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**Efficiency and effectiveness: Performance measurement in English and Welsh Independent Hospices.**

Charities are under pressure to account for their performance and independent voluntary hospices in England and Wales are no exception. The majority of independent hospices receive some funding from statutory sources and are being called upon to provide more performance information for a diminishing proportion of their funding. There have been calls for hospices to be more cost effective and the National Palliative Care Funding Review (Hughes-Hallet et al, 2011) has been considering the feasibility of setting tariffs to pay for specific hospice services. This research considers how a hospice may be best seen to be efficient or effective. Research into UK charity accounting has used public sector models to assess how far measures of efficiency and effectiveness have been reported to the Charity Commission. Instead, this research considers how charity accounts may be viewed from a management accounting perspective. It questions whether efficiency is a meaningful method of assessing a hospices’, or indeed any charity’s, performance. By employing Ferreira and Otley’s (2009) Performance Management and Control System (PCMS), effectiveness can be assessed by considering the fulfilment of strategy and achievement of objectives rather than by using public sector models.

**External Charity Financial Reporting**

Research into UK charity accounting has been primarily concerned with the discharging of accountability through external financial reporting. Initially, it reviewed the level of compliance to changing legislation and meeting disclosure requirements (Bird and Morgan-Jones,1981; Williams and Palmer, 1998.) To some degree, more recent research continues to investigate how changes to legislation have been translated into practice. Crawford et al (2009) investigated how the governance requirements of the 2005 Statement of Recommended Practice (SORP) had been implemented; Morgan and Fletcher (2011) assessed the impact of public benefit regulations. However, charity reporting research has mainly focused on the extent to which user needs are met through statutory reporting. Accountability is considered to be discharged by meeting the information needs of its users. A ‘relevance gap’ between what is disclosed and what users actually want has been investigated throughout the last three decades. Using fourteen criteria, content analysis has been carried out on the top 100 fundraising UK charities throughout this period (Hyndman, 1990,1991; Connolly and Hyndman, 2003, 2013a.) In 1990, Hyndman argued that most of the information sought by the contributors (donors) was performance-related yet charities’ annual reports were dominated by financial information. While this gap has closed considerably, Connolly and Hyndman (2013a) concluded that the relevance of Annual Reports can still be questioned. Recent research has broadened views of accountability by considering alternative channels of communication, notably the unaudited Annual Review, and by considering stakeholder theory (Connolly et al ,2013a, Connolly and Hyndman, 2013a.)

To meet external user needs, charity accountability models adopted public sector approaches to assess performance accountability. Hyndman (1990) argued that charities should provide ‘higher level’ measures of effectiveness and efficiency to demonstrate performance accountability. An advocated method in voluntary sector literature has been the ‘logic model.’ Based on public sector models, it is designed to measure economy, efficiency and effectiveness (Kendall and Knapp, 2000; Poister,2003; Buckmaster,1999.) Economy measures the cost of acquiring resources or inputs; efficiency assesses outputs in relation to inputs, where outputs are the final product of the program process and effectiveness measures the outputs against the desired outcomes or the longer term consequences. They remain a preferred method of evaluation in the voluntary sector despite their limitations, such as being affected by factors beyond the specific program (Henderson et al, 2002) and the need to differentiate between time scales as often the impact will be seen long after the program has ceased (Buckmaster, 1999.) More recently, funders and academics have called for more reporting of impacts and outcomes within the Trustees’ Annual Reports (Connolly et al, 2013a.)

Hyndman (1990) found that contributors considered efficiency to be the 5th most important information requirement but was ranked 12th in terms of actual information disclosure in charity accounts. Connolly and Hyndman (2003) concluded that charity performance reporting was significantly poorer than in the public sector while finding a reduction in reporting efficiency measures, compared to 1997. Analysis in 2009 by Connolly and Dhanani investigated the impact of the 2005 SORP, designed to improve performance accountability through narrative reporting in the new Trustees’ Annual Report (TAR). Using a framework defining fiduciary, financial managerial and operational managerial accountabilities, they concluded there was again a weakening accountability as 51% of the Annual Reports had neither an efficiency nor an effectiveness measure. Research in 2013, comparing the use of efficiency and effectiveness measures using the same criteria as the original 1990 Hyndman research, showed improvement but again levels of efficiency reporting were low. While in 1990 outputs were only reported by 29% of top 100 charities, this has improved substantially to 85% reporting outputs in their Annual Reports and 94% in their Annual Reviews. However, measures of efficiency have only improved from 2% in 1990 to 22% in Annual Reports and 25% in Annual Reviews in 2013 (Connolly and Hyndman,2013a.) Moreover, the specific measure of % administration costs showed no change over 13 years (Connolly and Hyndman, 2013a.)

Charity reporting research has thus concluded that there is a lack of meaningful operational performance reporting within statutory returns. However, the 2005 Statement of Recommended Practice (SORP) (Charity Commission, 2005) did not specify to any great extent what operational performance detail was required. While fifty pages of the SORP specify the technical accounting detail, there is only just over one page given to stipulating how objectives, achievements and performance should be included in the Trustees’ Annual Report. Guidance on specific measures is limited to:

*’The report is likely to provide both qualitative and quantitative information that helps to explain achievement and performance. It will often be helpful to provide indicators, milestones and benchmarks against which the achievement of objectives is assessed by the charity’ (Charity Commission, 2005 p 9.)*

Given the lack of specificity in the SORP guidance and difficulties of measurement, it is perhaps not surprising that precise, externally set measures such as efficiency and effectiveness have not been widely reported. There is, however, a call for holding charities to account for performance against the aims, strategies and objectives *that they have set themselves* by the Charity Commission. The SORP guidance states that:

*‘the report (TAR) should help the reader understand the aims and objectives set by the charity and the strategies and activities undertaken to achieve them’ (Charity Commission, 2005 p8.)*

Connolly et al (2013b p51), in their interviews with stakeholders, concluded that ‘the primary impression gained from the interviews is that accountability is believed to be closely associated with demonstrating that the monies received have been spent in accordance with the aims and objectives of the charity.’ Moreover, the accountability framework used by Connolly and Dhanani (2009) has recently been extended to include ‘strategic accountability’, where disclosure includes their vision and mission; actions and activities as well as results and impact’ (Dhanani and Connolly, 2012.) The revised SORP(FRS102) for large charities (Charity Commission, 2015) which came into effect from January 2015, is more explicit in requiring larger charities to report its objectives and activities.

*‘Good reporting provides a coherent explanation of the charity’s strategies for achieving its aims and objectives and explains how the activities it undertook contributed to their achievement. In particular, the report of larger charities must provide an explanation of:• its aims, including details of the issues it seeks to tackle and the changes or differences it seeks to make through its activities;*

*• how the achievement of its aims will further its legal purposes;*• *its strategies for achieving its stated aims and objectives; the criteria or measures it uses to assess success in the reporting period;* *and• the significant activities undertaken (including its main programmes, projects or services provided), explaining how they contribute to the achievement of its stated aims and objectives.* (Charity Commission, 2015)

This is clearly underpinned by management accounting theory which requires the alignment of mission or aims to strategy, objectives and achievements. Rather than looking for efficiency and effectiveness measures, as defined by the public sector logic model, this research investigates how effectively hospices align their performance to their declared aims and strategies. One part of the recent reporting regime enables the analysis to be carried out easily. The Summary information Return (SIR) has required some charities to provide answers to questions very akin to that of a model derived from management accounting theory by Ferreira and Otley (2009).

**The Summary Information Return**

The Summary Information Return (SIR) has been a requirement for charities with income of over £1m since the Charities Act was passed in 2006. This was part of the wider reform of charity accounting (SORP 2005), following recommendations in a government report ‘Private action, Public benefit’ (Cabinet Office, 2002.) The SIR was a part of the aspiration to provide high quality information that was accessible and independent to the general public, thus maintaining their goodwill, trust and confidence. It enabled succinct answers to be given eight standard questions, thereby giving a degree of comparability between charities. Initial government research into how charities had responded to the SIR was inconclusive. This qualitative analysis of 130 forms stated that ‘the forms sampled for this report have clearly shown that some responses showcase charities’ work well, others less well (Charity Commission, 2006 p22.) However, Lord Hodgson’s review of the Charities Act (2006) published in 2012 declared that ‘the SIR also came in for particular criticism, as it was seen as an unnecessary duplication of information provided elsewhere and thus of questionable value. Many suggested it should be abolished and I see no reason to disagree’ (Hodgson, 2012 p68.) Thus, charities have not been required to complete the SIR from January 2015. Nevertheless, the SIRs provide a researcher with invaluable information to analyse a charity’s aims, strategies, performance measures and achievements, due to its succinct and comparative format. While clearly there are elements of the SIR which is duplicated in the Trustees’ Annual Report (TAR), (particularly the financial data), this is not the case for all the information provided.

**Strategic Performance Management Systems**

Concepts of management control have developed over several decades since Anthony’s seminal definition of 1965 which incorporated the ideas of efficiency and effectiveness:

*‘The process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of organizations objectives’ (Anthony, 1965 cited by Berry et al, 2005 p18.)*

Three developments have been identified in management control literature with parallels being drawn with charity performance measurement techniques (see table 1 below.) Firstly, financial measures alone are considered inadequate to generate meaningful information. Secondly, the limitations of cybernetic models of control have been acknowledged. Thirdly, more strategic approaches have been adopted. Management accounting theory would suggest that measures should be comprehensive and they require alignment with an organisations mission, strategy and objectives.

Performance management has historically been concerned with reporting accounting and financial measures. However, financial measures have been considered backward-looking, short term and failed to identify root causes of problems (Ittner and Larcker, 1998.) As we have seen, the limitations of merely reporting financial measures in charity accounts have been well documented (Connolly and Hyndman,2013a). Ritchie and Kolodinsky (2003 p368) argue that, even in just considering financial performance, there is a ‘confusing array’ of measures and suggest consensus is needed to provide comparable financial information. They also recognise the shortcomings of dependence on purely financial information, such as cutting costs to meet short-term goals at the expense of longer term mission-critical services. Connolly et al (2012) also acknowledge that financial measurement is open to variation in accounting treatments.

Early control systems adopted cybernetic models to promote organisational learning through feedback. Four key conditions are identified: there must be a clear aim or purpose; whose outputs must be measurable; the measures need to be predictive, showing the cause and effect relationship and corrective action must be able to follow (Emmanuel et al,1990 p8.) Such controls are likened to mechanical devices such thermostats and applied to traditional management controls, such as budgets. However, this mechanistic view of performance measurement has a number of shortcomings. Extensive research into private sector balanced scorecards has failed to objectively demonstrate its causal relationships working effectively (eg Ittner et al,2003, Norreklit,2000.) Emmanuel et al (1990) distinguished between programmed and non-programmed decisions, allowing for the unpredictability of human behaviour and so judged performance by ‘results’ as well as ‘actions’. Merchant also identified ‘personnel’ controls (Merchant and Van der Stede (2012 p217) drawing on work by Ouchi (1979) which identified informal social mechanisms as well as market and bureaucratic controls. The relationships of the logic model are akin to the cybernetic performance control systems in the performance management literature. They incorporate non-financial measures and show cause and effects relationships. Another example of a mechanistic model is the Social Return on Investment (SROI) model, combining economic value with social impact. Derived from cost-benefit analysis, it calculates the ratio of costs to benefits in monetary terms so creating ‘currency of social value’ (Arvidson et al, 2010.)

Comprehensive performance measurement models have been developed in response to the limitations of previous management control systems. Strategic advantage is gained through integrating goals, strategy and operations through strategic performance measurement systems (SPMSs.) Chenhall (2005 p400) suggests that their effectiveness is dependent on ‘a coherent performance measurement system that enables strategy and operations to be integrated and harmonised,’ typified by the balanced scorecard (Kaplan and Norton,1992,1996.) There have been attempts to introduce strategic models into the voluntary sector with a few academics advocating a more strategically-orientated approach. Sawhill and Williamson (2001) argue for a family of nine measures which link mission, vision, goals, strategies and programs of the organisation. Epstein and Buhovac (2009) have taken the input/impact model and put it in the context of the mission, strategy and resources available to the organisation. By drawing linkage maps, they identify logical cause and effect relationships between inputs and outputs, outputs and outcomes. Kaplan (2001) has demonstrated how the balanced scorecard can be modified to voluntary sector requirements.

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| **Performance measurement and management models** | | |
|  | **General performance management** | **Voluntary sector refinements** |
| **Financial measures** | Ratio analysis | Administration to total cost ratios  Fundraising to cost of generating funds ratio |
| **Financial and non-financial measures/ Cybernetic control** | Balanced scorecard (Kaplan and Norton, 1992 | SROI,Logic model |
| **Strategic management** | Balanced scorecard (Kaplan and Norton,2000)  PCMS ( Ferreira and Otley, 2009) | Outcomes based models linked to strategy |

**Table 1: Comparison of management control and voluntary sector literature**

This research has chosen a method of researching comprehensive management control systems, the Ferreira-Otley Performance Management and Control System (2009), to assess how the performance of independent hospices is reported in their statutory returns to the Charity Commission. The model demonstrates how mission needs to be aligned with strategy, key success factors with performance measures. Moreover, strategic advantage is gained through integrating goals, strategy and operations through strategic performance measurement systems (SPMSs.) The questions in the Summary Information Return map with a good degree of coherence to the Ferreira- Otley (2009) Performance Management and Control System (PCMS) with the exception of not requiring any specific measures, as can be seen in table 2 below.

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| **Otley 1999** | **Ferreira & Otley 2009** | **SIR questions** |
|  | Vision | Question 1 - What are your charity's aims? |
|  | Key success factors |  |
| Strategies/plans | Strategies/Plans | Question 3a - The charity's strategy What are the key elements of your charity's medium to long term strategy? |
| Processes/activities | Organisation structure | Question 8 - The charity's governance  How does your charity ensure that its governance arrangements are appropriate and effective? |
| Performance measurement | Key performance measures | Question 3b How does your charity measure the success of the strategy? |
| Targets | Targets | Question 4 - What were your charity’s main annual objectives and were they achieved? |
| Information flows/feedback | Performance evaluation | Question 3b How does your charity measure the success of the strategy? |
| Reward systems | Reward systems |  |
|  | PMS use, change, systems, strength/coherence |  |

**Table 2: Mapping of Ferreira and Otley PMCS (2009) to SIR questions**

**Methodology**

Qualitative analysis has been carried out on Summary Information Returns (SIRs) and Trustees’ Annual reports (TARs) of 148 English and Welsh independent hospices. These were analysed by using Nvivo, drawing upon literature from management accounting theory, voluntary sector performance measurement and charity reporting. The analysis considered the two questions: what do independent hospices consider to be ‘successful’ performance and in what ways have they measured it?

English and Welsh voluntary hospices were chosen as a sub-sector as they are a clearly defined group within the charity sector and share many characteristics of the sector as a whole. Their umbrella organisation, Hospice UK (formerly Help the Hospices), gives a collective voice for independent hospices for the sector (Help the Hospices, 2013.) This also provides a definitive list of English and Welsh hospices and much information on the issues facing this sub-sector, including guidance on performance measurement. Hospices, as most charities, are simultaneously facing funding pressures and increased demands for their services (Help the Hospices, 2013; NVCO,2013a.) The hospice sector remains dependent on donations from the public, particularly for smaller hospices (45% of total income) and child hospices (61% of total income). However, government funding is significant, especially for large hospices but this peaked in 2008, dropping from 38% to 34% in 2010 (Help the Hospices, 2013.) Changing relationships with the public sector reflect issues shared by the charitable sector as a whole (Help the Hospices, 2013; NVCO, 2013a; Bruce and Chew, 2011.) Hospices are also typical of wider trends within the voluntary sector by actively working to generate income from trading activity: 11% of adult and 6% of child hospices income is derived from trading profit. (Help the Hospices,2013; Bruce and Chew, 2011.)

Hospices also share many performance management issues with the voluntary sector as a whole. Connolly and Hyndman (2003) acknowledged the difficulties of measuring charity sector performance. Goals are often expressed in vague terms, operational performance information is not easily verifiable, there is a high degree of complexity and subjectivity and shared costs can be manipulated. Indeed, a hospice’s mission is intangible - the concept of measuring a ‘good death’ is an anathema to many (Johnson et al, 2011.) The modern hospice movement is committed to holistic approaches to end of life care, meeting the physical, emotional and spiritual needs of patients and their families. Cecily Saunders, who is credited with founding the modern hospice movement, wrote

*‘Palliative care is a philosophy based not on physical facilities but on attitudes and skills*’(Saunders, 2001 p432.)

This is very clearly echoed in the aims of individual independent hospices, as expressed in their statutory returns. *’*Dying is an important part of living. The last chapter of people’s lives is of high value and it strives for the best quality of life during this period ‘ (Hospiscare.) They ‘aim to treasure life by improving the quality of life for those who have a life limiting illness’ (Willowburn) or in the case of children, make ‘the most of short precious lives’ (Childrens’ South West) , ‘no matter how severe their disabilities ‘ (Zoe’s Place.) Their operations are complex, providing a variety of services from medical care and counselling to research and education. ‘We believe that our patients are whole people who have, in addition to their physical problems, psychological, emotional and spiritual needs that should be addressed in the course of their care’ (St Leonards.) Services are delivered in different ways, from in-patient hospital beds to outpatient clinics, home visits and telephone advice (Help the Hospices, 2013.) Measurement of standardised services is difficult as patient pathways are individual, complicated and not necessarily continuous. As ‘each person is more than an illness,’ (Nottingham), they are ‘respecting the uniqueness of each person and family’ (Dorothy House.) Patient pathways are also shared with other health providers. ‘We aim to help all patients achieve a good death..through direct provision of our services (and) through working collaboratively with other health care providers (St Michaels, Harrogate.) As with other voluntary organisations, they have multiple stakeholders including patients, families, carers, staff and volunteers. They aim to ‘meet the needs of the whole family, from diagnosis to bereavement and beyond’ (Demelza.)

Hospices, as so many organisations within the voluntary sector, face increasing demands for performance measurement. Hospices value their independence highly as it allows them to make a unique contribution, often at the forefront of innovation, but many hospices are dependent on public sector funding. With this dependence has come increased external demand for performance measurement. ‘Measurement of the end of life is a key lever for change and is essential if we are to monitor progress. This will require measurement of structure, process and outcomes of care’ (End of Life Strategy, 2008 p14.) Many hospices are also actively engaged in trading activities with increasing commercial awareness. A New Philanthropic Capital study reported ‘The results culture at Sue Ryder is increasing, albeit from a low base’ (Johnson et al, 2011 p12.)

The hospice SIRs were analysed by using thematic codes derived from the hospices’ own perspectives on their strategies and performance. Management accounting theory emphasises the alignment of mission, critical success factors and key measures while providing comprehensive, integrated financial and non-financial information. By coding individual SIR questions, qualitative analysis could then be carried out across the questions, looking for alignment between aims, strategies, objectives and achievements. Similarly, comparisons could be drawn between how hospices consider they measure their strategies and how their presented the achievements of the previous year. Hospice TARs were also analysed , comparing the information provided to that of the SIRs for the same year. This was also used to show how hospices compared to large charities generally by comparing results to those of Connolly, Dhanai and Hyndman(2013.)

**Findings**

Despite criticisms of the Summary Information Returns (SIRs) that they duplicate information provided in the Trustees’ Annual Report (TAR), they were selected as the most useful source of information to analyse the aims, strategies, objectives and achievements of independent hospices in England and Wales. This accounts for 148 of the 172 voluntary hospices identified by Help the Hospices (2010) in their analysis of hospice accounts. The TAR is less useful for comparison and analysis as it does not include standardised questions but leaves interpretation open to the charity, guided only by loosely defined principles in the Statement of Recommended Practice (SORP, 2005.) The SIRs on the other hand ask specific questions about the hospices’ aims, strategies, objectives and achievement. In addition, they ask how hospices measure the success of the strategy; a question not directly answered in the TAR.

In the independent hospice SIRs, there are no measures of efficiency as defined by Hyndman in his original research of 1990 and only twenty-three hospices make a reference to efficiency anywhere in the SIRs and then without elaboration or application in any specific way. A hospice’s primary concern is to enhance the quality of life at a time when medical treatment is no longer appropriate. The Chief Executive of Sue Ryder said that ‘they are seeking the maximum possible well-being for users suffering various conditions’ (Johnson et al, 2011 p2.). This presents difficulties in measuring efficiency since a deterioration of such measures (eg mobility, level of consciousness) is ‘not in itself a measure of poor care’ (End of Life Care Strategy,2008 p134.) Instead, in their aims the hospices express the values on which the hospice movement was founded. They wish to ‘enable people to die with dignity and in comfort’ (Shakespere) and ‘achieve a good death.’ At a time when life is limited, they endeavour to help their patients ‘live life to the full’ (St Andrews.) During the child or young person’s journey through life to death, (they are) creating positive experiences along the way which become good memories for the future’ (Richard House.) These are clearly not easily measured.

This is not to suggest that hospices are not concerned to manage their resources responsibly. While there is a limited mention of any financial considerations in the hospices’ aims (Question 1), nearly three-quarters of independent hospices did have some kind of financial strategy (Question 3a). This is mostly expressed in general terms such as ensuring financial stability and the need to diversify funding sources, particularly referring to the public sector and maintaining robust financial control. This demonstrates that finance is considered to be an important facilitator of their mission; a means to an end rather than an end in itself (Kaplan, 2001.) Fourteen hospices use the term ‘efficiency’ within their financial strategies but only one refers to a detailed measure of cost per patient day (Trinityflyde.) Moreover, any efficiency calculation is likely to be heavily distorted by not including one of their most valuable ‘inputs’: the volunteers whose contribution is valued at an estimated £112m throughout all UK independent hospices (Help the Hospices, 2013.)

Effectiveness, on the other hand, may be a more useful concept in this context but not as described by the logic model. The hospices do report ‘outputs’ in their SIRs such as numbers of patients, admissions, referrals and participation in staff training. This is consistent with both a New Philanthropic Capital (NPC) report showing that over 80% of UK voluntary organisations surveyed used output measures (Ogain et al, 2012) and Connolly and Hyndman’s (2013a) most recent research. A New Philanthropic Capital report (Joy,2004) into hospices put forward 3 possible outcomes which might contribute to a ‘good death’: quality of life, place of death and coping skills, for both patient and carer. However, there is no evidence of a hospice reporting any direct relationship between outputs and outcomes in the SIRs, or effectiveness as defined by the public sector logic model.

The majority of hospices do however report some kind of achievement within their service provision of the previous year (Question 4). This varies hugely from building of new facilities, appointment of staff and hosting conferences to implementing systems, accreditation of quality standards, and extending hours. Significantly fewer express this in a measurable way and very few express it as a comparative number (eg increase on previous year.) Achievements have been considered poor indicators of performance when judged in the context of the logic model (Connolly and Hyndman,2003.) However, management accounting theory would suggest that comparing achievement against plan is a credible indicator of effectiveness. Anthony and Govindarajan (2007 p150) contend that in any sector, ‘since objectives and outputs are difficult to quantify, effectiveness tends to be expressed in subjective, non-analytical terms.’ To assess how effective the hospices have been, a comparison of achievements to their stated aims and strategies might give a better indication of hospice effectiveness.

Analysis was therefore carried out across the hospice SIR questions, comparing aims, strategies, objectives and achievements by each hospice. When current year achievements are compared to objectives, there are high levels of alignment. These are included as answers to one question (Question 4) and laid out in a table format by specific objectives and achievement. Using Nvivo, emergent themes were identified within each SIR question and then compared across range of questions (ie Questions 1, 3a and 4.) Aims were predominantly concerned with service provision, families and values or ‘ends’ (Question 1.) While service provision remains the top concern within hospice strategies (Question 3a), this is followed by finance and partnerships, particularly with the public sector or ‘means’. At an overall level, there seems to be a high degree of coherence between strategies, objectives and achievements, with the same themes being dominant across all the questions. There is also remarkable consistency between the less frequent themes of staff, volunteers and education (see table 3 below).

**Table 3 : Alignment of Q1 (Aims), Q3a (Strategy) and Q4 (objectives and achievements)**

However a mixed picture is revealed when themes are traced through at an individual hospice level. The vast majority of hospices expressed some kind of service delivery in their aims, strategies, objectives and achievements. However, there were very limited matches across all other themes. ( eg Question1 to Question 3a : Aims to Strategy; Question 3a to Question 4: Strategy to Objectives and Achievements.) When occurrences of finance, partnerships, staff, volunteers and education are matched across aims (Question 1), strategy (Question 3a) and Objectives/Achievements ( Question 4), there is little consistency (see table 4.) More pertinent is the number of the non-matches, where hospices cite a theme in their strategy but do not follow it through to specific objectives and achievements or viva versa. These non-matches are higher than matches in all but one case ( financial strategy (Q3a) to objectives/achievements (Q4.)

**Table 4 : Number of thematic matches at individual hospice level**

Some hospices do achieve a coherent pattern of alignment across all three questions but these represent only 22% of possible alignment opportunities. The majority of hospices express their aims in terms of service provision and then elaborate on this in their strategies, objectives and achievements. Most aims are expressed in very general terms but a review of service provision strategies against their stated objectives and achievements suggests that around a third of hospices have aligned these in a consistent manner. Where objectives are specific, these are typically described in terms of activities such as establishing new services, building new facilities or extending capacity. Some are more aspirational such as dying in place of choice, widening access or promoting peace of mind. Where a tangible outcome is given, it is usually expressed as a milestone. Only the minority give specific measures. Below in table 5 are some of the best examples of specific, aligned and measurable service provision aims, strategies, objectives and achievements:

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| **Hospice** | **Aim** | **Strategy** | **Objective** | **Achievement** |
| St Barnabas  ( example of service levels) | To maximise the quality of life outcomes for their patients who are impacts by advanced progressive life limiting illnesses | Expand the care services offered through the day care centres and out patients services to increase access to these services | Increase access to community services offered by the adult hospice | Increase the number of patients attending day care by over 40% and supported an additional 25% of patients across the services. |
| Acorns  ( example of service provision) | To provide holistic, specialist palliative care services to children young people and their families in the region. | Facilitate the transfer of existing clients from Acorns services to appropriate adult providers in a compassionate way, on a phased basis, subject to the outcome of transitional pathways. | Supporting our young people preparing for adulthood, to transition to adult services | We have developed clear criteria to facilitate the transfer of exiting young adults from Acorns services to appropriate adult providers |
| St David’s Foundation  (Place of choice) | To provide a multi-disciplinary hospice at home service to people who are suffering from cancer or other life-threatening illnesses | Enable more patients to die in their usual place of residence, home or care home,if that is their choice | To enable more patients to die in their usual place of residence if that is their choice across the whole service | 66.1% of patients across the whole service died in their usual place of residence |
| Willow Burn  (New building) | Aims to treasure life by improving the quality of life for those who have life limiting illnesses | To build a first class facility | Demolition works to be undertaken and seek tenders and appoint contractors by end Feb 2012 | Buildings demolished on time and preferred contractor appointed |
| Ellenor Lions  (Non cancer) | To promote the relief of sickness | To continue to improve access and services for patients with condition other than cancer | A key objective for us is to increase our involvement with patients with a non-cancer diagnosis who are in need of our specialist symptom management and support services | Previously approximately 13% of our patients had a condition other than cancer whereas in 2010—11 this has increased to 22% |
| Wakefield  (Peace) | The hospice endorses a holistic approach in promoting quality of life for patients as well as providing continuing support for families and carers. | A strategic priority will develop the new team and support changes required key departments (clinical, fundraising and finance) to improve quality efficiency and activity. | Enhance the spiritual elements of the gardens at the rear of the hospice to provide peace and tranquillity for patients, relatives and staff | Achieved. ..(the garden is) used by hospice chaplains to support patients carers and particularly the bereaved in their spiritual journey through times of adversity |
| St Michael Hastings  (Widen access) | We support patients and their families holistically including chaplaincy social work and bereavement support | To ensure that access to our services is available fairly and without discrimination | Increase and develop access to our services | In-patient admissions in 2011-12 were about the same as 2010-11 but our community presence continued to grow. A multi-faith room was opened |

**Table 5: Examples of aligned service provision aims, strategies, objectives and achievement**

Once service provision is excluded, there is much less alignment across the remaining themes of finance, partnerships, staff/volunteers and education. The cases below represent the most clearly defined examples rather than typical patterns and, even allowing for the vague definitions, only 5% are thematically aligned across aims, strategies, objectives and achievements. More hospices match their aims and strategy but these still only represent 9.5% of possible opportunities while around 14% match their strategies to objectives and achievements. (Measures have also been included here to show how the hospices set out to measure their strategies.)

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| **Hospice** | **Aim** | **Strategy** | **Measure** | **Objective** | **Achievement** |
| St Luke’s Plymouth  (finance) | We aim to increase resources into the services through innovation and enterprise | To develop additional sources of income and hence achieve sufficient surplus  To build reserves to 6 months expenditure | Annual Review | Same as Strategy but with ‘ and develop initiatives. Increase income through social enterprise’ | Domiciliary care agency business plan prepared, CQC registration obtained and tenders submitted to gain contracts as well as private work. Marketing has commenced. |
| St Helena  (education) | Training and education are available to Masters level through the Education Centre which is facilitated by a local university | Extend education and research in palliative care. Build the national and regional profile of St Helena education and research | Operational plan | Extend education and research in palliative care | First year accreditation by Leeds University as Practice Development unit |
| Weldmar  (partnership) | We aim to be an active and constructive partner in health and social care in Dorset | Create excellent working relationships within the new NHS and local authority structure | Clinical audit of our and our partners services | Create strong commissioning relationships with the NHS | We have worked with commissioners to access small increases in funding at a difficult time |
| Heart of Kent  (staff) | Utilising the specialist skills of its multidisciplinary team | Having appropriate culture and skills | Staff satisfaction questionnaires | Develop personal and professional evidence based competencies which will inform the appraisal process | Research and benchmarking carried out to inform the appraisal process |

**Table 6: Examples of thematically aligned aims, strategies, measures, objectives and achievement**

Summary Information Returns also require charities to present their future plans. Question 7 asks: How will the overall performance last year affect your charity's medium to long term strategy? What are your charity's main objectives for next year? By comparing the objectives declared in one year with those reported in the previous year in Question 7, the consistency of the strategic direction of the hospices can be analysed. Question 4 asks charities to list both the objectives and achievements in a table format so performance can be easily assessed by the reader. However, these are not necessarily the same as those they reported in Question 7 in the previous year. Thus, the objectives declared in Question 4 of the 2013 Summary Information Returns were compared to the objectives set out in Question 7 of the 2012 Summary Information Returns for all 148 hospices. While 68 (46 %) had an exact or very similar match of all objectives, a further 31 had at least one objective which matched exactly or was very similar. It is acknowledged that plans change (although this was never explained as such) so using the same or very similar wording for at least one objective suggests that the hospices are at least trying to report against their declared objectives. Overall, two thirds of hospices would appear to be doing so.

The SIR requires independent hospices to explain how they measure their strategies (Question 3a) thus providing insight to what they consider to be meaningful methods of performance measurement and management. One explicitly acknowledges the difficulties they face: Thames explains that they are ‘trying to define what success looks like.’ Very few use the terminology of the logic model: there are just 4 references to effectiveness and 8 to outcomes. Some cite performance measurement: 28 refer to performance indicators including 5 which indicate that they have a balanced scorecard. 42 describe some kind of activity (or ‘output’ but none use this term) such as numbers of families, episodes of care, number of bed nights. Only 9 consider their Annual Report or Annual Review as a method of demonstrating their success, in line with the conclusions drawn by Hyndman and Connolly over the last two decades (Connolly et al,2013b.) The most conspicuous method of assessing their performance is through the eyes of their stakeholders. Patient, carer and family feedback is the most often cited mechanism to measure how successful they have been (in Question 3a). Other feedback is important too from staff and volunteers.

|  |  |  |
| --- | --- | --- |
| **Question 3b themes** |  | **Number of references** |
| Performance measurement | KPIs/BSC | 28 |
|  | Finance | 49 |
|  | Activities | 42 |
| Performance management | Governance arrangements | 74 |
|  | Internal plans | 57 |
|  | Internal Quality | 34 |
|  | External standards | 25 |
| Relational | User feedback | 74 |
|  | Partnership | 47 |

**Table 7: Numbers of references to themes in SIR question 3: how do hospices measure their strategy**

Many more refer to performance management processes rather than performance measurement as a means of demonstrating achievement against their strategic aims. Around half see governance structures, particularly the Board of Trustees, as the mechanism by which strategies are measured, with 57 referring to internal planning processes and 34 to internal quality (clinical) assessments. A third explicitly refer to financial processes, such as managing budgets, providing management accounts to ensure long term financial stability and maintenance of sufficient reserves. Others use comparisons to externals standards, citing external regulations, positive inspection reports, or recognition by outside bodies such as awards for clinical innovation (Douglas Macmillan) or innovation in volunteering (Demelza) and the community.

Analysis was undertaken to compare the conclusions of Connolly and Hyndman to those of independent hospices. The Trustees’ Annual Reports (TARs) for 148 hospices in England and Wales were analysed by using all the fourteen criteria originally drawn up by Hyndman in 1990. Some fundamental issues that were at stake in 1990 are no longer pertinent, in the case of hospices. All the hospices reviewed had shown clear legal structures, officers, full sets of financial statements (with most including cash flows.) Goals (aims) were clearly stated and future plans were only missing in a small number of cases (11/148.) Targets were only provided in three cases with a few references to budget processes rather than detailed reporting against budgeted information, consistent with Connolly and Hyndman’s findings (Connolly and Hyndman, 2013a.) The vast majority reported on their provision of public benefit; an encouraging picture when compared to Morgan and Fletcher’s findings of 2011. More importantly, there were very few inclusions of efficiency measures. While none were defined exactly in the terms of the logic model, there were efficiency measures such as length of stay (34 examples), occupancy % (33 examples), prompt responses to requests for help (4 examples) and staff turnover (2 examples.) However, the vast majority of measures concerned outputs, such as patients (70), attendances (49), visits (39), admissions (38) and referrals (37). Numbers of volunteers were reported in 53 cases, with a further 23 giving the numbers of hours and 33 the value attributed to the work carried out by them, usually valued at the minimum wage. There were few outcomes measures with 27 commenting on the place of care/death and 15 on assisting with non-cancer patients. Hospice TARs therefore support the conclusions drawn by Connolly and Hyndman’s (2013a) most recent research reporting that 85% of TARs had some kind of activity measure.

**Comparison of Trustees’ Annual Reports to Summary Information Returns**

Lord Hodgson (2012) has criticised SIRs for duplicating information provided in the TARs and a comparison of information provided in the hospice SIRs and TARs would support his conclusions to a certain extent. Analysis was carried out into how aims, strategies/future plans, objectives for the following year and achievements were reported in both sets of documents for 2013. The aims stated in SIR and TAR aims were usually very similar (66%) although a significant number of TARs expanded on it with mission, philosophy, values. A proportion of TARs (41%) had more details of future plans and strategies than in the SIRs. However, it is surprising that there were many cases where quite different information was reported in SIR and TAR: 13% had different information and only 19% had similar SIRs/TARs. The majority (56%) of hospices were able to give a more comprehensive account of their achievements in the TAR, although a significant proportion chose to give different information in TAR and SIR (24%.)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| % | Similar | Different | More in TAR | More in SIR | Not in TAR | Vague in both |
| **Aims** | 66 | 3 | 20 | 10 | 2 |  |
| **Strategy** | 19 | 13 | 41 | 7 | 6 | 18 |
| **Objectives**  **(for following year)** | 9 | 4 | 16 | 1 | **69** | 1 |
| **Achievements** | 3 | 24 | 56 | 9 | 9 |  |

**Table 8 : Comparison of Trustees’ Annual Report and Summary Information Returns**

However, there is a significant issue addressed in the SIR but not the TAR. While the TAR only has one rather vague question about future plans, the SIR asks for more specific information and breaks it into two questions, distinguishing between strategic direction and plans for the following year. In the TARs, 69% of hospices did not report detailed objectives for the previous year, thus not allowing any view to be taken on how they have performed against those objectives. As these were required in the SIR, they were set out for every hospice, albeit with degrees of specificity. The new SORP (Charity Commission, 2015) for larger charities lays out requirements for the reporting of objectives and achievement in more detail than SORP 2005 but does not require that specific objectives determined in one year should be reported against in the following year.

**Conclusions**

The usefulness of charity reporting has been analysed over several decades, particularly in terms of how measures of efficiency and effectiveness are stated. This has primarily used the public sector language, comparing inputs to output, output to outcomes, to assess the quality of measurement. This research has taken a different approach and looked at how independent hospices in England and Wales have compared their achievements against their strategies and objectives. The Summary Information Returns (SIRs) present this information in a way that aims, strategies, performance measures and achievements of hospices can be compared easily; collectively as a sub-sector, within individual hospices and between different reporting years. This is informed by management accounting theory, particularly that of management control literature. Three developments in management control literature have been identified and compared to voluntary sector models: financial measures, cybernetic models and strategic performance measurement systems (SPMS). The Ferreira /Otley model (2009), a method of researching SPMSs, maps well to SIR questions, this was used to analyse 148 SIRs to identify the extent of alignment of aims, strategies, objectives measures and achievements. It found that overall there was a good degree of coherence in the themes put forward by the hospices. However, at an individual hospice level, there was little strategic alignment between aims, strategies and objectives. Nevertheless, there was much better alignment where one question asks specifically for current year achievements to be compared to objectives set out in the previous year.

A comparison of the SIRs and TARs demonstrates that, while charities have to report their achievements against specific annual objectives in the SIR, no detailed objectives for the following year are specified in nearly 70% of the TARs. Following Lord Hodgson’s (2012) report into the Charities’ Act of 2006, the SIR is no longer required. While the new Charities SORP (FRS 102) (Charity Commission, 2015) lays out reporting of objectives and achievements in more detail than SORP 2005, it does not specify that a charity should report its achievements against the specific annual objectives declared previously by the charity. This research suggests that any future regulation should encourage charities to declare specific annual objectives as well as longer term future plans and then report against them in their Trustees’ Annual Report in the following year.

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