Measures of cost effectiveness can indicate which set of interventions are best able to achieve the desired outcomes at the lowest cost. Ideally, cost effectiveness measures apply full economic costs against a clearly defined outcome.

Inputs

The resources that contribute to the production and delivery of an output. Inputs commonly include things such as labour, physical resources, and IT systems for example.

Objectives

An objective is a succinct statement of the key goal(s) being pursued over the medium to long run. Objectives reflect the key components of the intended strategy.

Outcomes

Outcomes are the impacts on, or consequences for, the community, of the activities of the Government. Outcomes reflect the intended results from government actions and provide the rationale for government interventions. Improving the health status of the population is an example of an outcome.

A distinction is sometimes made between intermediate outcomes and end outcomes. Intermediate outcomes are the more short term, easily measurable outcomes which result from an activity, whereas final outcomes are the longer term outcomes which may be harder to capture.

Outputs

Outputs are the goods and services produced by the organisation. Outputs are delivered to an external party (usually to the public either individually or collectively) and comprise the majority of day-to-day interaction between people and government. Outputs include things such as issuing licenses, investigations, assessing applications for benefits and providing policy advice.

Performance measures or performance indicators

A measure of how well a service is performing against its objectives.

A distinction has been made between performance measures – measuring performance against a robust

⁹ Further details can be found in 'Good Practice Performance Reporting in Executive Agencies and Non-departmental Public Bodies' HC272 1999 - 2000 and at www.nao.gov.uk/publications/vfmsublist/ufm_gen.htm

scale – and performance indicators - provide a proxy where it is not feasible to develop a clear and simple measure. This distinction is not consistently used, and the terms performance measures and performance indicators are often used inter-changeably. While the terms performance measure and performance indicator can be used in slightly different ways, 'performance measure' has been used in this paper to refer to both performances measures and performance indicators.

Performance standard

A given level of desired performance or minimum level of acceptable performance status to be achieved or maintained.

Performance targets

A performance target represents the level of performance that the organisation aims to achieve from a particular activity. A performance target may be a quantitative target such as sustained reduction by 5% over a stipulated period. Such targets should be consistent with the 'SMART' criteria.

NAO Performance information checklist

Good quality performance data	
Issue	Things to consider
Has the quality of performance data been considered?	<ul style="list-style-type: none">Are there established criteria or characteristics for assessing the quality of data? In designing and refining data collection systems have management;<ul style="list-style-type: none">taken account of the benefits and costs of different levels of data quality;considered the full range of data that are available from their management information systems;considered the benefits of using information which management rely on as part of their routine supervision and monitoring of agency activities? There may be stronger incentives in place to ensure the accuracy of such data;considered how the performance measure will be used by the agency?Different levels of quality may be needed if the agency wishes to monitor local as well as national performance.considered the views of other stakeholders, including ministers, departments and other agencies, who may wish to use data?
Has specialist advice been sought on the design of performance measures	<p>Have specialists been consulted on the construction of measures, which use formulae such as indices, the selection of samples, or the use of forecasting models? Have specialists been consulted about the behavioural and incentive effects of measures?</p>
Are there established performance measure definitions?	<p>Are there definitions for each measure including statements of what the measure shows and how data are collected? Are definitions communicated effectively to those involved in collecting, analysing, reporting and using performance information? Are definitions updated to reflect changes to performance measures?</p>

Issue	Things to consider
Is there clear accountability for performance data?	Has the agency agreed responsibilities for the key steps involved in collecting, processing, reporting and checking data?
Does management play an active role in ensuring data quality?	<p>Does management foster commitment to good quality data by, for example, providing incentives for staff to collect reliable data, holding managers accountable for data quality and providing technical and financial support to those involved in collecting data?</p> <p>Does management use its routine monitoring of performance data to help ensure data quality by, for example, seeking explanations of variations between out turn and target?</p> <p>Does management assure itself that performance measurement systems are operating effectively and consistently?</p>
Are there effective controls which reflect the type and source of performance data?	<p>For data collected through the agency's own systems, have controls been established and operated over:</p> <ul style="list-style-type: none"> ● initial capture or recording of performance data; ● processing and aggregation of performance data; and ● monitoring of the quality of data undertaken by management, internal audit and others? <p>For data collected through surveys, have experts been consulted about the use, design and application of survey techniques?</p> <p>For data collected from external sources, has the quality of data been established by, for example, confirming:</p> <ul style="list-style-type: none"> ● the original purpose of data collection; ● whether the external party is a recognised provider of data; ● and the quality controls exercised by the external provider?
Have the benefits of validating performance data been considered?	<p>For each of its performance measures, has management considered how it could validate recorded performance and the benefits that this would provide to the agency and external stakeholders?</p> <p>Have the options for validation including using internal audit, the parent department's internal audit or the NAO been reviewed?</p>

Presentation of results

Issue	Things to consider
Does the annual report present information clearly?	<p>Has Cabinet Office guidance been followed in pre performance sending performance against key Ministerial targets?</p> <p>Has the best use been made of diagrams, for example, to show trends over time?</p> <p>Where diagrams are included in published reports are these reviewed to ensure that they meet good practice?</p>
<p>Does the annual report present over time?</p> <p>Does the annual report explain performance measures?</p>	<p>Where measures have been revised, does the report performance explain both the change and the impact on recorded performance?</p> <p>Does the annual report give information so that the reader can understand:</p> <ul style="list-style-type: none"> the broader environment surrounding an agency's activities including those factors that influence an agency's inputs, outputs and outcomes; the performance measures and related terminology; the level of performance achieved and evaluate the significance of underlying factors that affect reported performance; and actions that have been taken or are being taken to in response to reported information, particularly for unexpectedly high or low performance?
Does the annual report describe the quality of data?	<p>Does the annual report inform readers about the quality of performance data? For example, does it explain:</p> <ul style="list-style-type: none"> sources of data collected by external parties; actions taken by the agency where data is unavailable or poor; survey methodologies; and the approach to validation

Key Resources

National Audit Office Publications

National Audit Office web site www.nao.gov.uk

National Audit Office guidance, including guidance on performance measurement, is on their web site at: www.nao.gov.uk/guidance/index.htm

The National Audit Office report 'Measuring the Performance of Government Departments' (HC 301-2000-01), contains examples of how central government departments have approached performance measurement in the context of Public Service Agreements. This report and 'Good Practice Performance Reporting in Executive Agencies and Non-Departmental Public Bodies' (HC 272 1999-2000) can be found at: www.nao.gov.uk/publications/vfmsublist/vfm_gen.htm.

Audit Commission Publications

Audit Commission web site: www.audit-commission.gov.uk

Aiming to Improve – the principles of performance measurement

www.audit-commission.gov.uk/ac2/NR/LocalA/mppperfm.pdf

On Target – the practice of performance indicators www.audit-commission.gov.uk/ac2/NR/LocalA/mp_target.pdf

Getting better all the time - making benchmarking work www.auditcommission.gov.uk/ac2/NR/LocalA/mpgettin.pdf

Listen Up- Effective Consultation

Treasury Publications

Treasury website www.hm-treasury.gov.uk

Spending Review 2000 pages, with Public Service Agreements and Service Delivery Agreements:

www.hm-treasury.gov.uk/sr2000/index.html

Spending review 2000 guidance (only accessible to those with GSI access).

www.hm-treasury.gsi.gov.uk/psd/sr2000/sr2000.htm

Cabinet Office Publications

Cabinet Office web site: www.cabinet-office.gov.uk

Best practice guidance on consultation:

www.cabinet-office.gov.uk/service_first/index_consultation.htm

The Public Sector Benchmarking Service (developed jointly by the Cabinet Office and HM Customs and Excise)

www.benchmarking.gov.uk/

National Statistics

National Statistics web site: www.statistics.gov.uk

The Framework for National Statistics and the initial scope of National Statistics:

www.statistics.gov.uk/ns

[base/about_ns/Understanding.asp#Key](http://www.statistics.gov.uk/ns/about_ns/Understanding.asp#Key)

ONS work on Neighbourhood statistics, following Social Exclusion Unit PAT 18 report:

www.statistics.gov.uk/ns_base/neighbourhood/default.asp
Statbase, an on-line database government statistics:
www.statistics.gov.uk/statbase/mainmenu.asp

DETR – local government

More information on the local PSA pilots
www.local-regions.detr.gov.uk/propilot/index.htm
The Best Value site on the DETR web site.
www.local-regions.detr.gov.uk/bestvalue/bvindex.htm

Accounts Commission (Audit Scotland)

Accounts Commission website:
www.accounts-commission.gov.uk

Getting to know your services: A step by step guide to developing and using information portfolios to monitor and report performance - the publication is aimed at senior and middle managers in council services.
www.accounts-commission.gov.uk/publications/pdf/01m02ac.pdf

Other sources

The Chartered institute of Public Finance and Accountancy
www.cipfa.org.uk

Choosing the Right FABRIC - A Framework
For Performance information
March 2001

