

MIDDLESBROUGH COUNCIL

COMMITTEE REPORT

CORPORATE AFFAIRS AND AUDIT COMMITTEE

30 JUNE 2016

BALANCED SCORECARDS UPDATE

**HEAD OF PERFORMANCE AND PARTNERSHIPS:
PAUL STEPHENS**

PURPOSE OF THE REPORT

1. To advise Corporate Affairs and Audit Committee on progress in embedding a Balanced Scorecards approach to performance management within the Council and outline next steps.

BACKGROUND

2. On 7 October 2014, Executive approved the introduction of Balanced Scorecards across the Council, to replace the previous ‘top-down’ performance management framework for local government, prescribed by Central Government, by the end of March 2015.
3. Balanced Scorecards are central to the Council’s Performance and Risk Management Framework, subsequently approved by Executive on 14 July 2015. They provide a single ‘traffic light’ view of performance across four perspectives – *Customer, Business, Finance* and *People* – at the Council’s three senior management levels, in addition to the corporate view.

Level	Descriptor	Owned by...
1	Whole service level (i.e. the three outcomes that an Executive Director oversees) plus service specific items with corporate relevance.	Executive Director
2	Individual service area level (i.e. an outcome that an AD oversees) plus single unit items with a departmental relevance.	Assistant Director
3	Individual unit level (i.e. an individual contributor to an outcome).	Head of Service

4. Balanced Scorecards at each level will be supported by an appropriate delivery plan and risk register. Formal reporting on Scorecards to Overview and Scrutiny Board and

to Executive will over time replace separate reporting on business performance, revenue and capital budget outturns and other such reports.

Progress to date

5. Balanced Scorecards were piloted during 2015/16 on a post-quarter basis, reporting to Leadership Management Team and Overview and Scrutiny Board. Executive Members were briefed on progress by Executive and Assistant Directors.
6. In summary, the pilot progressed in line with plans, was generally well-received, and received positive feedback in the recent Corporate Peer Review, though there is a clear recognition that more needs to be done to refine and embed the approach. In particular there needs to be a transition in 2016/17 from focusing performance *measurement* to performance *management* (i.e. clearly demonstrating that effective action is being taken to address the issues identified in Scorecards).
7. As such, consultation with Leadership Management Team and with Overview and Scrutiny Board (29 March 2016) has been undertaken to review progress in embedding Balanced Scorecards and potential changes to the current model. The issues identified in these discussions are below:
 - **Appropriateness and numbers of measures / targets** – whether the measures and targets included within current Scorecards fully ‘capture’ the Outcomes targeted within the Council’s Strategic Plan, and also whether there are too many measures within Scorecards, mitigating against the intended ‘dashboard’ effect.
 - **Scoring and weighting mechanism** – whether the scoring and weighting mechanism used in the Scorecards, which results in an indexed, traffic-lighted, ‘league table’ for departments and Outcome Areas, is too complex and potentially offers a ‘perverse incentive’ to include non-priority measures in the model.
 - **Continued lack of alignment between different reporting regimes** – the pace of movement to a fully integrated approach to the monitoring and reporting of performance was considered too slow, with separate processes still be maintained, though Overview and Scrutiny Board requested that a fully-integrated report should not be too complex or lengthy.
 - **Embedding the approach** – it was noted that the focus to date has naturally been on developing Scorecards at the Outcome Area, but more needs to be done to embed the approach at all levels. In addition, appropriate training, coaching and support for members, managers and employees was requested.

Proposed changes for 2016/17

8. In response to the above issues, it is proposed that the following changes to the Balanced Scorecard model by implemented for 2016/17. Corporate Affairs and Audit Committee is invited to comment on these prior to consideration by the Executive Member for Finance and Governance and presentation of the finalised model to Executive.
 - Assistant Directors will re-assess measures and targets for 2016/17 Scorecards to ensure that they fully reflect the relevant Outcome and (in the case of targets) the priority attributed by the Council to constituent services.

- A scoring and weighting model will be retained, but will be made much simpler and bespoke to the differing priorities in each Outcome Area. The proposed model (using illustrative data for Outcome 1) is set out at Appendix 1.
- A single, integrated quarterly clinic process will be implemented, resulting in a single report covering performance, financial and risk performance that is reported to LMT, OSB and Executive. The likelihood is that the first such report will be post Quarter Two 2016/17.
- Appropriate training for members, managers and other relevant officers will be developed and implemented in respect of the performance and risk management framework, once the 2016/17 approach is agreed.
- Quarterly performance briefings will be offered by the Head of Performance and Partnerships to Scrutiny Panel Chairs in advance of presentation of the report to Overview and Scrutiny Board. This is in addition to regular briefings already provided to Executive Members by Executive / Assistant Directors.
- A Management Information Improvement Plan, that will move the Council towards 'real-time' and full integration of operational management information and Balance Scorecards, will be developed and presented to LMT, with associated costs, by October 2016.
- A Performance and Risk Management Steering Group will be implemented at an officer level to oversee the embedding of the Balanced Scorecard approach within the Council.

PROPOSALS

9. It is proposed that Corporate Affairs and Audit Committee notes progress in embedding a Balanced Scorecard approach within the organisation and comments on proposed changes to the approach for 2016/17, prior to consideration by the Executive Member for Finance and Governance and presentation of the finalised model to Executive.

FINANCIAL CONSIDERATIONS

10. Costs associated with the implementation of the Balanced Scorecards will be met from agreed service budgets.

RECOMMENDATIONS

11. That Corporate Affairs and Audit Committee notes progress in embedding a Balanced Scorecard approach within the organisation and comments on proposed changes to the approach for 2016/17, prior to consideration by the Executive Member for Finance and Governance and presentation of the finalised model to Executive.

BACKGROUND PAPERS

24/09/15 Corporate Affairs and Audit Committee, Statement of Accounts 2014/15

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Appendix 1: Balanced Scorecards – Proposed model for 2016/17

The model overpage is proposed for Balanced Scorecards at each level from 2016/17.

1. A single approach will be applied to RAG-rating targets used in the Scorecard (three approaches are used in the current model, dependent upon target type):

Green at or better than targeted performance
Amber within 5% of target
Red greater than 5% from target

2. Scoring will be applied as per the current model:

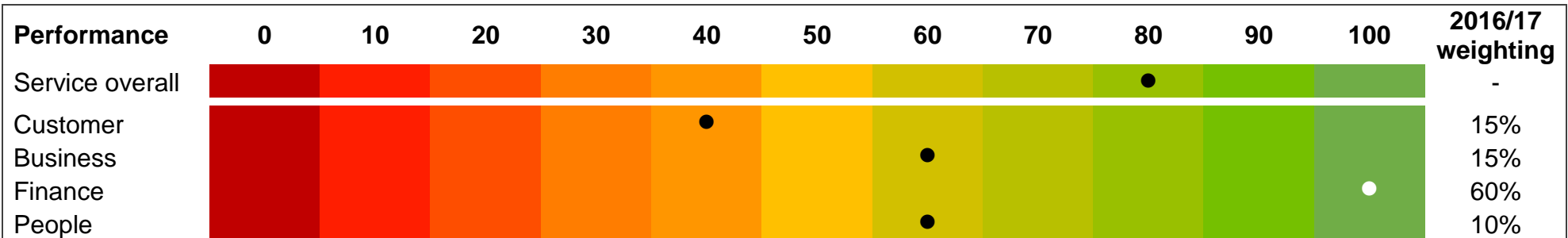
Green 2 points
Amber 1 point
Red 0 points

3. Traffic-lighting by quadrant and overall will be more nuanced than currently, with performance positioned on a 0-100 chart utilising a colour spectrum.
4. Moving away from the current model of applying a standard weighting of 25% to each quadrant of each Scorecard, weightings for each quadrant will now be bespoke to each Outcome Area and reflect prioritisation set out in the Strategic Plan and agreed with responsible Executive Member(s). This could be different for each Outcome Area and may be different each year.
5. For example, the Finance quadrant would be more heavily weighted in Outcome Areas contributing most to budget savings targets. Outcome Areas largely focused on Customer / Business quadrants (e.g. Outcome 4) would place a greater weighting on these than on the finance quadrant.
6. So in the below summary:

- The Customer quadrant has (for example) seven PIs.
- The maximum score for Customer PIs would be $7 \times 2 = 14$.
- 2 PIs are currently rated Green, 2 Amber and 3 Red = $6/14 = 43\%$.
- The quadrant can contribute a maximum of 15% to the overall score.
- Given the current performance the quadrant contributes 6.45% to the overall score.
- Finance, at a score of 100% contributes the maximum 60% to the overall score.

The quarterly Balanced Scorecard report will incorporate a summary Scorecard for each Outcome Area with a series of supporting tables providing performance detail, prefaced by a covering report.

Outcome 1	Economic Development										
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Summary of performance:

This section will provide a narrative summary of overall performance, including plans for improvement.

Risks to this outcome:

This section will provide narrative summary of the current status of key risks and performance against actions to mitigate these.

Supporting data:

Each Scorecard will be supported by a series of tables quantifying the current position (represented in the above Scorecard graphic) in respect of: key performance indicators, revenue expenditure, capital expenditure, project management, risk register, and improvement actions identified in previous reports.