# Performance measurement:

# Good practice criteria and maturity model

## Introduction

This Word document is intended to provide users with easy access to the good practice criteria set out in [Performance Measurement by Regulators](https://www.nao.org.uk/report/performance-measurement-by-regulators/) and the maturity model developed and applied in our earlier reports on ‘Performance Frameworks and Board Reporting’: [2009 report](https://www.nao.org.uk/report/performance-frameworks-and-board-reporting/) and [2011 report](https://www.nao.org.uk/report/performance-frameworks-and-board-reporting-ii/).

These tools are intended to be used flexibly and adapted to your organisation’s circumstances. By providing it in Word, we hope you will be able to tailor it to your needs.

## Evidence base

The good practice set out in this document is based on the following:

* Existing guidance on performance measurement, detailed in the Appendix.
* Good practice examples within regulators, identified through surveying and holding discussions with 11 regulators.
* NAO’s experience from our past work, including our two reports on ‘Performance Frameworks and Board Reporting’. Research for these reports included a survey of central government organisations, interviews with five organisations identified at the survey stage as having good practice, a commissioned report on the use of performance measurement frameworks in the private and international public sectors, and a survey of board members.
* Application of the ‘maturity model’ to 12 departmental boards and 12 Arm’s Length Bodies in Performance Frameworks and Board Reporting II.

## Focus of this document

Performance measurement is crucial to enable any organisation to ensure it’s achieving its objectives, and making the best possible use of resources.

To be effective, performance measurement needs to be strong in the following three key aspects.

1. **The performance measurement framework**: a management tool linking all the performance information in the organisation, enabling the selection and prioritisation of performance indicators. A good performance measurement framework will tell the ‘whole performance story’ of an organisation, linking inputs, outputs, and outcomes and allowing decisions to be based on the best evidence.
2. **Reporting on performance information:** which requires good quality data, reports that take account of the context and presentation of information based on sound analysis and insight.
3. **Use of performance information:** which requires performance and financial information to be linked, the information to be used to guide decision-making and the organisation to have a culture of performance measurement and usage.

In developing a performance measurement framework, ‘FABRIC’ provides a prompt for the elements of a good framework, as detailed in [Choosing the right FABRIC](https://www.nao.org.uk/report/choosing-the-right-fabric-3/):

**Focused** on the organisation’s aims and objectives; any performance measures used should map clearly onto objectives and priorities

**Appropriate**  to, and useful for, decision makers within the organisation, and meeting the needs of stakeholders outside the organisation

**Balanced:** giving a picture of what the organisation is doing, covering all significant areas of work

**Robust:** for example to withstand organisational or personnel changes

**Integrated**  with the organisation's business planning and management processes

**Cost-effective:** balancing the benefits of performance information against the costs

To be effective, the framework requires good performance measures. These are ones that are:

**Relevant** to the purpose of the performance framework and to what the organisation is aiming to achieve

**Able to avoid perverse incentives** – and should not encourage unwanted or wasteful behaviour

**Attributable:** the activity measured must be capable of being influenced by actions that can be attributed to the organisation; with clarity about where accountability lies

**Well defined:** with a clear, unambiguous definition so that data will be collected consistently, and the measure is easy to understand and use

**Timely**: producing data quickly and frequently enough for the intended purposes, and informing timely decision-making

**Reliable:** reflecting stable and consistent data collection processes across collection points and over time

**Comparable** with either past periods or similar programmes elsewhere

**Verifiable** with clear documentation behind it, so that the processes that produce the measure can be validated

The system is only as good as the information provided, so performance information needs to be:

**Accurate:** providing a fair picture of performance, with sufficient accuracy for the intended purpose

**Valid:** recorded and used in compliance with relevant requirements, including the correct application of any rules or definitions

**Complete:** with processes to monitor for, and act on, incomplete, missing or invalid data

This document sets out both good practice criteria for performance measurement and a model that organisations can use to self-assess their current level of maturity in performance reporting and to identify areas for improvement across each of these three aspects.

## How the NAO can help

If you have any queries about the good practice or maturity model set out in this document, please use the [contact form](https://www.nao.org.uk/contact-us/contact-us/) and select the appropriate Value for Money methodology.

## Good practice criteria for performance measurement

This table provides a summary of good practice criteria for performance measurement, drawn from our reports on the subject.

| Stage | Activity | Good practice criteria |
| --- | --- | --- |
| **Developing a performance measurement framework** | Aims of the organisation and aims for the framework | Statutory and other high level objectives are translated into more specific and measurable lower-level objectives. There should be a clear line-of-sight from high to low levels. |
| The purpose and building blocks of the framework, and what it does/does not cover, should be clear and well understood. |
| The performance measurement framework focuses on strategic and other main objectives. |
| There should be arrangements with other organisations, where objectives are shared or common. |
| Linking the framework and the business | The performance measurement system is well integrated with business planning, budgetary and operational processes |
| The roles and responsibilities of the board and others within the organisation for performance measurement should be clear. There should be clear and open communication channels between different parts of the performance measurement framework. |
| The links between inputs, outputs and outcomes are well understood (through for example logic or causal models). Delivery maps are developed to show how required actions will be delivered. |
| The resourcing needs, including information and information technology requirements, are well understood and taken into account in decisions about the framework. The costs of the performance measurement framework, including information collection, should be proportionate to the benefits that it provides. |
| Performance indicators | It is clear (including externally) what performance indicators are being used. There are stated rationales and clear processes for selecting performance indicators. Performance indicators are prioritised if necessary. |
| Performance indicators are relevant to the outcomes the organisation seeks to achieve. The performance measures give a balanced overall picture of what the organisation is doing, covering all significant areas of work. Performance indicators link overall business performance to the performance of individual business units, teams and activities. |
| The framework incorporates leading indicators or forecasts of performance, where this might be appropriate. |
| The activity measured is capable of being influenced by actions which can be attributed to the organisation. The influence on outcomes that the organisation exerts are separated from other influences on those outcomes. |
| The framework monitors the success of significant change within the business. |
| Feedback and learning | The performance measurement framework is tested when first implemented, and where subsequent changes are made to it.  |
| There should be processes for managing change to the performance measurement system. Sufficient time should be allowed for the framework to 'bed in' before changes are made. |
| The framework should be robust to withstand organisational changes or personnel leaving. |
| There are mechanisms for learning about performance measurement within and from outside the organisation. Managers and staff at various levels should be involved in planning, implementing and challenging the system. The framework is informed by feedback from external stakeholders. |

| Stage | Activity | Good practice criteria |
| --- | --- | --- |
| **Reporting performance information** | Data quality | The measure has a clear, unambiguous definition so that data will be collected consistently, and is easy to understand and use.  |
| The performance indicators and supporting information are well documented, to allow for validation. There are systems of control to check that data is accurate, reliable and robust |
| Baselines are set for measuring performance against indicators. Measures are capable of comparison with either past periods or similar programmes elsewhere. |
| Data is produced frequently enough to track progress and quickly enough for the data to still be useful. Management decides on the appropriate balance between timely and accurate data, where these may conflict. |
| The performance measurement framework draws appropriately on different data sources, including external sources where cost-effective. Performance information collected is relevant and proportionate to the purposes of the framework. |
| Reporting in context | The organisation articulates success criteria for performance measures, with a stated rationale and clear process for selecting those criteria. |
| Performance against indicators should be benchmarked against, for example, similar organisations or functions |
| Presenting with analysis and insight | The organisation makes sufficient allowance (time and resources) for analysing and interpreting data |
| The information being collected (and presented) should be appropriate to, and useful for, (each of) the stakeholders who are likely to use it. |
| The organisation has clear and structured rationale and processes for deciding what information to report internally, and what to report publicly. |
| Performance information is presented in a way that is accessible and draws attention to the most important issues. Presentation includes structured analysis of performance information and includes insights into the factors influencing performance, and what the organisation is able to influence. |

| Stage | Activity | Good practice criteria |
| --- | --- | --- |
| **Using performance information** | Linking performance and financial information | The performance measurement framework links performance and financial information (for example through Activity-Based Costing). |
| Management uses linkages between performance and financial information to assess value for money. |
| Guiding decision-making | The board is committed to performance measurement and has a clear approach to use of the performance measurement framework. The board reviews the performance measurement system periodically to satisfy itself that the board's needs are met and that its benefits exceed the costs. |
| Performance measurement framework outputs feed into objectives and business planning. The framework helps to promote good governance and scrutiny of performance by non-executives and others. |
| There should be processes to check for unintended outcomes (for example matters falling outside of established indicators). |
| Creating a performance measurement culture | The organisation should promote and maintain a culture of performance measurement within the organisation |

## **Maturity Model for Performance Measurement Frameworks**

This maturity model was developed as part of the 2009 NAO report “[Performance Frameworks and Board Reporting I](https://www.nao.org.uk/report/performance-frameworks-and-board-reporting/)”. It sets out the characteristics of five levels of maturity of both an organisation’s performance measurement framework and how it is used by the board in decision-making. We applied this matrix to the 24 organisations we assessed in 2011 for “[Performance Frameworks and Board Reporting II](https://www.nao.org.uk/report/performance-frameworks-and-board-reporting-ii/)”. Organisations can apply this model to themselves in a self-assessment process to evaluate their current level of maturity in performance reporting, enabling them to plan improvements.

|  | **Level 1 – Existing**  | **Level 2 – Functioning**  | **Level 3 – Enabling**  | **Level 4 – Challenging**  | **Level 5 - Optimising** |
| --- | --- | --- | --- | --- | --- |
| **Developing a framework** | A framework for performance measures exist. * Performance information gives a view of at least basic expected outcomes, outputs, and inputs.
* The performance measures in the framework are logically structured.
 | The framework is structured around shared strategic objectives and provides an overview of the organisation’s performance.* Performance measures show how the organisation is progressing towards achieving strategic objectives.
* The framework shows how enablers (inputs and processes) contribute to strategic objectives.
 | Performance measures are based on business models and delivery maps.* Performance measures express progress on key drivers for the organisation.
* The organisation understands the links between performance measures.
 | The framework is integrated within the organisation.* A line of sight links lower level objectives with high level strategic objectives.
* Business unit, team, and individual performance measures are connected to the corporate performance measurement framework.
 | The links among key drivers of performance are quantified and validated to produce leading indicators.* Statistical analysis evidences the relations between key performance drivers.
* Selection of performance measures is based on the impact on outcomes of the drivers they represent.
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| **Reporting performance information** | Performance information is produced.* Performance data is collected throughout the organisation.
* Performance is collated at a corporate level to give on oversight of the organisation.
 | Data is of high quality and timely.* Data is controlled for accuracy, reliability, validity, and robustness.
* Performance information is reported in a timely fashion to higher levels of the organisational hierarchy.
 | Performance reports are accessible and actionable.* Performance reports are coherently structured and easily understood.
* Graphs, status ratings (e.g. RAGs), and explanatory notes allow the reader to focus on the most important issues and identify senior responsible owners
 | Targets and benchmarks are used as comparators.* Expectations for value for money are formulated in terms of challenging targets.
* Benchmarks drive efficiency by providing comparators with other organisations.
 | Performance reports explain the story of the organisation’s performance and suggest a course of action.* Analysis and reporting promotes cost effectiveness by providing option appraisal to assist decision-making.
* Reports give insight into what has influenced performance, as well as describing performance achieved.
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| **Using the framework** | Performance information is reported to the Board.* A performance report is provided to the Board.
 | Performance information is monitored by the Board.* The Board monitors consequences and impacts of the performance reports.
* The Board discusses performance information with senior management.
* The Board ensures staff understand how they contribute to strategic objectives.
 | Performance information is used by the Board to evaluate the effectiveness of activities.* The Board queries the effectiveness of activities, focusing on problem solving and generating learning.
* Performance information is used to prioritise resources.
* The organisation reports aligned performance and cost information.
 | Performance information is linked to financial information and used to determine value for money.* The organisation reports integrated performance and cost information.
* The Board uses value for money information to make strategic decisions about whether or not to engage in areas of activity.
 | Performance information is communicated and used throughout the organisation and a performance culture exists.* The Board creates opportunities and incentives for staff to drive continuous performance improvement.
* There is a feedback mechanism that enables the framework itself to be altered to take account of changing business needs.
* Performance data inform debate of the marginal costs/benefits of activities and are used to drive allocative efficiency.
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## Appendix: Further sources of information on performance measurement

The following sources of information contributed to the good practice criteria set out above.

Audit Commission, Audit Scotland, CIPFA, Northern Ireland Audit Office and Wales Audit Office, [Improving information to support decision-making: standards for better quality data](http://www.uquebec.ca/observgo/fichiers/74317_789.pdf), 2007.

HM Treasury, Cabinet Office, National Audit Office, Audit Commission and Office for National Statistics, [Choosing the Right FABRIC: A Framework for Performance Information](https://www.nao.org.uk/report/choosing-the-right-fabric-3/), 2001.

ICAEW, [Reporting on Public Sector Performance: Assurance on Non-Financial Information in the Public Sector](http://www.icaew.com/~/media/corporate/files/technical/public%20sector/central%20government/5726%20icaew%20reporting%20on%20public%20sector%20performance%20web.ashx), an ICAEW paper authored by Adrian Byrne, 2012.

National Audit Office, [Performance Frameworks and Board Reporting I](https://www.nao.org.uk/report/performance-frameworks-and-board-reporting/), 2009.

National Audit Office, [Performance Frameworks and Board Reporting II](https://www.nao.org.uk/report/performance-frameworks-and-board-reporting-ii/), 2011.

National Audit Office, [Non-Departmental Public Bodies performance reporting to departments](https://www.nao.org.uk/report/non-departmental-public-bodies-performance-reporting-to-departments/), 2010

National Audit Office, [Evaluation in Government](https://www.nao.org.uk/report/evaluation-government/), 2013.

National Audit Office, [Managing Business Operations - What Government Needs To Get Right](https://www.nao.org.uk/report/managing-business-operations-what-government-needs-to-get-right/), 2015.

National Audit Office, [Accountability to Parliament for taxpayers' money](https://www.nao.org.uk/report/accountability-to-parliament-for-taxpayers-money/), 2016

***Specifically for regulators:***

Steve Montague, [Telling the Regulatory Performance Story](http://www.pmn.net/wp-content/uploads/Regulatory-Performance-Measurement-Presentation.pdf), 2012

National Audit Office, [Performance Measurement by Regulators](https://www.nao.org.uk/report/performance-measurement-by-regulators/)

OECD expert paper by Cary Coglianese, Measuring Regulatory Performance: [Evaluating the Impact of Regulation and Regulatory Policy](https://www.oecd.org/gov/regulatory-policy/1_coglianese%20web.pdf), 2012.

OECD expert paper by Claudio Radaelli and Oliver Fritsch, Measuring Regulatory Performance: [Evaluating Regulatory Management Tools and Programmes](https://www.oecd.org/gov/regulatory-policy/2_Radaelli%20web.pdf), 2012.

Malcolm Sparrow, The Regulatory Craft: Controlling Risks, Solving Problems, and Managing Compliance, 2000. [Summarised here](https://www.brookings.edu/book/the-regulatory-craft/).

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