

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**30 September 2011**

**Report of: Strategic Director (Corporate Services)**

**Title: Grant Thornton Review of Corporate performance Reporting**

**Ward: Citywide**

**Officer presenting report: Richard Powell, Chief Internal Auditor**

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**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's review of Corporate performance Reporting.

**Summary**

Our 2010-11 Annual Audit Letter: raised concerns that the Council should improve its corporate performance management arrangements to ensure both the Strategic Leaders and Cabinet fully understand how the Council is performing. In order to address this concern the Council introduced Directorate scorecards in August 2010.

These scorecards were not originally intended for Member use and review and primarily focus on poor performance.

Although the scorecards provide a base from which performance reporting could be improved and have merits at Directorate level they do not provide a balance view of how the Council and Directorates are performing.

We recommend that the Council's new Corporate Plan drives performance management and that the Council introduce corporate performance monitoring – showing the full range of service performance against targets – that also enables links to be made between service

performance, unit costs and budgets.

## **Policy**

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

## **Consultation**

**Internal:** Grant Thornton consulted with Senior Officers before finalising the report.

**External:** not applicable.

## **1 Introduction**

- 1.1 Grant Thornton is required to provide a value for money conclusion (VFM). This report will inform our VFM conclusion.
- 1.2 Our 2010-11 Annual Audit Letter said that the Council should 'develop its corporate performance management arrangements to ensure both the Strategic Leaders and Cabinet fully understand how the Council is performing and delivering its strategic objectives across the Council'. This report describes the work we have carried out to check progress on this action and provides a summary of our findings.
- 1.3 Grant Thornton's partner, John Golding, the appointed auditor responsible for the City Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

## **Other Options Considered**

Not applicable.

## **Risk Assessment**

Not as a result of this report.

## **Equalities Impact Assessment**

There are no issues arising from this report.

## **Legal and Resource Implications**

None arising from this report.

## **Appendices:**

Appendix 1: Grant Thornton's Review of Corporate performance Reporting

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:** None

# Bristol City Council

## Corporate Performance Reporting

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# 1 Our audit approach

## Introduction and background

Our 2010-11 Annual Audit Letter said that Bristol City Council (the Council) should 'develop its corporate performance management arrangements to ensure both the Strategic Leaders and Cabinet fully understand how the Council is performing and delivering its strategic objectives across the Council'. This report describes the work we have carried out to check progress on this action.

Performance management and performance reporting in the Council are intended to track performance against objectives that are documented within the Council's current (2008-2011) Corporate Plan. The Corporate Plan has been drafted so that it complies with the direction set by the Strategic Partnership's '20:20 Vision' document.

Performance reporting is crucial to the Council. Good performance monitoring and reporting should clearly identify what is working well and what is not, and provide a sound evidence base for decision-making.

There are various ways of reporting performance, and the method chosen is likely to depend on the target audience. The public will usually prefer to see a 'rounded' or balanced picture of performance – to understand what the organisation is doing well and what it is doing less well. Balanced reporting of performance is also needed for partners and stakeholders. On the other hand, managers are more likely to need reports on where services need to be improved

The Council's Corporate Performance and Improvement Team is responsible for developing the Council's Performance Management Strategy, including its planning and reporting arrangements. For the past year, scorecards have been a part of this system at Directorate and Corporate levels. Before the first appearance of scorecards in August 2010, there was no agreed framework for reporting performance corporately. By September 2011, scorecards have been used in most cases for five quarterly reporting cycles.

Scorecards were originally designed to be used by officers within the Senior Leadership Team (SLT) and within Directorate Leadership Teams (DLTs) to help them understand and challenge performance. They summarise information on four domains that broadly follow the methodology popularised by Kaplan and Norton<sup>1</sup>:

- 1 risk
- 2 performance
- 3 pounds
- 4 people.

The Council's quarterly scorecards – running to two or three sides of A3 – highlight mostly examples of poor performance, and show intentions for improvement. They are therefore exception reports and do not provide a balanced view of performance, in the common sense way of showing examples of good and less good performance.

<sup>1</sup> Kaplan and Norton led the development of scorecards in the USA in the late 1980s and early 1990s. Their scorecards were typically based on three non-financial topic areas and a fourth that looked more explicitly at the financial perspective of performance.

Scorecards are normally available within six weeks of the end of the quarter for Directorate Leadership Teams and within eight weeks for the Senior Leadership Team.

While the Council's performance reports and scorecards were intended for officers, they are now shared with Members. As they are also available on the internet, they can be accessed by partner organisations and members of the public looking to find out more about how the Council is performing.

### Scope of audit work

We have found out how the scorecard system works in the Council and how it is supported by service-level performance reporting. We have reviewed how performance reports and scorecards operate in relation to each of two specific services in two Directorates:

- in domestic refuse collection services (Neighbourhoods Directorate)
- in museums and gallery services (City Development Directorate).

We have explored how information is assembled and how it is presented on the scorecards. We have also sought evidence to test whether it has enabled decision-makers to:

- understand and challenge service and financial performance
- address under-performance or over-spending
- assess progress made in implementing any actions agreed to improve performance
- deliver the Council's strategic priorities.

### Code of Audit Practice

Under the Code of Audit Practice, we are responsible for issuing a conclusion on whether we are satisfied the audited body has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our VfM conclusion for 2010-11 in the Council will be informed, in part, by this review.

### Use of this report

This report has been prepared to advise the Council of the matters arising from our work and should not be used for any other purpose or be given to third parties without our prior written consent.

Our report is part of a continuing dialogue between the Council and ourselves and should not be relied upon to detect all opportunities for improvements in management arrangements that might exist. The Council should assess the wider implications of our conclusions and recommendations before deciding whether to accept or implement them, seeking its own specialist advice as appropriate.

We accept no responsibility in the event that any third party incurs claims, or liabilities, or sustains loss, or damage, as a result of their having relied on anything contained within this report.

### The way forward

We have set out our findings and recommendations in Appendix A to this report.

### Acknowledgements

We carried out this work through discussions with Council Members and staff, and by reviewing key documentation, including policy and strategy documents, and Council papers and Minutes. We would like to record our appreciation for the assistance and co-operation provided to us during our work by Members of the Council and Council staff.

## 2. Executive summary

The scorecard system does not ensure 'Strategic leaders and Cabinet fully understand how the Council is performing'.<sup>2</sup> In addition to existing arrangements the Council needs to be able to offer a more balanced picture, which shows the best and any less impressive aspects of service performance, including the relationship between performance and finance, linked to the Council's Strategic Objectives.

<b>Design</b>	In keeping with their origins as reports for management, and not for partner and wider public use, the Council's scorecards were never designed to present a balanced picture of Council performance and do not link to the Council's Corporate Plan.
<b>Consistency</b>	Because scorecards are now accessible to partners and the public, we have concerns about the extent to which choice by officers determines what appears, and does not appear, on Directorate and Corporate scorecards.
<b>Information</b>	The two Executive Members and the Strategic Director we spoke to told us they do not find the scorecards useful, primarily because the information on the scorecards is out-of-date by the time it reaches them.
<b>VFM</b>	While the scorecard as currently implemented has merits at Department and Directorate levels in focussing attention on weaker areas of operations, we are not confident that the current scorecard system is an effective means of briefing executive members, partners and the public. We recognise that the scorecards could be the basis on which further operational improvements could and should be made.

<sup>2</sup> A high level recommendation raised in 2009-10 by Grant Thornton in their Annual Audit Letter.



## 3 Detailed findings

Scorecards are just one means of presenting performance information in Bristol City Council. They add to, but do not replace, other performance reporting methods including SPAR.net and various Directorate reporting systems. Scorecards are intended to focus on those areas of performance that are operating below target, or where there are potential overspends, and are not intended to provide a balanced picture of service performance.

The scorecards offer new opportunities to include information on ‘interventions’ that were not available in previous reporting systems, and we recognise that the scorecard system has merits at Department and Directorate levels in focussing on weaker areas of operations. However, we consider that in their current format, the scorecards do not provide the most useful means of briefing Executive Members or for informing the public.

The Council’s scorecards were originally intended for senior officers and not for Executive Members. Most staff in the service areas examined considered that detailed briefings between senior officers and Members provide better information on performance for Members than the information reported through the scorecards.

As the scorecards deliberately focus on areas of under-performance or over-spending they do not provide the most effective way of summarising performance against objectives across the whole Council. We recognise, however, that they could be an effective way of improving under-performance if some of the issues identified in this report are acted upon.

This section describes what could be done to offer a more balanced picture of service performance and how the usefulness of the existing scorecard system could be improved. It is structured under five headings:

- balanced performance reporting;
- choice of what appears on scorecards;
- organisational structure;
- content and style; and
- data quality and timeliness.

### Balanced Performance Reporting

Performance reporting is important to ensure both Cabinet and the Council's Strategic Leaders are aware how the Council is performing across all its priorities. In 2009-10 we identified that the corporate performance arrangements should be improved to ensure balanced information, links to the strategic objectives and showing both good and poor performance, is reported to Cabinet and SLT.

The scorecard system was used in Bristol City Council for the first time in August 2010 to present performance information for the first quarter of 2010-11. The rationale for doing this was to drive up performance in areas where there were problems, and also to provide a mechanism to share performance information between directorates. In our view, it is important for the Council to continue to do this – to identify and focus on poor performing areas and to share information between directorates, particularly as some issues cross directorate boundaries and cannot be resolved by one section or department alone.

The Bristol Partnership uses Report Cards that are more balanced than the Council's scorecards. On their first page, each of the Report Cards routinely gives an example of 'heartening' performance and another example of 'troublesome' performance. While this offers an alternative, its success depends on the clarity of the links between each Report Card and each of four outcomes (each with four associated actions) that have been specified by the Bristol Partnership. The four outcomes (16 actions in total) provide the framework for Bristol Partnership's Community Strategy, its '20:20 Vision'.

The Council is currently refreshing its own Corporate Plan – the Council document that most closely parallels the Bristol Partnership's Community Strategy. Until there is an accepted and clear Council Corporate Plan it will remain difficult to provide routine, balanced and structured corporate and public reporting.

#### **Recommendation 1**

The Council should ensure that its new Corporate Plan drives its performance reporting.

A significant difference between the scorecards used by the Council and the Report Cards used by the Bristol Partnership is that the Report Cards give only limited attention to finance, budgets or value for money. The interdependency between service performance and finance requires the Council to have integrated performance reporting and a way will need to be found to include finance within any reporting system intended for Executive Members and the Public.

#### **Recommendation 2**

The Council should introduce corporate performance monitoring – showing the full range of service performance against targets – that also enables links to be made between service performance, unit costs and budgets.

#### **Choice of what appears on scorecards**

The original intention was for scorecards to be used only by officers. Now that their use has extended, more attention needs to be given to what is and what is not reported through scorecards. In our view, officers in the Council exercise too much discretion in deciding which areas of below-target performance are reported through scorecards.

Although time-series information exists in SPAR.net and other feeder systems, the choice as to what does and does not appear on quarterly scorecards makes it difficult to track progress. For example the question 'when is improvement expected by?' for a particular indicator – (e.g. visits to museums) will not necessarily trigger a later, subsequent scorecard appearance for that indicator to enable those involved in this service to monitor progress and improvement. Also we saw evidence of some red rated service areas being removed from the scorecard even though they continued to be red rated. The simple assumption for the reader of the scorecard would have been that the service area is no longer red rated, and that service had improved, but this inference would have been wrong.

The Corporate Plan and Senior Leadership Team (SLT) should together set clearer directions on what should be reported on the scorecards, and for how long. We would expect these to be endorsed on the basis of the importance of activities, the extent to which they support strategic objectives, and the cost of the activity.

#### **Recommendation 3**

The Corporate Plan and SLT should determine what appears on the scorecards and for how long.

#### **Organisational structure**

Scorecards are currently used by the SLT and by the Council's Directorate Leadership Teams. Some Directorates have also developed separate scorecards for individual departments or sections within the Directorate. As future organisational changes are made within the Council, and as the number of Directorates reduces from six, the organisation and number of the scorecards will need to evolve to stay in line with these changes.

#### **Recommendation 4**

The production of scorecards will need to evolve in line with changes in the organisational structure of the Council.

## Content and style

Scorecards are structured using four domains that broadly correspond to the model proposed by Kaplan and Norton 20 years ago:

1. risk;
2. performance;
3. pounds – including 'value for money'; and
4. people – separated into 'customers' and 'staff'.

On the performance domain, the scorecards show Red Amber Green (RAG) ratings typically on two or three indicators. As the scorecard focus is on under-performance, RAG ratings are mostly either 'red' or 'amber'. A narrative is also included answering three questions for each indicator:

1. What's going wrong?
2. What are we doing about it?
3. Improvement expected by?

From the scorecards we have looked at, these questions are mostly answered clearly and succinctly as would be expected in a system of exception reporting.

Within the pounds domain, however, value for money (VFM) indicators are not being consistently used. We have seen some scorecards where no VFM indicators have been specified. We understand that this is expected to change under direction from the Council's Corporate Performance and Improvement Team.

More importantly, we do not consider that value for money indicators should be listed within the 'Pounds' domain, because placing them here gives undue emphasis to 'money'. Value for money needs to incorporate service outcomes, quality, customer satisfaction, as well as cost. We suggest that value for money could be a distinct and separate domain.

### Recommendation 5

A separate domain for value for money indicators should be created, and efforts should be stepped up to make sure that VFM indicators are routinely specified and used.

Also, we suggest more thought needs to be given to the relevance of the Council reporting staff PMDS assessment data through the scorecards. While this may be useful information for officers<sup>3</sup> it is of no obvious use to members of the public interested to know how the services they receive are performing against targets. A thorough review is needed of the merits of reporting performance data on the people (staff) domain.

### Recommendation 6

The relevance of reporting performance on the people (staff) domain should be reconsidered.

The rule of thumb for those populating the scorecards is to try to keep the scorecards to a maximum of two sides of A3. Most, but not all, of the scorecards we have seen keep to this guidance. Although there is an understandable intention to keep scorecards short, in our opinion the finished product is visually dense, 'busy' and not always easy to interpret. We suggest that the format of scorecards should be reconsidered, and that this review includes a proper consideration of how best to accommodate a separate VFM domain. Those involved in the routine production of scorecards should be asked to contribute to this review of scorecard style.

### Recommendation 7

The design of the scorecards needs to be reviewed so that the content is easier to read and understand.

## Data quality and timeliness

The accuracy of the information on the scorecards depends on the accuracy of the data in the scorecard 'feeder' systems. We have found a number of data problems including:

- one instance of a correct SPAR.net performance rating being wrongly transcribed onto the corporate scorecard (missed refuse collections);
- a separate instance of a data input error on SPAR.net, leading to misinterpretation of reported performance at a Directorate level<sup>4</sup> (children visiting museums); and

<sup>3</sup> For example, comparative performance data relating to staff absence may be useful in some areas of the Council's operations

<sup>4</sup> this clerical input error was in SPAR.net and did not feature on any scorecards

- a percentage reporting error on one scorecard on Performance Management Development Scheme (PMDS) assessments.

More attention needs to be given to checking and signing off data appearing on scorecards before the scorecards are published. Those preparing the scorecards need to understand the importance of data quality rigour in any reporting system that is currently placed in the public domain. Although we appreciate that it is not the principal task of the central team to ‘police’ data quality, we consider it important that they carry out routine sample checks to ensure that all data appearing on scorecards is accurate.

**Recommendation 8**

To reduce the incidence of avoidable mistakes in presentation, more attention needs to be given by checking and signing off data appearing on scorecards before the scorecards are published.

We are not clear why it takes so long at present to produce the scorecards. We suggest that a formal review is done of the data capture and processing timetable to see if it is feasible to reduce the time for producing Directorate scorecards from the current six weeks to between three and four weeks, and the time for SLT scorecards from eight to closer to five weeks.

**Recommendation 9**

Systems analysis should be carried out to see if the time to produce scorecards from available data can be reduced.

# Appendix A – Action Plan

Rec No	Recommendation	Priority	Management Comments	Responsibility and deadline
1	The Council should ensure that its new Corporate Plan drives its performance reporting.	High	Performance reporting needs to be driven by the need to deliver the best possible outcomes. We need to retain enough flexibility in our processes to respond to changes in circumstances as well as reporting against plans.	Service Director (Finance) Ongoing
2	The Council should introduce corporate performance monitoring – showing the full range of service performance against targets – that also enables links to be made between service performance, unit costs and budgets.	High	Significant progress has been made over the last 12 months. We do not feel this report fully reflects the progress made. The scorecards were always intended to be a first step. We will now complete our review of the best way to present performance information. This will take full account of the recommendations made.	Service Director (Finance) April 2012
3	The Corporate Plan and SLT should determine what appears on the scorecards and for how long.	High	We need to consider more fully the different audiences and the different requirements. The new arrangements need to be agreed with the respective audiences.	Service Director (Finance) April 2012
4	The production of scorecards will need to evolve in line with changes in the organisational structure of the Council.	Medium	Agreed	Service Director (Finance) Ongoing
5	A separate domain for value for money indicators should be created, and efforts should be stepped up to make sure that VFM indicators are routinely specified and used.	High	Establishing appropriate value for money indicators is a key priority. A great deal of work has already been done and we will continue to improve our VFM reporting.	Service Director (Finance) Ongoing
6	The relevance of reporting performance on the people (staff) domain should be reconsidered.	Medium	There is a clear correlation to between the quality of staff performance and the quality of service outcomes. We will look at the type of information included but feel it is important to have some information about staff performance	Service Director (Finance) April 2012

Rec No	Recommendation	Priority	Management Comments	Responsibility and deadline
7	The design of the scorecards needs to be reviewed so that the content is easier to read and understand.	Medium	Agreed	Service Director (Finance) April 2012
8	To reduce the incidence of avoidable mistakes in presentation, more attention needs to be given to checking and signing off data appearing on scorecards before the scorecards are published.	High	Agreed. Consistent reporting arrangements which map trends is fundamental to improving our performance reporting.	Service Director (Finance) April 2012
9	Systems analysis should be carried out to see if the time to produce scorecards from available data can be reduced.	Medium	Agreed. Current arrangements do not assist timely production of the scorecards.	Service Director (Finance) April 2012



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