

Table 3
Examples of Transactional Level Consultation by one Local Authority

Area 1: Perception of council and communication with residents			
Service	Percentage	NI average	Target 2003
Provision of good information	59	51	Top quartile
Responsiveness to needs of local people	43	41	Top quartile
Good communication with residents	44	39	Top quartile
Fair treatment of all local people	72	69	Top quartile
Consultation about budget expenditure	32	32	Top quartile
Area 2: Staff training and communications			
Indicator	Progress	Indicator	Achieved
Improve internal communications with centre	Hold weekly management meetings with staff	Actioned	Achieved
	Meet all staff via full staff meetings every 12 weeks	Actioned	Achieved
	Ensure core brief and local brief is communicated to all staff	Actioned	Achieved
Area 3: Community relations			
Objective	Projects measures	Performance results	Performance
To ensure that all Council decisions on the design and delivery of services adequately consider the potential implications for: people in different racial groups and people from different cultural traditions	Introduce/implement a policy which ensures that these considerations are taken into account in the design and delivery of all council services and the design and use of all council amenities	Formal documentation of procedure Evidence of its acceptance with Council Evidence of its regular and appropriate use within Council	Programme sponsored Popular Belief Exhibition Grant to aid community forum with appointment of borough ethnic minorities co-ordinator
To support and advise locally based projects, which encourage a positive awareness of difference and diversity both between and within communities	Work in partnership with others to initiate and support projects that: challenge negative stereotypes which sustain division and conflict and explore identities and culture in a manner, which promotes inclusive division and debate	Composition and representativeness of the partnerships formed/enabled to discuss these issues Number of projects initiated by this partnership	Council has engaged Counteract to research the continuing issue of the protestant communities feeling of lack/loss of identity

Source: Ballymena Borough Council (2002)

Performance Measurement in the UK Public Sector: understanding performance indicators

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Abstract

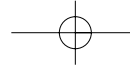
Performance measurement has over the past 20 years become an important aspect of service delivery and assessment in the UK public sector, not to mention its impact on the political platform as a means of either advocating success or conversely as a means of highlighting failures against expectations. The development of performance measurement and its related target setting and resulting indicators is an area that is full of expectations, disappointments and impacts on the service provider and recipient. This paper looks at the background to the current state of play in performance measurement, the new initiatives that have been introduced to assess performance, a review of the literature and illustrative examples consider how performance measurement has been interpreted and used. The role played by audit in this assessment process is outlined and considered in terms of its responsibility in providing the assurances that are inevitably required when any form of service delivery is reviewed under the remit of displaying accountability. Examples are used to illustrate the issues highlighted and discussed in terms of the criteria for setting targets as well as the behavioural implications attached to the interpretation of expectations and results. Finally, the potential for research for undertaking a comparison of performance indicators and their impact on perceptions and provider reactions is considered.

Introduction

The U.K. Government has consistently over the past decade placed greater emphasis on performance indicators as a means of displaying accountability within the public sector. Performance Indicators and preset targets are used to measure the efficiency and effectiveness of organisations in meeting their objectives. Performance is measured against specific output targets, financial targets and activity levels that must be met during the financial year. Inputs, outputs and impacts are subjected to measurement in order to indicate activity and performance.

As a backdrop to the introduction of performance measurement it is worth mentioning the legislative developments, environmental, cultural and social impacts that have contributed to its elevated position. Local government in particular has come a long way since the inception of the Poor Law Act of 1834 and the Municipal Corporation Act of 1835, the structure and nature of service delivery and management has developed to a degree that there is very much a sense of expectation as to the level and quality of service provision. Greater public awareness and interest in public sector management, has led to a greater degree of involvement from individuals. This has stemmed in part from the demands for greater financial contributions that are placed on the fund contributors, which in turn has led to greater expectations of accountability. Similarly greater demands on the provision of public sector services, has meant that service providers have to ensure that all the resources utilised are providing value for money in terms of efficiency, effectiveness and economy. These factors have placed performance measurement at the forefront of information source for evaluating and assessing the use of scarce resources.

Devolution has contributed to the process of accountability where the Welsh Assembly and Scottish Parliament now have a forum from which regional issues can be debated at a regional level. Performance of the local services may be under a watchful eye but so are the devolved governments. On an organisational level, decentralisation and budget delegation allowing low level cost centres to take control of their budgets has created a need for additional management information in order to maintain control and awareness of events, activities, outputs and impacts. Both devolution and delegation have increased awareness and the need for information that stems from performance measurement. The increased use of information technology not only revolutionised the way services were delivered but also changed the approach to record keeping and the management and audit functions. The emergence of timely management information systems have enabled both advisors and decision makers to identify crisis areas and introduce remedial action far quicker than would otherwise have been possible. This has increased not only



volume of information available but also the demand for more accountability by the very fact that supposedly the information can be accessed by the electorate.

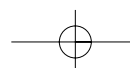
The emergence of pressure groups on a local and national scale has meant that issues ranging from local groups campaigning for city centre bypasses to the Green Peace fight on environmental protection have put performance on the debating platform. Private sector mirroring has resulted in the creation of internal markets, and market testing. While privatisation and the introduction of the Public Finance Initiative has resulted in a need for greater awareness on how to manage projects, the need to undertake risk management, and the need to take account of the resulting impact of the public private merger on projects. All of these rely heavily on the use of performance-related statistics and results in order to evaluate and support decisions.

Government cutbacks on funding to local and centrally funded government bodies, has resulted in greater pressures for service provision at a local level, such as the care in the community where certain mental health service provision has shifted from the health sector onto the local government sector. Inevitably this has been at the expense of other services which had placed the need to review performance based on indicators and targets as a means of reallocating funds.

Local government saw the introduction of performance measurement as a legal requirement in 1990, when the Audit Commission was given a duty to draw up a list of indicators for measuring performance of local public sector services. The first list was published in 1992 after local authorities were required to derive, have audited and publish a series of performance indicators set by their external auditors on behalf of the government. Local government reorganisation of 1996 had as part of its remit an objective to streamline the operation and decision-making structure for services to be provided at the most effective and efficient manner, this in turn would be assessed via performance indicators and the meeting of targets. This process was intensified by the introduction of Best Value in 2000, where under the best value regime, local authorities were required to demonstrate the achievement of value for money and continuous improvement in the quality of service provided to their customers.

The Comprehensive Performance Assessment, and Programme for Improvement in Wales superseded the Best Value regime and is designed to be more of a self assessment process for service delivery and improvement. The process is still subject to Audit Commission review but emphasis now falls on corporate performance instead of an evaluation of individual services. Performance is the key to greater financial freedom, 'where the resultant assessment (is used) as a basis for rewarding good performance and identifying substandard performance by focusing on outcomes rather than just inputs' (Seal and Ball, 2003).

Central government's decision to create Executive Agencies in 1988, to run its departments and business units where practicable within agreed policy and resource frameworks, also placed a heavy reliance on performance measures and target achievement to assess results. The idea of an Agency was to improve efficiency and quality of service based on the theory that by relating outputs to the costs involved, managers could make better choices. By setting out in advance the expected achievement plan the subsequent review and evaluation should, at least in theory, be improved. It was also deemed a means of displaying more accountability in terms of public expenditure. This is questionable when 'the targets themselves are bewildering in their range, with no need for comparison between agencies a free hand is permitted', (Warman and Davies, 1995). Ten years on the theme of reforming service delivery and undertaking an assessment based against preset targets was part of the 1998 document Public services for the future: modernisation, reform and accountability. Again, lists of targets were identified for Whitehall and service providers to meet, these original targets however very often have a short 'shelf life' and can become 'curiously dated' (Travers, 2003).



The value of performance measurement

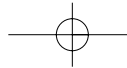
The introduction of performance indicators for comparison can be viewed as an incentive to government to take stock of how well a service is provided and the creation of benchmarks for year-on-year improvement all adds to the objective of better service provision. In a democratic society, where every citizen has the right to know how public funds are spent, this concept of informing the public on how government manages and spends public money via published performance indicators has become an annual league table review. The Audit Commission published an annual schedule of performance indicators that are used to highlight good and poor performing service providers. It is not only the auditor who uses these indicators to assess whether the organisation has matched up to the criteria of economy, efficiency and effectiveness. These performance indicators are published in the annual financial statements, in the national press and often form a platform for pressure groups to compare service provision. They are regularly used by the media to highlight areas of poor provision, and very often on a selective basis without explanation to the public on other underlying factors that are not readily identified from the indicators. Benchmarking and charter marks are based on the best performance achieved by similar organisations thereby establishing goals for the visible improvement of efficiency and effectiveness. Organisations tend to use these as a means of indicating their worth to the public. Public sector organisations are only as good as last year's performance and this may or may not be as good as the neighbouring authority, health Trust or similar organisation.

The Audit Commission's perspective on performance measurement value is summarised as:

If you don't measure results, you can't tell success from failure.
 If you can't see success, you can't reward it.
 If you can't reward success, you're probably rewarding failure.
 If you can't see success, you can't learn from it.
 If you can't recognise failure, you can't correct it.
 If you can demonstrate results, you can win public support.
 What gets measured gets done.

This however can be questioned on the basis of how well results are measured, are the figures and results accurately documented, and are there ulterior motives linked to the way the results were collated or recorded? When it comes to 'seeing success', who will see this success and will they be in a position to assess the success? How will the result be rewarded, will there be an incentive to record success in order to receive monetary rewards? Performance-related pay based on a successful service result can be subject to manipulation or misinterpretation of the results. Public sector services are not always easily categorised into success stories, as there may be a long lead time before any successful result is achieved, measuring over one period may not therefore be appropriate. While demonstrating success may be the primary objective where only positive performance is highlighted or predominantly sighted without consideration for the other indicators or failed targets, rendering performance results being used selectively for specific ends. If the adage 'what gets measured gets done' is true, there is the potential that services or activities that are not measured may not get done at all, or services may be focused only towards those measured at the expense of others.

The Chartered Institute of Public Finance and Accountancy (CIPFA), the public sector accounting body, has identified how performance measures can be used both internally and externally to enhance accountability (CIPFA, 2000). Internally they can be used to aid policy making, planning, budgeting, improving quality service provision, monitoring economy and ensuring equity in the distribution and access to service delivery. External performance measures have many uses and benefits in allowing the comparison of output or performance against targets for previous years or similar organisations. They can be used to highlight areas of public interest or relevance, identify trends over time and assist in the development of benchmarks, norms or targets. The effectiveness



of performance measurement in these areas does however depend on the reliability of the data, on who collected the data, and how the end result was presented and interpreted.

The value of performance indicators therefore is not only that of displaying accountability, but also that of playing an important role in the overall management of the organisation in terms of the planning, development and policy making process. The measurement of performance is an increasingly important part of the management of public services, and intrinsic to performance management approaches. The measurement of units of production and activity has progressed from the measurement of outputs to the measurement of outcomes, and this is now a focus of performance in public services. It has moved on from the cost of teacher and overheads per pupil, to the amount of time spent in exam preparation, to the number of GCSEs passed and the numbers going on to higher education or obtaining jobs. Measuring outcomes for the well-being of society or economy, or quality of life is more difficult and relies on an underpinning of well regarded research and theory. Nevertheless as governments at all levels seek ways of demonstrating that public money has been put to good use, and as the demands on public money and public services are increasing then the emphasis on performance continues to increase in order to display improved service provision.

The pursuit of accountability requires something 'firm' upon which to fix judgements, some kind of evidence that responsibilities and aims have been met. The following are examples of the range of measures that yield evidence about activity levels. Attached to each one is a comment on how revealing the result is about performance, based on the information that is not provided.

Inputs – e.g. staff numbers per establishment, and level of expenditure. There is no indication as to additional problems that staff may face that require the additional inputs. Recruitment of specialist staff may prove problematic in some areas and may only be rectified with increased salary offers. Comparing the number of housing benefit officers within neighbouring local authorities may indicate varying numbers but may not take into consideration the fact that staff have been 'poached' from one authority to another by incentives over and above the norm. Using numbers in isolation does not always provide useful information.

Outputs – e.g. quantity of service provided in terms of hours of home care. There is no indication of the extra service that could be provided if more staff could be recruited. This is often the case in rural areas where the demand for home care cannot be met due to a shortage of staff.

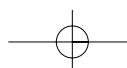
Quality – e.g. percentage of household waste collections missed. The percentage figure does not indicate how many householders failed to put out the household waste on the correct day or time.

Speed – e.g. percentage of emergency housing repairs completed within 24 hours, is subject to interpretation of what constitutes an emergency repair, and whether a repair is deemed to be only a temporary measure or a full repair.

Efficiency – e.g. cost per person in residential care, does not take into account external factors of special needs for equipment and diets.

Outcomes – direct measures of the achievement of service objectives, e.g. to educate children, these are subjective in terms of results as even with examination results the size of classes and quality of teaching staff is not taken into account. One local authority in England during the lead time to summer 2003 examinations opted to try to improve their ranking for GCSE results within the authority by paying pupils to study. Those pupils who had the potential to succeed in their GCSEs were given a monetary incentive and additional help with their studies. The question to ask is whether the objective was to increase the pupil's potential for success or that of the school's examination success in terms of the league tables.

Consumer satisfaction – e.g. the percentage of users satisfied with a service, this is very subjective as what may be considered satisfactory to some may be deemed to be excellent by another. A relatively low level of service may be deemed very good when compared to no service at all.



Equity – e.g. the percentage number of public buildings that provide special access ramps for the disabled, some buildings by their very nature may be accessible by the disabled and may not require the special access ramps, they however will fall outside the performance indicator rating.

Targets – e.g. achieve a 6 per cent annual rate of return, this begs the question why 6 per cent, and whether it should be subject to review.

Comparative data

Although some public sector organisations have provided information such as unit costs (for example, per tramway mile and per pupil) since the nineteenth century, the dramatic increase in the amount of information published by the public sector has occurred since the early 1980s. This is where the providers and governors of public sector services have attempted to give assurances about the validity of their expenditure. This has been achieved through the use of statistics, cost comparisons and through value for money audits being a part of the public auditor role.

To determine the standard to set for a given performance measure or indicator it is useful to make comparisons against a like activity or organisation. There are four main performance comparators. Those that are set against targets that may be determined internally or externally, those that are assessed over time, usually over a period of a year, those that are set against comparable organisational units, and finally those that are set against benchmarks. Comparisons against benchmarks assess the performance that should be expected by adoption of best practice standards built on rational argument and professional judgement. Benchmarking substitutes measures with absolute standards. A basic comparison between organisations is expenditure levels. This includes data that is capable of being measured in financial terms such as unit costs. Unit costs have several uses as performance measures for evaluating services, they can act as an aid in the setting of prices for other providers, they can be used to compare prices and costs for purchases, and can be used to establish realistic criteria on which to invite tenders for goods and services.

The use of comparative data can act as a confidence booster for organisations and managers in terms of reaffirming that they are doing the right thing at the right price whilst also meeting organisational objectives. Organisations must however be satisfied that they are comparing like-with-like, and not using comparative data to display themselves in a positive light by using results selectively. Comparative indicators based on inter authority, per school or hospital, whilst in name is of a similar nature, there can never be a true identical organisation to compare like-with-like and the comparison must therefore be read with that knowledge in mind.

Characteristics of performance indicators.

If accountability and the provision of a worthwhile service represent the basic requirements of any public sector organisation then the performance indicator is an important element in the equation, Davies and Shellard (1997) ask the questions:-

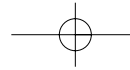
- *What exactly does an indicator or meeting a pre set target tell the reader about the service?*
- *Can meeting a goal or target in itself be regarded as adequate proof of the provision of a worthwhile service?*

The NHS waiting lists are regularly recorded as indicators of poor service, while meeting a target can indicate success, but neither will tell the reader about the treatment received whilst in hospital.

Davies and Shellard also discuss the characteristics of 'good' or worthwhile indicators by questioning how, when, and why indicators are established in the first place. Their questions seek to establish the reasoning behind the establishment of the indicators and their impact on service delivery:

- *How were the targets and indicators set?*
- *Who was responsible for setting them?*

Unfortunately it seems that 'no efforts were made to agree the individual targets with those actually running services. When faced with public questioning about how the initial targets were set,



ministers and officials agree that many were simply plucked from the air' (Travers, 2003).

- *When were they set?*

Some of the original targets have a curiously dated look to them. For example, a 1998 concern with domestic burglary and car crime seems more than a little quaint against today's backdrop – just five years later – of gun crime and international terrorism. Others, such as a Home Office target to reduce access to drugs for people aged under 25, look wide-eyed and naïve' (Travers 2003).

- *Is there provision for reviewing and monitoring the process of setting indicators?*

The Audit Commission has an input into confirming the information supplied for performance evaluation under its audit role, but how much influence does it have in the process of setting targets is debatable.

- *What will be the behavioural impact upon the managers and personnel involved in meeting these targets?*

The temptation to under record or exaggerate results may override the reality of data accuracy, while the pressures of meeting targets may jeopardise the quality of certain aspects of service provision.

- *What will be the short and long term implications on performance, if activity merely revolves around achieving targets?*

When indicators revolve around a time frame of normally one year for comparison purposes, the longer term implications can easily be missed.

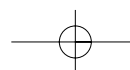
- *What are the factors that need to be considered when interpreting indicators?*

The interpretation of indicators often carries a 'health warning', and just as there are plenty who are not immune to ignoring 'health warnings' in their normal lifestyle, and end up with major health problems in later years. This is surely also true of indicator interpretation, failure to read the warning signs can lead to problematic service provision.

If performance indicators are to fulfil their expected role and yield positive answers to the above questions they need to possess characteristics of consistency, measurement, focus, and be challenging and capable of verification. The consistency characteristic may be viewed in terms of indicator information as indicators that are used to monitor and assess progress from year to year need to have a framework that recognises any changes in the way they are measured and the way that services are provided. Any such changes will alter the comparison level, and render any results meaningless. Adjustments may have to be made or differences accommodated in the indicator interpretation, although this can render any comparison subject to mistrust and manipulation. Examples of how performance indicators can be affected can result from very simple factors such as the change in the mode of service delivery, e.g. manual to automation, to complex external influences such as changes in legislation and social attitudes. In establishing a system for measurement, the target requirements need to be fully understood by both management and officers alike, in order to ensure that there is no opportunity for an alternative interpretation. This should eliminate those targets that may not be achieved or where some 'easy' options may not truly reflect performance. For maintaining a strong focus it is important to place the appropriate emphasis on the key areas and maintain the focus, otherwise too many indicators will cloud the issues and nothing will be achieved in terms of meeting target measurement. The resulting data will render the indicator meaningless and be misleading while nothing is actually achieved in terms of the measurement. Indicators will need to be subject to annual review in order to remain challenging but achievable. The Audit Commission constantly comments on this need for annual review. Finally, the requirement for an independent audit and verification is the key to retaining credibility. The fact that the data is subject to independent review adds to the accountability and assurance aspect of how much trust can be placed on the resulting information.

The potential for misunderstanding and misinterpretation.

Once indicators become part of an organisation's activity measure, the source data used has to be carefully chosen in order that it does not become misinterpreted. An awareness of issues outside

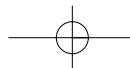


the financial arena is also an important factor. The Housing Corporation report (1995) illustrates this, where social housing performance indicators from Local Authorities and Housing Associations are compared. Differences in the type, size and turnover of housing stock are highlighted as having an impact on re-let intervals, maintenance and management costs. This is reaffirmed by Tai Cymru (1997) the government body that controlled Housing Finance in Wales, in its guide as to how well associations were performing. Two tenant related indicators selected from the 12 indicators used by Tai Cymru, namely, the time taken to re-let empty properties, and the proportion of emergency and urgent repairs completed within target times (within 24 hours and 5-7 days) are used to illustrate the potential for misunderstanding. (Appendix A sets out the data).

Information not immediately identified from this table is that the target completion times for emergency repairs vary between 4 hours and 2 days, while difficulties in re-letting a small number of properties can have a marked effect on the average re-let time for a small Housing Association. As with all performance indicators therefore, they need to be read with caution. For example, the percentage of emergency repairs in target time for Cadwyn and Glamorgan and Gwent are on par, but they operate in different areas with different profiles. Cadwyn is located in Cardiff, and has to provide city living for key workers who cannot afford their own place in a booming economy. While Glamorgan and Gwent operates in the South Wales Valleys where there the problem is that of an overhang of unfit properties from a past industrial era. Definitions are also a problem as each Housing Association has its own definitions, e.g. of repair category. There is a need to standardise definitions and reporting throughout an industry to make any sense of these indicators, but establishing standardised definitions and reporting structures is not an easy task when every organisation has its own distinctive characteristics and features. Housing Associations in Wales have moved on since 1997, their targets are now established by the Welsh Assembly Government, and whilst some of the indicators seem only to make sense to the WAG, the Associations themselves make an effort to convey the results to their tenants through various means. Probably the most effective is that of news sheets that outline performance results with 'happy smiling faces' for the areas that have improved and a 'sad face' where the targets have not been met or have slipped from previous years. How effective this method is when changes are so minor in relation to the overall picture is debateable, for example one Cardiff Housing Association identified that its rent collected as a percentage of rent collectable was worse in 2002/03 than the previous year, as the percentage had dropped from 98.6 per cent to 98 per cent. This in itself may not seem very serious in terms of percentages, however the key to this is amount of rent not collected as well as the fact the range for all the Cardiff Housing Association ranged from 98 per cent to 99.5 per cent. This made this particular Association bottom of the table for rent collection, but as a contrast the percentage of tenancies in arrears showed this particular Association the best performer with 30 per cent as compared to a range of arrears from 30 per cent to 70 per cent. This Association therefore is 'best' and 'worst' in terms of two specific indicators; does it mean that on average it is performing well?

Shortcomings of performance measurement, targets and indicators.

The government itself recognises that performance measurement is subject to a health warning. 'If some performance data are so unreliable that they cannot withstand scrutiny, it is questionable whether they are worth disclosing unless they carry a suitable 'health warning' for the benefit of those who otherwise might rely on them' (UK Government Report, 1996). Performance measurement enables the identification of good and poor performances, and helps indicate operational improvements. Devolved spending authority, improved incentives, better information, greater accountability and the use of cheaper private sector suppliers will all contribute to economy, efficiency and effectiveness (Jackson, 1995). In spite of the usefulness of performance indicators, they do have limitations. The measurement of performance through indicators to inappropriate areas may be a waste of resources. To specify which areas are inappropriate is not easy, but two general conditions are relevant: performance indicators are not helpful and may be harmful when

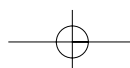


there are no clear measures of output, and when goals to be achieved cannot be easily identified (Lapsley and Mitchell, 1996).

In order to avoid falling into the 'health trap' the whole picture needs to be considered not just certain aspects. This takes into account the corporate objectives as a whole not just the individual departmental objectives. The Treasury is set to scrap more than a third of its targets for Whitehall departments amid claims that they were confusing and not taken seriously by senior officials. The move follows complaints about conflicts between targets and performance indicators set by the Treasury, Downing Street and the departments themselves. The number of targets has already been cut from 512 in 1998 to 160 in 2000. 'We have targets set by the Treasury and then the prime minister makes a speech and suddenly we have different targets,' said one official involved in the spending talks. 'There is a temptation to ignore the targets, because they are often vague and don't match the political priorities of the moment (Ryan, 2002).

Interpretation within the correct context is vital, as the very reason for utilising the published information is to influence, inform or undermine other information. Reporting is subject to the way in which the source data was collected and analysed, this also depends on the remit of the report writers and the accessibility of the source data, which in itself may be subject to interpretation. Meeting targets does not automatically indicate good performance - the targets may not have been set at an appropriate level in the first place, instances of moving targets and changed circumstances can render the original targets meaningless in terms of increased efficiency. When Companies House experienced a lower level of activity it still had as its goal the same target for processing enquiries and filing returns as when activity was higher. 'In Companies House the target is to provide a two hour search service for customers. When the overall workload for the year was 4% below forecast and searches down by 1.9% the two hour search service becomes an achievable target without any great effort' (Warman and Davies, 1995). Achieving the target became relatively easier and seemed to indicate increased efficiency. Meeting targets year-on-year may not be a true indicator unless the targets used are consistent or take into account changes in activity levels. Not all indicators are audited, and therefore their reliability and the assurances they carry may be suspect. The changes that occur in organisational status, activities, or management structure are not reflected in indicators. The NHS Confederation policy director, said the performance assessment system was retrospective and did not take account of whether trusts were already improving. Nor did it investigate the complex and often long-term reasons for failure. Also, there was no transparency in the way the indicators were selected, and the assessment criteria were subject to last-minute changes. He added that the quality of the data used was poor and did not take into account the views of either staff or patients (Ward, 2002). There are behavioural implications attached to performance target-setting and goals that can be detrimental to the objective of performance measurement, as well as causing undue stress on the workforce and management involved. As Steve Bundred (2000), Chief Executive of Camden London Borough Council, has stated, 'in councils where services have been labelled as 'unlikely to improve', senior officers are reporting that the impact has been hugely demoralising to staff'.

If a standardised review and interpretation approach is employed such as a management checklist this can in turn have its problems which can be broadly categorised as, ambiguity, displacement, omission, and conflicts. Ambiguity, where there is no satisfactory definition of output, for example, the visible improvement in the populations health cannot be attributed to changes in medical practices solely, better living conditions, better employment conditions and better education can all contribute to a healthier nation. Displacement is where management will focus on performance indicators where the quantifiable aspects of service delivery receive most attention. Aspects of delivery that have a subjective nature to their provision, in terms of quality are often avoided. Omission occurs when the targeting of a few key indicators may have the unintended consequence of the omission of other significant indicators. Conflicts take place when the collision of public



service ethos with accountable and commercial management ethos may not always lie side-by-side in an amicable manner; profit motives and effective public sector service delivery are not in the same category of management strategy. Joined-up service delivery problems of conflicting targets, where particular care has to be taken for the development of services in the joined-up domain (where local government and health providers link up to provide services). 'There is a real danger that the targets set for individual service providers will work against them carrying out joint projects. Public auditors will need to pay particular attention to the coherence of performance measurement in these areas and could have a vital role to play in identifying any such dysfunction' (Williamson 1999).

When it comes to the workforce who have to deliver these services, performance targets that are set by managers with no input from other personnel, can lead to less job satisfaction along with the possible loss of motivation. This approach is in direct conflict with the intention of best value, where the intention was to unleash potential for innovation and responsiveness in order to promote continuous improvements in local service standards. If performance indicators are to act, like budgets, as a technique to control costs and raise standards through people, then as such everyone in the organisation feels their impact. Stakeholders today demand value for money and expect public sector organisations to provide this, the organisations therefore aim is to achieve economy - by spending less, work efficiently, - by spending well, and be effective - by spending wisely. This they hope to achieve through applying best practices in both the management and delivery of services. However the three "E's" approach is a very complex system and can be difficult to implement and just as difficult to measure. It has been seen to shift blame and increase pressure on individuals. It shifts blame by concentrating on an individual's effort and not on a holistic view. It increases pressure on individuals where it can cause budget holders to adopt a "watchdog" attitude that leads them to work in direct conflict with other departments by "picking holes". All of which can cause ill feeling within an organisation.

Studies of human relations agree that most people want to feel a sense of achievement in their work. The meeting of pre-set goals gives a feeling of success but the failure in meeting these goals could result in loss of interest at work, the lowering of their standard of achievement, loss of confidence and a tendency to give up quickly. In addition there may be a fear of change, a reluctance to accept new working methods or jobs, or where there is an expectation of failure. While loss of concentration - escaping from this "expectancy of failure" by daydreaming, experiencing difficulties in working relationships, an "out of their depth" feeling, and a tendency to blame others can all stem from the demands of meeting goals.

As an example, the education sector illustrates this aspect of de-motivation. Some schools will naturally perform less well than others will, this however is not necessarily to do with bad management but can be due to the lack of resources within the school. This means it is much harder for schools to obtain targets, that in turn can lead to de-motivation. Being at the bottom of the schools league table may lead to teachers becoming de-motivated to achieve the targets set. If targets are set too high and unrealistic, they become unattainable. Some teachers may feel aggrieved if others teachers' targets are much easier to achieve but gain the same rewards as them. In the same context teachers may also feel aggrieved if others teachers' rewards are greater for achieving the same level of targets as they achieve. This is where an argument for the merits of performance measurement can be used to display its ability to clearly communicate and reinforce messages about what is important in the organisation and to engage people in aligning to objectives. It can also promote learning as managers sift through performance data and discover pockets of excellence and weakness, where more information about what works and doesn't is used as a training tool between trends and relationships. If set correctly they can provide incentives for improving performance, and can be used as measurements to evaluate continuous progress. People will be motivated to achieve targets if there is a reward or incentive to achieve this target, this could come in the form of bonuses or pay rises. Targets can lead people to believe that they have a meaningful job, i.e. that the work place has a reason and they are contributing to the overall

success of the organisation. For example targets can work well with staff who have a strong need to achieve, due to the fact that meeting targets will lead to achievement. Linking rewards and incentives to performance can mean that staff will strive to meet targets due to the chance of promotion. Targets can also lead staff towards job satisfaction, as achieving them could mean they have helped provide a worthwhile service.

It can be extremely demanding for managers when they have to meet strict targets. This can often lead organisational or divisional managers into uncharacteristic behaviour and push them into making bad decisions. There is the danger that an authority or public service can skew its main priorities towards meeting artificial targets and away from solving real problems. Strict adherence to achieving the performance targets set from the agreed performance indicators should not become an end in itself. The performance indicators should not exist in isolation, but should be used in the context of the integrated system of planning, budgeting, objective setting, monitoring and control. Where PRP (Performance-Related Pay) is in existence then managers will have a greater incentive to meet pre-set targets, and in some cases will do whatever it takes in order to do this, again moving away from the real issues. Performance-related pay schemes may encourage false reporting of achievements, as the National Audit Office (1995) evaluation of performance in the Meteorological Office Executive Agency illustrates. The NAO identified how performance target achievement was the basis for a performance-related pay when on audit the reported target was not actually achieved. Finally in order to make it appear that public services have actually met the required targets, managers may manipulate figures and distort information. The 'adjustment' of waiting list within the health service is a well known area where controversy has arisen as to the true meaning of the data supplied.

The audit of performance measurement

The creation of public sector audit bodies in the format of the Audit Commission in 1982 and the National Audit Office in 1983 provided a formal structure to the external audit function of central and local government. Both the National Audit Office and the Audit Commission have a remit to audit performance. The 1990 Local Government Act charged the Audit Commission with three tasks:

- To specify a set of national performance indicators for local authorities (councils, police and fire services, waste disposal and parks authorities);
- To arrange for the information to be audited by local auditors;
- To make appropriate comparisons of performance between authorities and over time.

Following annual consultation with local authorities and with national and voluntary organisations, the Commission specified a set of indicators each financial year from 1993/94 onwards. The Commission increased the range of local authority services covered by these indicators each year - by 1999/2000 there were in total 240 Audit Commission performance indicators (ACPIs). While many of the Audit Commission indicators could be characterised as input or output indicators, others highlighted efficiency and effectiveness. After validating the data with auditors, the Commission then published each year a range of reports with comparative data. In general, these included compendia of data on all indicators for English councils, for Welsh councils, and for police and fire services. The Commission produced other reports on services areas such as education and environment, and also geographical areas such as London. These reports stimulated considerable interest from the media and subsequently from members of the public.

The Audit Commission has revolutionised the audit approach from that of merely imposing a probity or 'voucher-bashing' audit to that of a sophisticated audit embracing a management, consultancy and advisory role. 'Reports in the public interest' in local government published by the external auditor have increased significantly in the last five years resulting yet again in the demand for greater accountability, openness and reliance on the auditor to provide assurances. Members of the electorate are no longer tolerant of poor management and corrupt activities within the public sector and use performance indicators to support their claims. Far more people are willing to express their

views publicly and express their concerns by voting against the offending councillors at the next local election if corrective action is not undertaken at the time when issues arise.

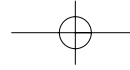
The National Audit Office's remit is that of helping the nation spend wisely, and its work aims to put forward constructive ideas and recommendations that will help government departments and executive agencies to achieve better value for money. The Treasury's report on 'Executive Agencies: A guide to setting targets and measuring performance' (1992), clearly sets out the measures covering financial performance, output, quality of service and efficiency. The NAO operates under its role as monitor of the delivery of public services including performance measurement. This is undertaken in line with its own published guideline of 'The Audit of Executive Agencies', (1991), where performance against key financial targets is audited and compared with the previous five years. Other performance measures used as a basis for performance related pay or bonuses were also subject to audit and validation. The increasing emphasis away from input measures to output measures has led the NAO to undertake validation studies in order to assess performance in terms of customer and client satisfaction. The validation exercise by the NAO gives an opinion on the accuracy and appropriateness of reported performance information. It is not easy however to assess how much influence the NAO has on the setting of targets.

The role of the auditor in assessing performance also came to the fore with the publication of the Citizen's Charter in 1991. The provision of information to the public collated by the auditor did come under some criticism; Pollitt (1994) refers to the reservations initially expressed with regard to the usefulness of the charter itself while Bowerman (1995) expressed concerns over the wisdom of handing over the design and collection of the information to external auditors. The expertise of the external auditor in the realms of value for money audit was the mainstay of the auditor skill in performance indicator audit. This approach to data analysis was limited and focused in the main on economy and efficiency, the traditional strength of professionals trained in the area of accountancy. However, the bias towards results-orientated government has led towards a focus on outcomes and the rise of effectiveness as the most prominent 'e'. 'It is in this domain that traditional auditors from financial background feel most exposed. The concept of effectiveness and customer satisfaction does not sit well into the category of financial audit' (Power, 1995). The government recognised that 'auditing best value will, however, require new perspectives and a broad range of skills, so the contribution of the external audit service will need to be supplemented by that of others' (Welsh Office, 1998). Nevertheless the audit of performance remains in the hands of the external auditor to validate data and provide assurances on the information provided.

Best value and performance measurement

The UK Government conceived the concept of Best Value shortly after election in 1997. Best value means that local authorities and other agencies provide cost-effective, high quality services, focused on the needs of local people. Best Value aimed to shift emphasis from the concerns of service providers to the needs of service users in an effort to ensure continuous improvement in the quality and efficiency of service provision. This involved the preparation of a performance management and planning framework, the production of a public performance report and the demonstration of the achievement of best value by the use of a series of prescribed key performance indicators and other local performance indicators. Authorities were and still are encouraged to make use of competition, benchmarking and other management accounting techniques to demonstrate the delivery of best value. The process was subject to external review under the Best Value Inspectorate and validation by the appointed external auditors, appointed by the Audit Commission to assess the quality of service.

Performance Indicators have been a key tool to help achieve Best Value, they allowed authorities and the public to monitor the level of services being provided. The implication of the introduction of the Best Value initiative within local government was to set the audit duty. This meant that there



was a requirement for all the key steps and/or processes to be audited, with the audit to question whether the Best Value approach was being carried out rigorously and systematically. The audit was expected to validate performance against targets, and to report back to the authority and make recommendations where necessary. In the case of the need to intervene and take over the service provision, the audit could only recommend intervention if an authority failed to respond promptly and effectively to the audit findings and recommendation. Finally, the audit had the remit to report publicly on authorities' performance against their stated objectives.

The introduction of Best Value saw the responsibility for setting performance indicators for local government rest in the hands of Central Government. From the financial year 2000/01 the Government set around 170 best value performance indicators (BVPIs). The Commission continued to set a small number (around 50) of supplementary indicators for the first year of best value, but for 2001/02 and 2002/03 decided not to set any local authority PIs. The Government and the Commission jointly reviewed the ACPIs prior to the selection of the first year of BVPIs and as a result a greater proportion of indicators deal with outcomes, many resulting from surveys of the public and service users. For a selected number of the BVPIs there are national targets for achievement – usually based on authorities reaching within five years the performance level achieved by the top performing twenty five percent of authorities. The eventual outcome of a BV review is to categorise authorities into 'high performers', 'strivers', 'coasters' and 'poor performers' (DTLR, 2001). Welsh authorities have been given the label of 'poor performers' as compared to their English counterparts. A joint research programme between the Local Government research unit and Cardiff University set out to dispel this myth.

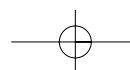
The results from the joint programme found that the rate of change in performance in English and Welsh local government has been identical, yet the inspection results indicated that the future prospects of improvement were different in both regions. The conclusions from the study stated that,

'Our qualitative research suggests that Welsh authorities have been judged inferior by the Audit Commission, the BVI (Best Value Inspectorate) and other organisations because they have been slower to 'modernise', have a departmental rather than a corporate working structure, and provide most services in-house.given that the performance of Welsh authorities is good, it might be the case that they have developed systems and a service style that fits their environmental and political contexts.....their failure to embrace 'modernisation' is the reason for their success....Local councils, and other parts of the public sector, need to be judged on their service achievements, not on their adoption of the latest management fads promulgated by central policy makers' (Boyne *et al.* 2002).

This study highlighted the problems linked to interpreting indicators at inspectorate level, how can the electorate therefore be expected to make any reasoned conclusions from the selected results published?

Disadvantages and problems associated with best value

Only the most dedicated bureaucracy-watchers could possibly make any use of all the information being provided. Despite the media making it public information, few members of the public have the degree of statistical skill needed to interpret the information nor the interest to use the hundreds of figures and measures available (even if it were possible to). There is also the tendency in the media to focus on the sensational rather than the mundane, an excellent rating is unlikely to hit the headlines while the poor performers will usually get plenty of publicity. Local authorities spend a great deal of time and money on various public consultation efforts in an attempt to work out what the public wants. Opposing this is the difficulty of seeing just how far service levels of quality have changed, or how far inspections have related to public demand – it may seem therefore to be a waste of time and money? 'The statutory framework for Best Value proved to be too prescriptive with strong pressures for uniformity, placing



constraints on the opportunity to be innovative. Corporate health indicators concentrate on processes rather than outcomes. There were a range of indicators associated with some services while others were ignored. The BV intention to unleash innovation and responsiveness left authorities with a burden of having to produce sets of local performance indicators' (Boyne *et al.* 2002).

Star rating system

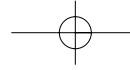
The list of government initiatives to improve the quality of service provision is ceaseless; the flavour of 2001 was that of the star rating system. It was decided to publish performance indicator data, in which poor performers would be named and shamed into improvement. This should (in the extreme) allow consumers of public services to 'exit' from poor providers and transfer their consumption to another hospital or school, for example. This also results in funding mechanisms being brought into line with those with better performances - money generally follows pupils, students and patients. Yet the problem of how to improve service delivery still exists. The case for the National Health Service highlights this issue where, 'public spending on health in the UK has risen by more than 50 per cent in real terms since 1990/1. As a proportion of GDP, NHS spending is up from 4.9 per cent to 5.9 per cent in 2001/2. Despite this barrage of cash, performance indicators show little or no improvement in service delivery. Targets are missed. There is a strong perception that hospitals are permanently on the brink of an all-out crisis' (Travers, 2001).

The star rating system has been summarised as a 'rough-and-ready' measure of service quality that the public can understand, based on the fact that it can be easily communicated to the public by the media. Recognition of a star rating is likened to the stars awarded to hotels, and the need for a complex interpretation of several different indicators is eliminated, it is a case of just checking the star rating. The Audit Commission recognised it as a move away from the 'one-size-fits-all' to accounting for performance. It is a simple way of differentiating between authorities, so that future inspection could be made easier. This begs the question as to whether a five star or four star rating does actually differentiate between service provision when there are so many variables to accommodate. There is no clear way of identifying the factors that feed into the star grades. There is the question of how the various factors translate into stars? If there is a reluctance to explain or identify these factors then there is the suspicion of uncertainty attached to the star rating. It is no wonder therefore that local government are less than enthusiastic about the star system because it may be over simplified and incapable of taking local factors into consideration.

In an NHS Alliance survey of 115 Primary Care Trusts (PCT) published in September 2003, 23 per cent said there were 'significant' or 'many' inaccuracies in the performance indicator data published by the Commission for Health Improvement in July. Primary care representatives complained that it was 'outrageous' that data used to help determine primary care trusts' star ratings was plagued by inaccuracies that could not be rectified. A number of PCTs stated that either the Department of Health or their strategic health authority had told them they could not challenge the published data, preventing mistakes from being corrected. These differences lead to errors which can mean that the distance between a two-star and three-star status can deprive them of additional funding. The Alliance's survey also revealed that most PCTs felt there was insufficient transparency in the way star ratings were assessed and they were not a fair way of measuring PCT performance, and that the targets measured factors that had more to do with local deprivation than PCT performance. Oversimplification may mean an easier read to some, but the overall impact is far more damaging when funding issues are attached to them.

Comprehensive performance assessment in England (and the Programme for Improvement in Wales)

In Britain, measurement systems tend to mature within 3 years, the weaknesses and shortcomings of the BV programme led to it being replaced in 2002 by the Comprehensive Performance Assessment (CPA) in England (and the Programme for Improvement in Wales) which incorporates



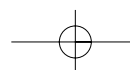
two components, a service assessment and a corporate assessment, 'an inspection with a lighter touch' (Brown, 2002). The CPA is about helping local authorities improve their services to the community. Not only does it assess how well the local authority delivers the services, but it also looks at how the council is run. By looking at how councils are run it provides a guide as to how well the council can deliver their services in the future. The ranking for service delivery is measured by the Audit Commission in terms of excellent, good, fair, weak and poor. This move away from evaluating individual service areas to a ranking of corporate performance is based on producing a balanced score card on an evaluation of categorised of services delivered. The scoring of categories in order to arrive at an overall rating can be deemed too simplistic in its approach. Two local authorities have during 2003 successfully questioned their ratings. Torbay Council in December 2002 threatened to seek an injunction to prevent the Audit Commission from publishing its CPA assessment as 'poor'. Torbay argued that minor score differences in two categories would have seen its rating as 'fair' as compared to the overall 'poor' that the Commission had calculated. The London Borough of Ealing also questioned their assessment and successfully challenged the Audit Commission's 'weak' ranking to be altered to read as 'fair'. The Audit Commission will no doubt not want too many of these challenges that question its authority.

Conclusions

Performance measurement as an activity does have ground to be an effective means of assessing service delivery. They can provide evidence to assist in the planning, the policy making and the monitoring of activities and events. Numerous targets and indicators have been established, tried and tested on various services leading to instances of improved service delivery and have certainly generated awareness for the need for improvement. However the problems of data collection, performance indicators interpretation and the impact in terms of resulting reports does not bode well in terms of their effectiveness in improving service delivery. Misinterpretation, misunderstanding manipulation, and the 'health warnings' do nothing to enhance the value of performance indicators. Even when targets are met there is always the doubt as to whether they were too easy to attain, while under achievement does not always indicate a lack of performance or potential for improvement.

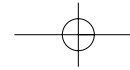
In 2001 the Audit Commission completed a strategy consultation which allowed people to give their own opinions on the use of performance indicators. In response the Best Value Contact Officer's Group was of the opinion that: 'There are too many performance indicators, some of which are more relevant to the collection of national statistics than improving local services. These should be culled and focus placed on a much smaller number of KEY indicators which are relevant to the general public'. In 2003 the Audit Commission launched a broadside against the government's profusion of nationally set targets for local services, warning that they can distort priorities and lead to 'perverse consequences'. The public spending watchdog warns that many targets set in Whitehall are at best ineffective and at worst encourage the practice of 'gaming', where staff focus on meeting targets to the detriment of other parts of the service (PFA News, 19-25 Sept 2003). The Audit Commission it seems recognises the fact that 'targets need to be used more intelligently', and 'should never be ends in themselves' (McHugh, 2003).

Despite the recognition that performance indicators have their shortfalls, the never ending use of performance indicators as a means of displaying accountability, value for money and methods of allocating budgets is likely to remain an important aspect of the public sector. The scope for researching the use and impact of results, rankings and ranges of indicators is just as 'never ending'. Unfortunately the UK Government's obsession with introducing new initiatives does nothing to instil confidence in the previous regime or in the future sustainability of current schemes. 'Other countries must look at the British government's obsession with public sector performance - and its measurement- with disbelief. There is no doubt that recent developments in audit, inspection, performance indicators, Best Value (including star rating and CPA)...has given this country (UK) the most sophisticated mapping of public service underachievement in the world' (Travers, 2001)



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**Appendix A**

2 tenant related indicators, - the time taken to re-let empty properties, and the proportion of emergency and urgent repairs completed within target times (within 24 hours and 5-7 days)

Housing Association.	% re-let within one week	% emergency repairs - in target time (average 24 hours)	% urgent repairs - in target time (approx. 5-7 days)
HAFAN	100	98.33	97.61
PEMBROKESHIRE	100	100	97.4
PONYPRIDD & DISTRICT	98	97	95
FAMILY(WALES)	94	92.5	91
SWANSEA	90	98	95
MOORS COMMUNITY	84	98	95
TAFF	83	99	99
MERTHYR TYDFIL	77	97	86
NORTH WALES	77	96.6	97.4
EASTERN VALLEY	76.2	96	95
CADWYN	71	93	90
CHARTER	70	93.67	94.13
MID WALES	64	98	94
DEWI SANT	59	93	93.8
CLWYD ALYN	53	84	88
GWERIN (CYMRU)	50.4	99.1	94.1
GLAMORGAN&GWENT	49.65	93.4	93.07
ERYRI	49.63	85.7	85.5
CANTREF	49	93.8	95.6
HAFOD	48	99.61	98.18
RHONDDA	48	99	95
ADAMSDOWN	45	94	92
UNITED WELSH	44	99.3	95.5
AELWYD	43	96.9	92.8
CYNON TAF	42	93.06	94.2
NEWYDD	41	93	95.5
BRO MYRDDIN	34	99	96
WALES & WEST	32.19	87	92
GWALIA	19	93.46	90.99
CLWYD	15	99.61	98.48
FIRST CHOICE	N/A	96.7	96.3
TROTHWY	N/A	96.7	97.73

Source, Tai Cymru (1997)

