

Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies



Report by the
Comptroller and Auditor General

Good Practice in Performance Reporting in Executive Agencies and Non-Departmental Public Bodies

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Comptroller and Auditor General

National Audit Office
28 February 2000

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Executive summary

“It is essential that all public sector organisations whether they are Non-Departmental Public Bodies, Executive Agencies, Government departments, the NHS or local authorities are transparent, responsive and accountable. The public are entitled to know whether their money is being well spent and what is being achieved with it. Consistent, clear reports of performance and publication of results, are important to record progress and exert pressure for improvement. Such transparency is essential to help ensure that public bodies are fully accountable”.¹

Introduction

1 This report is about good practice in performance reporting by Executive Agencies and Executive Non-Departmental Public Bodies (NDPBs) (collectively referred to as “agencies” in this report). Its purpose is to assist agencies to improve further their performance reporting by setting out guidance based on their own good practice in collecting and reporting performance information. This report has been prepared in consultation with the Cabinet Office, the Treasury, and the agencies concerned. The facts so far as they relate to these two departments and the agencies have been agreed with them. The opinions are those of the National Audit Office.

2 The report draws on the results of our work on agency performance, including validations of reported performance, and presents case study material alongside some more general statements about good practice. Having regard to Cabinet Office and Treasury guidance, the report sets out our recommendations to agencies which cover the quality of performance data and presenting results, against the background of relating reported performance to key activities.

3 This is our first general report on performance measurement and reporting in central government and it is designed to contribute to the debate in this developing area. As performance measurement evolves there will be further lessons to be learnt. We shall be monitoring these and aim to reflect them in further suggestions on good practice in the collection and reporting of performance information by agencies. The report has been written in support of the

1 Executive Non-Departmental Public Bodies 1998 Report, Cabinet Office, Cm 4157, December 1998.

Modernising Government agenda and in the context of the increased emphasis on using targets to improve performance and accountability through Public Service Agreements.²

Why performance reporting is important

4 Performance measurement and reporting are intrinsic to the whole process of public management, including planning, monitoring, evaluation and public accountability. Performance results included in agency annual reports provide an important record of an agency's progress towards meeting objectives and their publication makes it possible to exert pressure for improvement. Good reports can help Parliament and the public assess how well public money is being spent and what is being achieved with it.

Executive Agency and NDPB performance reporting

5 The Treasury³ require that agencies are set key targets covering their financial and operating performance. Treasury and Cabinet Office⁴ guidance requires agencies to disclose in their annual reports to Parliament performance against their key targets supplemented with other performance information.

6 Over 75 per cent of civil servants now work in Executive Agencies delivering a wide range of services to the public, to business and other parts of the public sector. In 1998-99 the 136 Executive Agencies and four departments operating on Next Steps lines were set over 1200 key targets. In the same period, the 91 large Executive NDPBs covered in the Executive Non-Departmental Public Bodies White Paper reported performance against more than 650 key targets.

7 As part of the Modernising Government agenda the Cabinet Office are discussing with Executive Agencies and NDPBs ways to further improve the existing good standards of performance reporting in their annual reports.

2 Public Services for the Future: Modernisation, Reform, Accountability. Comprehensive Spending Review: Public Service Agreements 1999-2002, HM Treasury, Cm 4181, December 1998.

3 For Executive Agencies, "Executive Agencies: A Guide to Setting Targets and Measuring Performance", HM Treasury, 1992. For Executive NDPBs, "Non-Departmental Public Bodies: A Guide for Departments", Cabinet Office and Treasury, 1992.

4 For Executive Agencies, "Next Step Agencies: Guidance on Annual Reports, Cabinet Office, October 1998". For Executive NDPBs, "Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance", HM Treasury, March 1996.

On relating reported performance to key activities

8 Agencies face a challenge to deliver performance reports that provide information on their key activities, whilst avoiding publishing information which goes beyond the needs of the reader and at the same time might be expensive to collect. From our examinations of agency performance measures, we have identified a number of case studies which show how agencies have improved their performance reporting, by:

- aligning measures with aims and objectives;
- reporting the outcomes of activities;
- considering the information needs of stakeholders; and
- providing a comprehensive view of performance (paragraphs 1.9 to 1.28).

On the quality of performance data

9 Cabinet Office guidance⁵ states that performance information must be correctly calculated and reliable. From our work with agencies, we have found that systems for collecting and validating performance data are likely to be more robust where agencies:

- **define the quality of data in advance.** Performance information can be costly to produce. Agencies will therefore wish to consider how data will be used and the cost of collection, and to strike an appropriate balance between cost and the comprehensiveness and reliability of data. For example, Case Study 9 shows how the Benefits Agency have focused their data collection efforts on priorities for improvement (paragraphs 2.4 to 2.8);
- **seek advice from specialists.** The construction of complex measures or indices and validation techniques may require expert advice from statisticians, economists, operational researchers or other specialists.

5 Next Step Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

This will help secure sound methodologies for measuring performance and validating data. Specialists can also advise on the behavioural and incentive effects of measures (paragraphs 2.9 to 2.10);

- **establish clear performance measure definitions.** Documentation of definitions, the source of the data and the arrangements for their collection and analysis have been shown to facilitate a common understanding between those designing information systems and reporting performance and those collecting the data. For instance, Case Study 10 shows how the Defence Aviation Repair Agency have established common definitions of performance measures across their business units (paragraphs 2.11 to 2.14);
- **designate who is accountable for performance data.** Chief Executives have the prime responsibility for reliable performance reporting. Experience shows data are more likely to be reliable when managers are assigned responsibility for data collection and reporting. For example, Case Study 11 shows how the Executive Board of The Met. Office approve the definitions and responsibilities for all aspects of data quality, for each of their key performance measures (paragraphs 2.15 to 2.16);
- **managers are active in obtaining good quality performance data.** Managers need to ensure that appropriate resources are devoted to data collection and validation. Where managers actively monitor performance information, they are able to identify variations in performance which call for examination. Managers can conduct reviews to assure themselves that the agency's performance information systems are a reliable basis for capturing and reporting performance information (paragraphs 2.17 to 2.20);
- **develop and implement effective controls over the collection of data.** Performance data may be collected from the agency's information systems, surveys and external sources. It is important to establish controls which will ensure the reliability of data; the controls will vary depending on the source of data. Case Study 12 explains how the Benefits Agency require specific individuals or teams within the Agency to certify that they have undertaken predetermined checks covering the collection, review and verification of performance information (paragraphs 2.21 to 2.28);

- **establish and implement clear guidelines for the validation of performance data.** Validation can play an important role in:
 - assuring agency Chief Executives that the controls over the collection and analysis of data are operating effectively and that the data are reliable;
 - helping to identify areas for strengthening agency systems and improving the quality of performance data; and
 - demonstrating to users that the performance recorded against key targets in the annual report is reliable and fairly presented.

The Employment Service's system of validation, which is summarised in Case Study 13, has helped the Agency to improve significantly the accuracy of data on the number of unemployed people placed into work (paragraphs 2.29 to 2.34).

On presenting results

10 The Cabinet Office⁶ require performance information in agency annual reports to be fairly presented. Performance information disclosed in annual reports is likely to be more meaningful and useful to readers where agencies:

- **present information clearly.** Key performance information should be brought together in one part of the annual report and will normally be categorised, as efficiency, throughput, quality and financial performance. The use of graphs and charts can often help readers to understand complex data. For instance, Case Study 14 shows how the Maritime and Coastguard Agency used a range of techniques to present clearly information on the trends in shipping accidents in their 1998-99 Annual Report (paragraphs 3.4 to 3.7);
- **provide readers with sufficient information to enable them to make informed comparisons of performance achieved in different years.** Cabinet Office guidance requires agencies to show targets, outturns and achievements for at least three years. Where the performance measures

6 Next Step Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

concerned have been changed or updated, agencies have taken steps to assist the reader to follow trend performance. Case Study 15 shows how in 1998-99 The Met. Office restated prior years' data to reflect a change in how they measured return on capital employed (paragraphs 3.8 to 3.9);

■ **provide readers with explanations of the activity being reported.**

Although some readers will have a detailed understanding of an agency's activities, many will not. In reporting performance agencies may need to provide explanatory notes to enable all readers to understand the agency's performance. Additional commentaries of performance can provide the reader with a better understanding of the factors which have influenced the level of performance achieved and thereby evaluate its significance (paragraphs 3.10 to 3.13);

■ **describe the quality of the performance information.** Readers can be given additional assurance about the reliability of data where the agency describes how it has collected and validated its performance information. For example, Case Studies 16 and 18 show how the Benefits Agency and Employment Service have reported limits on the scope and results of data validation and other factors which are relevant to the reader's understanding of the data (paragraphs 3.14 to 3.19).

Checklist

11 A summary of some of the key issues that Chief Executives may wish to consider when setting up and reviewing their performance measurement systems and presenting results is set out in the following checklist. The report explores these issues in more detail and illustrates the practical application of some of the underlying principles of good practice with case studies.

Checklist

This checklist provides a summary of some of the key issues Chief Executives may wish to consider when setting up and reviewing their performance measurement systems and presenting results.

Good quality performance data

Issue

Has the quality of performance data been considered?

Things to consider

Are there established criteria or characteristics for assessing the quality of data? (Table 2.1 on page 30)

In designing and refining data collection systems have management;

- taken account of the benefits and costs of different levels of data quality;
- considered the full range of data that are available from management information systems;
- considered the benefits of using information which management rely on as part of their routine supervision and monitoring of agency activities? There may be stronger incentives in place to ensure the accuracy of such data;
- considered how performance measures will be used by the agency? Different levels of quality may be needed if the agency wishes to monitor local as well as national performance;
- considered the views of other stakeholders, including Ministers, departments and other agencies, who may wish to use data? (paragraphs 2.4 to 2.8)

Has specialist advice been sought on the design of performance measures?

Have specialists been consulted on the construction of measures which use formulae such as indices, the selection of samples, or the use of forecasting models? (paragraph 2.9)

Have specialists been consulted about the behavioural and incentive effects of measures? (paragraph 2.9)

Are there established performance measure definitions?

Are there definitions for each measure including statements of what the measure shows and how data are collected? (Table 2.2 on page 33)

Are definitions communicated effectively to those involved in collecting, analysing, reporting and using performance information? (paragraph 2.11)

Are definitions updated to reflect changes to performance measures? (paragraph 2.14)

continued ...

Good quality performance data (*continued*)

Issue

Things to consider

Is there clear accountability for performance data?

Has the agency agreed responsibilities for the key steps involved in collecting, processing, reporting and checking data? (paragraph 2.15)

Does management play an active role in ensuring data quality?

Does management foster commitment to good quality data by, for example, providing incentives for staff to collect reliable data, holding managers accountable for data quality and providing technical and financial support to those involved in collecting data? (paragraph 2.18)

Does management use its routine monitoring of performance data to help ensure data quality by, for example, seeking explanations of variations between outturn and target? (paragraph 2.19)

Does management assure itself that performance measurement systems are operating effectively and consistently? (paragraph 2.20)

Are there effective controls which reflect the type and source of performance data?

For data collected through the agency's own systems, have controls been established and operated over:

- initial capture or recording of performance data;
- processing and aggregation of performance data; and
- monitoring of the quality of data? (paragraphs 2.20 and 2.22 to 2.25)

For data collected through surveys, have experts been consulted about the use, design and application of survey techniques? (paragraph 2.26)

For data collected from external sources, has the quality of data been established by, for example, confirming:

- the original purpose of data collection;
- whether the external party is a recognised provider of data; and
- the quality controls exercised by the external provider? (paragraph 2.28 and Table 2.4 on page 41)

Have the benefits of validating performance data been considered?

For each of its performance measures, has management considered how it could validate recorded performance and the benefits that this would provide to the agency and external stakeholders? (paragraphs 2.29 to 2.32)

Have the options for validation including using internal audit, the parent department's internal audit or the NAO been reviewed? (paragraphs 2.31 to 2.34)

continued...

Presentation of results

Issue

Does the annual report present performance information clearly?

Does the annual report present performance over time?

Does the annual report explain performance measures?

Does the annual report describe the quality of data?

Things to consider

Has Cabinet Office guidance been followed in presenting performance against key Ministerial targets? (paragraph 3.4)

Has the best use been made of diagrams, for example, to show trends over time? (paragraphs 3.4 and 3.5)

Where diagrams are included in published reports are these reviewed to ensure that they meet good practice? (paragraph 3.5)

Where measures have been revised, does the report explain both the change and its impact on recorded performance? (paragraphs 3.8 to 3.9)

Does the annual report give information so that the reader can understand:

- the broader environment surrounding an agency's activities including those factors that influence an agency's inputs, outputs and outcomes;
- the performance measures and related terminology;
- the level of performance achieved and the significance of underlying factors that affect reported performance; and
- the actions that have been taken or are being taken in response to reported information, particularly for unexpectedly high or low performance? (paragraphs 3.10 to 3.13)

Does the annual report inform readers about the quality of performance data? For example, does it explain:

- sources of data collected by external parties;
 - actions taken by the agency where data are unavailable or poor;
 - survey methodologies; and
 - the approach to validation? (paragraphs 3.14 to 3.19)
-

Part 1: Introduction

1.1 This report is about good practice in performance reporting by Executive Agencies and Executive Non-Departmental Public Bodies (NDPBs) (collectively referred to as “agencies” in this report). Its purpose is to assist agencies to improve further their performance reporting by setting out guidance based on their own good practice in collecting and reporting performance information. This report has been prepared in consultation with the Cabinet Office, the Treasury, and the agencies concerned. The facts so far as they relate to these two departments and the agencies have been agreed with them. The opinions are those of the National Audit Office.

Why performance measurement is important

1.2 Performance measures assist organisations to communicate objectives and priorities, measure what they deliver and report publicly on what they have achieved. Treasury guidance⁷ on setting targets and measuring performance in Executive Agencies states:

“Output and performance measurement is intrinsic to the whole process of management, including planning, monitoring, evaluation and public accountability.”

1.3 The Modernising Government agenda has increased the focus on performance measurement. In setting out the Government’s commitment to providing modern and efficient public services, in March 1999, the then Minister for the Cabinet Office⁸ said:

“It is essential that all public sector organisations whether they are Non-Departmental Public Bodies, Executive Agencies, Government departments, the NHS or local authorities are transparent, responsive and accountable. The public are entitled to know whether their money is being well spent and what is being achieved with it. Consistent, clear reports of performance and publication of results, are important to record progress and exert pressure for improvement. Such transparency is essential to help ensure that public bodies are fully accountable.”

7 Executive Agencies: A Guide to Setting Targets and Measuring Performance, HM Treasury, 1992.

8 Executive Non-Departmental Public Bodies 1998 Report, Cabinet Office, Cm 4157, December 1998.

1.4 The Government is also placing increased emphasis on using performance targets to improve accountability and performance. For example, departments will report annually on their progress against Public Service Agreement⁹ targets for improving services and the results those services will achieve. Whilst the Civil Service reform programme¹⁰ requires government departments and executive agencies to develop a business planning process that sets out their bold aspirations and their long and short term targets in a measurable form.

Performance reporting in Executive Agencies and Non-Departmental Public Bodies

1.5 Over 75 per cent of civil servants now work in Executive Agencies delivering a wide range of services to the public, to business and to other parts of the public sector. Performance measures communicate key information on how agencies have managed their resources, delivered services, met their objectives and influenced wider social outcomes.

1.6 Agencies are required to report performance against key targets set by Ministers in their annual report and accounts. In 1998-99 the 136 Executive Agencies and four departments operating on Next Steps lines were set over 1200 key targets. In the same period, the 91 large Executive Non-Departmental Public Bodies (NDPBs), covered in the Executive Non-Departmental Public Bodies White Paper, reported performance against more than 650 key targets. In addition to reporting performance against key targets Executive Agencies and NDPBs often include a wide range of other performance information in their annual reports.

Purpose of this report

1.7 This is our first general report on performance measurement and reporting in central government and is designed to contribute to the debate in this developing area. As performance measurement evolves there will be further lessons to be learnt. We shall be monitoring these and aim to reflect them in further suggestions on good practice in the collection and reporting of performance information by agencies.

9 Public Services for the Future: Modernisation, Reform, Accountability. Comprehensive Spending Review: Public Service Agreements 1999-2002, HM Treasury, Cm 4181, December 1998.

10 Civil Service Reform: Report to the Prime Minister from Sir Richard Wilson, Head of the Home Civil Service, December 1999.

1.8 The report considers some of the issues faced by departments and agencies in measuring and reporting their performance. It aims to assist agencies to further improve their performance reports by promoting the wider spread of good practices we have identified during our previous studies covering agency performance measurement and our work to validate agencies' reported performance against key targets. Having regard to Cabinet Office and Treasury guidance and agencies' own initiatives to relate reported performance to key activities (Part 1), the report presents case study material alongside some more general statements about good practice in the following areas:

- Good quality performance data (Part 2); and
- Presentation of results (Part 3).

Relating reported performance to key activities

1.9 The Treasury have provided guidance on setting targets and measuring performance in Executive Agencies.¹¹ This guidance was primarily intended to help advisers in departments to assist Ministers in assessing agency proposals and settings targets, and subsequently in assessing the implications of the results which are reported. The guidance is also intended to assist agencies.

1.10 Cabinet Office guidance¹² sets out the specific requirements in reporting Executive Agency performance information. It requires agencies to:

- report performance against Ministerial targets; and
- provide a complete picture of performance by including information on achievements against internal managerial targets and other performance measures, especially where these supplement Ministerial targets.

1.11 The Treasury require Executive NDPBs to agree key targets with sponsor departments covering the body's financial and operating performance and to report performance in their annual reports.¹³

11 Executive Agencies: A Guide to Setting Targets and Measuring Performance, HM Treasury, 1992.

12 Next Step Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

13 Executive Non-Departmental Public Bodies Annual Reports and Accounts Guidance, HM Treasury, March 1996.

1.12 Within this framework, agencies face a challenge to deliver performance reports which provide information on their key activities, but should avoid publishing information which goes beyond the needs of the reader and at the same time may be expensive to collect.

1.13 Drawing on Treasury and Cabinet Office guidance and our experience of examining agency performance measures, we have identified a number of case studies that set out practical lessons which may assist agencies in relating reported performance to their key activities. These case studies show how agencies have approached the challenge of:

- aligning performance measures with aims and objectives;
- reporting the outcome of agency activities;
- considering the interests and needs of stakeholders; and
- providing a comprehensive view of performance.

Aligning performance measures with aims and objectives

“How can I tell if the Agency is indeed meeting the objectives?”

Treasury guidance, 1992¹⁴

1.14 Performance measures are a key mechanism for monitoring progress towards the achievement of aims and objectives and for communicating the level of achievement to stakeholders. Well-presented performance information will enable the reader to have a clear understanding of the relationship between aims, objectives and the key performance measures. Highlands and Islands Enterprise revised their performance measurement framework as a result of a wider review of their aims and strategic objectives (Case Study 1). Following the review the Agency reported performance against a package of measures, which were aligned with their strategic objectives. The importance of reviewing and refining performance measures to ensure that they remain consistent with aims and objectives is also demonstrated in the Case Study.

Case Study 1: Highlands and Islands Enterprise Aligning performance measures with strategic objectives



This case study shows how Highlands and Islands Enterprise (HIE) have linked their strategic objectives to measures of performance and made this link clear to readers of the annual report. It also shows that they are now in a process of refining their performance measures to ensure that they also encompass progress in the region as a whole towards the HIE Network's strategic vision.

HIE were established in 1991 to assist in the economic and social development of the Scottish Highlands and Islands to enhance skills relevant to employment there and to improve the environment. HIE's main activities are largely delivered through contracts within a network of ten Local Enterprise Companies. HIE and these companies form the HIE Network.

In 1996, after a widespread consultation exercise, HIE produced a revised strategy of enterprise development which:

- reiterated their original aim of enabling people of the Highlands and Islands to realise their full potential;
- linked the aim to three objectives - growing businesses, developing people, and strengthening communities - and established programmes within each objective;
- identified the four sectors of the economy which would be the key generators of income and employment growth in the medium term; and
- established measures of activities and outputs which show progress towards both the new objectives and their success in developing the four key sectors of the economy.

continued ...

14 Executive Agencies: A Guide to Setting Targets and Measuring Performance, HM Treasury, 1992.

Case Study 1: continued

The example below is taken from HIE's 1998-99 annual report. It shows the performance of an individual Local Enterprise Company, Caithness and Sutherland Enterprise, against the HIE Network's Strategic objectives.

Chairman	Jack Watson	Investors in People	Target 98-99	Out-turn	Training for Work	Target 98-99	Out-turn
Chief executive	Neil Money	Number of recognitions	22	24	Number of starts	116	104
Population	38,810	Number of commitments	40	17	** Jobs & other positive outcomes	30	29
Area	764,094 hectares	Property			* Output points	320	261
Main industries	Manufacturing, Nuclear engineering, tourism, agriculture, fishing, call centres, telecoms	Occupancy rate(%)	90	97	Strengthening Communities		
Overall budget	£5,560,500	Enterprise training			Community Action Grants		
Growing Businesses		Number of business start-ups	15	19	Number of projects	40	44
Finance for Business	Target 98-99	Out-turn			Value of approvals(£)	150,000	152,200
Jobs created or retained	340	390			Average LEC contribution(%)	33.0	21.6
Private investment(£)	9,000,000	11,898,000			* Skillsseeker output points reflect number and level of qualifications achieved. TW output points reflect a combination of number and level of qualifications achieved, jobs and other outcomes.		
Value of approvals(£)	3,000,000	4,359,300			** Jobs and other outcomes reflect the numbers leaving training and entering a job, self employment or further education/training.		
Cost per job to network(£)	3,400	6,815					
Leverage ratio	1:3.0	1:2.7					
Developing Skills		Skillseekers					
		Number of starts	180	186			
		% of Skillseekers					
		in employment	70	86			
		Vocational Qualifications (VQs)	80	113			
		* Output points	405	525			

Note: Targets were revised mid-year to reflect inward investment opportunities for the Network. Revised targets were £4,500,000 FFB approvals and 510 jobs.

HIE are currently refining their performance measurement system. They wish to improve the link between their activities and strategic impact. HIE have agreed the following principles for the new framework:

- to provide an explicit link between the HIE Network's strategic objectives and programme measures;
- to recognise the issues of sustainable development within the measurement framework; and
- to place HIE at the forefront of public sector measurement practice.

As part of these developments, the HIE Network have designed new high-level indicators of sustainable development to track progress against their Strategy, including the first attempt to measure and track community confidence. These indicators aid discussions at Board level and inform work with their partner organisations.

Source: Report of the Comptroller and Auditor General: Highlands and Islands Enterprise: Value for Money Review of Performance Measurement (HC 64 1997-98) and Highlands and Islands Enterprise 8th Report 1998-99.

“You need to consider priorities, select those aspects of performance which are of particular importance”.

Treasury guidance, 1992¹⁵

1.15 Some aspects of an agency’s activities may be particularly important to the achievement of governmental priorities. Executive Agencies and NDPBs will help to deliver the wider objectives and targets that Government is working to achieve, as expressed in Public Service Agreements. The 1998 Next Steps Report¹⁶ stated that “It will be very important to ensure that agency targets are aligned with those set for the department in the Public Service Agreements...”.

1.16 Some departments and agencies have established very clear links between Public Service Agreement targets and agency targets. For example, the Department of Social Security have a Public Service Agreement target to reduce losses from fraud and errors in Income Support and Jobseeker’s Allowance by at least 10 per cent by March 2002. The Benefits Agency have an agency target directly based on the Department’s target.

1.17 Good performance measures can assist readers of the annual report to understand and assess those aspects of performance which are central to the agency’s success. Some agencies have refined their measures to better reflect priorities and thus help readers to get a clear view of their performance. The Prison Service supplemented their measure of the overall number of escapes from prisons to report the number of escapes by “Category A” prisoners (Case Study 2). Whilst the Benefits Agency have revised their overall package of performance measures so that they focus on the priority of providing secure and accurate services, that is paying benefit correctly (Case Study 3). The revised measures have helped the Agency to provide the right incentives for their staff.

15 Executive Agencies: A Guide to Setting Targets and Measuring Performance, HM Treasury, 1992.

16 Next Steps Report 1998, Cabinet Office, Cm 4273, March 1999.

Case Study 2: Prison Service

Refining performance measures to provide a clearer picture of the Prison Service's performance in keeping people in custody



This case study shows how the Prison Service refined one of their reported performance measures so that it provided a clearer picture of how well they had achieved their priority of ensuring that Category A prisoners did not escape.

One of the Prison Service's goals is to keep prisoners in custody. Since their creation as an executive agency in 1993, the Prison Service have been set a key performance target in relation to the number of escapes from prison establishments and escorts. In the first two years of the Prison Service's existence as an agency this target was simply expressed in terms of achieving a lower rate of escapes, measured as a percentage of the average prison population, compared with the previous year.

During 1994-95, nine Category A prisoners* escaped from two of the very highest security prisons. As a result the Prison Service's priorities were reviewed and changed. Although their goal of keeping prisoners in custody did not change, the Service concluded that a simple measure of the overall rate of escapes was not in itself an adequate indicator of performance. In 1995-96, therefore, the Service's key performance indicator on custody was changed to show both the overall rate of escapes and to report performance in relation to Category A prisoners.

Under the revised targets the Service's performance on keeping prisoners in custody was reported in their 1995-96 Report as follows:

Goal:	Keep prisoners in custody.
Key Performance Indicator:	The number of escapes from prison establishments and escorts.
Target:	To ensure that no Category A prisoners escape and to ensure that the rate of escapes from establishments and escorts, expressed as a percentage of the average prison population, is at least 25% lower than 1994-95.
Performance:	Three Category A escapes. Escape rate reduced by 59% on 1994-95.

The Service's performance has continued to improve. There have been no Category A escapes since 1995.

* Category A prisoners – prisoners whose escape would be highly dangerous to the public or the police or the security of the State.

Source: National Audit Office analysis of Prison Service Annual Reports 1994-95 and 1995-96.

Case Study 3: Benefits Agency

Ensuring performance measures support priorities



This case study shows how the Benefits Agency have refocused their performance measures to reinforce the priority of providing secure and accurate services, that is paying benefit correctly.

The Benefits Agency identified that their performance measures were not aligned with priorities:

- Up to 1997-98, 75 per cent of the Agency's Secretary of State and management targets related to the time taken to clear new claims for benefit, changes to these claims and appeals against decisions. There was a risk, therefore, that the targets and related measures encouraged managers and staff to focus on the speed of processing claims with the risk that this might reduce the accuracy or the security of payments.
- The Agency's main measure of their anti-fraud work was weekly benefits savings. This provided an indication of the amount of benefit expenditure saved through anti-fraud work. The Department and the Agency recognised that the measure focused on detected fraud and error on new and existing claims. As such it did not reflect the extent to which the Agency had prevented and deterred fraud from entering the system. It did not reinforce Agency efforts to increase the levels of fraud prevented and deterred.

Since 1997-98, the Department of Social Security and the Agency have taken actions to ensure that performance measures better reflect priorities and provide the right incentives for staff. Their actions include:

- In 1998-99, the number of targets covering clearance times was reduced from over 90 to fewer than 20. The Agency do, however, continue to measure their performance in clearing cases;
- In 1999-2000, the Agency stopped reporting weekly benefit savings because of the flawed nature of the measure. For the first time a target for reducing the level of fraud and error on two of the most vulnerable benefits – Income Support and Jobseeker's Allowance – was established. This will measure the success of the Agency's management and staff in preventing, deterring and detecting fraud on Income Support and Jobseeker's Allowance;
- In 1999-2000, the number of key targets (formerly Secretary of State targets) for ongoing services was reduced to five. These excluded clearance times, but included the level of error and fraud on Income Support and Jobseeker's Allowance and the value of recoveries made when benefits have been overpaid.

Source: Benefits Agency Business Plans 1998-99 and 1999-2000 and Report of the Comptroller and Auditor General: Benefits Agency: Performance Measurement (HC 952 Session 1997-98).

Reporting the outcomes of agency activities

“Move from counting what goes in, to assessing what is being delivered ... The targets for government departments, as far as possible, are expressed either in terms of the end results or service standards, and we are working to develop measures for all levels of government which support this approach”.

Modernising Government White Paper, 1999¹⁷

1.18 Agencies are increasingly being encouraged to focus on the wider impact of their activities. The Treasury Committee recommended in 1999 that “although it was essential that agency targets should make it clear what was, and what was not, within the agency’s control, there needed to be a clear relationship between the agencies’ outputs and the outcomes to which they were intended to contribute...”.¹⁸ Appendix 1 sets out the Government’s definition of outputs and outcomes and illustrates their relationship by giving examples for selected agencies.

1.19 In developing measures of their impacts agencies have encountered a number of challenges, including:

- estimating the level of outputs and outcomes;
- estimating their contribution to outputs and outcomes; and
- working with others in measuring performance.

Case Study 4 shows how Customs and Excise have measured the wider impact of their activities and are working with others to develop new measures relating to their work in relation to illegal drugs. Case Study 5 highlights the difficulties faced by English Partnerships in estimating and recording the outputs of regeneration projects in which they work in partnership with other organisations. The Case Study also records some of the steps that are being taken by English Partnerships in conjunction with the Department of the Environment, Transport and the Regions to improve the assessment of outputs from regeneration programmes.

¹⁷ Modernising Government, Cabinet Office, Cm 4310, March 1999.

¹⁸ Public Service Agreements, Treasury Committee, Seventh Report 1998-99, HC 378.

Case Study 4: Customs and Excise

Measuring the outcome of their work to detect and deter the smuggling of illegal drugs



This case study shows how Customs and Excise have measured the outcome of their activities to detect and deter the smuggling of illegal drugs and have started to work with others in the public sector to measure the wider impact of their work.

One of Customs and Excise's objectives is to detect and deter the smuggling of drugs and other prohibited goods as a major contribution to the Government's aim of minimising illicit activity, such as drug use.

Customs and Excise have established the "drugs prevented indicator" to assess the wider impact of their activities to prevent the importing of drugs. The indicator comprises two elements:

- a) The "seized element": the total value of drugs physically seized by the Department during the year; and
- b) The "additionally prevented element": an estimate of the value of additional drugs that successful investigations have prevented individuals or organisations from importing.

The concept is that where principals or organisers behind drug trafficking have been arrested, Customs and Excise will have prevented the importation of further consignments of drugs that would have otherwise occurred. For each case investigated by the National Investigation Service, the Department use experienced investigators to examine the circumstances and estimate both:

- the degree of disruption that they have caused to an individual or organisation; and
- the value of drugs that they have prevented entering the UK.

Although necessarily subjective, the assessment is based on a systematic approach. The Policy Team of the National Investigation Service randomly assures the results of this exercise.

Customs and Excise are working as part of cross-government team, led by the Home Office, that has commissioned research work that should assist in the measurement of outcomes in relation to illegal drugs. Amongst other things, this work aims to provide, outcome data on:

- the size of the UK drugs market;
- drug consumption by type; and
- the availability of drugs.

Source: Report of the Comptroller and Auditor General: HM Customs and Excise: The Seizure of Drug Traffickers' Assets (HC 668 1995-96). Evidence given by Customs and Excise at a December 1999 hearing of the Public Accounts Committee.

1.20 The Cabinet Office have also examined the issue of how departments and agencies can work together to tackle problems that cross departmental and agency boundaries. The Cabinet Office's Performance and Innovation Unit¹⁹ have looked at how departments and agencies might approach those outputs and outcomes which may be dependent on joint working, including how performance measures may be used to support such working.

Case Study 5: English Partnerships Recording outputs on regeneration projects



This case study shows the difficulties faced by English Partnerships in measuring outputs on regeneration projects carried out in partnership with other bodies. Since the Report, the Department of the Environment, Transport and the Regions and the Agency have taken forward work on the measurement and reporting of outputs.

English Partnerships (the Agency) were responsible for bringing derelict, vacant, and under used land and buildings back into use to support the regeneration of local economies and communities in England. The Agency's main activity was to provide finance to support physical regeneration projects working in partnership with other public and private sector organisations. In April 1999, the majority of the Agency's regional organisation and staff were transferred to the newly created Regional Development Agencies.

Output measures for jobs created or safeguarded

One of the Agency's key performance targets was the number of jobs created or safeguarded. In 1997-98 the Agency's recorded performance was:

Performance Measure	Target 1997-98	Outputs 1997-98
Jobs created or safeguarded	28,000	29,000 (estimated)

The Agency relied on estimates for reporting the total number of jobs recorded in their annual report for 1997-98. Under this approach, estimates were based on the outputs that might be expected from each £1 million spent, drawing on experience from previous programmes and projects.

continued ...

19 Wiring It Up. Whitehall's Management of Cross-cutting Policies and Services, Cabinet Office, Performance and Innovation Unit, January 2000.

Case Study 5: continued ...

Improving English Partnerships' approach to reporting outputs

The reporting of the Agency's performance on jobs created and safeguarded had a number of shortcomings. A review of the Agency's performance based on a sample of regeneration projects showed that:

- a comparison between the Agency's method of estimating outputs and the expected outputs recorded on a sample of project files suggested that the estimates they used in their annual report could overstate outputs;
- all outputs attributable to projects had been counted, even if the projects had received contributions from other public sources thus increasing the risk of outputs being double-counted across all public bodies; and
- there was no systematic check that projects had been completed, nor follow up to record actual outputs.

Joint English Partnerships and Departmental initiative designed to produce more accurate information

In response to these findings the Department of the Environment, Transport and the Regions and English Partnerships have, in consultation with other bodies, together reviewed and improved the methodology for estimating outputs from regeneration programmes by:

- encouraging the use and development of systems to compare estimates with actual outputs, and in turn to improve the methodology of estimating outputs for future projects;
- developing standard output definitions for all key output measures;
- letting a consultancy project to review current appraisal systems and procedures and considering its recommendations;
- putting procedures in place to ensure that the existing best practice guidance is complied with and providing additional guidance on recording outputs;
- reviewing procedures surrounding the compliance with project control systems, to ensure that outputs are recorded accurately in the system both in total and by expected year of delivery;
- ensuring that monitoring and evaluation procedures are applied to ensure that projects are completed and to record the actual outputs achieved; and
- conducting a series of post-project review exercises to ensure that projects have been appraised rigorously, consistently and in line with best practice, and to feed back recommendations on areas of identified weakness.

Source: Report of the Comptroller and Auditor General: Department of the Environment Transport and the Regions; English Partnerships: Assisting Local Regeneration (HC 642, 1998-99).

Considering the interests and needs of stakeholders

“The annual report provides the Chief Executive with the opportunity to inform interested parties about the Agency and its achievements in an attractive and readable way”.

Cabinet Office guidance, 1998²⁰

1.21 Many public services are complex and have a wide range of stakeholders, including Parliament, customers, users, and interest groups. These groups may have different information needs.

1.22 Some agencies have found it useful to consult with stakeholders to identify those aspects of agency performance which are important to them. In 1997 the Employment Service carried out a fundamental review of their performance measurement framework. The review involved experts from government, academia and special interest groups. As a result of this work, the Employment Service refined their performance measures and aligned them better with their aims and objectives.

1.23 In 1999, the Department for Education and Employment and the Employment Service jointly carried out a further review of the Agency's key performance measures which are set out in their Annual Performance Agreement. Over 1,300 organisations and individuals were invited to comment on the consultation document, which was also advertised on the Internet. A consultation workshop was held in July. A meeting for employers and their representative organisations was also held in September. As a result of the review, changes will be made to the Employment Service's Annual Performance Agreement from April 2000 to provide a sounder underpinning for the Agency's activity in delivering the Government's Welfare to Work agenda in partnership with others.

1.24 Under the Modernising Government agenda the Cabinet Office are providing further guidance to public services on consultation with their customers. From 2000, as part of a new consumer focus for public services, those departments and agencies responsible for delivering services to the public are to put in place a programme to ensure that those services meet the needs of consumers. This includes:

20 Next Step Agencies; Guidance on Annual Reports, Cabinet Office, October 1998.

- designating an official at senior board level to take responsibility for the design and implementation of the programme: a ‘consumer champion’;
- identifying consumer priorities and examining consumer satisfaction through regular research and consultation;
- taking account of consumer views at every level in the organisation both in the design and delivery of services and reporting on improvements made in annual reports; and
- providing feedback to consumers.

Targets will be set and published as part of the 2000 Spending Review wherever possible and sensible.

1.25 The Public Services Productivity Panel have published a report²¹ evaluating customer service in three executive agencies, including consideration of how customers’ views and performance information are used in developing the agencies’ approach to customer service. The report provides a series of action points to put the principles of effective customer service into place, including consultation with customers and regular assessment of customer satisfaction.

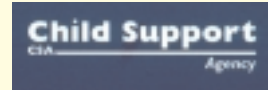
1.26 Some agencies have refined their measures of performance to give stakeholders a better view of performance. The Child Support Agency have changed the way they measure the accuracy of their maintenance assessments so that decisions taken throughout the year are included (Case Study 6).

1.27 Other agencies have found that certain measures have not provided stakeholders with the most meaningful view of performance. For example, the experience of the UK Passport Agency has led the Home Office to look for a more meaningful standard of the quality of service (Case Study 7).

21 Customers in the Driving Seat? Evaluating customer service in three executive agencies, Public Services Productivity Panel, January 2000.

Case Study 6: Child Support Agency

Measuring the accuracy of maintenance assessments



This case study shows how the Child Support Agency (CSA) redefined one of their measures so that it provides a more complete view of their performance.

The CSA are responsible for the assessment, collection and payment of child maintenance. The assessment of child maintenance relies on information about the personal circumstances of both the absent parent and the person in care of the child on income, housing costs and other expenses. This information can be difficult to obtain.

The Agency are set a target for the accuracy with which they assess claims for child maintenance. In 1996-97 the target was set for at least 85 per cent of the claims checked during March 1997 to be accurate. This target was reported as achieved.

This measure of performance had a number of limitations:

- it did not measure the Agency's performance over the full year and did not therefore provide a meaningful view of the agency's overall performance; and
- the measure was based on a random sample of about one per cent of assessment decisions examined by quality assurance teams. In examining the sample cases the teams did not examine all the factors which could affect the accuracy of the cash value of the assessment. This could lead the reader to be misled by the description of the measure.

The Agency have taken steps to improve the quality of the performance measure. In 1997-98 the target was changed so that it covered the Agency's performance on the accuracy of maintenance assessments throughout the year. In 1998-99 the Agency introduced a more comprehensive check of accuracy. To reflect this more comprehensive and more stringent measure the Agency's accuracy target in 1998-99 was changed to:

"The cash value of all assessments checked in the year to be correct in at least 75 per cent of cases".

Source: Comptroller and Auditor General's Report on the 1996-97 Child Support Agency's Client Funds Account (HC 124 1996-97).

Case Study 7: United Kingdom Passport Agency **Finding meaningful measures of quality of service**



The case study shows how the UK Passport Agency (UKPA) have found that one of their existing key measures of service quality does not provide stakeholders with the most meaningful basis for assessing performance.

The UKPA's main aim is to provide passport services for British nationals in the United Kingdom promptly and economically. The Agency aim to provide a good quality service by maintaining a maximum processing time of ten working days for straightforward, properly completed applications. In 1998-99 the Agency and the Home Office decided to complement this measure by also setting out to meet customers' declared travel dates for at least 99.99 per cent of passports issued. They found, however, in 1999 that the new measure did not reflect a meaningful standard of quality of service.

From February 1999 to August 1999, the UKPA encountered difficulties in meeting the demand for passports. This arose because of a shortfall in planned capacity to process passports due to problems in introducing, from October 1998, a new processing system, and an unforeseen upsurge of demand for passports.

The difficulties were reflected in the maximum processing time recorded by the Agency's regional offices, which at their peak ranged between 25 days and 50 days, against the target of 10 working days. Taking the period for October 1998 to August 1999 as a whole the Agency's performance was at or around their target of meeting 99.99 per cent of travel dates. However, that still meant that almost 500 missed travel dates and a great deal of anxiety and inconvenience for many more customers waiting for delayed passports. The Home Office concluded that a measure of the percentage of travel dates met did not reflect a meaningful standard of quality of service for the public and is working with the Passport Agency to develop more appropriate measures for the future.

Source: Report of the Comptroller and Auditor General: The United Kingdom Passport Agency: The passport delays of Summer 1999 (HC 812 1998-99).

Providing a comprehensive view of performance

“For reasons of public accountability, it is important that annual reports should give a complete picture, so it is likely that they will also need to include information on performance against internal management targets and other performance measures, especially when these fill gaps in the coverage of Ministerial targets”.

Cabinet Office guidance, 1998

1.28 Agencies have used a range of different types of information to supplement reported performance against key targets, so as to provide a more comprehensive picture of their performance:

- Reporting management targets. The 1998-99 Benefits Agency annual report included a section titled “Summary of Overall Performance” which included their Milestone targets, Secretary of State delivery targets and internal management targets. The Agency stated that “taken together, these cover our main services.”
- Reporting outcome measures. The Maritime and Coastguard Agency have a package of work which aims to develop, promote and enforce high standards of marine safety and therefore ultimately to reduce the number of shipping accidents. In their 1998-99 annual report, the Agency included outcome data on “accidents involving UK merchant ships and fishing vessels”.
- Reporting supplementary performance information. The Maritime and Coastguard Agency have provided a more complete picture of their performance by reporting information on both: how they responded to maritime emergencies; and their capacity to respond (Case Study 8). In doing so the Agency incorporated data from organisations they work closely with.

Case Study 8: The Maritime and Coastguard Agency Measuring both the capability and response of HM Coastguard emergency service



This case study shows how the Maritime and Coastguard Agency provide a comprehensive view of their achievements in their annual report by including information on both their actual performance in responding to emergencies and their capability to respond.

HM Coastguard, as part of the Maritime and Coastguard Agency (the Agency), are responsible for minimising the loss of life amongst seafarers and coastal users, and responding to maritime emergencies 24 hours a day. They co-ordinate the civil maritime search and rescue services but rely largely on other government and non-government organisations to carry out search and rescue. Their role requires them to:

- ensure that the UK has an effective and efficient search and rescue capability which is ready to respond when and where needed; and
- initiate and co-ordinate an effective and efficient response to requests for assistance.

The Maritime and Coastguard Agency were created in 1998 from the merger of The Marine Safety Agency and The Coastguard Agency. In their first year, the Agency reviewed existing indicators and developed a comprehensive set of measures. Because the demand for emergency services is intermittent and unpredictable they decided to supplement measures of how well the Agency had co-ordinated responses to incidents with measures of their capability to respond.

The Agency included both sets of measures in their 1998-99 annual report, providing readers with a comprehensive view of performance in both:

- responding to actual incidents. For example, information was given on lives saved as a proportion of lives at risk, distinguishing between life-threatening and non-life-threatening incidents; and
- ensuring adequate capability. For example, information on both the geographical coverage and the availability of the main elements of an effective search and rescue capability – VHF radio aerials, helicopters, and lifeboats.

In doing so the Agency incorporated data from organisations, such as the Royal National Lifeboat Institution, which they work closely with.

Source: Report of the Comptroller and Auditor General: Department of Environment, Transport and the Regions: HM Coastguard: Civil and Maritime Search and Rescue (HC 554 1997-98) and Maritime and Coastguard Agency Annual Report 1998-99.

Part 2: Good quality performance data

Introduction

2.1 Agency performance information should be of a sufficient quality to support decision making and to form a sound basis for reporting achievement against objectives. Where data are reported publicly, Cabinet Office guidance²² makes it clear that agencies are responsible for ensuring that it is reliable:

“All performance information must be correctly calculated, reliable and fairly presented. The primary responsibility for this lies with Chief Executives. They must have confidence in a properly managed system of internal control”.

2.2 Good quality data can be expensive and difficult to collect. Agencies may, for example, be faced with collecting data from a large number of sites, surveying users or customers and obtaining data from external providers.

2.3 Agencies have developed a range of approaches for meeting the challenge of collecting and gaining assurance about the quality of data. Drawing on their experience, we have identified a series of steps which may assist other agencies to collect reliable data without placing an undue burden on costs. These steps are:

- decide how good performance data need to be;
- consult specialists, where necessary;
- establish complete performance measure definitions;
- establish accountability for collecting and reporting performance data;
- ensure managers are active in obtaining good quality performance data;
- establish controls which reflect the type and source of performance data; and

22 Next Steps Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

- consider the benefits of validation of performance data.

How good do performance data need to be?

2.4 Performance data need to be of a sufficient quality to support decision making and to report performance reliably. Data collection procedures should not, however, place an undue burden on the agency. Agencies need to strike an appropriate balance between the quality of data and the cost of their collection. Making the maximum use of data from agencies’ management information systems can help to minimise the cost of producing information for external reporting. Where performance data are already used by managers as part of routine supervision and monitoring of agency activities, there may also be stronger incentives in place for those using and compiling the data to ensure their quality.

2.5 In examining the quality of agency performance data we have found the following characteristics to be helpful (Table 2.1). These are not prescriptive, and agencies may have established their own criteria.

Characteristics of data quality

Table 2.1	
Valid:	Performance data should adequately represent actual performance.
Comprehensive:	Sufficient performance data should be collected from the population or sample.
Accurate:	Performance data should be free from significant error.
Consistent:	Performance data should be collected using the same procedures and definitions across collection points and collection periods.

Source: National Audit Office

2.6 Agencies need to pay particular attention to data quality where they rely on samples to estimate the actual level of performance. In particular, the agency will need to ensure that the sample is representative of the population and sufficiently large to provide a reliable estimate of outturn or, where necessary, to provide reasonable assurance that the target level has been achieved.

2.7 Different levels of data quality may be needed for different measures. Case Study 9 shows how for some performance measures the Benefits Agency collect data through samples which are sufficiently comprehensive to generate information which can be used to monitor performance at both national and local level. For other less sensitive measures the Agency collect information sufficient to support national reporting.

Case Study 9: Benefits Agency **Focusing data collection on the most important measures**

This case study shows how the Benefits Agency have focused their data collection efforts on those priority areas of their business where they aim to improve performance.



The Benefits Agency measure the accuracy with which they pay the various benefits they administer. For each benefit, or group of benefits, a sample of payments are selected and tested. The size of the samples taken varies between benefits.

For both Income Support and Jobseeker's Allowance the Agency are striving to improve the accuracy of payments and therefore monitor performance at both the national and local level. Thus, in 1999-2000, a specialist team in the Agency planned to visit each of their 129 districts to test a total of 25,000 cases for each benefit.

For some other benefits, where payment accuracy is consistently higher and consequently give less cause for concern the Agency perform less extensive sampling. For example, in 1999-2000, the Agency's specialist teams planned to examine a total sample of approximately 2,500 Retirement Pension cases. This will provide statistically valid results to enable the Agency to monitor and report their performance at the national level.

Source: Benefits Agency and National Audit Office.

2.8 It is likely that stakeholders, such as Ministers, departments and other agencies, will wish to use performance information collected by agencies. It is good practice for agencies to consult these stakeholders about the quality of information they require.

Getting advice from specialists

2.9 Agencies have found that consulting specialists, such as statisticians, economists and operational researchers, has helped them to secure sound methodologies for measuring performance. Specialists can, for example, advise on:

- the selection of samples;
- the use of forecasting models;
- methodologies to validate performance data; and
- the construction of measures which use formulae, such as indices.

In addition, specialists can advise on the behavioural and incentive aspects of performance measures.

2.10 Some agencies have obtained advice from their own analytical service specialists or from departmental specialists; others have sought the views of auditors.

Definitions

2.11 Clear performance measure definitions can help establish a common understanding between those designing information systems and reporting performance and those collecting the data. Agreed and well-understood definitions can help to minimise the risk of differences in the collection and interpretation of data and are particularly important where performance data are collected from dispersed locations.

2.12 Table 2.2 illustrates some of the factors agencies may consider when establishing performance measure definitions.

Defining performance measures

Table 2.2

Good performance measure definitions:

- explain what the measure is intended to show and why it is important;
- describe where the performance data come from and how they are collected;
- specify the accuracy with which data should be recorded and reported;
- describe how the measure is calculated, including any relevant baseline or historical data;
- identify any limitations about the data, including factors which may be beyond the agency's control; and
- specify who is responsible for each stage in the collection, calculation and validation of the measurement data.

Source: National Audit Office

2.13 Case Study 10 provides an example of how the Defence Aviation Repair Agency have established common performance measurement definitions across all their business units.

2.14 Performance measure definitions may be refined over time as an agency seeks to improve the quality of their performance measures to:

- reflect changes in policy;
- reflect changes in the agency's circumstances; or
- overcome a substantial difficulty with a measure.

When revising performance measures the agency should consider the need, wherever possible, to ensure consistency of measurement description, content, and definition.

Case Study 10: Defence Aviation Repair Agency Establishing common performance measure definitions



This case study shows how the Defence Aviation Repair Agency have established common definitions of performance measures across business units.

The Defence Aviation Repair Agency (DARA) are responsible for the provision of deep aviation repair and overhaul facilities to meet the United Kingdom's defence needs. The Agency were launched on 1 April 1999 and brought together the two agencies previously responsible for all fixed wing and rotary wing deep maintenance support for the UK armed forces. The new Agency operates from four physically dispersed sites.

In their first year of operation DARA were set key performance targets covering the quantity of aircraft and components repaired, the Agency's operating cost budget, the timeliness of aircraft and major component repairs, quality standards and efficiency.

As part of a programme to establish Agency-wide information systems, DARA wished to establish common performance measure definitions. This involved reviewing performance measurement and management accounting practices at their four sites and then:

- agreeing output definitions for each business unit aligned to customer requirements, and the criteria for recording and weighting those outputs for assessing the delivery of the Agency's work programme;
- establishing common accounting definitions across all business units;
- consulting customers, before setting clear criteria for recording, investigating and responding to customer concerns, quality failings and incident reports;
- establishing baselines for each key performance measure;
- agreeing the programmes of work to be included in the timeliness measure; and
- providing guidelines together with worked examples of calculations for the efficiency and quality indicators.

Source: National Audit Office and the Defence Aviation and Repair Agency.

Accountability for collecting and reporting performance data

2.15 Chief Executives have the prime responsibility for ensuring data are correctly calculated and reliable. Experience shows data are more likely to be reliable when Chief Executives have nominated the managers who are responsible for the key steps in the collection and reporting of data. Agencies have found it helpful to allocate responsibilities for data including:

- the initial specification and definition of the measure;

- the data collection procedures;
- the specification of formulae;
- the analysis and interpretation of results;
- the reporting of results in the required formats; and
- the retention of information for the validation process.

2.16 For each of their performance measures, The Met. Office produce a management control document. Each document provides a complete definition of the measure. It also establishes responsibility for the key steps in collecting, processing, reporting, checking and archiving data and is signed by the responsible individuals to demonstrate their commitment to it. The documents, which are approved annually by the Executive Board, are described in Case Study 11. The documents reflect the complexity of the Agency's activities, although the principle of establishing performance measure definitions and assigning accountability has general application.

Management's role in ensuring reliable performance data

2.17 Management can play a key role in ensuring that performance data are reliable by:

- fostering a commitment to ensuring the value and reliability of performance data;
- monitoring the quality of performance information; and
- obtaining assurance that performance information systems are operating effectively and consistently.

Case Study 11: The Met. Office

Defining performance measures, specifying data collection requirements and assigning responsibility



This case study shows how The Met. Office (the Agency) have agreed and documented key procedures to ensure consistency in the collection, recording and analysis of performance data and established responsibility for key steps in collecting, processing, archiving, reporting and checking data.

The Met. Office's performance measures are complex and are based on data drawn from a wide range of sources and locations. To assist the Agency to collect good quality data they have developed management control documents for each measure and each component measure. Typically these documents define:

- Business area: The Met. Office service that the indicator is designed to measure.
- Description of the measure: Sets out in detail the definition of the measure, including: how performance is defined; the formula for calculating performance; the data used in the formula and their definition; and the number of locations over which measurements are taken and the frequency of those measurements.
- Baseline: The baseline value and details of its computation.
- Measurement tolerances and assumptions: The level of precision required. For example, in both the forecast and in actual weather data used to calculate performance measures.
- Reporting standards: The level of precision required in the calculation of the performance indicator. This may be derived from relevant international standards and conventions.
- Form of reported results: The nature of the indicator used to report performance. For example, whether the indicator:
 - is reported on a monthly basis, cumulative basis or another basis;
 - is presented as part of a time series to allow trends to be analysed; and
 - uses past data in the calculation of performance e.g. to smooth out seasonal variations or statistical anomalies associated with low numbers of statistical events.
- Delegated responsibility: Management has specified the individuals responsible for key steps including collecting, processing, archiving, reporting and checking data.
- Internal checking: The method and frequency of checking.

Source: National Audit Office analysis of The Met. Office – Management Control Documents.

2.18 Management can foster commitment to good-quality data by communicating their importance, creating appropriate incentives for staff to collect reliable data and holding managers accountable for data quality. They can also provide technical and financial support to those involved in gathering, analysing, and verifying key performance data.

2.19 Management's routine monitoring of performance data can be an important mechanism in helping to ensure the quality of data. Where they actively monitor performance information, they are able to identify unexpected variations between actual performance and targets or trends which call for examination.

2.20 Management can also assure themselves that the agency's performance information systems are operating effectively and consistently and continue to provide a reliable basis for capturing and reporting the performance data. They may seek this assurance from internal auditors. Where performance data are lost or corrupted in a way which may cause the data to be unreliable, management will also need assurance that appropriate follow-up action is taken to address the control failures and correct any actual errors in the data.

Controls over the collection of performance data

2.21 Performance data may be collected in a variety of ways. The following sections outline some of the control issues that may need to be addressed in collecting performance data from:

- the agency's information systems;
- surveys; and
- external sources.

Collecting data through agency information systems

2.22 Performance data will often be derived from information systems used to manage and support the delivery of products or services. Controls can be designed into information systems so that data errors are detected and corrected as a normal part of agency operations.

2.23 Reliable performance information systems, whether manual or computerised, require:

- **Controls over the capture of performance data.** These are the controls over the recording of key performance data at the point at which, for example, resources are consumed and where agency outputs are delivered. They are designed to ensure the quality of the source data; and
- **Controls over the processing of performance data.** These are controls that govern the processing and aggregation of data to calculate performance measures included in the agency’s annual report. They ensure that the correct data are used and that the correct procedures are being followed to calculate the performance measure.

2.24 Table 2.3 sets out some of the generic controls over the capture and processing of data that might be expected in good performance information systems.

**Performance information
system controls**

Table 2.3	
The following are some of the generic controls over the capture and processing of data that might be expected in good performance information systems.	
Data Capture	
<ul style="list-style-type: none">■ guidelines and procedures for data recording and entry are developed and consistently used;■ operational staff are trained on which data to enter, how to enter the data, and the importance of data accuracy;■ information is logged at the point of receipt; and■ data entered into the computer system are reviewed for accuracy.	
Data Processing	
<ul style="list-style-type: none">■ reconciliations and other checks are performed to ensure the completeness and accuracy of the updating of the databases where the performance data are held;■ where appropriate, systems include automated checks on data values, such as “range-checks” and consistency checks between data elements;■ checks are undertaken to ensure that the correct data are used in the calculation of performance measures;■ access to data records is restricted; and■ procedures for controlling the system and the retention of supporting data are documented.	

Source: National Audit Office

2.25 The Benefits Agency performance measurement ‘Seals of Approval’ process is an example of a well-designed data assurance framework (Case Study 12). It requires specified individuals and groups within the Agency to certify that they have undertaken predetermined checks and procedures covering initial data collection, review, and verification.

Collecting data through surveys

2.26 Surveys are frequently used by agencies to obtain data about customer satisfaction or service quality. The quality of information required will influence how the survey is designed. In designing surveys agencies should have regard to:

- **Bias.** A questionnaire conducted by personal interview may be at more risk of bias than an anonymous survey.
- **Questionnaire design.** The design of the questionnaire can have a significant bearing on the response rate and the validity of the responses generated. The wording of questions should be clear, unambiguous and unbiased.
- **Sample size.** The size of the sample of people surveyed, and the extent to which that sample is representative, will have a direct bearing on the quality of the data gathered and the conclusions drawn from it.
- **Data analysis and interpretation.** The analysis and interpretation of survey data does not merely require the collation of data but rather an analysis of what the data mean. There are various types of analysis that can be used, each of which is appropriate for particular types of data. Complex data analysis should be the responsibility of statisticians.

2.27 When designing surveys agencies may look for advice from statistical specialists in the agency, the parent department, the Office of National Statistics or from consultants.

Case Study 12: The Benefits Agency **Obtaining assurance on the quality of performance** **information collected across large office networks:** **the performance measurement ‘Seals of Approval’ process**



This case study shows how the Benefits Agency obtain assurance about the quality of reported performance information by specifying the procedures and responsibilities for checking the quality of data.

The Benefits Agency reported performance is based on information collected from each of their 129 districts.

To obtain greater confidence in reported performance, the Agency introduced a formal assurance procedure for checking data – the performance measurement Seals of Approval process. The aim is to provide Ministers and senior management with performance figures that have been validated to standards agreed with Internal Audit and that carry high levels of statistical confidence. In most cases the Agency aim for a confidence level of 95 per cent and with figures accurate to plus or minus 2 per cent.

Against each publicly reported performance achievement, the performance measurement Seals of Approval process:

- defines what is to be counted, how it is to be counted and details the initial checks that need to be carried out to obtain information used to record performance data at an operational level. To assist operational staff to collect and check performance data, the Agency have established a validation framework document and user guide;
- requires management to confirm that they have undertaken specified checking of performance data;
- specifies the work to be undertaken by specialist teams who have responsibility for verifying the performance information collected at an operational level;
- sets out the levels of confidence and statistical accuracy of the results of the verification programme and the agreement of the Agency's statisticians to the method of verification;
- requires Internal Audit to review and agree the checking methodology for the previous steps, re-perform a sample of checks to confirm the accuracy of performance data and report any variation to management who consider whether there is a need to adjust outturn data.

Against each publicly reported performance achievement, the performance measurement Seals of Approval certificate is signed by all parties involved in the assurance process as proof of compliance with the Agency's requirements. The certificates are finally signed off by the Agency's performance measurement team when they are content that mechanisms are in place to give the required level of assurance for the figure that will be included in the Agency's annual report.

In 1998-99 the initial process was extended from Secretary of State targets to include an increased number of performance areas covering the main business of the Agency and is still developing as systems and funding permit.

Source: Benefits Agency Annual Reports 1997-98 and 1998-99 and Benefits Agency internal circulars.

Using data from external sources

2.28 In some instances, performance data may come from a source external to the agency. For example, agencies:

- may commission their own study or survey; or
- may wish to use data originally collected for a different purpose, such as data published by the Office of National Statistics.

When using external data, agencies will need to assure themselves that the data are of sufficient quality. Table 2.4 lists some of the issues that the agency should consider.

Using data from external sources

Table 2.4

The following are some of the issues agencies should consider when using data from external sources to measure performance.

Where the Agency wish to commission their own study or survey

The Agency should ensure that:

- the study is conducted by appropriately qualified people;
- the methodology for gathering data is documented;
- appropriate arrangements have been made for ensuring quality control; and
- accepted practices or standards have been applied.

Where the Agency wish to use data originally collected for a different purpose

The Agency should consider:

- the original purpose of the data collection;
- whether the external party is a recognised provider of information (eg. Office of National Statistics);
- what quality controls operate in relation to the data provided; and
- whether any limitations have been placed on the information provided by the external party and the relevance of such limitations to the agency's performance measures.

Source: National Audit Office

Validation

2.29 Where performance information is to be used to inform key strategic decisions such as the allocation of resources or reporting to Ministers and Parliament on performance, agencies will need to have reasonable assurance that the data are of an acceptable quality. Validation is one means by which an agency can get such assurance.

2.30 In certain cases the external validation of performance against targets is mandatory. The Cabinet Office guidance²³ states that:

“Where the achievement of targets affects the pay of Agency staff, or in the light of Service First, non-financial targets are of particular importance, the performance against targets must be subject to validation, external to the Agency. In all other cases it is left to the discretion of the responsible Minister to decide whether external validation should be required. Decisions on validation procedures should be taken by the Minister concerned in the light of all the circumstances and, where relevant, the arrangements for external validation should be described in the Report”.

2.31 External validation can be provided by the National Audit Office, as the external auditors of Executive Agencies, or the parent departments’ internal auditors. Some agencies have established their own internal mechanisms to validate the quality of performance data. These mechanisms include:

- establishing specialist teams independent of those responsible for data collection, processing and analysis to check performance data; and
- using the agency’s own internal auditors to review data collection systems.

2.32 In deciding upon the nature and extent of the validation required agencies may consider:

- the nature of the information being collected;
- the source of the data;

²³ Next Steps Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

- the control procedures operating over the capture, processing and reporting of data;
- management's assessment of the risk of the data being misstated or incomplete;
- the importance of the performance measure and the accuracy required in reporting achievements; and
- how the information is likely to be used.

2.33 Case Study 13 summarises how the Employment Service have used specialist teams to validate key information on the numbers of unemployed people placed into work and how internal audit reviewed the results. The team examines how data are collected, aggregated and reported. The Case Study shows how these validation arrangements have improved the quality of job placings data reported against key targets in the Agency's annual report.

2.34 The National Audit Office have validated performance information published by some agencies. The Met. Office, for example, have recorded the results of annual National Audit Office validations in their annual reports. The involvement of external auditors in the validation process not only assists the agency concerned to improve the quality of reported data, but it also provides assurance to Parliament, the public and other stakeholders that data are reliable and a suitable basis for reporting the agency's performance.

Case Study 13: Employment Service

Validation of unemployed people placed into work



This case study shows how the Employment Service have improved the quality of data by establishing a system of internal validation.

In 1998-99 one of the Employment Service's key targets was to place 1.3 million unemployed people into work. Ninety five per cent of the total placings claimed against this target are made by the Agency's Jobcentres. In 1997-98 the Agency established a new system to validate the number of unemployed people placed into work by Jobcentres. This involved:

- setting up regional validation teams of experienced staff to operate independently of those responsible for inputting placings data into the Agency database;
- testing a random sample of placings drawn from the central database for each region and each month, against Jobcentre records and with the employer;
- investigating those job placings where there was no clear audit trail or those which were irregular in some way;
- combining the findings of each validation team to give a statistical estimate of the overall level of error in the total value of placings claimed; and
- independent review of the validation of placings by the Agency's internal audit.

The impact of introducing a system of validation and other management action was to reduce the rate of invalid placings from a level of around 30 per cent in some areas down to 8 per cent. The Agency commissioned an independent review of the validation process to examine the scope for improving performance standards further and to reduce the level of invalid placings.

Source: National Audit Office analysis of Employment Service guidance on validation.

Part 3: Presentation of results

Introduction

3.1 Annual reports are the key mechanism by which agencies can inform Parliament and the public about their achievements. If annual reports are to be of most use, agencies must find ways of presenting information, often on technical or specialist subjects, in a manner which enables a lay reader to get a good understanding of their performance.

3.2 Cabinet Office guidance²⁴ sets out specific requirements that agencies should follow in presenting performance information fairly in their annual report (Figure 3.1). This includes what performance measures to present, over what period and how to classify or group measures.

3.3 Drawing on this guidance and our experience of agency annual reports, we have identified a number of issues and good practices that could help agencies make their performance reports more meaningful and useful to readers. The issues and good practices cover:

- presenting performance information clearly;
- presenting performance over time;
- explaining performance measures; and
- describing the quality of data.

24 Next Step Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

**Cabinet Office guidance:
summary of presentation
requirements for annual
reports**

Figure 3.1

Cabinet Office guidance sets out specific requirements and good practice on the presentation of agency performance information in annual reports. It particularly states that:

- all performance information

"... must be correctly calculated, reliable and fairly presented."

- performance against Ministerial targets

"... must be brought together in one place in the report, prominently displayed, ...and... clearly distinguished from other targets and standards, for example, internal management targets and Service First standards."

- in judging Agency performance over time

"... comparative information ... must include at least a three-year summary of past results against Ministerial targets (that is, current year, plus two previous years), or for a lesser period where they have not been established for three years."

- in classifying performance

"... Agencies must categorise performance under the following common headings, as far as possible:

- efficiency;
- quality (including quality of service);
- financial performance; and
- throughput."

- on variations in performance

"The report must explain the reasons for any significant variation between performance achieved and targets set."

Source: NAO extracts from
Cabinet Office guidance²⁵

Presenting performance information clearly

3.4 Cabinet Office guidance requires performance against Ministerial targets to be brought together in one place in the report and to be prominently displayed in a table. This table should include a description of each target in the following categories: efficiency, throughput, quality, financial performance and other. It should also show targets, outturns and achievements for at least three years (that is, the current year plus two preceding years) on the target set and outturn achieved.

25 Next Step Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

3.5 Some agencies supplement the information included in the summary statement of performance. One common practice is to include diagrams to show performance against targets more clearly. Some of the more common types of diagrams used include: pie charts, simple bar charts, histograms, graphs showing trends, and, where appropriate, maps. There are a number of points to watch for when presenting performance information in diagrams:

In general:

- keep diagrams simple and avoid clutter by keeping the components to a minimum;
- avoid shading and other techniques used to create depth if they distort the presentation.

For bar charts and graphs:

- ensure that bar charts and graphs are measured against a scaled axis. While a visual comparison of the bars against each other may provide sufficient information, it may be necessary to report actual numbers at the top of the bars or in a table;
- avoid using compressed scales or logarithmic scales as this could indicate misleading comparisons; and
- avoid, where possible, using two different scales to show different lines on graphs. If two scales have to be used, ensure that each axis and the related lines are clearly labelled.

3.6 Whatever form of presentation is adopted, it is important to be clear about the messages that are being communicated and keep the presentation clear and simple. It can be helpful to provide for each diagram, a short written statement summarising the main message.

3.7 The following Case Study from the Maritime and Coastguard Agency's annual report for 1998-99, illustrates a number of good-practice points on the presentation of performance.

Case Study 14: Maritime and Coastguard Agency Presenting performance information



This case study shows how the Maritime and Coastguard Agency have made their annual report more informative by using a range of presentational techniques to provide clear additional information on outcomes.

The Maritime and Coastguard Agency's (the Agency) annual report includes performance on the key outcomes which the Agency works to influence within the Government's wider strategies, although these outcomes are not directly within the control of the Agency. This case study shows the information included in their 1998-99 annual report on the Agency's key outcome measures for the rate of accidents involving UK registered merchant ships and fishing vessels.

The good-practice points include:

- the provision of three-year rolling average data to show trends. The wide variations in the number of accidents that occur each year means that it can be difficult to use annual data to identify trends;
- the disclosure of the data sources;
- a statement of whether the information is presented on a calendar year or financial year basis;
- an explanation of what the data show; and
- a simple and uncluttered diagram with trends shown over a five-year period.

The Agency also provided references back to the sections of the annual report which explained the work they had undertaken to influence the outcome.

Extract from the Maritime and Coastguard Agency Annual Report

Key Outcome: **1a the rate of accidents involving UK registered merchant ships**
 1b the rate of accidents to UK registered fishing vessels

The data show that the number of accidents to merchant ships has decreased from 128 in 1997 to 107 in 1998 and the number of merchant ships has increased from 1,055 to 1,061 for the same period. We present these data using a three-year rolling average and this shows that although for 1996-98 the rate has risen from 104.0 to 109.1, the rate of increase has slowed compared with the previous period where the rate rose from 94.5 to 104.0.

The data show that both the number of accidents and the numbers of fishing vessels have decreased since 1997. Again we calculate the change over a three-year rolling average and there has been a decrease in the accident rate from 62.1 for 1995-96 to 58.0 for 1996-98.

continued ...

Case Study 14: Maritime and Coastguard Agency *continued*

Data Sources

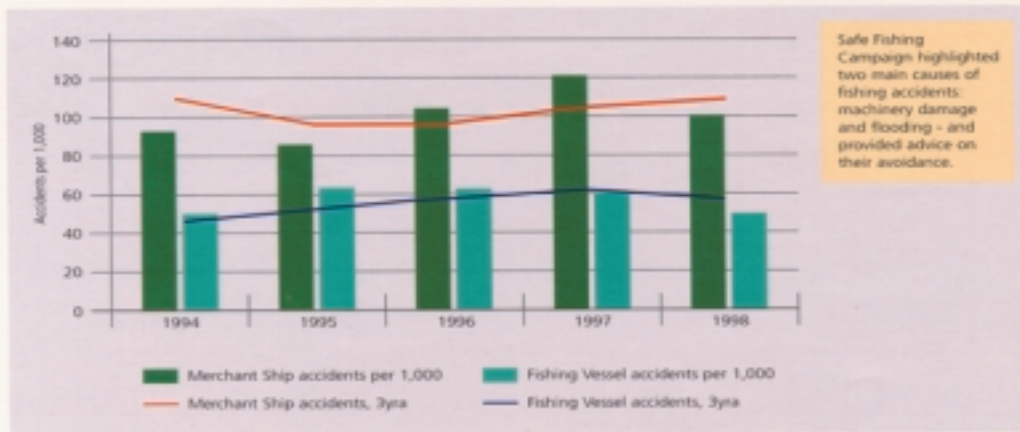
MAJB - Number of accidents to UK registered merchant ships over 100gt and UK registered fishing vessels

DETR Statistics - Number of UK registered merchant ships over 100gt

RSS - Number of UK registered fishing vessels by registered length

Data is on a calendar year basis

ACCIDENTS - ANNUAL DATA					
MERCHANT SHIPS	1994	1995	1996	1997	1998
No. of Accidents	102	93	112	128	107
No. of Ships	1,103	1,081	1,066	1,055	1,061
Accidents per 1,000	92.5	86	105.1	121.3	100.8
FISHING VESSELS					
No. of Accidents	527	578	516	461	388
No. of Ships	10,199	9,151	8,076	7,779	7,671
Accidents per 1,000	51.7	63.2	63.9	59.3	50.6
ACCIDENTS - 3 YEAR ROLLING AVERAGE					
MERCHANT SHIPS	1992-94	1993-95	1994-96	1995-97	1996-98
Average no. of Accidents	120	106	102	111	116
Average no. of Ships	1,152	1,108	1,083	1,067	1,061
Rate per 1,000	104.2	95.9	94.5	104.0	109.3
FISHING VESSELS					
Average no. of Accidents	520	548	540	518	455
Average no. of Ships	10,747	10,147	9,142	8,335	7,842
Rate per 1,000	48.4	54.0	59.1	62.1	58.0



Note: The abbreviations of organisations who supplied data were explained in the Annual Report's Glossary of Terms.

Source: *The Maritime and Coastguard Agency Annual Report 1998-99*.

Presenting performance over time

3.8 Ideally, performance measures should enable users to assess changes in an agency's performance over time. Trend information will help readers to see whether performance is improving or declining over time, regardless of the actual performance achieved.

3.9 Care needs to be taken when presenting performance data over time. It is important that readers have sufficient information to enable them to make informed comparisons of performance achieved in different years. Where measurement definitions or data collection procedures have been changed, it is good practice to explain these in the report. If possible, data from previous years should also be restated so that they reflect the impact of the changes made. Case Study 15 illustrates how The Met. Office presented the impact of a new accounting standard on the calculation of a key financial performance measure. Where there are wide annual variations in performance, methods of smoothing, including rolling averages, can help to reveal trends. Case Study 14 shows how the Maritime and Coastguard Agency used a three-year rolling average to report trends in shipping accidents.

Explaining performance measures

3.10 Other than requiring explanations for significant variations between performance achieved and target set, Cabinet Office guidance²⁶ does not lay down any specific requirements relating to the disclosure of information in support of performance measures.

26 Next Step Agencies: Guidance on Annual Reports, Cabinet Office, October 1998.

Case Study 15: The Met. Office Explaining the impact of changes to key financial performance measures



The Met. Office

This case study shows how The Met. Office used explanatory notes and parallel presentation of performance to show the impact of a change in accounting principles on the Agency's financial performance.

Key ministerial targets	Targets, outturns and achievements			Targets for
	1996-97	1997-98	1998-99	1999-2000
Financial performance				
Return on capital employed (pre-FRS 12) ¹				
Target	7.0%	7.0%	7.0%	n/a
Outturn	20.7%	17.6%	10.0%	
Return on capital employed (post-FRS 12) ¹				
Target	n/a	n/a	n/a	2.9%
Outturn	n/a	20.6%	6.3%	

¹ The basis of calculating the return on capital employed (ROCE) changed during 1998-99 as a result of the introduction of FRS 12, a financial reporting standard that affected the accounting treatment of provisions. ROCE performance is therefore shown both pre-FRS 12, being the basis upon which the 1998-99 target was set, and post-FRS 12, being the basis which has to be used in the preparation of the Profit and Loss Account. A two-year target for 1997-98 and 1998-99 to achieve an average ROCE of 11.6% was set at the beginning of 1997-98. On a pre-FRS 12 basis the average ROCE for these two years is 13.8% (13.5% post-FRS 12).

Source: The Met. Office Annual Report 1998-99.

3.11 Ideally, performance statements should be able to stand alone. That is, the description of the measures and any accompanying notes should be adequate to enable readers to understand the agency's performance against targets. Agencies have therefore used explanatory information to:

- describe performance measures which are complex or use indices;
- help users understand the level of performance achieved and evaluate the significance of underlying factors that affect reported performance;
- describe the broader environment surrounding an agency's activities including those factors that influence an agency's inputs, outputs, and outcomes; and

- record actions that have been taken or are being taken in response to reported information, particularly for unexpectedly high or low performance.

3.12 Some of the points agencies may wish to consider when reporting additional explanatory information in support of performance measures are set out in Table 3.1. Case Study 16 is taken from the Benefits Agency’s 1998-99 annual report and provides a practical example of how an agency have explained the level of performance achieved against a key target.

What to consider when explaining performance

Table 3.1

Factors to consider:

- how the measure has been defined;
- the main data sources used in the calculation of performance;
- any variations in the definition or data sources from previous years;
- any technical terms which may not be understood by the lay reader;
- how the reader can use the measure to assess performance;
- any major changes in performance as a result of unusual events or circumstances;
- where the agency has included management targets and other performance measures, an explanation of why these are important measures of performance; and
- why outcome measures are attributable to the agency’s outputs or programmes.

Source: National Audit Office

Case Study 16: Benefits Agency

Explaining the Agency's performance and validation arrangements



This case study shows how the Benefits Agency provided additional information in their 1998-99 Annual Report explaining the factors contributing to the shortfall in targeted fraud savings (also referred to as weekly benefit savings) and the scope of internal validation work.

Target £2,300 million, achieved £1,645 million

Explanation of Variance

For 1998-99 the target was increased to £2,300 million from £2,100 million in 1997-98. At the time the target was set (in 1997-98) it was estimated that improved detection of fraudulent claims and better control of existing claims to detect changes in people's circumstances would enable the target to be met.

Since the target was set, the emphasis has switched from detecting fraud within the benefits systems to preventing fraud entering these systems and to reducing the level of payments that go wrong, whatever the reason.

This strategy for tackling fraud and error is set out in the command paper **A new contract for welfare: Safeguarding Social Security**. In support of the strategy

- Claims and payment regulations were amended in October 1997 for Income Support and Jobseeker's Allowance bringing in stricter evidence rules with the onus being placed on the claimant. This has had the effect of reducing the availability of Weekly Benefit Savings.
- The effect of prevention actions and case control work and the large increase in both new claims visits and targeted reviews is showing an impact.
- The number of incorrect or fraudulent claims entering the system or during the life of the claim is reducing the number of cases in which fraud or error is found.

Note - Results of Validation

Of the £1,645 million total savings achieved, £1,534 million (93.2%) has been validated by Audit. Of the remaining £111.3 million, BA Audit were unable to validate £56.7 million because no central validation has been undertaken. The remaining £54.6 million relates to the Electronic Stop Notice System, which collects data electronically and individual savings cannot be identified for validation purposes.

Source: Extract from Benefits Agency Annual Report 1998-99.

3.13 Clear language is important to meaningful performance reporting. Terminology should be defined and used consistently. For example, where terms such as “to exceed” are used, definitions can be given either in notes or next to the measure. An example of how this has been tackled by HM Customs and Excise is given in Case Study 17.

Case Study 17: Customs and Excise

Using consistent terminology to describe achievement



This case study shows how Customs and Excise have used consistent terminology to explain their performance against targets.

Customs and Excise classify the achievement of key objectives and performance measures as follows:

Exceeded:	Outturn exceeded target by at least 50%
Achieved:	Target fully achieved (i.e. outturn is at least 100%)
Substantially achieved:	Outturn at least 99% of target
Near Miss:	Outturn between 95% and 99% of target
Not achieved:	Outturn less than 95% of target
Partially achieved:	An objective which has a number of targets, only some of which are achieved

Source: Customs and Excise Annual Report 1998-99

Describing the quality of data

3.14 It can be good practice to provide explanations of how the agency has collected and validated performance information. These explanations can help readers of annual reports to make informed assessments of the reliability of reported performance. Stakeholders may be particularly interested in explanations of:

- external sources of data;
- actions taken by the agency where data are unavailable or of low quality;
- how the agency has validated performance and the results of that validation; and
- survey methodology.

External sources of data

3.15 Readers will be interested in how the agency collected external data. Where the data have been drawn from official sources, such as the Office of National Statistics, it may be sufficient simply to disclose the source. In cases where data have been gathered for the agency, it may be useful to describe the arrangements for ensuring their credibility.

Unavailable or low-quality data

3.16 Agencies may overcome problems raised by unavailable or low-quality data by making adjustments, using supplementary information or developing models to estimate their performance. Where such techniques are used, the agency should provide a clear explanation in their annual report which a lay person could understand.

3.17 English Partnerships (see Case Study 5, page 21) have in the past used a model to estimate the outputs of their regeneration projects, but have now introduced a new computerised recording system that provides detailed information on actual outputs. In their 1998-99 annual report the Agency described their approach to monitoring and measuring outputs, informing the reader of:

- the basis for estimating 1998-99 outputs. The report explained that outputs of the Urban Regeneration Agency were estimated and included outputs from projects that had been completed in previous years and from projects that had been jointly funded with other bodies; and
- the ongoing work to improve the measurement of the outputs of regeneration programmes.

Validation of performance information

3.18 Where an agency has taken specific steps to validate the quality of reported performance data, it is good practice to disclose this in the annual report. The Benefits Agency Case Study 16 on page 53 and the following Case Study from the 1998-99 Employment Service annual report show how these agencies have informed readers about their validation work. In both examples the scope of the validation and the potential limitations in the reported data are disclosed.

Case Study 18: Employment Service Reporting the results of the Agency's validation of job placings



This case study shows how the Employment Service reported the results of their internal validation of the credibility of data on the placings of unemployed people into work.

In 1998-99 the Employment Service were set key five Ministerial targets covering the number of unemployed people they placed into work. The 1998-99 annual report provided the following data on outturn against these targets and included a footnote providing a summary of the results of the Agency's internal validation of the data:

Key Ministerial Targets	Outturn and Achievements
Placing unemployed people into work	1.22 million ¹
Placing long-term claimants into jobs	180,822 ¹
Placing JSA claimants out of work for two years or more	36,829 ¹
Placing New Deal for young people participants into work	69,627 ¹
Placing unemployed people with disabilities into work	99,562 ¹

¹ The figure for total job placings comprises Jobcentre placings of some 1.18 million and external programme placings of 0.04 million. Employment Service Corporate Governance checked Jobcentre placings and concluded that around 92% of the 1.18 million Jobcentre placings could be confirmed as valid. The National Audit Office have independently reviewed this figure. Figures for external programme placings from Employment Service providers were not validated in 1998-99. In addition, there is an unknown level of underrecording of job placings and some individual placings which may be classified against the wrong subsidiary category targets.

Source: Employment Service Annual Report 1998-99

Survey methodology

3.19 When a survey has been used to measure performance, the agency should consider including the following in their annual report:

- the method used for selecting the sample;
- the sample size, including response rates; and
- the margin of uncertainty in the reported level of performance.

Appendix 1: The relationship between inputs, outputs and outcomes

Figure 1 below provides the Government's definitions for inputs, outputs and outcomes and their inter-relationship. It also provides an example of this inter-relationship for the Employment Services' key activity of helping unemployed people into work. The number of unemployed people placed into work (job placings) is used as the key measure for reporting the Agency's performance.

Figure 1

Definition of inputs, outputs and outcomes and their relationship

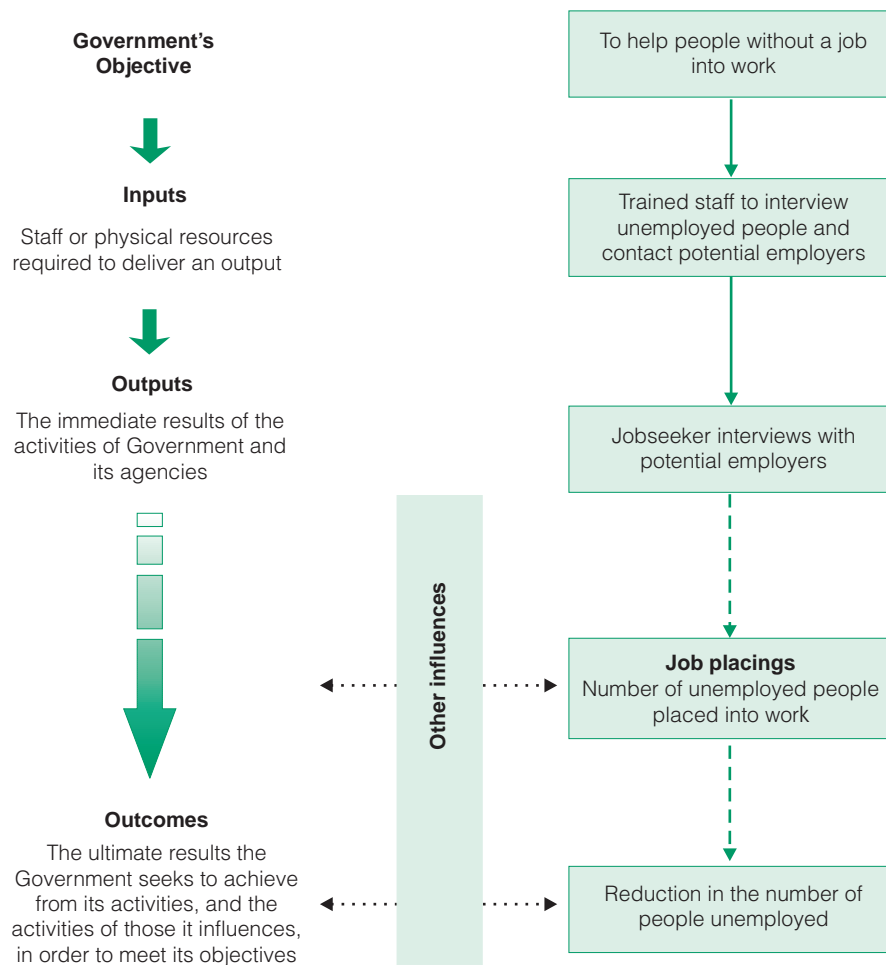



Table 1 below provides further examples of the inter-relationship between agency inputs, outputs and the outcomes to which they contribute. The measures in bold type are those which are included in the agencies' annual reports. These show how agencies have constructed and reported performance measures that bridge the gap between the immediate results of their activities and the ultimate outcomes the Government is aiming to achieve.

Table 1 Examples of relationships between agency inputs, outputs and outcomes in three agencies			
	Meat Hygiene Service	HM Customs and Excise Action against illegal drugs:	Employment Service
Inputs	Trained Official Veterinary Surgeons and Meat Hygiene Inspectors. Supporting resources.	Anti-smuggling staff at ports and airports. Intelligence and other supporting resources.	Trained staff. Job Centres, IT systems etc.
Outputs	Inspections and assessments at licensed abattoirs.	Operations to detect smuggled drugs.	Jobseeker interviews with potential employers.
	Hygiene Assessment Scores	Seized drugs	Job Offers.
	Improved practices in abattoirs.	Depriving drugs traffickers of their illicit proceeds.	Job Placings
		Disruption of international supplies.	Sustainable jobs.
		Increased deterrence.	
Outcomes	Meat is fit for human consumption.	A reduction in the access to drugs for young people under 25.	Reduction in the number of people unemployed.
Contributions relevant to PSA Objectives	Public health better protected in relation to food and to animal diseases transmissible to humans.	To stifle the availability of drugs on the streets.	Helping people without a job into work
Contributions to relevant PSA aims	To ensure that consumers benefit from ...food produced to high standards of safety...	To create a healthier and more confident society, increasingly free from the harm caused by misuse of drugs.	To give everyone the chance, through education, training and work to realise their full potential. A more inclusive and fairer society and a more competitive economy.

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Glossary of key terms

Aim	Overarching summary of objectives.
Efficiency	The relationship between the outputs of an agency and the inputs assigned or used.
Input	Staff or physical resources required to deliver an output.
Objectives	The bold aspirations of a department or cross-cutting unit which will set out what it hopes to achieve but will be long-term, timeless and unquantified.
Outcome	The ultimate result the government seeks to achieve from its activities, and the activities of those it influences, in order to meet its objectives e.g. reduced crime, higher educational attainment, better health.
Output	The immediate result of the activities of Government or its agents e.g. numbers arrested, proportion of the population attending higher education, numbers treated by the NHS
Performance measure	A measurable indicator of performance which may or may not be targeted.