

**CPMR  
DISCUSSION PAPER 15**

**PERFORMANCE MEASUREMENT IN  
LOCAL GOVERNMENT**

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## EXECUTIVE SUMMARY

Performance measurement is an important element of local government modernisation as outlined in the fifth national social partnership agreement *Programme for Prosperity and Fairness* (2000). The agreement states that performance indicators will be developed 'which will identify best practice and encourage local authorities to improve their own performance levels.' Efficiency and customer satisfaction are highlighted as particular issues in need of attention.

This paper provides an overview of national and international developments in performance measurement in local government. The term performance measurement is used in a generic sense in the study to cover the systematic monitoring of performance over time, using both quantitative and qualitative data.

Following the introduction, Chapter 2 establishes a framework for the study. This framework emphasises the need to develop performance measurement for different levels of local authority performance and for different perspectives on performance. Three main levels of performance are specified: strategic; service programme; and team/individual. Three perspectives on performance are also specified: service delivery; emphasising customer expectations and needs; financial management, emphasising the wise and prudent use of public money; and human resource management, emphasising the important role of employees in delivering quality services.

Chapter 3 examines experience with the development of performance measurement at the level of county/city-wide strategic priorities. At this level, the main emphasis is on creating performance indicators that focus on the strategic priorities of the county/city and of the local authority as a whole. Examples of measurement systems to facilitate the tracking of local social,

## Introduction

### 1.1 Focus of report

This report on performance measurement in local government provides a brief overview of practice, national and international, with regard to the operation of performance measurement systems in local government. The report highlights substantive issues which local authorities will need to address in developing performance measurement systems: the development of a balanced set of measures; the promotion of measurement at both strategic and operational levels; and the effective reporting and use of information gained from measurement systems.

In particular, the report examines the role which performance measurement can play at three levels: for the county/city overall; for service programmes such as housing; and for team/individual performance. For each of these levels, experience with developing a balanced set of performance measures is reviewed and good practice examples highlighted.

### 1.2 Some definitions

The term *performance measurement* is used in a generic sense in this study to cover the systematic monitoring of performance over time using both quantitative and qualitative data. This is in line with international practice (see for example Bouckaert, 1995; Hatry, 1999; and Jackson and Palmer, 1992). However, a distinction is sometimes usefully made in the literature between *performance measures* which are precise quantitative data, and *performance indicators* which act as signals to alert managers to issues which may need to be examined further. Given the nature of public service work, performance indicators tend to be much more common than performance measures.

Performance measurement is a vital element in the successful operation of *performance management* in the public service. Performance management has been defined as:

... a process for establishing a shared understanding about what is to be achieved and how it is to be achieved, and an approach to managing people that increases the probability of achieving success. It allows people to identify their own unique contribution to the achievement of the objectives of their organisation by forging meaningful linkages between personal and sectional objectives and overall objectives. (Hurley, 1999)

### 1.3 Study background

The promotion of performance measurement through the development of performance indicators and service standards to improve the quality of service in local government is highlighted in *Better Local Government* (1996), the government's planned programme of change for local authorities. *Better Local Government* proposes that such service delivery indicators be combined with financial performance indicators to produce a comprehensive picture of performance. Subsequently, the fifth social partnership agreement *Programme for Prosperity and Fairness* (2000) notes the development of performance measurement and performance management as part of the modernisation programme in the local government sector.

Other specific initiatives which are promoting an increased interest in performance measurement in local government are the Strategic Management Initiative, value for money studies and individual authority initiatives.

### *Strategic Management Initiative*

In March 1996 the then Minister for the Environment launched the Strategic Management Initiative (SMI) in local authorities. The SMI is a government initiative to review and reform the public service, by getting public service organisations to focus on key strategic issues. The Minister for the Environment stated that local authorities were being asked to: examine the factors likely to affect their operations over the coming years; take a fresh look at the needs of their customers; take a critical look at their organisations; set objectives and identify key issues; and set up a system to monitor progress.

In particular, as part of the SMI each local authority is expected to develop a strategic vision for its area and produce a strategy statement covering a five-year period. The first formal set of strategy statements was produced in 1997. These statements set the context for performance measurement in local government, as they outline the main objectives to be achieved. Some statements, such as that produced by Wicklow County Council, include performance indicators for each service provided. However, performance measurement is still very much at its early stages, with a lack of clarity and specificity with regard to many of the indicators included in statements and only a limited range of activities covered by performance indicators. In this regard, practice in local government is similar to that in the civil service, as a separate study for the Committee for Public Management Research on strategy statements in the civil service illustrates (Boyle and Fleming, 2000, CPMR Research Report No. 2).

### *Value for money studies*

*Better Local Government* (1996) proposed that value for money (VFM) auditing in local government be given a comparable legal status to that conferred on the Comptroller and Auditor General in the Comptroller and Auditor General (Amendment) Act, 1993. It also proposed that the role of the VFM unit of the Local Government Audit Service in the Department of the Environment and Local Government be enlarged to undertake more comprehensive and more in-depth analysis of a wider range of local authority processes. Consequently, the Local Government (Financial Provisions) Act, 1997 provides legal status for VFM auditing in local government and for a Local Government (Value for Money) Unit (McGeough and Horan, 1999).

As well as a number of studies of individual topics such as public lighting and purchasing, the VFM unit of the Local Government Audit Service has compiled two volumes of VFM studies, one published in 1996 and one in 1999 (Department of the Environment, 1996; Department of the Environment and Local Government, 1999). These studies develop and promote performance indicators for a number of services.

### *Individual authority initiatives*

Some local authorities have taken initiatives to develop performance measurement systems. For example, Galway County Council has developed performance/quality of service indicators as part of each section/service annual action plan. Tipperary (SR) County Council has developed a bonus scheme for road works staff, which links to performance. Cork Corporation has established a Corporate Development Unit, one of whose tasks is to look at the issue of performance measurement. Dublin Corporation are beginning to develop performance indicators as part of their business planning process.

However, performance measurement is very much at the initial stages in local government in Ireland. While some progress has been made, many areas are relatively untouched by performance measurement and of those that are, there is a recognition that the existing indicators have many limitations. At the same time, there is recognition of performance measurement as an issue of growing prominence and importance in local government.

#### **1.4 Terms of reference**

It is against this background of increased interest in performance measurement that this study was undertaken. A complementary study of performance measurement in the health sector was also undertaken at the same time by the Committee for Public Management Research (see Butler, 2000, CPMR Discussion Paper No. 14 ). The terms of reference of both studies were the same:

- To identify and outline current practice, both national and international, with regard to the development of performance measurement systems.
- To explore the managerial and other issues which arise from the development and implementation of performance measurement systems, and develop guidelines for the design and use of measurement systems arising from this process.
- To establish the essential elements of a framework for performance measurement, including the key criteria for performance indicator development.

While the two studies – of the local government and health sectors – cover much common ground, there are differences due to the distinct operational aspects of each sector. Common issues from the two studies have been summarised in a briefing paper (CPMR Briefing Paper No.1, 2000)

#### **1.5 Study approach and methodology**

The main part of the study was undertaken in the second half of 1999, with the study being completed in December 1999. Three main sources of information were used:

1. The literature on local government performance measurement, both academic and from official government sources, was reviewed. Books, journals and world wide web sites were accessed to provide information, both on national and international practice. Information on the experience of several European countries and the USA was obtained in this manner.
2. All county and city managers were written to, informed of the study and asked to pass on any information they might have of relevance. A small number of local authorities responded and provided useful information on local developments.
3. A small number of interviews were conducted. These covered both officials with an interest in performance measurement at central level in the Department of the Environment and Local Government and the Local Government Management Services Board, and officials from a small number of local authorities.

#### **1.6 Report structure**

Chapter 2 establishes a framework for performance measurement in local government. Drawing from this framework, Chapters 3, 4 and 5 explore performance measurement at the level of county/city-wide strategies, service programmes and the team/individual respectively. Chapter 6 examines the issue of reporting on and using performance measures. Conclusions and recommendations are outlined in Chapter 7.

## Developing a Framework for Performance Measurement in Local Government

### 2.1 Introduction

In developing performance measurement systems for local government, it is useful to establish a broad framework to provide a common language and focus for measurement initiatives. Such a framework must be consistent with national initiatives such as the promotion of value-for-money studies and the development of performance management in the public service. Essential features of a framework should include: the dimensions of performance to be measured; the criteria to be considered in selecting indicators; and the establishment of a balanced set of measures.

### 2.2 The dimensions of performance to be measured

Performance is a difficult term to pin down. However, a common terminology has emerged over recent years which allows different elements of performance to be identified (see for example Boyle, 1990, 1996):

*Inputs* refer to the basic resources worked with: the staff, the money, the buildings, the equipment and so on.

*Process/Activities* concerns how services are delivered: the manner in which resources are arranged to meet demand for services.

*Outputs* are the goods or services immediately produced by an organisation.

*Outcomes* reflect the impacts a service has on recipients and the wider community.

These elements of performance can be combined, from inputs through to outcomes, to develop a logic model for programmes (see section 4.4 for further details). As the United Way of America (1996) notes:

A programme logic model is a description of how the programme theoretically works to achieve benefits for participants. It is the 'if-then' sequence of changes that the programme intends to set in motion through its inputs, activities and outputs. Logic models are a useful framework for examining outcomes. They help you think through the steps of participants' progress and develop a realistic picture of what your programme can expect to accomplish for participants. They also help you identify the key programme components that must be tracked to assess the programme's effectiveness.

These elements of performance also provide the building blocks for the development of performance indicators. They are usually of most value when one looks at how they can be used to produce indicators of different dimensions of performance:

*Economy* indicators are primarily concerned with the inputs, and show the cost of acquiring services such as staff or premises. In comparative terms, if one unit seems to be purchasing resources more economically than others, questions need to be asked as to why this is happening.

*Efficiency* indicators concern the relationship between outputs and inputs, for example the cost of road miles maintained, by road category.

*Effectiveness* indicators are primarily focused on showing the outcome of the service. An example here would be the percentage of total waste recycled.

*Equity* indicators concern administrative justice – ensuring that like cases are dealt with in a like manner. Equity can impact on any of the elements of performance defined. For example, an indicator of the length of time taken to process a particular application may show regional variations among local authorities that are judged to be inequitable.

*Quality of service* indicators bring the client to the fore. Here, the concern is with ensuring that the best possible service is provided. As with equity, quality can impact on any of the elements of performance. Thus, for example, the quality of an output such as housing maintenance may in part be indicated by a survey of tenant satisfaction.

### **2.3 The criteria to be considered in selecting performance indicators**

Several criteria have been put forward for judging if performance indicators should be selected for use or not (Smith, 1987; Bunningham, 1990; Ball and Halwachi, 1987). A useful summary of the most common and influential criteria has been established by the US National Performance Review (1997), which states that in general, a good indicator:

- is accepted by and meaningful to the customer;
- tells how well goals and objectives are being met;
- is simple, understandable, logical, and repeatable;
- shows a trend;
- is unambiguously defined;
- allows for economical data collection;
- is timely; and
- is sensitive.

Above all, however, a good indicator drives appropriate action.

In a similar vein, the National Performance Review (1997) goes on to identify characteristics associated with the implementation of a successful performance measurement system. It states that a successful system:

- comprises a balanced set of a limited vital few measures;
- produces timely and useful reports at a reasonable cost;
- displays and makes readily available information that is shared, understood, and used by an organisation; and
- supports the organisation's values and the relationship the organisation has with customers, suppliers, and stakeholders.

### **2.4 The establishment of a balanced set of indicators**

One of the characteristics of successful performance measurement systems outlined above, developing a balanced set of vital indicators, is of particular consequence. Following the success of the 'balanced scorecard' measurement system in many private and public sector organisations (Kaplan and Norton, 1993) and previous work for the Committee for Public Management Research that promotes the development of integrated financial and operational performance indicators in the civil service (Boyle, 1997a, CPMR Discussion Paper No.3), there is growing awareness of the need to ensure that measurement systems provide a balanced view of performance. This means ensuring that different perspectives on performance – service user, employee and financial – are assessed, and that performance is measured at appropriate levels: strategic, programme and team/individual. This approach to developing a balanced set of performance indicators informs the framework developed for this study and is illustrated in Figure 2.1 and outlined below.

## Perspectives on performance

### Perspectives on Performance

Levels of performance	Service Delivery	Financial Management	Human Resource Management
County/City Wide Strategic Priorities			
Programmes			
Team/Individual			

#### 2.4.1 Levels of performance

It is important that performance indicators are developed for all levels of local authority performance, from the strategic, through operational programme, down to the level of the team/individual:

- *County/City Wide Strategic Priorities.* *The Report of the Task Force on the Integration of Local Government and Local Development Systems* (Department of the Environment and Local Government, 1998) emphasises the central role local government will play in co-ordinating social and economic development initiatives at local level. Key indicators will be needed to track strategic initiatives here. Similarly, performance indicators are needed to help assess progress with regard to local authority strategy statements.
  - *Programmes.* The traditional local government service programmes, such as development and planning, road transportation and housing, continue to be the main vehicle for service delivery by local authorities. Indicators are needed at this level to enable judgments to be made about the efficiency and effectiveness of service delivery.
- *Team/individual.* Performance management initiatives emphasise the need to give teams and individual employees timely and relevant feedback on their performance. Indicators can assist here in clarifying employee and employer expectations.

#### 2.4.2 Perspectives on performance

The performance management system for the civil service, which is likely to be used as a reference point for performance management in local government, emphasises three perspectives on performance: service delivery; financial management; and human resource management (Kelly, 1999; Boyle, 1997a). Indicators will need to be developed for each of these perspectives:

- *Service delivery.* Here, the focus is on developing indicators from the point of view of the customer or service user. The emphasis is on finding out customers expectations and needs, and their experience of service delivery. Quality services, as emphasised in *Better Local Government* (1996), is the key concern, within existing expenditure constraints.

- *Financial management.* Here, the focus is on developing indicators from the point of view of the resource controller. Wise and prudent use of public money means that traditional measures of probity and expenditure are still needed, together with measures of the efficient and cost-effective use of resources. *Better Local Government* (1996) emphasises the need to have financial management systems which let people know how the local authority is performing.
- *Human resource management.* Here, the focus is on developing indicators from the employee perspective. This ensures attention on the performance of key internal processes that drive the organisation: the organisation's people and infrastructure. *Better Local Government* (1996) highlights the need to properly manage, motivate, involve and train employees so as to deliver a cost-effective and quality service to the public.

## **2.5 Conclusions**

This analysis highlights the different aspects of performance to be addressed in any measurement system, the criteria to be used in selecting performance indicators, and the need for a balanced set of performance indicators. In particular, the need for performance measurement systems to reflect customer and employee views as well as traditional financial measures is stressed. So too is the need to address quality-of-service issues and outcomes as well as measuring inputs and outputs. The framework outlined here allows a comprehensive system of performance measurement to be developed which addresses a variety of needs.

## Performance Measurement at the Level of County/City-Wide Strategic Priorities

### 3.1 Introduction

As noted in Chapter 2, local authorities have a central role in promoting and co-ordinating a shared vision for social, economic and cultural development at the local level. County/City Development Boards, established in 2000 and with wide representation, are charged with developing a shared strategy for the county/city for up to ten years ahead. Local authority strategy statements are intended to emphasise key strategic issues for the local authority over a five-year period. It is important that performance indicators are developed that will enable judgements to be made concerning progress against strategic priorities, covering the issues of service delivery, financial management and human resource management.

### 3.2 Service delivery performance indicators

There is much that can be learned from north American experience of developing performance indicators for area-wide strategic priorities. With regard to the co-ordinating role of local government, where other agencies are also involved in service delivery, *community status reports* are a potentially useful mechanism. Community status reports provide information about key social, health, economic and/or environmental conditions in a community (United Way of America, 1999). Such reports were developed because of a recognition of the limitation of economic indicators alone:

Economic indicators have traditionally been used to assess the economic 'state of the state'. Strong economic growth, low inflation and unemployment were regarded as indicative of a healthy economic climate and believed to result in prosperity for citizens. However, citizens have become increasingly concerned about their relative quality of life, expressed in terms such as quality of education and health care, availability of recreational/cultural opportunities, clean environment, and safety from crime. Accounting and economic based measurement systems were not designed to address these issues; thus, governments have introduced new systems for measuring progress, including policy outcome based performance measurement (Ogata and Goodkey, 1998).

Two particularly successful community status report projects are *Measuring Up* (Government of Alberta, 1999) and *Oregon benchmarks* (Oregon Progress Board, 1999).

In 1993 the province of Alberta, Canada initiated development of a comprehensive three-year business planning and performance measurement system. In June 1995 the first annual *Measuring Up* report was published. *Measuring Up* contains twenty-five core performance indicators related to seventeen government goals (see Annex A for details). These indicators focus on issues such as infrastructure capacity, literacy and numeracy levels, crime rate and water quality. The aim is to develop outcome-based indicators to provide information on progress towards long-term targets. The targets were selected and are driven by political leadership, and through public consultation (Ogata and Goodkey, 1998).

The state of Oregon, USA, adopted a development strategy in 1989 called *Oregon Shines* that was aimed at shifting the state from its traditional resource-based economy to a new information-based economy. The strategy addressed quality of life issues as well as economic diversification. *Oregon Shines II* was adopted in 1997 as a successor strategy. Progress against the strategy is tracked through *Oregon Benchmarks*, an annual report which tracks ninety-two indicators against benchmark targets in seven categories: economy, education, civic engagement, social support, public safety, community development and environment. Depending on progress as shown by the indicators, a grade for each benchmark (from A to F) is given. Annex B gives an illustrative example in the field of community development, from the 1999 report.

Other, smaller municipalities have followed on from this example and developed their own community status reports. The initiative is not just confined to larger states. For example, Jacksonville, Florida and Truckee Meadows, Nevada have both established quality of life indicator reports and measurement systems (Besleme, Maser and Silverstein, 1999).

One key point to remember with community status reports is that while they can be of significant benefit, of their own: ...they do not *change* the community conditions they profile. Changing community conditions requires targeted action, and targeted action does not automatically follow reporting or tracking a condition (United Way of America, 1999).

In addition to community status reports, other measurement efforts can contribute to promoting inter-agency working at the local level. In the United Kingdom, for example, under the Best Value initiative (Department of the Environment, Transport and the Regions, 1999a) efforts are being made to develop cross-cutting and interface indicators.

Indicators for cross-cutting issues are being developed by the Audit Commission. For example, in the area of domestic violence the Audit Commission is promoting the development of indicators by police and local authorities. The Commission is proposing that a new performance indicator for local authorities be developed that focuses on their provision of support for the victims of domestic violence: the number of refuge places per 100,000 population which are provided by or supported by the authority (Department of the Environment, Transport and the Regions, 1999a).

Interface indicators aim at measuring joint working across agency boundaries. Thought is being given to the development of a general welfare/well-being indicator for children that could measure a range of factors which indicate the effect of local agencies on the lives of children in their areas:

This could include levels of educational attainment, accident rates, offending rates, and teenage pregnancies. The aim would be to integrate local planning and delivery around common objectives and remove the notion that only those agencies with specific responsibilities for providing services to children (such as social services and education) are able to influence their lives. (Department of the Environment, Transport and the Regions, 1999b)

With regard to developing strategic performance indicators for the county/city local authority itself, these are likely to be linked to the strategy statement. For example, Coral Springs in Florida has set Key Intended Outcomes (KIOs) for each of the city's six strategic priorities as identified in the city's strategic plan. Each KIO is made up of three elements: a performance indicator, the current performance level for the indicator, and a performance goal that city staff plan to attain in two years (City of Coral Springs, 1997). Figure 3.1 gives examples of KIO indicators for the 'customer focused government' strategic priority.

**Figure 3.1 Strategic priority indicators**

<b>Customer Focused Government Key Intended Outcomes</b>	
	Goal
Overall quality rating for city services and programs	90%
Overall satisfaction rating of city employees	90%
City employees productivity rating (residents served by city employee)	168.1
Percentage change in the overall city crime rate	0%
Customer service rating	80%

Source: Coral Springs, 1998

In the United Kingdom, under the Best Value initiative, local authorities are to produce Best Value Corporate Health indicators as part of a group of Best Value Performance Indicators (BVPI). These indicators are intended to provide a snapshot of how well the authority is performing overall. The proposed indicators are outlined in Figure 3.2. The service delivery related indicators are those outlined from BVPI1 to BVPI7.

**Figure 3.2 Proposed UK Best Value Corporate Health Indicators**

<i>Planning and Measuring Performance</i>	
BVPI1	Did the authority adopt a Local Agenda 21 Plan (as set out in <i>Sustainable local communities for the 21<sup>st</sup> Century</i> ) by 31 December 2000?
BVPI2	The level of the Commission for Racial Equality's 'Standard for Local Government' to which the authority conforms.
<i>Customers and the Community</i>	
BVPI3	The percentage of citizens satisfied with the overall service provided by their authority.
BVPI4	The percentage of those making complaints satisfied with the handling of those complaints.
BVPI5	The number of complaints to an Ombudsman classified as: a. Maladministration b. Local Settlement
BVPI6	The percentage turnout for local elections.
BVPI7	The percentage of electoral registration form 'A's returned.
<i>Management of Resources</i>	
BVPI8	The percentage of undisputed invoices which were paid in 30 days.
BVPI9	Proportion of council tax collected.
BVPI10	The percentage of business rates which should have been received during the year that were received.
<i>Staff Development</i>	
BVPI11	The percentage of senior management posts filled by women.
BVPI12	The proportion of working days/shifts lost to sickness absence.
BVPI13	Voluntary leavers as a percentage of the staff in post.
BVPI14	Early retirements (excluding ill-health retirements) as a percentage of the total workforce.
BVPI15	Ill-health retirements as a percentage of the total workforce.
BVPI16	The number of staff declaring that they meet the Disability Discrimination Act disability definition as a percentage of the total workforce.
BVPI17	Minority ethnic community staff as a percentage of the total workforce.

Source: Department of the Environment, Transport and the Regions, 1999b

### **3.3 Financial management and human resource management indicators**

Figure 3.2 also illustrates proposed corporate level indicators relating to resource management. These are aimed at tracking the effective and efficient utilisation of financial resources in such areas as local taxation and invoice payment.

In more general terms, at the level of the county/city it might be expected that indicators will give a broad overview of expenditure and highlight trends over time. In this way, the resource implications of strategic issues can be assessed, and actions linked to resources, thus ensuring that actions contained in strategy statements do not become wish-lists, but are related to what is achievable. Annex C, taken from the City of Portland Service Efforts and Accomplishments report, gives an overview of overall city spending broken down by service programme, and provides a perspective on how spending is changing over time (Office of the City Auditor Portland Oregon, 1998).

With regard to human resource management, the emphasis at county/city level is to ensure that indicators are developed that provide information on strategic human resource issues. So, for example, Figure 3.2 illustrates several UK Best Value indicators concerning staff development which address issues such as the extent of diversity in the workplace and staff turnover. Such issues are also likely to be important and require measurement in Ireland given trends in the labour market and the impact of the Employment Equality Act, 1998.

Employee surveys may also be used to highlight strategic issues of particular concern to staff. For example, the City of Austin, Texas does extensive surveys of employees (as well as citizens) to measure their satisfaction and identify emerging issues. Austin develops indicators from these surveys to help make its performance measurement system more credible (National Partnership for Reinventing Government, 1999). For example, one question asks each employee if they use performance indicators in making daily operational decisions. Initially only a quarter of employees indicated that they did most of the time. In response Austin has developed its business planning process and created results-oriented job descriptions, to enable all employees to understand how their work contributes to city-wide goals.

### **3.4 Conclusions**

At county/city level, the main emphasis is on developing performance indicators that enable the tracking of strategic priorities. These may be priorities which relate to the county/city as a whole rather than the local authority per se. In this case, the aim is to ensure relevant indicators are developed that allow changes in community status in the social, economic and development fields to be tracked. Indicators which are relevant to co-operative working between agencies are particularly important here. For the local authority itself, it is important that performance indicators are developed that reflect key strategic issues identified in the strategy statement.

## **Performance Measurement at the Level of Service Programmes**

### **4.1 Introduction**

Local authorities provide a wide range of services through service programmes. The main service areas are classified into eight programme groups: housing and building; road transportation and safety; water supply and sewerage; development incentives and controls; environmental protection; recreation and amenity; agriculture, education, health and welfare; and miscellaneous services (*Better Local Government*, 1996). It is at this programme level that much of the day-to-day activities of local government impact on the lives of citizens. Indicators are needed here to help assess the operational impact of local authorities.

### **4.2 Service delivery performance indicators**

The Department of the Environment and Local Government (DoELG) value for money unit has identified a range of potential performance indicators that could be used at programme level in local authorities (Department of Environment and Local Government, 1999). A further study (Maloney, 1999) also indicates that there is significant scope for the use of performance indicators by Irish local authorities in the measurement of performance. In the study, the possibility of using indicators derived from the United Kingdom experience in a range of service programmes (dealing with the public; housing; roads; fire; and litter control) was examined, and they were found to provide a useful framework around which to build appropriate indicators in an Irish context.

Some local authorities are beginning to develop performance indicators for programmes. For example, in 1998 Galway County Council asked all sections when updating their section/service action plans to develop performance indicators. Sections were asked, in developing indicators, to bear in mind in particular proposals for improved service delivery. Examples of the type of indicator proposed are given in Figure 4.1. To date, most of the indicators relate to the timeliness of delivering services as a key aspect of quality of service delivery. Further developments are planned, for example indicators to monitor a five-year planned housing maintenance programme. The indicators proposed for the libraries are interesting in that they attempt to measure qualitative issues around the broader role of libraries in local communities, and will complement traditional measures such as book issues and number of visits.

#### **Sample performance indicators: Galway County Council**

### **Housing**

- Acknowledge receipt of housing/transfer applications, advise of procedure within 2 weeks and final decision within 8 weeks.
- Quarterly meetings with residents associations re. Tenant participation in estate management.

### **Roads**

- National roads: pothole repair will be done within 2 working days of notification on carriageway of road.
- Inspect complaints/requests made to area offices in person i.e. callers or phone, within two weeks of complaint/request made (except during annual holidays).

### **Libraries**

- Number of voluntary and community groups who have links with each library.
- Proportion of hours when the library service is used for organised activities apart from traditional library services.
- Proportion of staff time dedicated to contact with the public (except dealing with book issues) and recording the number and type of requests for assistance that patrons make of staff members.

In the United Kingdom, under the Best Value initiative, performance indicators for operational programmes are being strengthened in the area of service delivery. The Local Government Act, 1999 places a duty of best value on local authorities to make continuous improvements in the way they exercise their functions. As part of this Best Value initiative, the role of performance indicators is being reviewed. Central government guidance (Department of the Environment, Transport and the Regions, 1999a) indicates a 'family' of indicators which it expects local authorities to collect:

- *Local performance indicators.* To enable local authorities to reflect local priorities and manage services effectively, it is envisaged that locally determined indicators will be developed, and targets for improvement set.
- *Best Value corporate health and service delivery performance indicators.* These indicators will be set by the government. Best Value corporate health indicators will provide a snapshot of how well the authority is performing overall. Best value service delivery indicators will reflect the national interest in the delivery of local services. Five dimensions of performance are proposed:
  - strategic objectives: why the service exists and what it seeks to achieve
  - cost/efficiency: the resources committed to a service; the efficiency with which they are turned into outputs
  - service delivery outcomes: assessing the service against the strategic objectives
  - quality: indicators reflecting users' experience of services
  - fair access: ease and equality of access to services.

- *Audit Commission performance indicators.* The Commission retains its statutory duty to set local authority performance indicators.
- *Other indicators set by government departments.* Individual government departments collect data for a variety of reasons, in areas such as education, health and social services.

Local authorities will be required to publish their performance, as illustrated by performance indicators, standards and targets, in an annual best value performance plan, giving data for the previous and current financial years. For each service area, indicators specifically focused on service delivery outcome and quality are to be developed. Examples include:

- Tenant satisfaction with overall housing services provided by the landlord (housing quality).
- Number of collections missed per 100,000 collections of household waste (environmental services service delivery outcome).
- Percentage of streetlights not working as planned (transport service delivery outcome).

In the USA, in an effort to go beyond purely financial and accounting reporting, the Government Accounting and Standards Board (GASB) has developed what it calls service efforts and accomplishments (SEA) reporting (Epstein, 1992). SEA reporting can be divided into four parts:

- *Service efforts.* The resources (inputs) that go into a programme, measured by way of (a) the total cost of the programme, (b) the total full-time equivalent staff devoted to the programme, and (c) the total number of employee hours worked on the programme.
- *Service accomplishments.* These are divided into two main categories: outputs (amount of work load accomplished) and outcomes (numeric indicators of programme results, including indicators of service quality, timeliness and effectiveness).
- *Service effort and accomplishment ratios.* These ratios relate service efforts to service accomplishments through such measures as input/output and input/outcome ratios.
- *Explanatory information.* To help users understand contextual factors influencing performance, particularly (a) elements substantially outside the control of the agency and (b) elements over which the agency has significant control, such as staffing.

Several states and local governments are experimenting with SEA reporting. States such as Oregon and Minnesota and local governments such as Sunnyvale (California), Coral Springs (Florida) and Portland (Oregon) are regarded as pioneers and examples of best practice with regard to performance measurement (National Partnership for Reinventing Government, 1999).

Just as strategic indicators should be linked to strategy statements and strategic plans, it makes sense for programme indicators to be linked to business and operational plans for each service area. For example Austin, Texas as part of its 1999-2000 business plan links performance indicators to programme objectives and strategies to be achieved during the year, as illustrated in Figure 4.2. Experience in several European countries also emphasises the need to link measures and indicators to the business planning process. Tilburg, in the Netherlands, is widely regarded as a pioneer of performance measurement for municipalities (Haselbekke, 1995). In 1985 Tilburg developed a new management model based on organisational decentralisation and a move from input budgeting to performance budgeting. Lawton and McKeivitt (1995) describe the main aspects of change: 'The *content* of reform included organisational structure and organisational culture; information systems and the allocation of financial accountability; the quality of management and the development of competencies. Key elements of the process are the decentralisation of structures and the delegation of responsibility, the use of business management techniques and contract management, and the focus on outputs rather than inputs'.

The Tilburg budget now presents quantitative information on what it terms measurable policy goals, with indicators developed in terms of outputs or outcomes. Haselbekke (1995) estimates that some 95 per cent of Tilburg's budget is accompanied by performance indicators. Many municipalities in Germany have been influenced by the Tilburg approach. Kickert and Beck Jorgensen (1995) indicate a trend in German municipalities, with 'contract-management between the top of the municipal 'concern' and the semi-autonomous 'division', based on clear mission statements, goals and budgets, with a clear service and client-orientation, and using output-oriented governance instruments like performance indicators, controlling by results, output budgets etc.'

A variety of data collection procedures and sources are available for gathering data on service delivery. Hatry (1999) gives a useful summary of four major data gathering alternatives: programme records; customer surveys; trained observer ratings; and special technical equipment. To take one example, trained observers can be used to rate outcome conditions that can be assessed by the eyes or other physical senses of the observer. Three main types of rating systems are used by trained observers: written descriptions; photographs; and other visual scales such as drawings. Written descriptions are the most commonly used, as an example given by Hatry (1999) for building or street cleanliness illustrates:

- Rating 1: *Clean*. Building or street is completely or almost completely clean; a maximum of three pieces of litter per floor or block is present.
- Rating 2: *Moderately Clean*. Building or street is largely clean; a few pieces of isolated litter or dirt are observable.
- Rating 3: *Moderately Dirty*. Some scattered litter or dirt is present
- Rating 4: *Dirty*. Heavy litter or dirt is present in several locations throughout the building or along the block.

#### **4.3 Financial and human resource management performance indicators**

Many of the financial and human resource management indicators needed at operational programme level will be the same as those developed at the strategic level, but stepped down to individual programmes. So, for example, it is important to develop indicators showing items such as spending per capita and staff turnover for individual programmes.

It is often at the programme level that resource management measures are combined with service delivery indicators to give an assessment of efficiency. These efficiency measures can be tracked over time, and compared with other relevant local authorities. Coral Springs, Florida, for example, uses eight other local cities for selecting comparisons to improve organisational performance (City of Coral Springs, 1997). The use of benchmarking as a performance measurement tool is discussed in more detail in Chapter 6.

#### **4.4 Using the programme logic model to develop performance indicators**

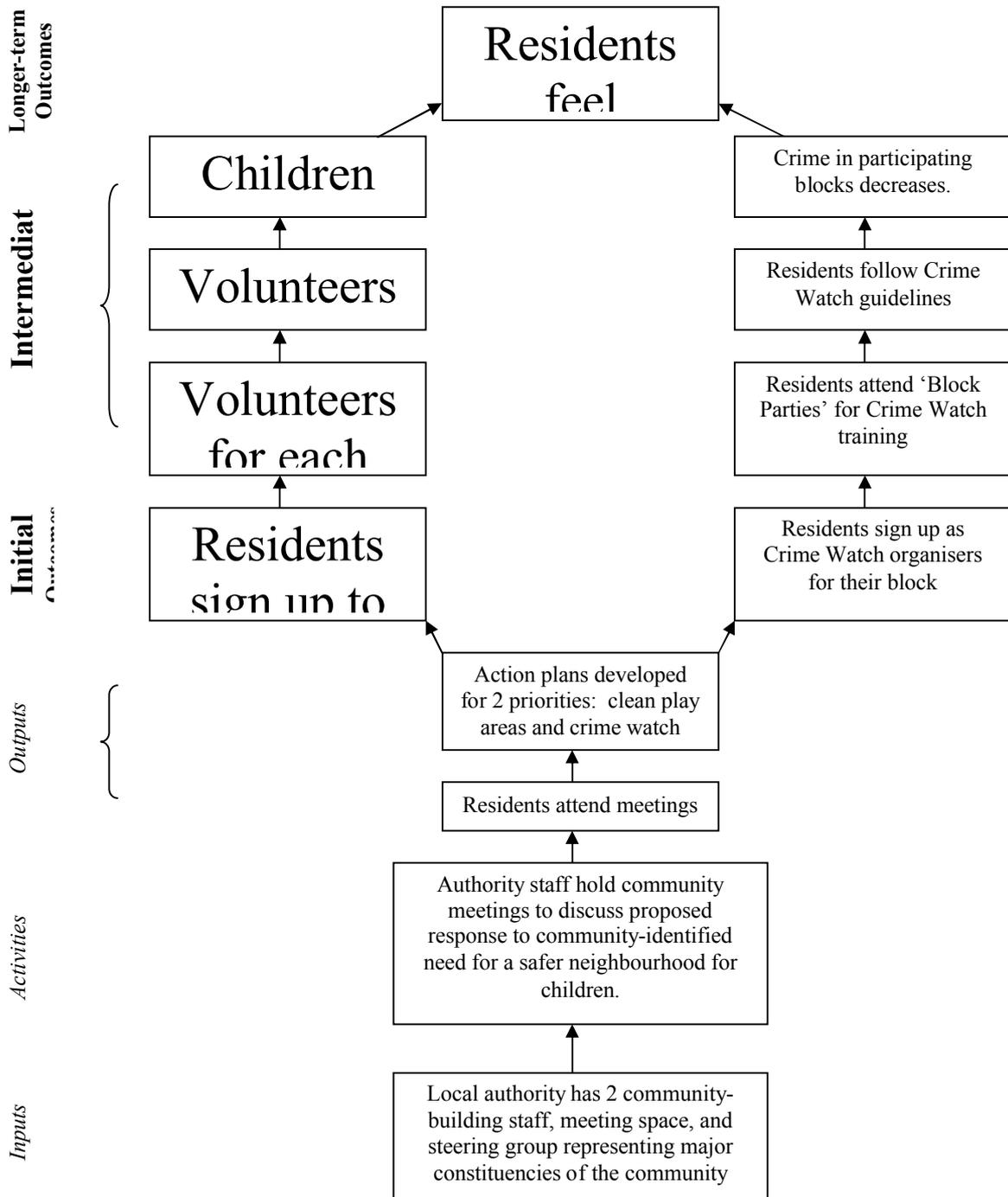
The programme logic model, referred to in Chapter 2, is a useful mechanism for identifying performance information needed at programme level. The basis for the programme logic model is to have clear programme objectives which facilitate understanding of what the programme is intended to achieve. From this step, which is a central part of the business planning process, a programme logic map can be developed which is a diagrammatic representation of the link between inputs, process/activities, outputs and outcomes. An illustrative example is given in Figure 4.3. It can be seen here that the outcomes are divided into initial, intermediate and longer-term outcomes. Usually, the initial and some intermediate outcomes are directly linked to the programme. Longer term outcomes may be influenced by other activities and events. Hatry (1999) provides a useful summary guide on the development of logic models.

Using such a model facilitates the development of indicators, particularly service delivery indicators focused on the outcomes of programmes. Through defining how successful achievement of outcomes will be recognised, the model enables relevant indicators to be devised. For example, in the example given in Figure 4.3, the reported crime rate could be used as an indicator to track crime levels in participating blocks, and the percentage of residents declaring the neighbourhood as a safe place to play for children used as an indicator to track the desired long-term outcome. In using such a model, it is particularly important that the views of the main stakeholders and service users are sought. They can help validate the model.

#### **4.5 Conclusions**

It is at the programme level that performance measurement most directly relates to the day-to-day activities of local government. Linked into the business planning process, performance indicators can be used to help steer performance in the desired direction. Business plans outline a programme's core activities, objectives, strategies and performance indicators, all linked to budget allocation decisions and strategic priorities. In developing performance indicators for business planning, the programme logic model can be of assistance, particularly in ensuring that service delivery outcomes are considered and addressed.

**Figure 4.3: Programme Logic Model: Neighbourhood Organising Programme**



Source: adapted from United way of America, 1996.

## **Performance Measurement at the Level of the Team/Individual**

### **5.1 Introduction**

At the level of the team/individual, performance indicators need to be seen in the context of developments in performance management. The broad aim of performance management as noted in the Introduction above, is to increase each individual's understanding of what needs to be achieved at work and how it is to be achieved and to support them in aiming to improve performance. The intention is to develop meaningful linkages between personal and sectional objectives and overall organisational objectives (Hurley, 1999). Performance measurement at the level of the team or individual is part of this performance management process. But meaningful objectives and indicators are needed at the county/city-wide and programme level before measurement at the team/individual level can be fully effective.

### **5.2 Service delivery, financial and human resource management performance indicators**

At the level of the team/individual, it is likely that relevant indicators covering service delivery, finance and HR will be combined to give a guide as to what is expected. This is sometimes done in the form of a document agreed between the team/individual and their manager. For example, the City of Austin, Texas is beginning to use what it terms 'alignment worksheets' to tie programme results to employee evaluations: 'The worksheets are used for each executive employee and link that employee's compensation to programme results and progress made towards the city's strategic goals and vision.' (National Partnership for Reinventing Government, 1999). The aim is to develop worksheets for all employees over the next few years. Similarly, in Coral Springs, Florida each employee and supervisor agrees personal objectives for employees that relate back to the city's key intended outcomes (City of Coral Springs, 1997).

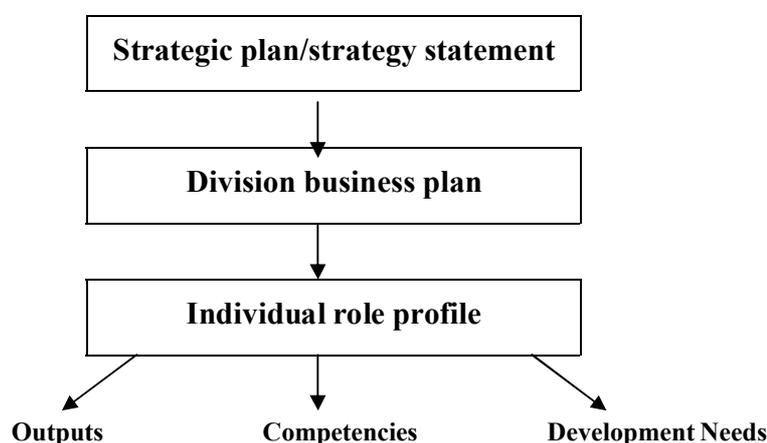
Thus the aim is to ensure that individual objectives, targets, and indicators are clearly linked to higher-level objectives, usually derived through the business planning and strategic planning process. Performance indicators derived at the level of the team/individual should be negotiated and agreed between supervisors and employees in the context of the broader organisational objectives.

This approach of tying individuals' objectives and indicators to broader organisational objectives is promoted in the performance management system for the Irish civil service. As it is likely that a similar approach will be adopted in the wider public service, it is worth examining some of the broad aspects of the civil service performance management system. Figure 5.1 illustrates that an individual role profile is at the heart of performance management, building on an organisation's strategic and business plans. This role profile is composed of three main items: (a) outputs, specifying the main requirements of the job; (b) competencies, highlighting the main competencies required to successfully undertake the job; and (c) development needs, outlining actions to be taken to enhance existing competencies.

From the perspective of this study on performance measurement, it is the 'outputs' element of the individual role profile that is of particular importance. In the scheme for the civil service, these outputs include specification of the key deliverables for the year (often referred to in the literature as key result areas) and key performance indicators. Performance indicators are intended to cover both quantitative and qualitative issues, and help provide benchmarks against which success can be judged. It is likely that key deliverables will be a combination of the position specific (related to the particular job under scrutiny) and the general across a particular grade.

In deciding what key deliverables and key performance indicators should be, it is likely to be helpful to have a list of questions to focus attention on the main issues. One potential list of questions is outlined in Table 5.1, with questions grouped in the three categories of service delivery, financial management and human resource management. Addressing such questions would, in effect, allow the creation of an individual/team balanced scorecard, which aims to align employee goals with those of the organisation, and to align the aims of the organisation with the goals of individual members of the organisation.

**Table 5.1: Useful questions in establishing key deliverables and performance indicators**



*(Source: derived from Kelly, 1999)*

The identification and pursuit of qualitative performance indicators is likely to be particularly appropriate at the level of the team/individual. Issues such as innovation and the improvement of internal processes, while important to individual and organisation development, are difficult to measure. The use of 'softer' qualitative data and indicators is helpful in assessing progress against such issues.

A value-for-money study on the planning application process, conducted by the internal audit unit of Dublin Corporation, illustrates both the benefits and challenges of a structured approach to developing indicators at the level of the team/individual. This study established the cost per unit of processing a planning application and provided a comparison of this unit cost with seven other selected local authorities. Establishing a comparable cost base was a difficult task, facilitated by the development of a pro forma cost profile. Differences in the type of application (domestic applications take less planner's time than commercial applications) also had to be factored in. The study showed variances in output and in work mix between domestic and commercial applications, and recommended targets for improvement of performance, as well as new procedures to help reduce the time taken to process applications and thus improve the unit cost.

A small scale pilot project on performance management in the Eastern Health Board area undertaken in the early 1990s also provides some positive feedback on developing a structured approach to the development of individual performance indicators. One of the pilot sites chosen was an environmental health section. After agreeing common objectives for the section, staff identified key result areas, such as inspections, complaints, record keeping and team work. As Barry et al (1992) note:

Individual staff then set themselves targets for improvement in selected key result areas, and monitored progress with their supervisor. An interesting feature of the pilot was that while staff initially focused on familiar work objectives, with increased confidence through target attainment, they expanded into other areas of work. Previously neglected objectives became a significant aspect of their work. This resulted in significant inroads being made in a planned manner into areas of work that had up to then been sidelined by the pressure of a routine workload. As the pilot progressed participants became better at setting realistic targets for the different objectives and overall their achievement levels were high.

If introduced properly and managed carefully, performance management can lead to an improvement in performance measurement at the individual/team level and consequently to verifiable improvements in performance.

### **5.3 Relating performance to rewards**

Developing performance indicators at the level of the team/individual raises the issue of relating performance to rewards. Rewards, as previous research for the Committee for Public Management Research indicates, may be non-monetary, such as recognition and increased work flexibility in exchange for more accountability, or monetary, including linking pay to performance (Boyle, 1997b, CPMR Discussion Paper No. 5).

Some examples of how this issue is being tackled in local authorities already exist. For example, Tipperary SR County Council operates a labour control and bonus scheme for road maintenance staff. This scheme is a payment by results incentive scheme, and applies to all manual work carried out by the road maintenance department such as clearing roadside drains, grass cutting, painting and construction works such as footpath, fencing and so on. The bonus scheme is based on the application of work study techniques to determine work values for the various operations carried out by road maintenance staff, and the application of those values to arrive at a standard time for the carrying out of these operations. The scheme is run by the work study department, and covers approximately 155 employees.

In the USA, cities such as Coral Springs and Sunnyvale, California have developed pay for performance schemes. In Sunnyvale, all management personnel are evaluated and compensated based on their performance in meeting the goals specified for them in their management achievement plan. A manager's evaluation against goal accomplishment can result in an annual bonus up to 10 per cent or a reduction in compensation of up to 5 per cent. Managers are rewarded more for meeting a service objective at less cost than for exceeding the objective at the budgeted cost. This is because the city prefers to save money than exceed service objectives, so that they can have the option of increasing other service levels the following year (Mercer, 1994).

However, as in other areas of the public service, the benefits arising from performance related pay are unclear. There are particular challenges associated with implementing successful performance related pay schemes. In a detailed study of four local authorities using performance related pay in the United Kingdom, Heery (1996) found that the schemes operated had a rather limited impact on workers' behaviour. The process of work still tended to run along its established course, with performance related pay being insufficient to significantly alter things. Small percentages reported working harder or re-focusing their efforts, with slightly more reporting an erosion of trust or co-operation.

#### **5.4 Conclusions**

Performance measurement at the level of the team/individual follows on from the creation of indicators at county/city-wide level and at programme level. Agreed objectives and indicators at these higher levels provide a context for individual-based indicators. When using performance indicators at the level of teams/individuals, the issue of relating performance to rewards is likely to be an issue.

## Making Use of Performance Indicators

### 6.1 Introduction

Performance indicators on their own are of little use unless they are seen as relevant to staff, managers and citizens needs. If performance measurement systems are to impact positively, they must be acceptable to those who use them and provide a sense of direction and spur to action. For this to happen, those responsible for developing measurement systems need to be aware of the problems and pitfalls associated with performance measurement in local government and the steps which can be taken to ensure that indicators are used.

### 6.2 Overcoming the pitfalls associated with performance measurement

A range of problems associated with the development of performance measurement systems have been identified in the literature (see for example Bouckaert 1995; Mulreany, 1999; Smith, 1995). These problems are both behavioural and technical. In the United Kingdom the extent to which indicators have become part of the management culture of local authorities has been questioned. Palmer (1993), notes that the indicators tend to be seen as being developed ‘... in compliance with external directives rather than as a means of developing performance monitoring as part of the managerial culture.’ A study undertaken by McKevitt and Lawton (1996) found a lack of attention paid to middle and junior managers in developing performance measurement systems ‘... and hence the lack of embeddedness of systems, throughout the organisation.’ Among the main possible adverse effects on behaviour are:

- *tunnel vision* – concentration on areas covered by performance measures to the exclusion of other important areas;
- *suboptimisation* – the pursuit by managers of their own narrow objectives, at the expense of strategic co-ordination;
- *myopia* - concentration on short-term issues, to the exclusion of long-term issues which can only be assessed over a number of years;
- *convergence* – an emphasis on not being exposed as an outlier against a measure, rather than an emphasis on excellence;
- *ossification* – a disinclination to experiment with new or innovative methods.
- *gaming* – altering behaviour so as to obtain strategic advantage e.g. deferring spending into the future to reduce maintenance costs;
- *misrepresentation* – including creative accounting and fraud.

Such behavioural problems can be tackled by recognising the potential for them to happen and designing measurement systems in such a way that a climate is created whereby incentives to misuse or abuse the system are minimised (Boyle, 1996).

On the technical side, it is possible to encounter difficulties associated with measurement such as double counting, aggregation and inappropriate use of measures of central tendency (Jackson and Palmer, 1992). Mulreany (1999) refers to the difficulty in allowing for changes in quality: 'If, for example, the interval at which refuse is collected were to be extended, with the consequence that the same volume of refuse was collected but less regularly, or if refuse were collected at less convenient times for householders and businesses, then the output measurement for the service might not change but the quality of the service would deteriorate.'

A particular technical difficulty refers to developing appropriate cost data. For example, choosing between net cost and gross cost and determining the relevant population variable used to deflate cost data when producing per capita cost measures can pose particular challenges. In developing sound cost data, a good financial management system is needed. The new financial management system being put in place in local authorities arising from recommendations in *Better Local Government* (1996) is particularly important in this context.

### **6.3 Linking indicators to targets**

One way to ensure the active use of performance indicators is to explicitly link them to targets. Targets should represent realistically achievable yet challenging ambitions (CSF Evaluation Unit, 1999). Comparative studies show that indicators on their own are not enough to improve performance; knowledge of indicators plus the setting of challenging targets leads to performance increases (Locke et al., 1981).

The linkage between indicators and targets is illustrated by the practice described in Chapters 3, 4 and 5. In particular, best practice in the cases examined illustrates how performance indicators work effectively when they are linked to objectives and targets set out in strategic plans and business plans. Targets may relate to a variety of benchmarks, such as performance in the previous period; performance of similar organisational units or geographical areas; outcomes for different workload or customer groups; and performance of other jurisdictions or the private sector (Hatry, 1999).

### **6.4 The central role of involvement and feedback in performance measurement**

Many of the behavioural problems associated with performance measurement can be related back to issues associated with who is involved in determining and devising performance measurement systems. If performance measurement is seen as being driven by central government with little local government involvement, or if staff are not involved in developing local performance measurement systems, problems can occur. In such circumstances, managers and staff are likely to try to find ways of avoiding or manipulating measurement (Boyle, 1990). When staff are involved, there is a greater chance of developing a sense of ownership of the measurement system.

One means of securing the active involvement of staff and citizens in the development of measurement systems is through active feedback of the information. One of the major weaknesses of many performance measurement schemes is the lack of systematic distribution of the information to unit managers and front-line staff and to clients (Pollitt, 1988). If one of the prime aims of measurement is to stimulate thought and development at the local level, local managers must have access to the data in order to assess its relevance. As Fitz-Gibbon (1996) notes: 'Feeding indicators back to the smallest units of management not only informs those who need to know but also promotes the spirit of open information systems and collaborative enquiry, the kind of climate in which information is used most constructively'.

## 6.5 Comparing local authority performance

One of the most contentious issues in local government performance measurement is the use of comparative performance information across local authorities. As Brown (1998) notes with regard to the UK experience: 'If you drew up a league table of the things which councils hate most, league tables would come top.' Staff often view comparative indicators as a threat to their professional status and freedom. There are dangers of the measurable driving out the unmeasurable. The context within which authorities work can also make certain comparisons crude and meaningless. It makes little sense, for example, to compare service provision in South Dublin, with its high urbanisation and high levels of social deprivation, with a county such as Mayo which faces issues associated with a dispersed rural population. Differing starting points regarding the resource base of local authorities can make crude comparisons meaningless. Ensuring consistency of data collection across authorities can also be difficult. Overall, distrust as to the use of comparative indicators, combined with technical difficulties in the specification of comparative data, can lead to a situation where their impact is negative rather than positive.

Yet the case for using meaningful comparative performance indicators as part of a comprehensive performance measurement system is strong. From the point of view of the state, large sums of money are being invested in and through local authorities, and there is a need to know how effectively public funds are being used. From the point of view of managers, there is a wish to know that the service they are providing is at least comparable in cost and quality terms to that provided by others doing a similar job. From the point of view of the service user, they may wish to be reassured that the service they are receiving is as good as that on offer elsewhere in the state.

To win acceptance for comparative performance indicators, it would appear that the most effective approach is to design a system which aims to give comparative data to local authority management and enable them to use the data to put their own management practices in context. For example, in Norway, five municipalities got together in 1986 (later joined by one other) to create a network to develop a conceptual framework for performance measurement and the implementation of agreed performance indicators. At first, the focus was on schools, health care and home care services. This was later extended to all municipal programmes. Johnsen (1999) indicates that evaluations have shown that the project has enhanced understanding of the activities measured and that the data are used in decision-making, planning, budgeting, productivity monitoring and annual reporting. The findings from the network has informed the work of an advisory committee to a national project led by the Ministry of Local Government and Regional Development on a national performance measurement reporting system for municipalities.

The Norwegian experience, plus initiatives such as twenty-eight local governments combining in a benchmarking project in North Carolina (Coe, 1999), represent 'bottom-up' and voluntary initiatives to compare performance, under the control and direction of the local municipalities. Such initiatives have led to tangible benefits. Ammons (1999) notes that one city in the North Carolina benchmarking project responded to insights from the project by implementing changes in its solid waste collection system which resulted in savings of \$400,000 a year.

There is considerable interest in benchmarking best practice in local government in the USA: comparing performance among jurisdictions and trying to identify management or service delivery strategies that produce superior results (Poister and Streib, 1999). One particularly notable approach is the International City/County Management Association (ICMA) Comparative Performance Measurement Consortium. This consortium was created by a group of thirty-four city and county managers (which has risen to forty-four) in jurisdictions with populations exceeding 200,000 (Kopczynski and Lombardo, 1999). This consortium has focused on comparing performance in four main service areas: fire, police, neighborhood services, and support services.

Hatry (1999) identifies six good practice procedures to encourage constructive interaction between central and local agencies in developing comparative data:

1. The central agency and representatives of local agencies jointly select a set of outcome indicators.
2. The local agencies provide quarterly information on each data element to the central agency.
3. The central agency tabulates the data for each agency.
4. The central agency provides each local agency with summary data for each outcome indicator and with comparisons among the local agencies.
5. Technical assistance is provided to poorly performing local agencies – perhaps by high-performing agencies.
6. The central agency and representatives of local agencies sponsor an effort to identify exemplary practices and disseminate them to all local agencies.

A further crucial step to facilitate acceptance of comparative indicators is to ensure that there is a facility for managers to provide explanatory/contextual information to help users of the data understand factors affecting performance. Explanatory information can be used to help those interpreting the data understand why performance changed or why it may be better or worse than a benchmark used for comparison. Such explanatory information is an explicit part of the Service Efforts and Accomplishments reports produced by US municipalities under the direction of the Governmental Accounting Standards Board (Epstein, 1992).

Finally, consistency in methods of data collection is obviously central to the development of comparative performance indicators. The need for a common agreed cost base has already been referred to (see section 6.2). Technical advisory committees or steering committees are used in US initiatives such as the North Carolina benchmarking project and the ICMA Comparative Performance Measurement Consortium to agree common definitions. In England and Wales, the Audit Commission ensures consistent definitions for national indicators. It has also been suggested that the Audit Commission might act as the repository of a 'library' of local performance indicators, complete with standard definitions. These would be available for local authorities who wanted to use standard definitions for a range of local indicators to facilitate comparisons with similar or neighbouring authorities (Department of the Environment, Transport and the Regions, 1999b).

## **6.6 Conclusions – moving from measurement to action**

Whether performance measurement is focused on assessing indicators against targets, over time, against comparative authorities, or most likely some combination of these, the exercise will be of little benefit unless measures are actively used to promote improvements in performance.

Paradoxically, a first step in securing active use of measurement systems may be to recognise the limitations of performance measurement. In many areas of the public sector, as Stewart and Walsh (1994) comment: 'Performance assessment is ... not a matter of performance measures, but a matter of judgement which can be informed by performance measures but which can never be determined by them'. Performance measurement can serve a useful role in enhancing the performance of local authorities but it is not a substitute for the need for sound judgement.

Once a measurement system is agreed and up and running, there are a number of ways to focus on actions arising from measurement:

- Ensure that performance indicators are linked to challenging targets established in strategy statements and business plans.
- Secure the active involvement of local managers, front-line staff and service users in the development of the measurement system, particularly through the active feedback of findings to all interested stakeholders.
- Develop meaningful comparative benchmarks to encourage a search for best practice and the consequent development of plans to learn from and emulate such best practice by others.

## Conclusions and Recommendations

### 7.1 Introduction

Performance measurement can be viewed in two main ways. To the pessimist or those resistant to the concept of measurement in the public sector, performance indicators are likely to be seen as at best an irrelevance and at worst an attempt to impose controls on behaviour in an autocratic manner. To the optimist or those who support measurement, performance indicators provide an opportunity to reflect on performance, learn from the best, and enhance service to the public. The information provided can either be 'rubbished' for the deficiencies inherent in the data, or worked with to highlight particular issues in need of further investigation.

Which of these viewpoints wins out will in large part be determined by the uses to which performance indicators are put. The lesson emerging from this brief review of practice is that the primary role of performance measurement in local government is developmental. The main benefit is in raising questions that may not be aired otherwise: posing challenges to conventional wisdom and stimulating new ideas and approaches to service delivery. Ideally, indicators will be used by clients, staff and managers at the local level to set a framework within which local authority performance can be assessed and improved. It is through generating a sense of ownership of performance measurement at the local level that its impact will be more than superficial.

This study advocates a three level approach to performance measurement in local government: for county/city-wide strategic priorities; for service programmes; and at the team/individual level. If effective performance measurement systems are to be established at each of these levels, action needs to be taken in a number of areas. In the companion piece of research on performance measurement for the health sector commissioned by the Committee for Public Management Research, Butler (2000 CPMR, Discussion Paper No. 14) identifies four aspects of performance measurement which require particular attention:

- Developing performance measurement systems: the approaches to be used to develop measurement systems.
- Developing data collection systems: the identification of specific performance indicators and the development of monitoring systems to collect, aggregate and disseminate data.
- Developing data use: ensuring the active use of data to inform decision-making.
- Co-ordinating performance measurement: the integration of national and local data and reduction of duplication and waste.

Actions needed for these four aspects of measurement for each of the three levels identified are set out in Figure 7.1 and discussed below. The intention is to provide guidance for those interested in promoting the development of performance measurement in local government.

### **7.2 Strengthening performance measurement at the county/city-wide strategic priority level**

Reflecting the key role that local authorities have in promoting and co-ordinating social, economic and cultural development at the local level, county/city wide performance measurement systems need to be developed that enable the tracking of strategic priorities.

#### ***7.2.1 Developing performance measurement systems***

Given the practice that has evolved internationally, it is recommended that two main measurement systems are developed at county/city wide level:

**Figure 7.1: Strengthening performance measurement in local government**

<i>Aspects of performance measurement</i>				
<i>Level</i>	<b>Developing performance measurement systems</b>	<b>Developing data collection systems</b>	<b>Developing data use</b>	<b>Co-ordinating performance measurement</b>
<b>County/city-wide strategic priorities</b>	<ul style="list-style-type: none"> <li>Community status measurement system (County/city strategy for economic, social and cultural development)</li> <li>Strategic priority measurement system (Strategy statement)</li> </ul>	<ul style="list-style-type: none"> <li>Balanced set of indicators, with particular focus on outcomes</li> <li>Involvement of key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Policy development</li> <li>Strategic direction</li> <li>Quarterly/annual feedback</li> </ul>	<ul style="list-style-type: none"> <li>Key national priorities</li> <li>Cross-cutting issues (DoELG and LGMSB)</li> </ul>
<b>Programmes</b>	<ul style="list-style-type: none"> <li>Programme-based measurement system (Business plans)</li> </ul>	<ul style="list-style-type: none"> <li>Balanced set of indicators, with particular focus on service delivery and efficiency</li> <li>Involvement of staff and service users</li> </ul>	<ul style="list-style-type: none"> <li>Programme implementation and improvement</li> <li>Monthly/quarterly feedback</li> </ul>	<ul style="list-style-type: none"> <li>Key national priorities</li> <li>Consistency in methods of data collection (DoELG and VFM unit)</li> </ul>
<b>Team/Individual</b>	<ul style="list-style-type: none"> <li>Team/individual based measurement system (Performance management process)</li> </ul>	<ul style="list-style-type: none"> <li>Balanced set of indicators with particular focus on service delivery</li> <li>Involvement of staff</li> </ul>	<ul style="list-style-type: none"> <li>Staff development</li> <li>Linking performance to rewards</li> <li>Quarterly/annual feedback</li> </ul>	<ul style="list-style-type: none"> <li>National framework agreement</li> <li>DoELG HR and financial/pay responsibilities</li> </ul>

- (a) A community status measurement system, to reflect the co-ordinating role of local government where other agencies are also involved in service delivery. This system would be the responsibility of the county/city development board, to facilitate the tracking of progress in the implementation of determined strategies and identification of issues which need new strategic responses (Department of the Environment and Local Government, 2000)
- (b) A strategic priority measurement system, to reflect strategic issues for the local authority itself. This measurement system would be the responsibility of the local authority, and clearly linked to the strategy statement.

### ***7.2.2 Developing data collection systems***

As a general statement, a key issue highlighted in this study is the need for a balanced set of performance indicators. In particular, there is a need for data collected to reflect customer and employee issues as well as collecting traditional financial measures. It is also important that the key stakeholders are involved in the data collection process, rather than seeing it being imposed on them.

Within this balanced approach, for the community status measurement system it is recommended that the primary focus is on outcomes, and in particular the development of indicators which are relevant to co-operative working between agencies. Particular local goals and shared objectives for issues such as water quality, infrastructure capacity and crime may be highlighted in the local strategy. Indicators will need to be developed to assess achievement against these goals and objectives, with specific indicators for individual agencies highlighting their particular contribution.

For the local authority strategic priority measurement system, it is recommended that the primary focus is on service delivery. Indicators need to reflect priorities identified in the strategy statement. The Coral Springs Key Intended Outcome data collection system offers a useful model here (City of Coral Springs, 1997). Customer quality surveys are likely to be an important source of data though limitations due to customer knowledge of services, and expectation levels, must be acknowledged. With regard to financial management measures, the intention is to give a broad overview of expenditure patterns and highlight trends over time. With regard to human resource management indicators, the emphasis should be on strategic human resource issues such as the extent of diversity in the workplace. Employee surveys offer a useful source of data with regard to human resource management issues in particular.

### ***7.2.3 Developing data use***

At this level, the primary intended uses of the data collected are policy development and providing a strategic direction. Reflecting this strategic focus, it is likely that feedback to facilitate use will be quarterly/annually rather than more frequently. Information obtained at this strategic level might usefully link with the proposal for the development of sectoral indicators outlined as part of the *Programme for Prosperity and Fairness* (2000). For the community status measurements, annual reports such as Alberta's *Measuring Up* serve as important milestones and act as a focus for attention to ensure that the measurement system is relevant and used.

#### ***7.2.4 Co-ordinating performance measurement***

In terms of developing and highlighting national priorities to be reflected in county/city-wide measurement systems, the Department of Environment and Local Government (DoELG) have an important role. Certain common performance indicators may be promoted by the DoELG, as in the United Kingdom Best Value performance measurement system. However, it is not expected that the number of measures promoted centrally will be as extensive as that in the United Kingdom. Central government is likely to have a particular interest in the development of cross-cutting indicators aimed at encouraging co-operative working at the local level. The Local Government Management Services Board and support structures for the county/city development board are likely to be important facilitators and co-ordinators here.

### **7.3 Strengthening performance measurement at the service programme level**

Local government performance measurement has most day-to-day impact at the level of service programmes such as housing and environmental protection. It is at this level that measurement can help track the impacts of service delivery.

#### ***7.3.1 Developing performance measurement systems***

A programme-based performance measurement system is recommended for development here. Each programme area should be encouraged to develop appropriate indicators to enable progress in implementing programme objectives to be assessed. The measurement system would be the responsibility of the programme areas, with some central co-ordination and direction within the local authority (e.g. through an internal audit unit or corporate development unit). The measurement system should be clearly linked to the business planning process for each programme.

#### ***7.3.2 Developing data collection systems***

Within the overall approach of developing a balanced set of indicators, it is recommended that particular attention be paid to the development of service delivery and efficiency indicators at the programme level. The Best Value initiative in the United Kingdom offers examples of a range of programme-based performance indicators that can be used in this context. Quality assessment using sources such as surveys and trained observers is likely to be an important source of data. It is also recommended that local authorities give consideration to selecting other authorities to use as benchmarks against which programme performance can be assessed, as well as assessing changes over time.

With regard to the method of data collection, the programme logic model represents a useful means of identifying the data in need of collection at programme level. It is particularly important in using this model, or indeed any other approach, that the views of service users and staff are sought, to provide information for the model's development.

#### ***7.3.3 Developing data use***

At the programme level, the primary intended use of the data collected relates to programme implementation and development. Given the need to track progress against business plans, it is likely that monthly and/or quarterly feedback reports will be needed to assess performance. Cities such as Austin, Texas illustrate how programme-based measures can facilitate business plan implementation.

### ***7.3.4 Co-ordinating performance measurement***

Local authorities should be able to develop their own programme indicators, with the primary emphasis on local ownership. But at the county/city-wide level, there are national priorities that will influence the development of performance measurement at programme level. Also, there is little point in each authority re-inventing the wheel. There are also benefits in ensuring consistency in data collection. There is, therefore, an important role for the DoELG in terms of co-ordinating activities. In particular, the Value for Money Unit of the Local Government Audit Service can play a useful role in helping encourage a common core set of both financial and service delivery indicators.

Local authorities themselves may consider developing benchmarking networks to share experience, such as the six municipalities network in Norway and the North Carolina benchmarking project. Such networks, apart from providing useful comparative information, can encourage a co-ordinated approach to performance measurement.

## **7.4 Strengthening performance measurement at the team/individual level**

As noted elsewhere in this study, the comprehensive development of team/individual-based performance indicators should build on the development of measurement systems at county/city and programme levels. These higher-level measures are needed to provide the context for team/individual measures.

### ***7.4.1 Developing performance measurement systems***

A team/individual based performance measurement system is recommended here, with the focus on enhancing each individual's understanding of what needs to be achieved at work and how it is to be achieved. Performance measurement needs to be an integral part of the performance management process in local government.

### ***7.4.2 Developing data collection systems***

Again, a balanced set of indicators is recommended, covering the service delivery, financial management and human resource management fields. A particular focus on service delivery would help emphasise the importance of this concept for all staff. With regard to data collection, methods such as the 'alignment worksheets' used in Austin, Texas can facilitate the gathering of relevant data (Austin City Auditors Department, 1999). It is important that individual indicators are clearly linked to higher-level objectives. As part of the involvement process, it is also important that performance indicators derived at the level of the team/individual are negotiated and agreed between supervisors and employees.

### ***7.4.3 Developing data use***

The emphasis should be on staff competency development when using indicators at this level. Apart from regular informal feedback, it might be expected that quarterly and/or annual feedback sessions be arranged to facilitate dialogue regarding performance.

### ***7.4.4 Co-ordinating performance measurement***

Obviously, any performance management process at team/individual level, and associated performance indicators, need to be compatible with any national framework agreement reached in the context of partnership agreements. The DoELG will also provide central direction on human resource management issues and financial/pay responsibilities within this context.

## **7.5 Conclusions**

Performance measurement is still in its infancy in local government in Ireland. There are many benefits that can derive from performance measurement. Performance indicators can help encourage collaborative activities, establish a programme's effectiveness, and give a focus to quality of service delivery issues. Performance indicators can also be used to better assess the impact of local government services on its customers and the general public. Measurement fosters a climate of enhanced accountability for service provision.

Yet it is important to recognise that performance measurement is not without its limitations. Performance indicators in local government can help focus attention on particular issues but rarely of themselves provide sufficient information as to why things happened as they did. More often than not they point the way to further inquiry rather than providing direct answers. Also, misuse of comparative indicators of performance can lead to dysfunctional behaviours such as concentration on short-term issues and gaming (the manipulation of measures to get the 'right' results).

This study provides some pointers as to how to gain some of the benefits of performance measurement while minimising the problems which can arise. A key message is the need to develop performance measurement in a balanced manner: at different levels in local government and from customer, employee and financial perspectives. What is important now is that initial steps are taken in these areas, and lessons learned from practice. It is also crucial that the performance measurement systems developed connect to and inform the other key management processes in local government, particularly strategic management, business planning and performance management. It is only when these connections are made that performance measurement will make a significant contribution to improving local government performance.

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## ANNEX A

### Measuring Up (Alberta, Canada)

#### Performance summary

This report provides information on the Alberta government's progress in relation to its goals in each of the three core businesses: People, Prosperity and Preservation. For 1998–99, the government's agenda focused on:

- maintaining fiscal responsibility and paying down debt;
- reinvesting wisely in Albertans' priorities;
- people development – with a strong focus on children and education;
- addressing pressures from a growing economy and population, and
- strengthening Alberta's economic and tax advantages.

This agenda was reflected in the government's 1998–2001 business plan goals, priorities and strategies. Fiscal responsibility continued to be a top priority of government. Targeted reinvestments in health, education and infrastructure were made to address growth pressures and improve services. Taxes were reduced and Alberta's economy continued to grow and create more jobs for Albertans.

The following are the highlights of areas where good results have been achieved and other areas where improvement is needed.

Good results have been achieved in ...

- *Life Expectancy at Birth* – Albertans have among the highest life expectancies in the world.
- *Births to Mothers Under 18* – The birth rate for Alberta females under age 18 dropped by 41 per cent between 1991 and 1998.
- *Literacy and Numeracy Levels* – 87 per cent of Alberta grade 9 students writing the provincial achievement test in 1998 met the acceptable standard in language arts, bettering provincial expectations.
- *Family Income Distribution* – The percentage of Alberta families with incomes less than \$20,000 remained constant at 9.1 per cent in 1997, bettering the target of 10 per cent .
- *Job Growth* – 57,100 net new jobs were created in 1998. The four year target is 155,000 new jobs by December 2000.
- *Cost of Government* – Alberta government per capita expenditure decreased slightly to 91 per cent of the average per capita expenditure of the other nine provinces.
- *Taxation Load* – Alberta's provincial tax load on persons is the lowest in Canada.
- *Provincial Credit Rating* – Alberta's blended credit rating was the highest of all Canadian provinces.
- *Net Debt* – By the end of 1998-99, net debt (excluding pension obligations) was reduced to \$63 million.
- *Air Quality* – No days of poor air quality were reported in 1999.

Areas for improvement include..

- *Literacy and Numeracy Levels* – In 1998, 71 per cent of grade 9 students writing the mathematics achievement test attained the acceptable standard, well below provincial expectations of 85 per cent .
- *Births to Mothers Under Age 18* – Alberta's rate in 1997 was 26.2 per cent higher than the Canadian average.

- *Adoption of New Technologies* – Alberta business funding of research and development was at 6.9 per cent of Canadian business funding in 1995, still well below the target of 11.1 per cent .
- *Taxation Load* – Alberta's basic personal income tax rate is the second lowest in Canada behind Ontario.
- *Workplace Climate* – The rate of person days lost to injuries and disease increased by 5.9 per cent in 1998.
- *Crime Rate* – In 1997, Alberta's violent crime rate was 9.3 per cent above the Canadian average.
- *Resource Sustainability* – The production of natural gas continues to exceed the rate of replacement. Alberta's remaining supply of established reserves declined from 10 years to 9 years in 1998.
- *Water Quality* – Water quality guidelines for bacteria and nutrients were frequently not met downstream from Calgary, Edmonton and Lethbridge. In addition, guidelines for nutrients were frequently not met in the Athabasca River at Old Fort, impairing recreational use.

### **Changes in results from previous year**

The attached table summarises the changes in results from the 1997-98 report.\* The 25 core measures are grouped according to the 17 business plan goals and the government's three core businesses: People, Prosperity and Preservation.

Implementation of Alberta's performance measurement system is a work in progress. We recognise that to service the public's information needs well and to assist decision makers in their public policy and budget deliberations, we need to continuously improve the system.

### **Looking ahead**

In addition to reporting to Albertans on the results achieved, one of the purposes of *Measuring Up* is to assist government in making choices, developing business plans, and improving programs and services for Albertans.

The result from this year's *Measuring Up* report will provide important information for updating and revising government and ministry business plans for 2000-03. Albertans can expect to see many of the areas for improvement highlighted in future business plans with appropriate strategies in place.

The 2000 edition of *Measuring Up* will represent a further improvement in performance measurement. Measures will have been created to address each of the government's 17 goals.

\* The table printed here is an extract from the full table available in *Measuring Up*. The full table shows results for all 25 core measures.

## Changes In Results From Previous Year

### People

Goals	Measures	Results
Albertans will be healthy	<b>Life Expectancy at Birth</b>	– In 1997, life expectancy among females was 6 <sup>th</sup> highest (81.3 years) and for males 5 <sup>th</sup> highest (76.1 years) in the world.
	<b>Health Status</b>	– No change in percentage rating their health as either fair or poor. Second lowest rating of fair or poor health among provinces
Our children will be well cared for and safe	<b>Births to Mothers under Age 18</b>	↑ In 1998, Alberta's teen birth rate declined 3.6% but remains above the national average.
Alberta students will excel	<b>Educational Attainment</b>	↑ High school completion rate increased to 70% but did not meet our target of 75%
Albertans will be independent	<b>Literacy and Numeracy Levels</b>	– 87% achieved the language arts standards. 71% the mathematics standard, below our expectations of 85%.

### Prosperity

Alberta will have a prosperous economy	<b>Job Growth</b>	↑ 57,100 net new jobs created in 1998 (target of 155,000 jobs by December 2000).
Our workforce will be skilled and productive	<b>Skill Development</b>	↓ Productivity fell by 3.5% to \$67,500 per employed person in 1998.
Alberta will have effective and efficient infrastructure	<b>Infrastructure Capacity</b>	– Fewer primary highways subject to spring road bans. Export gas pipeline capacity exceeded demand. R&D spending was down.
	<b>Cost of Government</b>	↑ Per capita spending decreased slightly to 91% of the average of the other nine provinces, bettering the target of 95%.
Alberta businesses will increase exports	<b>Export Trade</b>	↓ International commodity exports fell to \$30.5 billion in 1998.

### Changes In Results From Previous Year

<b>Preservation</b>		
Alberta will be a safe place to live and raise families	<b>Crime Rate</b>	— In 1997, both violent and property crime rates were above the Canadian average by 9.3% and 4.5% respectively
The high quality of Alberta's environment will be maintained	<b>Air Quality</b>	— Target met of no. days rated at poor or very poor air quality.
	<b>Water Quality</b>	— River water quality is still generally 'good' to 'fair' however, water quality continues to be poorer downstream of areas of significant urban, industrial, or agricultural development.
	<b>Land Quality</b>	↑ Land productivity increased to 0.89 tonnes/acre in 1998.
Albertans will have the opportunity to enjoy the province's natural, historical and cultural resources	<b>Heritage Appreciation</b>	— Visitation to natural and historic sites has remained relatively constant over the past few years.

- ↑ Improved performance
- No significant change from previous year
- ↓ Declining performance

Source: Government of Alberta, 1999

## ANNEX B

### Oregon Benchmarks Performance Report (Oregon, USA)

Progress Report - Highlights Benchmark Performance Summary - Community Developments

<b>Key Benchmarks</b>	<b>Grade</b>
70. Urban Highway Congestion	<b>F</b>
78. Affordable Housing	<b>D</b>
<b>Other Community Development Benchmarks</b>	<b>C+</b>
<b>OVERALL GRADE – COMMUNITY DEVELOPMENT</b>	<b>D+</b>

#### *Key Benchmarks*

It is unlikely that Oregon will achieve the year 2000 target for congestion.

The percentage of Oregon's lower income homeowners who have difficulty affording their homes has remained constant at 38% since 1990. The percentage of renters who have difficulty has remained at about 70% through the 1990s. Oregon is unlikely to achieve the target for either owners or renters.

#### *Other Benchmarks*

In community development, Oregon has made the most progress by keeping up with infrastructure demands. Percent of Oregonians served by public drinking water systems that are at or above health based standards; percent of Oregonians with adequate sewage disposal and percent of roads in fair of better condition are all at or above the year 2000 targets.

Benchmarks related to automobile use either worsened or did not improve. Urban Oregonians drove over 400 more miles per person in 1997 than they did in 1990. The percent of Oregonians who used some means other than the single occupancy vehicle to commute to and from work saw a rise in 1996 and then declined to 1990 levels in 1998.

#### *Comparison with the 1997 Performance Report*

The D grade for affordable housing is the same as 1997.

*Source:* Oregon Progress Board, 1999

## ANNEX C

### City of Portland, USA: Overall City Spending

Overall, the city spends about \$1,030 per capita on the nine major services in FY 1997-98:

- The Police and Environmental Services bureaus are the most costly city services per capita
- Buildings and planning services are the least costly
- Spending per capita grew the most in Environmental Services, Planning and Buildings over the past 10 years - 147, 82 and 55 per cent respectively
- Fire, Transportation and Water spending per capita declined in real terms the past 10 years
- Spending and staffing increases slowed considerably the last few years
- Services that charge fees have grown faster than services supported by general revenues.

#### Spending Per Capita (Adjusted for inflation)

	97-98	Change over 5 years	Change over 10 years
Police	\$246	-1%	+15%
Environmental Services	\$212	+44%	+147%
Fire	\$156	-12%	-8%
Transportation	\$133	-6%	-6%
Water	\$108	+6%	-5%
Parks and Recreation	\$76	+1%	+11%
BHCD	\$48	-17%	+2%
Buildings	\$35	+25%	+55%
Planning	\$16	+49%	+82%
Total	\$1,030	+4%	+18%

*Source:* Office of the City Auditor Portland, Oregon (1998)

#### Authorised Staffing (FTEs)

	97-98	Change over 5 years	Change over 10 years
Police	\$246	-1%	+15%
Environmental Services	\$212	+44%	+147%
Fire	\$156	-12%	-8%
Transportation	\$133	-6%	-6%
Water	\$108	+6%	-5%
Parks and Recreation	\$76	+1%	+11%
BHCD	\$48	-17%	+2%
Buildings	\$35	+25%	+55%
Planning	\$16	+49%	+82%
Total	\$1,030	+4%	+18%

*Source:* Office of the City Auditor Portland, Oregon (1998)