

National Taskforce for Local Economic Forums (HIE Area)

23rd April 2001

Performance Measurement Framework

Purpose

1. To set out a suggested framework for measuring how Local Economic Forums are performing in relation to their intended aims and objectives.

Key Points

2. The key conclusions of the paper are:

- that Forums should be measured against a baseline position which should be established
- that a national framework for measuring the performance of Forums be established with a limited number of standard indicators to allow benchmarking.
- that this should be supplemented by a frameworks agreed by the individual Forums which takes account of local circumstances
- that the initial focus should be on measuring ‘process’ and efficiency of Forums.
- that we consider a balanced scorecard approach to build an overall picture of performance
- that the measurement of overall impact is linked to the Framework for Economic Development in Scotland and the joint performance indicators flowing from “A Smart Successful Scotland”

Detail

What Do We Want Forums To Achieve?

3. Local Economic Forums are a co-ordinating mechanism set up to achieve the streamlining and improvement of local economic service delivery. There are three key areas where real improvement is anticipated, in:

- eradicating wasteful duplication of support services offered
- enhancing overall service delivery by filling gaps in support services
- achieving better value for the money spent on local economic development

4. Specifically, the national guidelines set out a number of specific tasks:

- undertake a comprehensive mapping exercise of ‘what works’ in terms of quality and effectiveness of service delivery
- undertake an assessment of partnership structures and question whether they are all necessary.

- Submit an action plan which should include:
 - A clear framework for streamlining delivery
 - Clear plans to rationalise partnership
 - The setting of challenging, outcome based, targets
 - A monitoring and evaluation framework
 - A clear statement on the respective roles and responsibilities of local agencies

The guidelines make it clear that the priority in Year 1 should be with support services to business.

5. It was envisaged that the Scottish Executive, through its central support team would set a performance measurement framework and that Audit Scotland would assist in this process. It was also envisaged that the support team would engage and consult with individual Forums to agree a performance measurement framework. The multi-agency nature of presents a challenge in relation to responsibility and accountability for changes in performance, as measured by the indicators.

Progress in Developing a Framework

6. Scottish Executive officials along with Audit Scotland have already discussed the experience of target setting and performance measurement with some key partners. The remainder of the paper reflects the discussions to date and a proposal on a framework on which to consult more widely.

7. In line with the national guidelines it is felt that a national framework was essential to allow benchmarking to take place between Forums. In the spirit of the guidelines however it was also felt that there should be flexibility at the local level for Forums to set their own targets based on the distinctiveness of their partnership approaches and to monitor and measure progress against this. It was also recognised that there are a number of parallel processes which need to be considered:

- Performance measurement within individual organisations, for example Scottish Enterprise's Business Transformation project
- Best Value – most advanced in local government
- Any emerging systems to measure the effectiveness of Community Planning
- The work of the Joint Performance Team setting high level targets flowing from the Strategy for Enterprise

Efficiency and/or Effectiveness?

8. In seeking to assess what we are seeking to measure from the Forum process it is recommended that the initial focus should be on 'efficiency' type measures in respect of the process and mechanisms of delivering local economic development support. This was essentially the basis on which Local Economic Forums were conceived. In coming to this conclusion however it is fully recognised that the process and efficiency of delivering services is a 'means to an end'. The 'end' in this instance is the impact that rationalisation and improvement in service delivery will have on the performance of the local economy.

This could be described here as ‘effectiveness’. It is important that this is maintained as the ultimate objective and as such is considered in any performance measurement framework.

A Balanced Scorecard Approach

9. Developing effective systems of performance measurement for economic development presents considerable challenges, arising from both the wide-ranging nature of economic development itself and the need for available data within individual agencies of the Local Economic Forums. One of the greatest challenges is accurately linking ‘cause and effect’ – the relative influence of one agencies contribution to a wider outcome will always be a bone of contention in the context of a wider partnership. Effective performance measurement also relies on an understanding of the relationship between input, output and outcome (see Annex 1 for definitions). The relationship between outputs and outcomes is particularly complex in economic development – for example, which (if any) of the inputs and outputs were the most effective in achieving the outcomes being sought (and at what cost the outcome was achieved)

10. The balanced scorecard is a concept originally developed to assist organisations build an overall picture of their performance. The balanced scorecard is based on four different perspectives of organisational effectiveness:

- Partnership management and improvement
- External Processes
- Resources
- Impact

This concept has already been adapted to assess the progress of community safety partnerships in Scotland. <http://www.audit-scotland.gov.uk/publications/pdf/00105ac.pdf> These four perspectives have been adapted to local economic development in Annex 2.

11. By selecting performance indicators for all the different perspectives Local Economic Forums will be able to build a balanced and comprehensive picture of their performance. It is suggested that the initial focus for Forums should be related to operational efficiency – namely the first three perspectives as above. The fourth perspective ‘Impact’ is clearly vital but although Forum activity will have an effect here, this element will also be heavily influenced by the approaches and policies of individual partner agencies. These policy approaches should follow from the strategic priorities set out in FEDS and ‘A Smart Successful Scotland’ and a hierarchy of measures and indicators should naturally flow from the work of the Joint Performance Team. FEDs principles are that economic development should be inclusive, longer-term, dynamic, comprehensive, a partnership and evidence based. This impact work will have a longer timeframe. It is felt all four perspectives should be maintained as part of the balanced approach on the basis that the partnership approach of Forums would have a positive impact on both ‘efficiency’ and ‘effectiveness’.

How would indicators in a balanced scorecard work?

12. At the top of the hierarchy, there will be a limited number of strategic indicators related to the overall objectives as set out in the National guidelines. These can be either a number based / percentage improvement or more qualitative in nature. These can be agreed jointly between the Executive and Forum partners (see suggestions in Annex 4). Assessment

against some of these will be mandatory in the framework to allow for benchmarking. Consistency of definition will be important here. A range of operational indicators, which will relate to specific objectives and actions, will support these. It is envisaged that Local Economic Forums will develop these although suggestions are made as to the type of indicator, which may be relevant. The indicators within the hierarchy should enable the Forums to link specific actions or interventions towards the achievement of the strategic objectives.

13. Agreement on the indicators themselves will be the most difficult part of the process. Annex 3 sets out the requirements for effective performance indicators. Those strategic indicators set out in Annex 4 are a basis for discussion. There are complex inter-relationships between indicators, which will have to be fully thought through in discussions with partners. There should also be a combination of qualitative and quantitative indicators – there are many measures of progress, which do not lend themselves to a precise measurement, for example partnership procedures. This should not be a reason in itself for discounting them.

Fit for Purpose

14. The emphasis will be on achieving real and measurable outcomes from the Forum process. However, we have to be mindful of not creating an overly complicated system and careful consideration should be given to the validity, accuracy and completeness of any data used – if comparisons are to be made then a baseline position will have to be established. Data collection has a cost and this should be a factor in considering a hierarchy of indicators.

Consistency with Best Value

15. In considering an appropriate system careful consideration has been given to Best Value. The balanced scorecard methodology incorporates all the key concepts of best value namely improved performance management; greater focus on outcomes; regular review including external consultation and comparison and; scrutiny and audit arrangements from the taskforces, the ELL Committee and Audit Scotland.

Other Options

16. Consideration was given to the use of a ‘process map’, which would set out the range of services in a complete service delivery chain. Basically, this would be all the local economic development activities that, together, ensure customers get the service they want. This process would be beneficial in showing the inter-relationship of all the delivery mechanisms with the customer firmly in mind. However, this is wholly ‘process’ orientated and it was felt that this may not be so outcome based as the balanced scorecard. Individual Forums could however adopt this if they feel it would be a useful tool.

17. There is also the option of further simplifying the balanced scorecard by merging the strands together and concentrating on two strands namely ‘Processes and Resources’ on the one hand and ‘Impact’ on the other. The disadvantage here is losing the inter-relationships e.g. Partnership management may be fully comprehensive but at the expense of other aspects of delivery and ultimately impact.

Monitoring Timetable

18. It is our intention to finalise a performance framework by the end of June this year. Once established the immediate priority will be to establish a baseline position for the measures (or indicators) being used. This should be completed as soon as is practical but no later than the end of October using existing material as far as is possible. Simultaneously, work can be progressed on a series of measures particular to specific Forums. Thereafter, it is the intention that progress is formally assessed against the agreed measures on a six monthly basis. The first monitoring exercise in April 2002 will form part of an interim assessment of progress by the Scottish Executive and the Enterprise and Lifelong Learning Committee. The third monitoring exercise in April 2003 will provide the basis of the audit being undertaken by Audit Scotland.

Next Steps

19. Following the consideration of this by the ministerial taskforces the framework if acceptable in principle will be discussed more widely with the Forums themselves. Initial soundings have suggested that a national seminar would be unwieldy in terms of discussing such a framework. The preferred option would be for the central resource team to consult individually with Forums and if necessary to organise a series of smaller regional seminars or meetings involving representatives of Forums or representatives of key agencies involved in Forums.

20. Audit Scotland have expressed a willingness to be involved in the process of setting a performance measurement framework and have already played a part in advising on the nature of the approach being suggested in this paper. Following on from the taskforces we would intend to consult further with Audit Scotland and with the ELL Committee prior to wider circulation.

Recommendation

21. It is recommended that the taskforce:

21.1 endorse the adoption of the balanced scorecard approach set out in this paper as a basis for establishing a national framework for measuring the performance of LEFs.

21.2 agree to the performance indicators or measures set out in Annex 4 being a basis for wider consultation with the Local Economic Forums.

*Scottish Executive
ELLD: ENT1
16 April 2001*

Performance Measurement Definitions

Input

The resources needed to formulate and implement projects, programmes or policies.

Activities

The services or products, which the network assists or provides in, order to become involved in any market. Activity measures record the level and nature of activity e.g. the number of businesses assisted

Outputs

The products or immediate effects resulting from an activity. They facilitate the meeting of the outcomes.

Outcome

The result of the immediate outputs. They correspond to the ultimate objectives (e.g. the impact of a policy intervention on the welfare of producers or consumers).

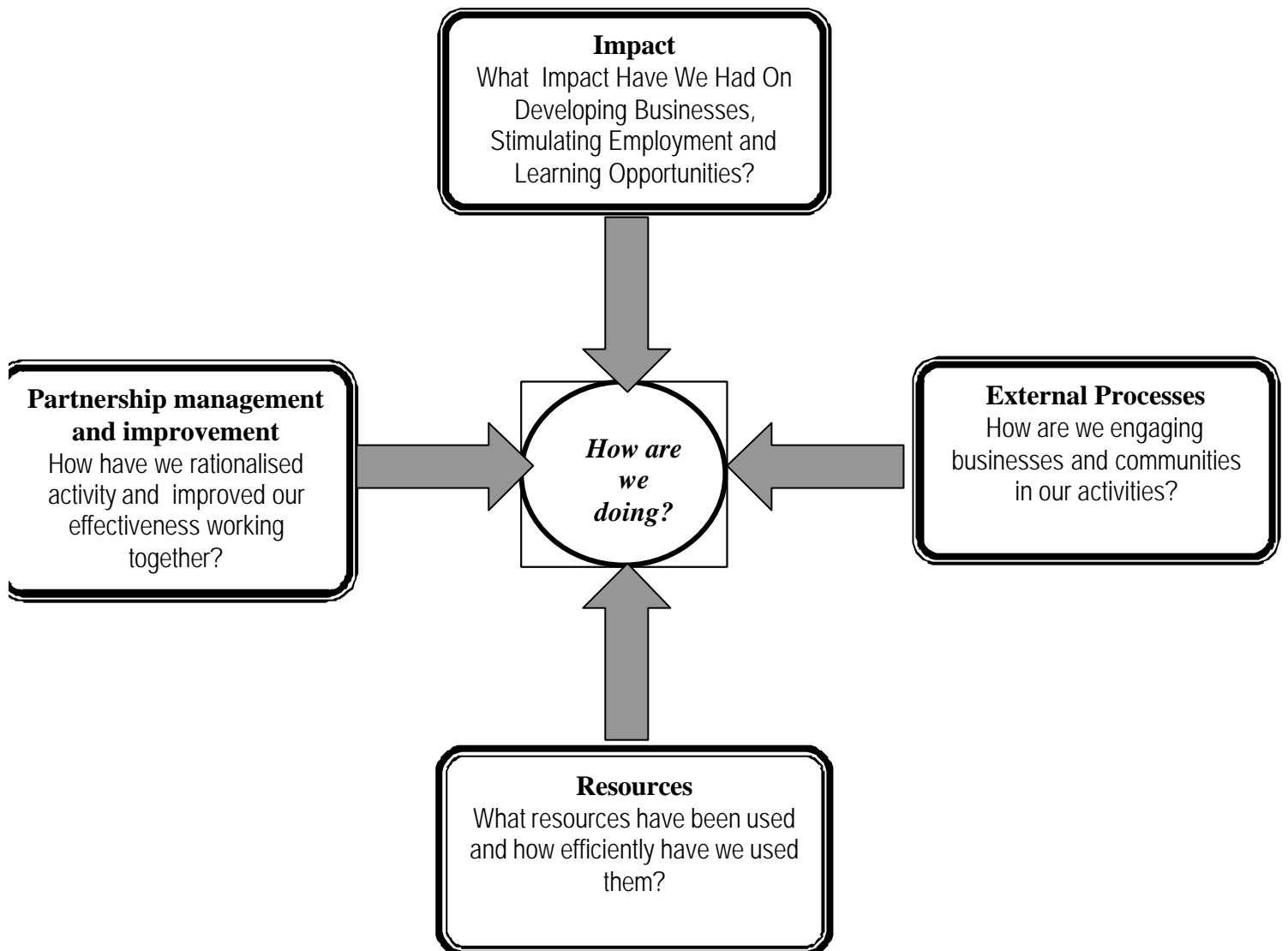
Impact

The final consequence of a project on those aspects of the economy which it is seeking to influence e.g. employment.

Value for Money

The extent to which objectives are achieved in relation to cost. Sometimes used to describe the achievement of economy, efficiency and effectiveness.

Measuring the Performance of Local Economic Forums - Illustration of Balanced Scorecard



Good Practice in Setting Indicators

Developing indicators that are appropriate and robust is a challenge to partnerships. The criteria suggest that indicators should be:

- relevant – to the partnership and to the people providing the data
- clearly defined – to ensure consistency and fair comparison
- easy to understand and use – indicators for public use should avoid technical jargon
- For national indicators there should be consistent definitions that allow for comparison

A useful checklist of issues to consider when developing local performance indicators:

- What is the partnership trying to achieve?
- What do we need to measure to know if we have achieved it?
- Do the proposed indicators measure it accurately?
- If not, can we find ‘proxy’ indicators which measure a contributory factor
- Are other indicators needed to give us a more complete picture?
- What is the source data for the indicators?
- Is the source data reliable and available for analysis?
- How much analysis is needed to convert the source data into reliable performance indicators?
- Who will be responsible for the analysis and can this work be sustained over time?
- Are there issues concerned with the confidentiality of some of the data? If so, how might these be dealt with?
- Is the organisation, which manages the source data willing to share the information?
- Will the partnership need to develop information protocols for sharing data?
- Are the indicators already used in a different context? If so, are the definitions and timescales consistent?
- Over what timescale will the indicators be tracked (e.g., weekly, monthly, annually)?
- Who will have overall responsibility for collecting and presenting the monitoring information?
- Which is the appropriate group within the partnership structure to monitor progress (e.g., operational or senior partnership)?
- Which indicators should be reported to the public and which used for internal management purposes?

Balanced Scorecard – List of Suggested Strategic Indicators for Consultation

Impact

<i>What Impact have We Had On.....</i>	<i>Proposed Performance Indicator</i>
<i>As per development</i>	<i>of JPT work</i>

External Processes

<i>How Well Do We Do On.....</i>	<i>Proposed Performance Indicator</i>
Ensuring that the users of economic development participate in policy forums/debates?*	Number of web based policy forums / debates
Involving All Key stakeholders in Decision Making*	

Partnership Management and Improvement

<i>How Well Do We Do On.....</i>	<i>Proposed Performance Indicator</i>
Having a clear understanding on the respective roles of agencies in delivering services*	Sample of key users
Rationalising the number of partnerships concerned with delivering LED services*	Number of partnerships an obvious choice (caution here)
Measuring the success or otherwise of joint working through the LEF process*	Need to use work already carried out on the 'characteristics of successful partnership' e.g. Sen Dunbartonshire
<i>Characteristics (SER):</i>	

Resources

<i>What resources have we</i>	<i>Proposed Performance Indicator</i>
Saved from the rationalisation of service delivery for re-investing into 'filling gaps' *	£'s redirected
Committed to ensuring that partnership working is effective	Proportion of budget dedicated
Committed towards appraising the need for public funding in local economic development projects	"additionality" assessment as a formal process.

* - signifies an indicator which may be used to enable benchmarking on a national basis