



Public Services Productivity: Meeting the challenge

A joint report by the Public Services Productivity Panel



Public Services Productivity Panel

The Public Services Productivity Panel

As part of its comprehensive plan for modernisation, the Government has brought together a small team of business and public sector leaders, to provide a new perspective on some of the difficult issues that public services face in their drive to improve performance. The remit of the Panel is to:

“ Advise on ways of improving the productivity and efficiency of the public services and in particular help Ministers achieve and preferably outperform their efficiency and PSA targets.”

Each member of the Panel has focused on a different area of Government, working with particular departments and agencies to identify solutions that will increase productivity. In doing so, the Panel recognises there is no monopoly of wisdom in the private sector about how to raise productivity. Instead, the Panel hopes that its fresh perspective, coupled with the learning from good practice and innovation that is already widespread in the public sector, will lead to improvements. The Panel is chaired by the Chief Secretary to the Treasury and its members are:

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Acknowledgements

On behalf of the Panel I would also like to thank all those who have been involved in our projects and supported our work, in particular Brian Bender, John Gieve and all those at the Public Services Productivity Panel Unit at HM Treasury. The Panel Unit has been led by Peter Brook and has brought together a range of public servants from backgrounds as diverse as Ordnance Survey, the Housing Corporation, Thurrock Council and the New Zealand Treasury. The following staff have worked for the Panel Unit for various periods over the last eighteen months: Sarah Brown, Steven Flanagan, Catherine Garwood, Iain Greenway, Mohammad Haroon, Alex Khaldi, Michael Papesch, Juanita Roche, Judith Ross and Pat Scorer.



Byron Grote

Foreword by the Chief Secretary to the Treasury



Britain faces a major challenge: to close the productivity gap with our competitors. A stable economy is vital if we are to meet our economic objectives for growth and employment. We have taken steps to ensure lasting stability in the economy. But stability, though essential, is not in itself enough. We have to raise our productivity. Only with rising productivity can we meet the long-term expectations of the British people for rising standards of living – without higher unemployment or inflation. That is our goal for prosperity.

Business is the main engine for this improvement.

Companies are the key to replacing our historic underperformance against other countries with a faster rise in productivity than our competitors. But business understandably wants to see others improving too – and that includes Government.

So we have to raise our own game – to ensure that the public services are efficient and effective. Vital public services in areas like health and education must deliver the benefits that people want to see – services which for too long in Britain have been starved of investment, generating unacceptable standards and variations in performance. To deliver better benefits, public services have to deliver better performance. That's why in the health service, for instance, we are matching new money and stable financing with a far-reaching programme of reform.

Government can and must learn from the private sector. What matters is what works, and a partnership between the public and private sectors is often the best possible way of achieving our goals of economic efficiency and social justice.

That's what the work of the Public Services Productivity Panel is all about: looking at ideas and techniques which do work, which can make a real difference – and applying them across the public services in order to generate change and raise performance. I believe that the vast experience of the Panel is helping us in Government to think differently about how we do what we do. I welcome this first joint report, which brings together the key lessons from the Panel's programme of work – lessons drawn from particular studies which can have much wider impact across the public sector. I am very grateful to all Panel members, who have worked so hard to deliver an extremely effective and far-reaching programme of work. I would also like to thank my ministerial colleague on the Panel, David Sainsbury, for his valuable input.

We know in government that if our determination to see a step change in national productivity is to carry credibility, we must ensure, in partnership with staff, that the public services play their part in that improvement too. Public and private working together to meet the challenge of change. That can be a challenging agenda. But it is a vital one too. Vital for both private and public. Striving to achieve it, in ways which this report demonstrates, is vital for us all.

A handwritten signature in black ink that reads "Andrew Smith". The signature is written in a cursive, flowing style.

Rt Hon. Andrew Smith MP
Chief Secretary to the Treasury

Executive summary

By increasing productivity by 3%, the public sector can free up over £6 billion per annum to re-invest in services, making a significant contribution to Britain's economic performance. But this will not be achieved without a step change in the management of public services. Better performance management is the key to world-class public services, but current systems are often not functioning effectively. We therefore propose the use of the performance management framework outlined in this report, to help develop existing systems and processes. Working within this central recommendation, we have also drawn out and discussed the need for:

- Strengthened **leadership** to ensure clarity and focus on service improvement;
- Better techniques and strategies for tackling **variations in performance**;
- **Measuring what matters**, by prioritising and rationalising public sector targets;
- A sharper **focus on customers**, who rightly expect better public services;
- Improved **rewards and reinforcements** for public servants.

Within these five areas we recommend a number of more specific actions, including the need to:

- Build much greater organisational capacity for performance management, to help leaders develop effective systems and achieve the necessary supporting cultural change;
- Engage in an open debate about the respective roles, responsibilities and accountabilities of top managers and politicians. The Government should work to establish fresh ground rules and spread good practice;
- Develop active intervention models that rely less heavily on the traditional guidance and circulars, and more on face-to-face contact with practitioners;
- Ensure all targets and measures in public services flow from Public Service Agreements and Service Delivery Agreements (PSAs and SDAs). The range of performance measures and targets in the public sector can contradict each other, and confuse both staff and customers;
- Ensure stretching targets are set for raising the productivity of all public services, and where possible, differentiating targets to ensure performance is raised towards the standards of the best;
- Implement incentive schemes, which include financial rewards for exceeding PSA/SDA targets. The Government should provide the financial freedoms necessary for such incentives to work effectively.

This will require a major commitment from both politicians and top managers. But the prize will be lasting and genuine service improvements, and the opportunity to modernise public services for the benefit of all.

Introduction

The work of the Panel is not intended as a new initiative which adds to the burdens on public sector organisations and staff. Our role is entirely consistent with the *Modernising Government* agenda. We do not therefore want our recommendations to lead to demands for a new set of action plans or reports from public sector bodies. What is needed is for politicians and managers to drive cultural and behavioural changes across the public services, which will be required to secure performance improvement over the long term. Our recommendations go to the heart of the way all well-managed organisations should operate, and to be effective need to be integrated with existing systems.

The ideas and recommendations that we put forward in this report are based on the studies we have undertaken during this past eighteen months on various public services – including the health service, education, the police and defence. The aim of each of these studies has been to identify and tackle key areas for improvement, to learn from good practice and to share more widely the innovative approaches that are being developed in these different parts of the public sector.

We believe that developing an effective performance management system is absolutely fundamental to the success of any organisation. One of our first objectives was therefore to develop a framework which draws on good public and private sector practice. However, a new system alone will not raise performance, it needs to be firmly embedded in organisational culture (and existing systems) to be effective. Our framework should be used to reinforce and strengthen current practice.

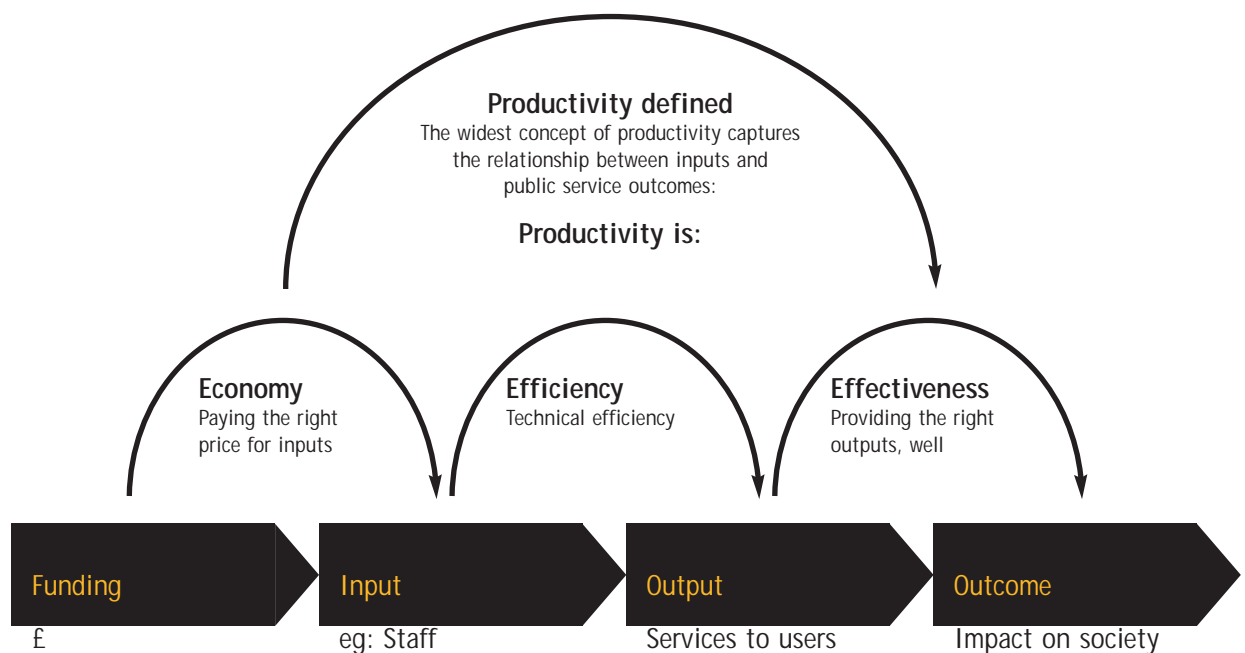
Drawing from our studies, we identify here the five areas where we think there is the greatest potential to make a significant improvement in public service productivity. We have also each written individual accounts which highlight lessons from our studies and how they might apply more widely.

This report gives you our views on how public services can make productivity improvements. But we would also welcome your ideas, comments and suggestions.

The Public Sector Productivity Challenge

The modernisation of our public services is an immensely complex task which encompasses some 6 million staff and over £210 billion of expenditure (projected for 2000/2001). In *Modernising Government* the Government has set out its vision for transforming the way our public services are designed, delivered and perceived, with the potential to result in real differences in quality of life for all of us. But such a step change is critically dependent on achieving productivity gains. Without freeing up resources to invest in priorities, public services will stand still, fail to meet user expectations and slow economic growth. So productivity will be a deciding factor in the success or failure of our public services and our economy as a whole in the 21st century.

As normally defined, productivity simply describes the amount of public service (output) we get for the money, labour and know-how we put in. But the public and the Government are more concerned about the impact of public services on society (outcomes). We have therefore interpreted our remit on productivity in this wider sense, to cover economy, efficiency and effectiveness (often referred to as value-for-money).



Private sector productivity is the subject of a range of different measures, but most point to a recent growth of about 2% per annum. Currently, there are no robust, comparable measures of overall public sector productivity because of the difficulty in placing a monetary value on some public sector outcomes. Despite this gap in reliable data, it is clear that improvement will not only deliver better services, but make a significant contribution to the performance of the economy as a whole. To illustrate, if the whole public sector's productivity were to increase by 3% above the current improvement rate, this would effectively free up £6.3 billion per annum.

These figures demonstrate the scale of the productivity challenge, and the benefits from achieving improvement. Recognising this, the Government has set value-for-money targets for many parts of the public sector as part of Public Service Agreements (PSAs) and Service Delivery Agreements (SDAs). The strengthening of these processes will be a key factor in

both measuring and developing productivity improvement at all levels. It is also important to recognise that productivity is not simply about saving money. In some areas of the public sector, the aim will be to deliver the same quality and quantity of service at lower cost. However, in others, productivity savings are needed to invest in improving the quality or extending the scope of services.

“Efficiency is about finding ways of improving the performance delivered for the money that each [police] authority and force has. It is not simply about cutting costs, or corners, or reducing the number of services or staff.”

Improving Police Performance p5

Performance management – The essential building blocks

Effective performance management is essential for a successful organisation. Without the rigour that performance management provides, public services can (and do) lose sight of their objectives, accept mediocrity and fail to serve the customer.

“...high performing institutions all share a few common characteristics. One of the most essential is robust performance management.”

Targeting Improved Performance p2

The concept of performance management is well understood in the public sector and most organisations have some form of performance management system in place. But successful implementation of such systems is difficult and the quality is currently very mixed. We therefore regard performance management as of the highest priority and in October 1999 the Civil Service Management Board (CSMB) adopted the key elements of our framework as the new business planning structure for central Government.



Our model should not be seen as an additional process or new initiative, but a framework which can assist managers and organisations to strengthen existing systems. It is based on two fundamental assumptions:

- In order to function at its best, all of the basic building blocks must be in place, be fully integrated and be central to management of the organisation at all levels. If essential parts of the system are not robust, others are not likely to work well either;
- There is a natural sequence in which these need to be addressed. This means, for example, that it is very difficult to design an effective personal incentive structure if meaningful business targets have not been set at all levels.

An effective performance management framework consists of five basic building blocks.

i) **Bold aspirations**

The first step is to ensure organisations have a clear and shared sense of direction which is derived from the needs and preferences of customers and other stakeholders, whether internal or external. A wide variety of processes and factors need consideration in developing the right set of aspirations but it is essential that PSAs and SDAs are central, to ensure clarity and consistency.

ii) **A coherent set of measures and targets**

The next step is to translate these aspirations into measures and targets which should be:

- Demanding;
- Of a manageable number;
- Both long (typically 3-5 years) and short-term (the year ahead);
- Financial and non-financial;
- A mix of input, output and outcome measures;
- A mix of relative and absolute targets;
- Under continuous review, not set in stone;
- Related and cascaded, so that the whole organisation understands the links between targets, and where responsibility lies for improvement.

iii) **Ownership and accountability**

Once the overall direction and targets have been set, organisational ownership needs to be established. Every target, both long and short term, must be 'owned'. This can be done either individually or collectively (for example, by teams or units) but must result in specific responsibilities for delivering each target. Ultimately, individuals and teams must feel (and be held) accountable for delivery. Generating ownership from the whole organisation requires an intensive effort. Internal communications and staff development can often be the drivers for securing the commitment needed.

iv) **Rigorous performance review**

When accountability for delivering against individual long- and short-term targets has been clearly defined, a rigorous performance monitoring and review system is necessary.

v) **Reinforcement**

Success in delivering targeted performance should result in real consequences at an individual level. Where possible, a mix of reinforcements should be used, including financial rewards, career opportunities and other non-pay incentives. Reinforcements should apply not only to the extremes of poor or excellent performance, but also ensure the 'middle ground' is properly incentivised.

An important lesson from past and current work is that the systems alone cannot not deliver high performance. They need to be embedded in the culture and values of the organisation, involving everyone. Leaders must be responsible for setting the high level aspiration for their organisation and relentlessly communicating it to their staff. Managers at all levels must be involved in regular and rigorous review of performance against expectations. Staff should be rewarded in relation to the contribution they make to achieving the objectives of the organisation. And customer consultation and feedback provides a vital 'reality check' on whether the organisation is delivering the services that matter to them, to a standard that they expect.

The next section of this report draws extensively on the work carried out by Panel members over the last year. It considers the challenges facing diverse public sector bodies as they strive to deliver continuous service improvement.



A Framework for Performance Management

Last year, I was asked to assess the performance management system in place at the newly formed Defence Logistics Organisation (DLO), and suggest ways of improving it. The DLO was created on 1 April 1999 to assume overall control of the three hitherto separate logistics organisations that supported the Navy, Army and RAF. This new organisation comprises some 41,000 staff and has responsibility for around £4.5 billion of annual cash spend. Although most citizens have first hand experience with the performance of government institutions such as the NHS and the DVLA, the performance of the MOD is less visible, and arguably harder to measure. Few citizens ever know the readiness of a tank battalion, or the state of the fleet of airborne refuelling aircraft.

My assessment of the DLO was based on a framework describing the five main elements necessary for an effective performance management system. This framework was developed as part of my early work with the Public Services Productivity Panel, and was refined in discussions with the Civil Service Management Board's group on performance management. The model itself is relatively simple and is set out in this report.

Prior to their combination, the three support organisations that together formed the DLO took widely different approaches towards managing performance. All three, however, fell far short of best practice. None had articulated a compelling performance aspiration, for example. Performance measures were not based on a robust understanding of the drivers of performance, and in many cases the targets were not ambitious enough. None of the support organisations were formally accountable to their customers for delivering output, not least because there was no systematic identification of who the customer was for each output. Nor was accountability for performance always delegated at a low enough level within each organisation.

To its credit, the DLO has since made noteworthy progress. A series of structured discussions have been conducted with key customers (all internal) to define a clear set of outputs, which have been documented in a set of Customer Service Agreements (CSAs). Responsibility for delivery has been delegated down the organisation, directly to Integrated Project Teams. To track progress, a balanced set of performance

measures has been created. Perhaps most important of all, the DLO has committed itself to reducing output costs by 20 percent within five years.

Wider Implications

The DLO's starting position with regard to performance management is fairly representative of that of many other government departments. The concept of performance management is generally well understood and accepted in the public sector. Indeed, most public sector managers would recognise the essential elements of a good performance management system as described in this report, and have been working hard to develop effective management systems for a number of years.

There are a number of examples of good practice. The decision to link additional funding for the NHS to the achievement of certain performance targets is one. So too is the publication of the Public Service Agreements (PSAs) that outline the major objectives for each government department. Stephen Byers' decision last year to publish the names of the officials responsible for implementing the 75 proposals contained in the competitiveness white paper, though much derided at the time, was also an example of good practice.

That said, successful implementation of good performance management appears to remain a major challenge. In my experience, the quality of the performance management systems in place across the public sector is generally poor. Sadly, examples of poor practice are easy to find. Almost half of the 1,265 key performance targets that have been set for the 136 government agencies are at or below the current level of performance. The original PSAs, although a good first effort, were far from optimal. They needed to be simplified, streamlined and clarified.

Developing an effective performance management system is absolutely fundamental to the success of any organisation, whether public sector or private. My experience in both settings has indicated that although there are many ways to improve productivity, high performing institutions all share a few common characteristics. One of the most essential is robust performance management.

John Dowdy



Generating improvement – lessons from the studies

The need to improve performance management has been the most important common finding across our study programme, which has explored productivity improvement in a range of contexts, including Departments, Agencies, Health Trusts, Police Forces and Local Authorities. This section of the report identifies the key drivers of cultural and behavioural change that will be essential to supporting effective performance management across the public sector:

- Leadership;
- Tackling variations in performance;
- Measuring what matters;
- Improving customer focus; and
- Rewarding good performance.

Leadership

Our model for performance management cannot be effective simply as a system. The leadership of top managers is critical in bringing performance management to life and setting a prevailing culture in which it can operate effectively. If leaders are risk averse, encourage continuity over change and fail to communicate to their staff, performance management becomes little more than a paper exercise.

Andrew Foster's examination of customer services in 3 DETR agencies highlighted the need for visible management leadership on the priority issues. Staff (on the front-line especially) can identify better with priorities if they can clearly see that top managers are personally committed.

“The more that top management are seen by staff to have a personal commitment to customer service, the stronger the customer service ethic throughout the organisation will be. This involves not only ensuring that the right processes are in place to put the customer centre stage, but also 'walking the shop floor' and talking to staff and customers.”

Customers in the Driving Seat? p20

This need for management visibility is echoed in the Department of Health's work to tackle variations in waiting times for outpatients services. Research from the National Patients Action Team has demonstrated that not only was less management time devoted to outpatient services than to inpatient or other services, but accountabilities at the top were often split. The development of clearer roles at an executive level now forms a key part of the action plan to reduce waiting times.

In the context of leadership, a more fundamental debate is required about the respective roles of politicians and managers. Right across the public service, top managers and politicians form partnerships which bring together key elements of decision making, policy formulation and delivery in a single arena. Such partnerships include:

- Government ministers and senior civil servants;
- National agency boards and top management teams;
- Local or regional agency/trust/authority boards and top management teams;
- Local councillors and senior council officers;
- School governors and head teachers.

The effectiveness of such partnerships is clearly crucial to the public sector, but best practice is not well documented. A debate should take place openly within Government to establish better clarity about such partnerships, with a view to generating ground rules covering respective roles, responsibilities and good practice.



Partnership in Government for Performance Management

For Government and administration (civil service) to succeed in their joint responsibilities, effective policy must result in measurable delivery. That is what I mean by performance management. Performance is fundamental to strategy: it underwrites your licence to operate. The process by which cabinet Government develops effective policy and the civil service, and executive agencies work to achieve improving results is both complex and currently inadequately co-ordinated and reviewed. This observation is based on comparison between private sector management process compared to that of the Government/administration interface.

The civil service reforms outlined in the *Modernising Government* white paper allied to the improved structure of PSAs within the three year budgeting cycle lay the foundation for a fundamental improvement in public sector productivity. But culture change is a marathon not a sprint. The improvements will only be captured by intense commitment to change both in the civil service leadership and through the system and in the Government political management process. Improved synergy between the two systems is the pre-requisite for better delivery. Synergy can only be achieved with the help of visible, consistent leadership.

Ministerial organisation to ensure good delivery – as a separate issue from policy development – requires the following steps to achieve more professional management of process:

- a) The whole ministerial team should agree on departmental aspirations;
- b) Agree a coherent set of demanding targets (for PSA inclusion);
- c) Agree a regular performance review process with officials which is based on clearly defined responsibilities and accountabilities: it is vital that there is clarity on the difference between the two;
- d) Incentives and encouragement are required to reinforce performance in the administration and executive agencies. The system must be based on clear delegation and mutual trust.

The management success of departmental political teams depends on:

- Focused objectives – there are currently too many and they change often;
- More consistent leadership from Cabinet through junior ministers to define priorities in political strategy;
- Better/clearer delegation to junior ministers;
- Clear division of responsibilities between ministers and civil servants;
- A review and feedback system.

The key areas for improvement are:

- Leadership of ministerial teams with clarity of departmental objectives and the necessary review process;
- A review system designed to align political strategy and departmental objectives;
- Consistent commitment to delegation, risk-taking and change management in the civil service.

The Productivity Panel may be well equipped to help departments with the development of a performance review process suitable for ministers to operate with officials. This would be a follow-up system based on agreed PSA objectives. There is a need to clarify roles and boundaries at the centre of Government in organising this work.

Performance focused on improving delivery requires simple targets, visible committed leadership and a continuous review process to maintain momentum.

Lord Simon of Highbury

Tackling variations in performance

Organisations in the private sector which are less productive than their competitors tend to go out of business or are taken over. In the public sector, the penalties for poor performance are rarely so harsh. Our studies have highlighted some of the techniques public services should use to help achieve continuous improvement.

Benchmarking to measure comparative performance is being increasingly used, but comparisons between like organisations, although straightforward in principle, can be very difficult in practice. This is because there can be complex and often indirect relationships between inputs, outputs and outcomes. The study on improving police performance examined this problem and recommended a new approach to measuring comparative police efficiency using a combination of two advanced techniques. Such approaches are time consuming to develop, but we commend them for other services where relative efficiency is difficult to assess. The potential returns are worth the effort, and can lead to better relative measurement of the performance of a wide range of public services and enable the setting of differential targets for improvement.

“Police authorities and forces should be given differentiated efficiency targets for the available funding, based on the results of systematic measures of relative police efficiency. The aim should be to raise the poorer performers up to the level of the best.”

Improving Police Performance p7



Public Monopolies/Private Monopolies – How to get the Best Performance

At first glance, the parallels between achieving step change in performance of the regulated monopoly industries – my previous role – and delivering a step change in the performance of the core public sector might seem somewhat remote. But they are much closer than it first seems.

In either case, the underlying problem is that the services are generally delivered by monopolies – with the associated risk of users paying too much for services, and getting consistently poor quality service.

Managing this problem well, by getting the incentives right to deliver value-for-money, means that many other aspects of public sector performance will also fall into place without the need for central micro-management of public services or a constant stream of “initiatives”.

The traditional approach to managing the risks of monopolies is to regulate them. What this generally involves is a range of central controls about how resources can be managed and deployed. This

invariably generates perverse incentives, including poor incentives to innovate and to take risks. Moreover, to work well, regulation needs very sophisticated information to differentiate between the good and the bad, and to set stretching but fair performance targets.

Improving the performance of the regulated industries, in the first instance, involved much more efficient forms of regulation than the normal approach. It involved:

- Establishing clear and non-conflicting roles and accountabilities for each organisation;
- Improving the information about performance, focusing on what really mattered;
- Benchmarking, comparing and contrasting performance;
- Incentivising organisations to meet the overall policy objectives. In the regulated industries, regulation set clear targets to reduce the real cost of the services to the public, while giving strong incentives to out-perform these targets;
- Giving the managers the freedom to manage their organisations, and focusing regulation on the overall outcomes they were meant to achieve, not on the detail of how they delivered them. Setting good performance targets for the outcomes that mattered made this possible.

Although the contexts are obviously different, almost identical forms of efficient regulation can be applied throughout the public sector. This approach forms the heart of my report on how to better measure the

efficiency of the police service, and how to use the resulting information within a package of measures to give incentives to the police to reduce variations in performance over time. At present, and for historical reasons, the police service – let alone the rest of the public sector – exhibits very few of conditions necessary for good incentive regulation.

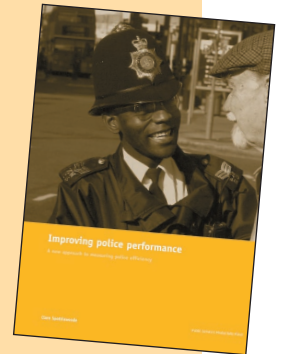
In a number of cases in the public sector, this will be as far as reform can go. But it will always be a second-best outcome, as the underlying monopoly problem is being managed as best it can, not solved. My experience in the gas industry shows it is possible to change the structure of an allegedly monopoly sector into a competitive one. More importantly, a competitive environment creates the strongest possible incentives on organisations to innovate, be efficient and be responsive to provide consistently high quality services as users' needs change.

Achieving a real step change in public sector performance demands looking at these options and implementing them where possible.

Getting the underlying performance management and incentive systems right is difficult. But it is the big prize. It is the way forward for delivering public services that Britain deserves for the 21st century.



Clare Spottiswoode



Most public services are subject to periodic fundamental review, for example under the *Comprehensive Spending Review* or *Better Quality Services*. But these fundamental reviews are not a substitute for regular and systematic in-year performance review and taking prompt corrective action to ensure delivery in line with expectations. In Byron Grote's work with the DTI Energy Division, a frequent team review process was developed to keep progress on track, thus ensuring a constant organisational focus on objectives.

“The type of change the DTI is faced with is one of the most difficult because there is no crisis or significant change in leadership. Therefore, to be successful, the change programme needs to be planned in detail and driven to completion.”

Refocusing Performance Management p19



Reinforcement through Regular Review

Introduction

The quest for continuous improvement in performance is a central issue for any organisation, be it inside firms from the private sector like my own, or within the public sector. As such, I was not surprised to find many familiar practices and systems already in place within the DTI as we began to map out together the areas where my input as a Productivity Panel member could be of benefit to the Department.

The differences that my colleagues and I saw were not so much in the nature of the tools being employed in DTI as it was in the way that they impacted the day to day thinking and actions of the teams we had the opportunity to work alongside. The missing element, we felt, was the greater focus and deeper rigour embedded in the regular performance reviews that underpin the performance management system that we utilise within BP Amoco.

As such, Gordon Birrell, who led much of the effort, and I agreed with Anna Walker, Director General of the Energy Group, to modify the performance management system she was using and to try it “our way” with a couple of directorates. We provided the guidance, but the real effort came from the individuals within the teams involved in the pilot. The learning came from the doing.

Key Lessons Observed

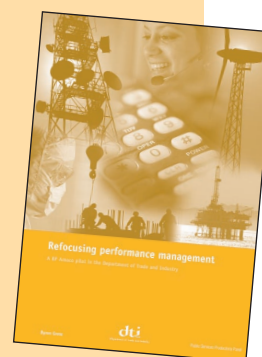
- The term 'performance management' means different things to different people. A common framework and associated vocabulary is required;
- Specific, tangible and measurable objectives can be created (as part of performance management) for staff working in the public sector even those involved in the difficult area of policy development;
- Staff need to be able to link their day-to-day objectives with the higher level aspiration of the organisation. To do this requires leaders to communicate relentlessly the aspiration;
- The face-to-face performance reviews in a peer group setting (one element of the system introduced) are welcomed by team leaders since it gives them an opportunity to describe opportunities, risks, successes and the need for help;
- Enhanced performance management requires that managers consistently demonstrate leadership and commitment to the process;
- New 'performance' initiatives should be avoided. Any changes should be seen as building on existing systems.

Wider Relevance

The DTI pilot project demonstrated that an existing performance management system could be improved by incorporating learning from the private sector. The system used in BP Amoco and tested in the pilot is generic and flexible enough to be utilised successfully in a wide range of organisations. The pilot results achieved convince me that a significant opportunity exists for public sector managers to embed these lessons into their current performance management systems and through that to enhance the productivity of their teams.



Byron Grote



A number of our reports have raised questions about the levels of performance management expertise in the public sector. There is a strong case for capacity to be created to help train, advise and support managers in the techniques and systems of performance management and the skills necessary to achieve cultural change. But to be effective, any capacity should not be desk-bound and simply issue guidance notes; support needs to be closely tailored to the needs of individuals and organisations, as the right solutions will vary widely across public services. Neither should capacity simply be created at a central Government level – most public sector organisations need to develop skills in this area, and should identify and plan to meet their specific needs.

There is scope for central Government to develop better ways of interacting with the wider public sector. Examples of a more constructive and engaging approaches to central intervention have been brought out in studies by Baroness Noakes. In both *Out in the Open* and *Tackling Variations in Outpatient Performance*, teams involving central Government officials, practitioners and other experts have been brought together to provide focused assessments to help improve the performance of a range of health and social service organisations. These teams have avoided the connotations of the 'hit squad' approach; and as a result, participating organisations have been generally open to assistance and advice:

“What is striking about this project is how four diverse project sites all benefited from direct intervention visits and have made rapid changes that have made a difference to the lives of older people.”

Out in the Open, p24



The Health Department – Real Opportunities for Gain

The NHS is a vast organisation and there was no shortage of areas to look at. Together with various members of the Department of Health I decided to focus on five areas which offered scope for major efficiency gains.

Getting the support of the Department of Health was crucial. Like many organisations in the public sector the NHS is often subject to external scrutiny and I wanted the NHS to feel a part of the process so that our proposals were regarded as owned by the NHS. I set up a Steering Group with Colin Reeves (the NHS Executive's Director of Finance and Performance Management) plus representatives from No 10 and HM Treasury. For each of the areas we chose to look at project teams, largely comprising NHS and Department of Health people, were set up.

The first area we chose to look at was outpatients. Considerable efforts have been made in recent years to reduce inpatient waiting lists but it is important that waiting lists for outpatient appointments are also addressed, especially as these lists have been rising. We also instinctively knew that outpatient management was under-developed and hence suspected that a bit of extra focus would pay dividends. We also thought that it would be a good area to examine how to tackle variations in performance: we already knew that outpatient waiting times were very variable across the NHS. An in-depth study took place at two pilot NHS Trusts with the aim of identifying problems likely to be common across the NHS and to test out solutions. This gave us the opportunity to extend the action team approach already successfully developed in relation to inpatient waiting lists. This involves small teams of experts visiting each unit, diagnosing the main weaknesses, agreeing action plans with local management and then returning after three months or so to check on progress.

The second area was the NHS estate – the largest holding of land and buildings in the country with a known backlog of surplus property awaiting disposal. We chose this because we believed that, using management consultant's jargon, there was low hanging fruit – that is, some relatively straightforward things that could be done to turn spare property assets into financial resources available to the NHS.

The NHS employs around one million people and hence the human resources area had to be a prime target for PSPP work. The difficulty was knowing what could usefully be done given a myriad of other HR initiatives already in train. We eventually selected the inter-linked areas of managing sickness absence, family-friendly employment policies and managing bank and agency staff. These touched a large number of staff and hence had a potentially large efficiency gain.

Our fourth area was IT. While IT can be seen as an enabler in efficiency terms our focus was more basic. The NHS has a history of well-publicised IT failures which have been the source of much wasted money in the past. Like many organisations it also has an ambitious information strategy with a potentially large price tag attached. We focused on two areas which we thought would help the NHS to spend its money more wisely. The first was where IT spending in 'health communities' needed to cross organisational boundaries leading to huge potential for waste if the organisations involved were not fully aligned. The second area was testing out whether interposing a strategic outline case evaluation into the investment approval processes would lead to better decisions and cut down on project time.

Last, but not least, we looked at the Personal Social Services area within the Department of Health. This is a bit of a Cinderella – funded by the Department but spent by Social Services departments within local Government with little performance information available. We looked at commissioning of care for the elderly, an area which absorbs much of the cost of the PSS programme and which also seemed to have big performance variation. Again this gave an opportunity to test out the approach of small action teams.

With the benefit of hindsight this was a rather over-ambitious programme but in each of the areas we examined we found practical ways of getting further efficiency in the Department of Health's spending. We also became more convinced that the action team approach, which stops short of being top down instruction but is inevitably interventionist, has considerable advantages. This applies particularly to the middle-ranking performers, numerically the largest group, which need a little help to raise their performance game.

The Baroness Noakes



Measuring what matters

Targets and measures have the power to clarify, but also to confuse. It is therefore essential that organisations ensure both specific measures and the overall structure is concise, focused on the key priorities and understood by staff at all levels.

Both John Dowdy, in *Targeting Improved Performance* and John Makinson in *Incentives for Change* have highlighted the 'Balanced Scorecard' as an effective method of defining the right set of measures. The tools used will clearly need to vary, and be supplemented by a regular review, ensuring that targets which are too easy or too tough are amended in the light of experience. In *Targeting Improved Performance*, the Defence Logistics Organisation have set out a new structure for their targets:

“During the course of the work with the Panel, the DLO made real progress in setting a specific and challenging performance aspiration for the organisation, committing to reduce output costs by 20 per cent by 2005 while ensuring the continued output delivery and, where appropriate, improvement in the quality of output. In support of this, the Corporate Plan now identified seven Key Areas for long-term improvement, which will be the subject of more specific performance targets embodied in the annual Short-Term Business Plans.”

Targeting Improved Performance p9

At a central Government level, the PSA/SDA process has set clear objectives and targets across the public service. However, in many departments and other public sector bodies, PSAs have not yet been cascaded effectively to all levels of these organisations and are not therefore affecting the objectives and behaviour of front-line staff. Beneath the structure of PSAs stands a wide range of other systems and frameworks for setting performance indicators and targets, including departmental, inspectorate, audit and Charter Mark measures and standards.

In *Customers in the Driving Seat?* Andrew Foster examines the 'line of sight' between the customer, public service organisations and central government and stresses the need to rationalise and prioritise targets. Organisations can simply have too many measures and targets, covering too many similar issues because of the different performance frameworks placed on them by central Government departments.

Whilst all of these frameworks may have a place in the overall process of public sector performance management, it is vital that the measures used by different frameworks are coherent, integrated effectively and retain focus on the important objectives of Government. All individual targets should be relevant to overall objectives: if this is not the case, they should be replaced or dropped.

In *Effective Reporting in Education*, John Mayo commends the Department for Education and Employment for developing a very clear set of national targets for education and lifelong learning. Having established a clear set of targets, the next stage, he suggests, is to put in place reporting arrangements that focus attention on the achievement of those key targets.

“This report recommends that a small number of key statistics relating to the Government’s performance targets and productivity (“value for money”) should be distilled from schools’ data and presented by the school in a concise, clear and prescribed way to parents and all other parties with an interest in performance. This transparent self-reporting will be increasing the understanding of parents and the “ownership” and responsibility of headteachers.”

Effective Reporting In Education p9

Clear benefit can be achieved if Government and top managers focus more on the things that are important. Dropping less important indicators, ensuring targets do not conflict and prioritising key indicators are all processes that require constant attention. Baroness Noakes’ work with NHS Estates provides a strong example of how targets can be developed and refocused to help achieve greater productivity gain. By re-examining Health Service asset disposal strategy, NHS Estates has been able to increase its disposal targets and improve operational efficiency.

The responsibility for better use of measures and targets rests with both central and local/devolved Government. It will therefore require ongoing action by both managers and the centre to ensure that the public sector’s developing performance structure realises its potential as a central tool for driving up standards.



Effective Reporting in Education: Enabling Local Management and Focusing Investment to Achieve National Targets

We have examined the structure of the education “industry” and noted its naturally extensive and disbursed characteristics which are combined with a political and management structure that is somewhat indirect due to the existence of LEAs, governors etc. We have not considered alternative structures (where the roles of LEAs are changed so that headteachers report directly to The Secretary of State, rather as a business unit manager reports to a group chief executive) as we were advised that there are good democratic political reasons why this structure should remain.

Given this structure, we have observed the multiplicity of performance-related data reported in this area, and the fact that the extensive and diverse nature of the schools and the complexity of reporting tends to lead to debate about the desirability and relevance of the numbers, rather than a debate about how we identify and spread best practice and rectify under-performance.

The Government has set eight national objectives and targets for schools. These are clear and

substantially complete: we would only add a target for attainment at age 18 and a measure for value for money. The DfEE has set itself six targets for colleges, and we have similarly suggested five key measures which cover these targets and include a measure of value for money and a measure of employability.

With such clear targets and limited statistics to be gathered to both report them and forecast planned improvement, we concluded that it should be possible to organise a reporting mechanism that was the responsibility of the individual headteacher in each school; that related directly to the elected Government’s stated national targets; and that eliminated large amounts of non-statutory reporting that was no longer necessary. The reduction in administration for headteachers would be welcome and should help them to see the advantages of a system in which they would be held more responsible for their school’s contribution to national targets.

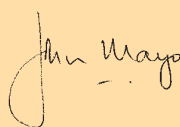
For the information produced by the schools to be useful, it needs to be benchmarked against comparable schools as well as Government targets and best-in-class performers. The issue of comparability is particularly important in such an extensive and diverse operation. For example a school in a poor inner city area should probably be compared to schools in similar circumstances, rather than to more advantaged schools within the same LEA. To achieve broad comparability, we believe it is necessary to cross-segment the schools and colleges to achieve reasonably homogenous groupings of institutions facing similar challenges (say 9 different primary school categories, 9 different secondary school categories and 9 different college categories).

For the information to be gathered and the cross-segmentation data to be shared with schools and colleges in an efficient way that facilitates insightful and directly comparable reporting by each school/college, it will be necessary to have an internet based reporting system. Such a system would enable schools and colleges to report their performance and their plans for improvement in a prescribed manner to parents, LEAs, governors, DfEE etc., in one simple report.

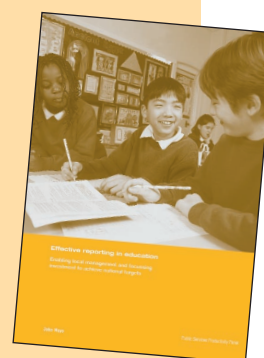
For headteachers and college principals to take full responsibility, this reporting needs to be frequent and regular, we recommend at least at the end of each term. It should also include forecasts. This provides local public profile for the measurements the Government has elected to focus on, and is likely to promote improvement. We identified numerous management tools that can be employed in a focused way to improve performance and spread best practice.

The information will also provide numerous opportunities to identify areas for improvement and its transparent dissemination will ensure that local pressure is brought to bear to improve poor performance.

The design of the right reporting system covers What?, When?, How? and To Whom? the reports should be drawn up, with the result that the elected Government's targets are "drilled down" to the devolved unit who reports historic performance and forecast performance fairly, transparently and regularly in such a way (particularly via cross-segmentation) that performance anomalies are apparent, and therefore positive and negative intervention can be highly focused and positive and negative incentives can be fairly designed and implemented.



John Mayo



Improving Customer Focus

The *Modernising Government* programme has set out a new vision for public services that meets the needs of citizens, not the convenience of service providers. A wide range of initiatives have been put in place right across the public sector, aimed not only at better customer service, but 'joined up' solutions that bring together a range of providers in 'one stop shops' or other local partnerships.

This is to be commended, but improving an organisation's customer focus is about attitudes, not processes. So successful customer service initiatives require reinforcement and backing from the highest level within an organisation, or they run the risk of only ever being considered fringe, or experimental activities.

We believe policy-making processes need to take better account of both internal and external customer feedback. Andrew Foster's studies both employed techniques currently under-used in the public sector. Mystery shopping was a central feature of *Customers in the Driving Seat* and over 700 face-to-face interviews with tenants provided the research base for *Putting Your House in Order*.

But in many cases, the challenge is not necessarily to develop new initiatives, but to make existing processes work better. Customer complaints are a strong example of a form of feedback which needs to be taken more positively into account at all levels in policy making and delivery.

“Complaints can yield valuable lessons – as one of the agency chief executives said during this review, complaints ‘are the gold dust of an organisation’.”

Customers in the Driving Seat p16

The use of feedback from front-line staff can also be a powerful mechanism for achieving a more customer-oriented organisation. Public services should consider carefully how the experience of front-line staff can be used to inform the planning and delivery of better services to customers.

Customers cannot engage actively in the debate about the performance of public services unless the quality of reporting enables them to understand the key issues. Although the public sector is improving both the quantity and quality of reporting, organisations do not always succeed in engaging their customers or other stakeholders. Particular methods need to suit particular circumstances, as Andrew Foster’s study *Putting Your House in Order* demonstrates:

“By far the most popular method [of consultation] was face-to-face interviews, and this was the only method that succeeded in involving more than half the tenants at any of the research sites. Tenants also believed this to be the most effective method of consultation.”

Putting Your House in Order p5

Very often, the most important pieces of performance information are hidden or not effectively presented. Steps should be taken to bring performance reporting into a more consistent format, enabling the customer to see clearly the performance of the relevant organisation relative to the appropriate grouping of peers or similar public services. As a general principle, reporting (and the responsibility for reporting) should be as close to the customer as possible.



Focusing Improvements on Customers

As a committed public servant and a user of public services, I was immediately attracted to the notion of putting the Government’s interest in user-focused services under the spotlight, as a central part of my work for the Panel.

As a nation of motorists, many of us will come into contact with the DETR’s driving agencies on a number of occasions in our lives, whether sitting a driving test, renewing a license or trying to plan the quickest route from A to B. So my work for the Panel has involved an assessment of the quality of customer services provided by three of the DETR’s Executive Agencies; the Driver and Vehicle Licensing Agency (DVLA), the Driving Standards Agency (DSA), and the Highways Agency.

I’d like to pick up on four central themes that emerged from my research, which get right to the heart of the challenge of delivering user-focused services:

- Leadership;
- Taking users’ views on board;
- Aligning service objectives and incentives;
- Involving and developing staff.

A clear commitment from top management emerged as the single most important factor underpinning a positive approach to customer service, at the agencies I looked at. At the DSA for example, the Customer Service Unit reports directly to the chief executive, who will intervene personally to deal with a customer complaint where all other avenues within the agency have been explored. The staff I spoke to felt that this sent a very positive signal to them, about the value of customer service within the organisation.

Secondly, it’s imperative that users are seen not as passive recipients of services, but as stakeholders whose views should shape and influence service delivery. Organisations that don’t take this seriously run the risk of becoming complacent. In one case, the mystery shoppers that I commissioned found that

people had to try up to 20 times to get through to an enquiry line to make a straightforward request. In another instance, the information given to callers was inaccurate. Some would say that this is small beer, but these are precisely the sort of problems that in the past have got the public sector a reputation for being too cumbersome and bureaucratic.

DSA has avoided these problems by a comprehensive market research strategy that takes monthly snapshots of candidates' views of the driving tests. The findings are passed to the chief executive, who takes personal responsibility for putting significant issues to the management board for action. And a good complaints system should also be seen as a key tool for improving customer services – one of the agency chief executives that I spoke to referred to complaints as 'the gold dust of an organisation'. The Highways Agency ensures that complaints data is systematically analysed, so that trends can be spotted and reported to the management board for action.

This should be backed up by a performance management system that rewards attention to customer service by all staff. So in order to improve turnaround times for driving licence applications, the DVLA has established a bonus system for its staff, in which speed and accuracy of data input are essential. And reward schemes need not necessarily involve financial incentives. The Highways Agency ensures that a commitment to customer service is cascaded from its top-level business plans through to personal development plans for staff that identify individual objectives and development needs.

Finally, I'd like to emphasise the importance of involving staff in developing good quality customer services. Very often it's the people at the front end of

delivering services who really know what works, and have a strong desire to make things work. The Highways Agency's complaints monitoring is integrated with a system for staff to feed in suggestions for service improvements. And the DSA holds quarterly 'cascade briefings' across its regional offices, as a two-way street. They are designed not only to keep staff informed about important policy developments that might affect them, but also to feedback any concerns and suggestions they have about how services could be improved.

Despite the challenges faced by the public sector in delivering the Government's vision of user-focused services, I'm optimistic about the future. What has struck me in my work for the Panel is the degree of commitment to improve, shown by both the staff and the top managers at the agencies. Robust, independent scrutiny has been viewed not as a threat, but as an opportunity to recognise and learn from areas of good performance, and make improvements in services where necessary. Above all, it's a commitment to learning, improvement, and regular review of customer service quality, which will help the public sector to deliver positive and lasting change.

Andrew Foster

Andrew Foster



Rewarding Performance

In the performance management model we have set out, we stress the importance of reinforcement, which provides the tangible motivator for success. Nevertheless, this is probably the area of performance management which the public sector has found most difficulty in developing to date. The link between pay and performance, in particular, tends to be extremely weak, although performance-related pay has the potential to be a critical factor in improving performance. Realising this potential in part depends on accurately linking staff performance to the goals of the Government more generally.

“This report begins with two simple assumptions: the first is that performance incentives can improve productivity within the public sector; the second is that most incentive arrangements in place today are ineffective and discredited ... a reform of incentive structures can and should result in a better service to the customer at a lower cost to the taxpayer.”

Incentives for Change p2

One of our studies has looked in depth at this issue, and proposed a new scheme of incentives, linked to performance against PSAs, for four major Government agencies. *Incentives for Change*, a report by John Makinson, links the operation of new schemes to well-functioning performance management and organisational arrangements. The report proposes that team bonuses should be paid to reward and encourage achievement of PSA objectives. If targets are exceeded, the Government should use part of the savings from productivity improvement to fund bonuses. When performance pay is run well and targets achieved, everybody wins: staff are better rewarded, customers get a better service and savings are generated for the taxpayer.

Where appropriate, and where workable schemes can be developed, the Government should not hesitate to provide the financial freedoms that will enable such incentive systems to work effectively.

As John Makinson's report recognises, pay is by no means the only motivator for public servants and should only be one element of an overall approach to employee incentives. A special public service ethos is also important, but not enough; staff and organisations as a whole need a sharp and effective mix of incentives if the targets and commitments in *Modernising Government* and PSAs are to be achieved. Incentive strategies are therefore needed which cover the entire employee experience, including office/site environment, development opportunities, flexible working hours and non-financial awards and prizes.

Good incentives at the individual level will only work well if the right organisational incentives are in place. Many people within the public sector would argue that they are more familiar with negative incentives than incentives that provide positive encouragement. There are many things which affect incentives; such as the balance between monopoly supply and free competition; or between central regulation and local autonomy. These sort of issues are crucial to creating effective incentive structures for public services and much more should be done to ensure they are sharpened and made more transparent.



Incentives for Change

In drafting the recommendations of the *Incentives for Change* report, I was already conscious of the need to make bold generalisations in order to fit unruly data and observations into a common framework. I am therefore mindful of the dangers of extending my remit still further and giving opinions about areas of the public sector of which I know almost nothing.

I am nonetheless encouraged to believe that some of the principles underlying the report may have a broader application for four reasons:

- The scope of the report was broad, addressing incentive structures in four organisations that collectively employ just over 200,000 people. So it was a sample, but a big one;
- The themes that featured strongly in each organisation were consistent. Strategic direction, performance management, financial resources, customer focus, to name just a few, emerged as issues in each agency;
- The experience of other Panel members seemed to confirm our collective sense that the principles binding our reports together were stronger than those pushing them apart;

- Since the publication of the report a number of other public sector organisations have taken an interest in its recommendations and, in a couple of instances, have confirmed to me its relevance to their own organisations.

It may be easiest to address the key points under a small number of simple headings:

Leadership

Staff at all four agencies seemed unclear about the overriding objectives of their organisation, a problem which became apparent when we tried to identify the key goals which could be used as the basis for incentives throughout the organisation. This problem arises in part from the proliferation of individual targets, accumulated in geological layers as new policy initiatives are added to the ones that went before. It also stems, I believe, from generally poor internal communication and the absence of a well-trained and motivated management cadre capable of transmitting strategic direction throughout the organisation.

Accountability

Underlying all these problems is a real dilemma about accountability. Are individuals in these agencies accountable first and foremost to the Government that sets their agenda, to the management that is responsible for their careers, to the customers who create the need for their service, or to the taxpayer who foots the bill? There is obviously no simple answer to the question but it does need asking. The issue arose obliquely throughout our own researches as we sought to balance the need for improved customer service and financial productivity. The general assumption was that these goals were bound to be in conflict with one another, not an assumption which would be shared in the private sector. It was also unclear whether, within the constraints imposed by the PSAs, the agencies should be emphasising the delivery of additional and better service at constant cost, or the maintenance of service levels at lower cost. Again, the answer may be somewhere between the two but it will be difficult for agencies to develop a common sense of purpose without resolving these accountability issues.

Performance management

All of us who have worked on individual projects have commented on the absence of an effective performance management system. The first priority must be to improve the quality of management through a tougher approach to poor performance, greater emphasis on training and development, the introduction of experience and talent from outside the public sector and, where appropriate, a more flexible approach to compensation. The rigidity of the box-marking system and the job-for-life expectation militate against radical change. But I do think it will be difficult to improve substantially the effectiveness of the public sector without a root and branch review of compensation and performance management.

Information

We laid great emphasis in our report on the importance of using information systems to measure performance in an honest and objective way. Unfortunately this is often difficult to achieve because, while the agencies accumulate an impressive amount of regular data, relatively little of it can be used to benchmark performance and drive greater efficiency. Additional investment in information technology will be required to deliver this objective, particularly as the process service delivery is itself complicated by the growth in internet-based communication and the use of call-centre technology.



John Makinson



Conclusions

Public services' productivity matters. Because better productivity builds the confidence of taxpayers that they are getting a good deal from the public services that they pay for. And improved productivity provides the opportunity for greater investment in the public services of the future.

In recent years, the public sector has often been criticised as inferior to the private sector, in its ability to improve its efficiency and effectiveness, and in its willingness to modernise. Our experience has shown us there is indeed significant room for improvement in many parts of the public sector. But we also found excellence; and a tremendous amount of enthusiasm on the part of managers and staff to try out new ideas and techniques to improve their services to the public. Politicians and top managers must capitalise on this enthusiasm, if lasting change is to be achieved.

The central conclusions of our work include:

- Good performance management systems can make a difference;
- But to make a difference they need to be embedded in the culture of organisations;
- Both systems and culture need to be urgently addressed.

This will require a major commitment from politicians, managers and staff. But the prize is lasting and genuine service improvements, and the opportunity to modernise public services for the benefit of all.

Your comments

We do not claim to know all the answers and would be very interested in your views on any of the issues raised in this report, or on improving the productivity and the efficiency of public services more generally. This would be especially helpful in planning the next phase of the Panel's work. We would be particularly interested in your answers to the following questions.

- Do you think that performance management and the 5 areas for action highlighted in this report are important to raising performance in the public sector?
- If so, what action do you think would be most effective in addressing them either in your own organisation or in the public sector more generally?
- Have you other ideas about the most effective ways of raising public sector productivity?
- Have you any views about particular projects, issues or general themes the Panel might most usefully address over the next two years?

Please write, email or fax your views or comments to:

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The Public Services Productivity Panel – published studies

Our reports are summarised below in chronological order of publication. For copies of the reports, and further information about the Panel, please visit the HM Treasury website at:

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

Variations in Outpatient Performance (published: 25-Nov-99)

This report sets out a comprehensive strategy for improving waiting times for consultant appointments through a combination of improved management, long-term planning and new booking systems. The approach was developed by the Department of Health and the National Patients' Access team with advice from Panel member **The Baroness Noakes**, a partner in KPMG.

Customers in the Driving Seat? (published: 27-Jan-00)

Andrew Foster, Controller of the Audit Commission, has reviewed the quality of customer service in three of the large transport agencies. His report sets out a number of practical recommendations that would be of interest to all public sector organisations that want to improve their front-line services to customers.

Incentives for Change (published: 31-Jan-00)

John Makinson, Group Finance Director of the media company Pearson PLC, led a team examining performance incentives for the 150,000 front-line staff who work in the Benefits Agency, HM Customs & Excise, the Employment Service and the Inland Revenue. Although the specific proposals in his report are tailored to those four agencies, the basic principles are potentially capable of much wider application. The report also contains a wealth of comparative data on how performance is rewarded and incentivised across both the public and private sectors.

Targeting Improved Performance (published: 3-Apr-00)

John Dowdy, a Principal with McKinsey, has reviewed the performance management systems of the newly formed Defence Logistics Organisation against a model developed by the Productivity Panel. The report describes the particular challenges facing the DLO and the considerable progress it has made to date. It also describes in detail the integrated performance management model developed by the Panel and since adopted by the Civil Service Management Board for use throughout the Civil Service.

Improving Police Performance (published: 17-Apr-00)

Clare Spottiswoode, formerly Associate Partner of PA Consulting, has identified a new way to measure the efficiency of the police. She has identified a way of using information which is already collected by the police service to make a more meaningful analysis of which forces are doing the most to prevent, solve and reduce crime within available funding. More importantly, the report outlines a means by which police forces can better understand their relative strengths and weaknesses. This will help raise the level of performance of all police forces to the level of the best, within the framework of the Best Value initiative. The report makes an important contribution to the Government's crime reduction strategy and its approach has wide potential application across all public services.

Refocusing Performance Management (published: 17-May-00)

Byron Grote, Executive Vice President of BP Amoco, has worked with staff in the Energy Group of the DTI to refresh its performance management system by drawing on the system used by BP Amoco and the model developed by the Productivity Panel. The report shows how such a system can be applied in a complex public sector organisation. A practical description of how managers can tackle difficult issues is included.

Sold on Health (published: 26-May-00)

This report marks a step change in the way the NHS manages its estate. Developed with guidance from **The Baroness Noakes**, the report sets out a new national framework designed to root out more surplus estate, accelerate sales and cut red tape. Not only can the approach save and generate additional finance but through modernising the estate management process it can free up resources to increase the focus on patient care. It is hoped that the report will also provide useful ideas for other public services with large property portfolios.

Working in Partnership (published: 26-May-00)

Also prepared with guidance from **The Baroness Noakes**, this report tackles the difficult issue of achieving joined-up working at a local level, particularly when it comes to developing joint IT systems. The report has a strong practical edge, highlighting the key issues that organisations will need to tackle as they begin to plan across organisational boundaries. It includes a simple self-assessment tool which other public services might find valuable in helping them to develop local service partnerships.

Out in the Open (published: 9-Jun-00)

The Baroness Noakes guided the development of this report which proposes improvements to the commissioning of services for older people. Schemes in four local authority sites have been piloted, demonstrating how significant efficiency gains can be achieved by developing care services which move away from reliance on expensive (and often inappropriate) residential and nursing care. The report also highlights how direct intervention, rather than written guidance, can be a more helpful and effective role for central government.

Putting your House in Order (published: 29-Jun-00)

Productivity Panel member **Andrew Foster**, Controller of the Audit Commission, has been looking in particular at ways of improving the quality of service provided to customers. This, his second report for the Panel, looks at how to get best value for tenants from the £4 billion invested each year in improvements to social housing stock. Based on detailed research carried out by tenants themselves, his report stresses the importance of involving tenants at every stage to ensure that public money is spent in ways that deliver real quality of life improvements.

Maximising Value for Money (published: 20-Jul-00)

For some time, major capital investment projects in the NHS have involved the development of Strategic Outline Cases (SOCs) at an early stage of developing plans for investments in new facilities, involving the various major stakeholders. This report – developed with guidance from **The Baroness Noakes** – examines the potential role of the SOC as an important element of planning for information systems and change management initiatives which involve a large number of stakeholders, are novel, risky and complex, or where the objectives and scope may be ill-defined.

Effective Reporting in Education (published: 28-Jul-00)

John Mayo, Finance Director of Marconi plc, has looked at how performance reporting arrangements in schools and further education colleges could be further developed to support the Government's radical agenda for raising standards in education and training. The report's recommendations for focusing performance reporting on the Government's key targets, for explicit reporting on planned improvement in those key areas and for cross-segmentation to identify patterns of good practice will be of interest to all organisations facing the challenge of delivering improving performance and value for money.

