

Briefing Paper

Value for Money and Performance Management

September 2013

Value for Money

Value for money and efficiency are often used interchangeably but they are not the same. Indeed efficiency is not simply value for money it is but one element of it.

The Kensington and Chelsea Tenant Management Organisation defined Value for Money as:

“The correct balance between Economy, Efficiency and Effectiveness. Value for Money at Kensington and Chelsea Tenant Management Organisation is considered by the Tenant Management Organisation to be high when there is an optimum balance between all three, with relatively low costs, high productivity and successful outcomes in terms of service delivery to residents.

Economy, Efficiency and Effectiveness are defined as follows:

Economy - This relates to minimisation of the costs of inputs (For example, reducing the salary costs of a staff team working in a call centre or the cost of a new Information Technology system).

Efficiency - This is concerned with maximising the outputs produced from these inputs (For example, increasing the number of repairs completed by each operative every week, or the number of calls answered by a Call Centre worker)

Effectiveness - This relates to achieving the desired outcomes. In the housing context these should be the outcomes desired by customers (For example, are residents happy that a call centre dealt with their query at the first time of asking or are repairs done to the customers satisfaction).

Inputs, Outputs and Outcomes are defined as follows:

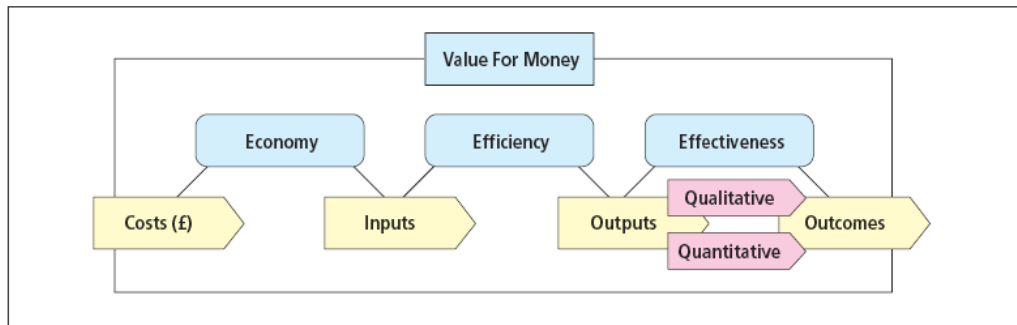
Inputs – These are the resources used to produce the actions that produce the outputs. Input measures are not just about quantity as the quality is just as important.

Outputs – These are the goods or services, their quality, quantity or level, produced by an organisation. Output measures support the daily management of services

Outcomes – These are the impacts of the organisation’s actions. Outcome measures show how well the organisation is achieving its objectives and whether the underlying problems still exist or have changed. Outcomes can also refer to impacts of people’s behaviour or attitudes so qualitative measures are also relevant. Outcomes can be hard to measure, or data hard to collect, especially where the impact is in the future or it is hard to quantify the organisation’s contribution to changes in the environment.

Processes – These are the actions that create or deliver outputs. Process measures can help to identify how well actions contribute to outputs; where problems are developing, targets are not being met and how resources could be targeted better.

These concepts are illustrated diagrammatically below:



**Source: Embedding Value for Money in Housing Association Services
CIH/Housemark**

In the case of a call centre the organisation could deliver an economic service by reducing the numbers of staff in the centre, make them very efficient through incentivising them to maximise the number of calls taken but they could deliver a poor and not effective service.

There is evidence from the call centre business that managers do attempt to reduce the costs of staff by paying less or trying to make staff loadings for peak times of the day. They also tend to monitor by the average time taken to answer a call or the number of calls dealt with each day. But there is evidence that when this type of pressure is applied some staff respond to calls by simply picking up the phone and putting it down again (an answered call!) or simply taking a message and passing it on to someone else (an answered call but a dissatisfied customer). This type of call centre might be economic and efficient but is unlikely to be effective.

The optimum Value for Money position is where the required level of effectiveness is met whole maximising efficiency and economy at the same time.

Embedding Value for Money

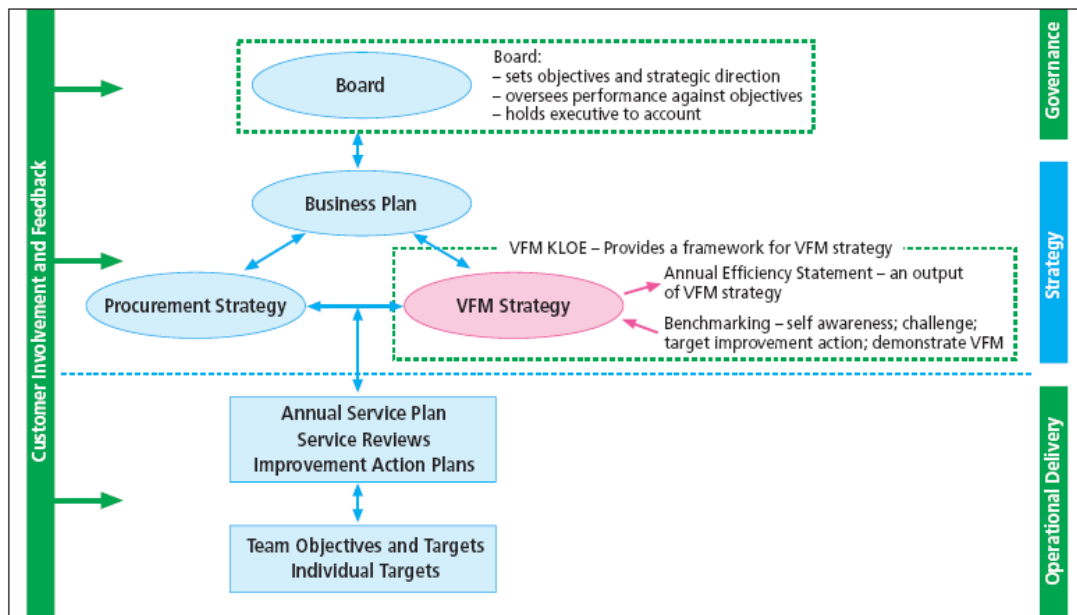
According to the Chartered Institute of Housing and Housemark there are five key areas that need to be considered:

- Governance
- Financial stewardship
- Performance management
- Procurement
- Customer focus

In June 2007 the Chartered Institute of Housing published 'Embedding Value for Money in Housing Association Services'. This report concluded that embedding value for money is about a host of characteristics, behaviours and processes permeating strategic and operational activity; and that collectively, these components may achieve a degree of critical mass where it may be said that a given organisation has a value for money culture.

A key message coming out of the Audit Commission's housing inspection programme is the need not only to develop value for money and procurement strategies but to embed these across the organisation so that all staff are aware of value for money and their contribution towards it.

The diagram below is a good example of what a high performing organisation will do to embed Value for Money.



Source; Embedding Value for Money in Housing Association Services CIH/Housemark

It is clear that any effective Value for Money strategy needs to be led by the board and senior staff and the strategic/corporate/business plan of the organisation should make explicit the commitment to Value for Money and effective procurement. These are usually high level strategic documents setting out broad objectives which become more detailed and specific as they cascade through the organisation.

As will be seen later from a number of Audit Commission reports all high performing organisations have a clear Value for Money strategy adopted by the Board that becomes the focus for the organisation's Value for Money activities.

The Value for Money strategy should also be informed by a clear understanding as to where the organisation currently sits in terms of its value for money. There are a number of ways in which this can be done.

Value for Money and the Customer

Customers need to be at the heart of the Value for Money strategy being directly involved in setting service standards, specifying services and being involved in choices about services. Designing services around customers needs is likely to improve the effectiveness of services and residents need to be involved in debates about the costs of services and their efficiency.

Linking the Value for Money strategy into operational activity

Whilst the value for money strategy may be seen as a starting point for embedding value for money, its high level aims must mean something to all staff in terms of their day to day activity. The high level Value for Money strategy agreed by the Board needs to be translated into a set of meaningful documents for staff across the organisation to use. This requires staff not only to understand the Value for Money strategy but also to consider the ways in which they can improve value for money in their organisation. Detailed operational plans need to be developed setting out the steps to be taken in each part of the organisation to deliver improved value for money. For example the:

- Finance department may have a target to reduce interest costs through refinancing
- Human resources team may decide to outsource their recruitment advertising to reduce costs
- Maintenance team may enter into a long term partnering contract with a contractor to reduce costs and increase quality
- Lettings team may have a procedure review and streamline their operational processes to reduce relet times whilst not increasing their costs
- Rents team may invest in additional welfare benefits staff to improve the debt collection rate in the organisation.

These team or departmental targets may then be refined further to develop individual staff targets.

Performance Management

If Value for Money is to be embedded across an organisation it is important that this is reflected in its performance management. For example organisations should seek to ensure that service reviews are focussed on the high cost services, the ones that lose money and those that matter to tenants.

In December 2012, the Association for Public Service Excellence published 'Measure for Measure: Using Performance Information in Tough Times'. This explained the need for performance information and benchmarking as follows. While the observations are addressed principally to local authorities they are equally applicable to housing associations:

"Performance measurement, and the use of performance measures to support decisions, should be a basic part of local public service management. Good performance measurement is neither a luxury nor a burden. Performance measurement is the foundation of good management and good decisions. In tough times councils simply cannot afford the risk of basing decisions about the future of local public service on poor information."

"Trustworthy performance measures, that are analysed competently and communicated clearly, are important for service managers, for service commissioners and client managers, for councillors and for citizens."

"Performance information should also be an important part of councils' communications with citizens and service users. An effective dialogue needs information that is accessible, relevant, accurate and trustworthy."

"By comparing one set of performance measures with another, councils change description into analysis. Internal comparisons with targets, past performance and across the council are important. But it is comparison with other organisations – benchmarking – that adds extra value about what is possible and provides context about how it is possible. But effective benchmarking has to cover outcomes, policies and objectives as well as inputs and outputs. It's little use proving you have the best apples if citizens need oranges. Comparison needs context. Some of this comes from making more than one type of comparison (looking at similar functions or processes in other councils, but also looking at their strategies and performance). It also comes from workshops and conferences, site visits and honest internal challenge."

Devolution leads to different approaches

The localist agenda in England encourages a 'sector-led' approach to collecting performance information is voluntary and appears to be partial. In April 2012, Eric Pickles, the Secretary of State for Communities & Local Government, justified this approach as follows:

"For too long central government has kept Town Halls hunched over desks crunching numbers or wielding clipboards asking the public intrusive questions. We know councils are most effective when they are free to innovate and respond to what local people want without undue interference from Whitehall."

"That is why we are chopping great chunks of pointless red tape out of the system – radically reducing the demands, burdens and restrictions put on Town Halls by central government. In next to not time at all we have scaled this back more than a quarter."

This approach provides an opportunity to escape the top-down target-driven compliance-based system and provides an opportunity to review performance management, measurement and systems to focus on achieving strategic objectives and outcomes. However, it means that there is less comparative performance information available.

The Local Government Association in England has responded by proposing a system of sector-led improvement based on five principles:

- Councils are responsible for their own performance and improvement and for leading the delivery of improved outcomes for local people in their area
- Councils are primarily accountable to local communities (not government or the inspectorates) and stronger accountability through increased transparency helps local people drive further improvement.
- Councils have a collective responsibility for the performance of the sector as a whole (evidenced for example by sharing best practice and offering member and officer peers)
- The role of the local Government Association is to maintain an overview of the performance of the sector to identify potential performance challenges and opportunities – and to provide tools and support to help councils take advantage of this new approach
- We all need to continue to lobby for further reductions in inspection, assessment and data reporting.

In Scotland and Wales the devolved governments still collect performance information and their sector-led approaches are stronger and more deeply embedded in local public services. However, there is still a move away from top-down prescriptive approaches to bottom-up approaches based on outcomes.

In Scotland, the Local Government Scrutiny Co-ordination Strategic Group at the Scottish Parliament noted in 2011 that:

“Inconsistencies in coverage and the quality of information across services, outcome areas and corporate processes are still apparent and it will take time before all councils have fully effective self-evaluation arrangements in place. In particular, the use of benchmarking data to assess costs, quality and performance remains under-developed in many places.

“Service user views and customer satisfaction information are central aspects of self-evaluation and this remains a continuing gap in existing information in many councils... Credible public assurance relies on clear, evidence-based, independent evaluations and easily understood public reports.”

Performance Management Theory

Much theory on performance management has been developed in the United States where the National Performance Management Advisory Commission oversees a local and voluntary approach. In 2010 the National Performance management Advisory Commission stated there was a need for performance measurement, analysis and reporting that:

- Understands public needs
- Identifies and implements programmes and services that will meet those needs
- Assures that policies, strategies and services are in alignment
- Collects and analyses performance information
- Applies information to continuously improve results and become more efficient
- Uses data more effectively to inform policy decisions
- Supports accountability, both within the organisation and to the public
- Provides understandable information on performance to the public
- Encourages citizens to provide feedback and get involved in the government's decision-making processes

The three elements of a performance management system are considered to be:

- System Design
- Data Collection
- Data Use

System Design

Performance measurement systems should be designed to support decision making and to answer relevant questions that could include:

- How well is our organisation performing?
- How well are staff / systems performing?
- Where should we spend our money?
- How can I motivate staff, other managers, collaborators, citizens and other stakeholders to do things to improve performance?
- How can I convince stakeholders that we are doing a good job?
- What achievements should we celebrate?
- What is working or not working?
- What should we do to improve performance?

Useful performance information is relevant to the decision under consideration, supported by data quality standards and presented to enable understanding. It should be restricted to what is necessary rather than extended to what is possible.

A performance measurement system should:

- Have a clear and stated purpose
- Have a focus on priority issues and problems
- Enable analysis of value for money
- Align with the organisation's reporting and review systems
- Enable a balanced view of performance across the organisation's objectives
- Be regularly reviewed and refined
- Produce robust information.

Measures should be 'SMART' as identified by the Audit Commission:

- Specific – Simply and clearly stated so there is little risk of confusion about the measure.
- Measurable – Data is readily available or can be collected easily.
- Achievable – Standards or targets based on the measure are realistic – not wishful thinking
- Relevant – What is measured is what is important to service designers, managers and users.
- Timely – Information is available soon enough, and often enough, to support decisions.

The Chartered Institute of Public Finance & Accountancy has also identified the '3W2H' test that measures address the following questions:

- What? – What are we measuring? What will the message do?
- Why? – Why will the data collected help us to answer the organisation's performance questions or measure achievement of its objective?
- Who? – Who will collect the data? Who will analyse and use the information?
- How, when and where? – How will data be collected? When will it be collected – how often? Where will it be collected?
- How much, how long and how valid? – How much will it cost to collect the data? How long will the data be valid? When will the measure be reviewed? How good is the measure as an indicator of what the Council really wants to know?

Measures should combine the quantitative, qualitative and intuitive; and should consider inputs, outputs, outcomes and processes.

Data Collection and Use

In 2009 the Audit Commission identified six data quality standards:

- Accuracy – Data should be captured once, captured as close to the point of activity as possible and should balance the importance of data for users with the costs and efforts of collection.
- Validity – Data should be recorded and used in compliance with relevant requirements. Proxy data should be assessed as to how well they satisfy the intended purposes.
- Reliability – Data should reflect stable and consistent collection processes.
- Timeliness – Data should be captured as quickly as possible after the event or activity.
- Relevance – Collected data should be relevant to the purposes that it is used for.
- Completeness – Data requirements should be clearly specified as part of the organisation's information needs.

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The foundation of effective data use is presentation. Presentation should be tailored to the information, the audience and the decision to be made. There is an important link between data quality and presentation. Poor quality data cannot be improved by good presentation.

Comparing Performance

Performance can be compared with:

- A previous time, to create a time series
- A different section or different organisation as benchmarking
- A local or national performance target, requirement or expectation.

According to the Audit Commission, comparison assists in:

- Managing an organisation's position relative to its competitors.
- Explaining what improvements are possible.
- Showing how, and how long, it takes to improve.
- Developing achievable targets and realistic performance measures
- Encouraging a flexible and open-minded approach to innovation and change
- Emphasising the importance of responding to citizens, service users and other stakeholders.
- Supporting the case for improvement.
- Recognising the efficiency limits of current approaches and proposed alternatives.

Benchmarking

Many organisations are involved in benchmarking clubs where cost and performance information is shared to evaluate the linkages between costs and performance. A good understanding the linkages between costs and performance mentioned in numerous Audit Commission reports on high performing organisations.

This is of real value when the benchmarking is taken down to specific organisational activities such as lettings or income recovery. This enables individual teams to compare their own performance and costs with other members of the benchmarking peer group and to develop strategies to reduce costs and improve performance. For this reason benchmarking data which is kept at the senior management level is likely to have much less impact on value for money and performance improvement than if shared more widely in the organisation.

There are three types of benchmarking:

- Performance
 - Price or Cost, technical quality, additional product or service features; reliability.
- Process
 - Internal comparisons, comparisons with competitors, functional – with other organisations in the same sector, generic – similar processes regardless of the industry or sector
- Strategic
 - What are other organisations trying to achieve? What can we learn from other organisations' whole approach?

These three types of benchmarking are independent of the different methods for benchmarking information and the tools used to analyse information.

Methods include benchmarking projects, collaborative and comparison workshops, benchmarking clubs and performance networks.

Tools include statistical analysis, process mapping, dashboards, balanced scorecards and logic tools.

The amount of effort should be proportional to the type of comparison and its likely value to the organisation.

Comparison needs to be in context. Some of this comes from making more than one type of comparison including looking at similar functions or processes in other organisations and also looking at their strategies and performance. It can also come from workshops and conferences, site visits and internal challenge.

Comparisons should not be a simple matter of copying what other organisations do, or say they do! Comparison should be a tool for organisational learning and adaptation. Benchmarking also has an important role in helping organisations to adapt to reduced resources as a result of the government's reductions in public expenditure.

Management Information in Local Government

In 2009 the Audit Commission published a report entitled 'Is there something I should know' that looked at management information in local government in England. It concluded that councils had:

- Management data showing a significant performance dip but without explanation of the reasons for the dip, proposals for putting things right, or analysis of the costs of failure and improvement.
- Sudden overspends without explanation of causes or plans for putting things back on track.
- Multiple, unlinked, customer databases causing confusion and poor customer service.
- Out of date human resources data – inaccurate staffing numbers and payroll costs undermined the effectiveness of savings reviews.
- Higher than average sickness levels but no analysis of causes or costs.
- Proposals for new initiatives that need substantial funding without explanations of how success would be measured or value for money assessed.
- Meeting papers that can be measured by thickness and weight – but not by the quality of the information for making decisions.

The Audit Commission also found that two thirds of councils say that Members struggle to understand information and half say that senior officers do; yet half of councils provided no formal training in this area and almost a quarter provided no support at all.

Balanced Scorecards

The balanced scorecard is a strategic performance management tool - a semi-standard structured report, supported by design methods and automation tools that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions. It is perhaps the best known of several such frameworks. Since its original incarnation in the early 1990s as a performance measurement tool, the balanced scorecard has evolved to become an effective strategy execution framework.

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The characteristic of the balanced scorecard and its derivatives is the presentation of a mixture of financial and non-financial measures each compared to a 'target' value within a single concise report. The report is not meant to be a replacement for traditional financial or operational reports but a succinct summary that captures the information most relevant to those reading it. It is the method by which this 'most relevant' information is determined (i.e., the design processes used to select the content) that most differentiates the various versions of the tool in circulation. The balanced scorecard also gives light to the organisation's vision and mission. These two elements must always be referred to when preparing a balance scorecard.

As a model of performance, the balanced scorecard is effective in that it articulates the links between leading inputs (human and physical), processes, and lagging outcomes and focuses on the importance of managing these components to achieve the organisation's strategic priorities.

Adrian Waite
September 2013

Value for Money and Performance Management in Housing and Local Government

September 2013

This seminar will look in detail at how Housing Associations and Local Authorities can achieve improved Value for Money and effective Performance Management in the context of the June 2013 Spending Review. The presenter will be Adrian Waite, Managing Director of 'AWICS' Limited, Chair of Impact Housing Association and former Strategic Director at Copeland Borough Council. The presentation will be illustrated with practical examples drawn from Impact Housing Association and other housing associations and local authorities.

Who should attend?

All those with an interest in achieving improved Value for Money and effective Performance Management in Housing or Local Government in England, Scotland, Wales or elsewhere; including Managers in Local Authorities, Housing Associations and Arms Length Management Organisations; Councillors, Housing Association and ALMO Board Members, Accountants, College Lecturers and others.

What the Seminar addresses:

- The June 2013 Spending Review, the Political, Economic, Social and Technical Context and the Threats and Opportunities that this creates
- Approaches to achieving improved Value for Money and effective Performance Management
- Value for Money obligations of Local Authorities and Housing Associations
- Service Transformation and Re-Engineering
- Systems thinking and the LEAN approach
- Balanced Scorecards and Benchmarking
- Value for Money and the Customer
- Asset and Project Management
- The role of Boards and Councillors
- Case Study: Impact Housing Association and 'Transforming Impact'
- Participatory Session and Opportunities for Networking
- Implementing the Performance Management and Value for Money Strategy
- Motivating and Empowering People
- Embedding Value for Money and Performance
- Delivering a 'Step Change'

The course includes a participatory session and opportunities for networking and is accompanied by a very useful book entitled:

"Value for Money and Performance Management in Housing and Local Government"

Venue and Date:

London: Novotel Hotel, Waterloo – 17th September 2013.

Further details can be found at:

http://www.awics.co.uk/performance_management_seminar.asp

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The seminar is also available in-house.

The book: 'Value for Money and Performance Management in Housing and Local Government' is available to buy separately from the seminar. It runs to 85 pages, is fully up to date and sells for £30 plus £3.25 postage and packing. Further information is available at: <http://www.awics.co.uk/TechnicalBooks.asp>

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

Services that we offer include:

- Management Consultancy – <http://www.awics.co.uk/ManagementConsultancy.asp>
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