1

Introduction

1.1 Focus of the paper

This paper is intended to provide practical assistance to civil service managers involved in the development of performance indicators. In particular the paper examines the role of performance indicators in a number of key areas: in the business planning process; in units where the main focus is on policy work; and in the process of verifying how civil service organisations are performing.

1.2 Background and terms of reference for the study

The issue of performance indicators has been a subject of scrutiny for the Committee for Public Management Research (CPMR) on several occasions. *Managing Public Sector Performance* (Boyle, 1989), *Making the Most of Management Information* (Boyle, 1990) and *Measuring Civil Service Performance* (Boyle, 1996) were published under the aegis of the Committee for Administrative Research. For the CPMR, *Developing An Integrated Performance Measurement Framework for the Irish Civil Service* (Boyle, 1997), *Performance Measurement in the Health Sector* (Butler, 2000) and *Performance Measurement in Local Government* (Boyle, 2000) have all prominently featured the development of performance indicators. The main focus of most of these studies is on drawing lessons from experience, mostly from other administrations, on the development and use of performance indicators.

More recently, the issue of performance indicators is gaining renewed prominence in the Irish public service. In particular, four developments are to the fore in highlighting the need for more attention to be given to developing useful and useable performance indicators:

- *The performance verification process established under Sustaining Progress* (2003). Arising from the performance verification process, and the comments of the performance verification groups (PVGs), there is a perceived need to enhance the evidence base of actions being progressed under the modernisation programme. Existing performance indicators are seen as being of limited assistance in providing information on verifiable progress.

- *The resource allocation and business planning (RABP) pilot project.* In 2003 and 2004 three departments (Agriculture and Food, Social and Family Affairs and Transport) took part in a pilot project aimed at linking departmental business planning processes, resources, outputs and inputs in a meaningful and informative manner. Performance indicators are an important part of this process.

- *The introduction of the Management Information Framework (MIF).*[1] The development of non-financial performance indicators as promised under the MIF is posing a particular challenge to many government departments. As the implementation of MIF proceeds, departments and offices are looking to develop performance indicators that will underpin the system in a coherent manner.

- *Studies undertaken as part of the expenditure review initiative (ERI).* As part of its brief, reviews conducted under the ERI should specify suitable performance indicators that can be used to monitor and evaluate programmes in the future. While only a relatively small number of studies have yet taken place, this initiative is raising awareness of performance indicators and their role in assessing programme expenditure.

These and other factors are leading to a growing demand for assistance and guidance in the development of performance

indicators. Consequently, the Committee agreed that the focus for this study should be on practical assistance for line managers as to how to proceed with the development of performance indicators. To this end, the terms of reference agreed for the study were:

a) To identify, outline and review current practice with regard to the development of performance indicators in selected public service organisations.

b) To support the development of capabilities in public organisations to develop and use performance indicators.

c) To develop good practice guidance and documented examples of performance indicators.

d) To review lessons learned with respect to how performance indicators might be further developed within the Irish civil and public service.

1.3 Study approach and focus

In line with the requirement in the terms of reference to review current practice, contact was made with four government departments to assess their engagement with the development of performance indicators. The departments selected were Agriculture and Food; Communications, Marine and Natural Resources; Community, Rural and Gaeltacht Affairs; and Environment, Heritage and Local Government. They provide a mix of sizes of department and cover both policy-oriented and operational-oriented functions.

From discussions with these departments, plus a review of relevant literature, a small number of themes were identified to focus the study, and ensure that the output from the research provides practical and useful material for line managers engaged in developing and using performance indicators. The themes identified are:

• *Developing and using performance indicators in the business planning process*. It is clear that the main work in

government departments at the present time with regard to performance indicators is in relation to line managers (with appropriate supports) attempting to develop indicators that will be of use to them in their business planning. Indicators produced as part of the business planning process are intended to inform day-to-day management activities, to 'ground' the MIF requirements in practice, and to be informed by and to inform strategy-level indicators.

- *Appropriate performance indicators for policy units.* As with all administrations, there are difficulties and challenges in producing useful performance indicators for units or divisions engaged mostly in policy-related work. Work in this area to support improvements to the evidence base of policy units is seen as important.

- *Using indicators in the performance verification process.* The performance verification process, mentioned in section 1.2, is being used by the government to validate that, in return for pay increases given to civil servants, progress is being made in modernising civil service practices and procedures. Departments are facing significant challenges in producing verifiable information as part of this process.

1.4 Report structure

Following this introductory chapter, Chapter 2 introduces some basic concepts and approaches to performance indicator development.   The next three chapters examine the main themes identified in section 1.3. Chapter 3 examines performance indicators in the business planning process. Chapter 4 looks at performance indicators and policy work. Chapter 5 explores the role of performance indicators in the performance verification process. In Chapter 6, the management aspects of developing performance indicators in departments and offices is explored. Finally, in Chapter 7, conclusions and recommendations are set out.

2

Performance indicators: definitions and identification

2.1 Introduction

This paper is not a basic guide to the development of performance indicators. Nor does it provide a theoretical overview of performance indicators. Other publications have been written that serve such purposes (see, for example, Boyle, 1996; Martin and Kettner, 1996; and HM Treasury, 2001). Also, the Department of Finance (2004) has issued a report on performance indicators including examples of good practice. However, while not wanting to go over this ground, but before moving on to examine some particular practical issues in the remaining chapters, it is important here to briefly introduce some basic terminology and approaches to developing performance indicators. This is needed to set a common language for understanding the subsequent discussions, and to introduce the logic model, elements of which underly much of the material in the chapters that follow.

2.2 The terminology of performance indicators - some definitions

There is no single, agreed terminology or typology of performance indicators. However, two main definitional approaches can be identified from the literature. One approach, popularised by the value for money literature and the programme theory literature (see for example Boyle, 1989 and Schacter, 2002a) refers to input, activity, output and outcome indicators:

- *Input indicators* cover the resources consumed for a particular activity, such as budget absorption, over/under spending, and the number of people working on a programme.

- *Activity indicators* show the things done by people in the course of delivering activities or programmes. For example, consultation meetings held, visits to sites.

- *Output indicators* measure the products or services directly produced by an organisation. For example, the number of grants processed, inspections carried out, parliamentary questions answered.

- *Outcome indicators* focus on what happens as a result of the output; the events or changes in conditions/behaviour/ attitudes that arise. An important distinction is made in the literature between intermediate outcome and final outcome indicators. *Intermediate outcome indicators* measure the more direct and shorter-term to medium-term effects, such as the number of harmful organisms found as a result of plant health inspections. *Final outcome indicators* aim to track the longer-term and ultimate goals of an activity, such as maintaining Ireland's high health status rating under the plant health controls programme. This distinction is addressed in more detail in section 2.3.
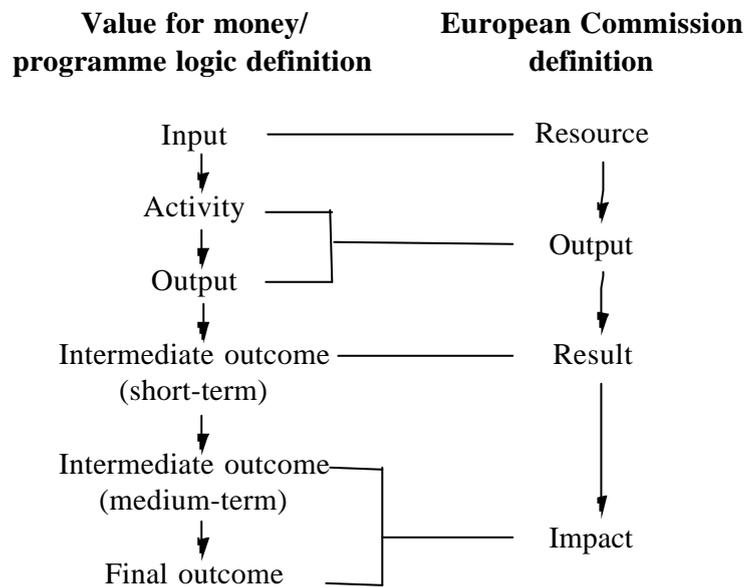
The other definitional approach, put forward by the European Commission in the context of evaluating socio-economic programmes, identifies resource, output, result and impact indicators (European Commission, 2004):

- *Resource indicators* provide information on the financial, human, material, organisational or regulatory means used to implement programmes.

- *Output indicators* represent the product of the programme's activity.

- *Result indicators* represent the immediate advantages of the programme for the direct beneficiaries

- *Impact indicators* represent the consequences of the programme beyond its direct and immediate interaction with the beneficiaries.

In practice, there is a considerable degree of commonality and overlap between these definitions. Figure 2.1 illustrates this point. This figure oversimplifies the correlation between results and short-term intermediate outcome indicators, in that result indicators measure the effects on direct beneficiaries only, whereas short-term intermediate outcome indicators could include the immediate effects on those who are not direct beneficiaries (this would be covered by an impact indicator in the European Commission definition). However, for most practical purposes, the figure illustrates the common points between the two sets of definitions.

Figure 2.1: Comparing performance indicator definitions

Value for money/ programme logic definition	**European Commission definition**
Input	Resource
Activity	Output
Output	
Intermediate outcome (short-term)	Result
Intermediate outcome (medium-term)	Impact
Final outcome	

It should also be noted that under the Management Information Framework (MIF), all indicators beyond output indicators − outcome, result or impact indicators as defined above − are classified as impact indicators.

One further definitional distinction that is particularly pertinent for this study is the distinction between context and programme indicators. Context indicators apply to the entire territory, sector, population or category of population that an intervention is concerned with. Programme indicators are targeted at the direct or indirect effects of the programme. Context indicators are, in practice, often the same as final outcome or impact indicators: they aim to track the final outcomes of a policy or programme, such as changes in the level of absolute poverty or changes in levels of drug use amongst teenagers. Because many factors can affect these final outcomes, it is often impossible to directly attribute to a programme or policy the changes that are reflected in final outcomes. But these changes need to be tracked, as they provide important contextual information for making judgements about the ultimate success or otherwise of a programme or policy.

## 2.3 Identifying existing performance indicators and filling the gaps

An important first step in developing performance indicators is to determine what existing performance indicators are in use, what aspects of performance they cover, what gaps exist in coverage, and how these gaps might be filled. In order to do this, the logic model provides a useful means in many instances of clarifying where things are at with regard to performance indicators (Boyle, 2000). 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.

Hatry (1999) provides a useful summary guide on the development of logic models. Their application in identifying existing performance indicators and gaps in practice is illustrated in a hypothetical example developed in Figure 2.2 and Tables 2.1 and 2.2. This approach is derived from work undertaken by

Figure 2.2: Programme logic model for research and development (R&D) grant scheme
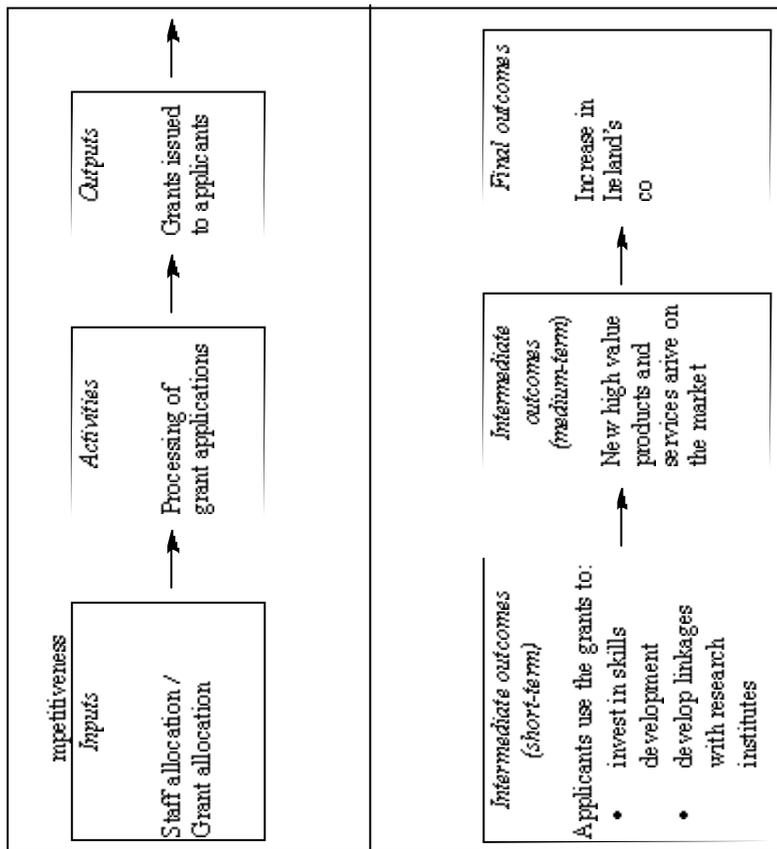
Wholey (1983). Figure 2.2 sets out the logic model for a hypothetical programme aimed at providing grant assistance to develop research and development (R&D) capabilities. The logic model identifies the inputs, activities and output objectives that lead to the desired outcome objectives: short-term, medium-term and final.

The next stage, as set out in Table 2.1, is to identify existing performance indicators. The figure shows a not uncommon situation for the civil service, where indicators exist at present for inputs, activities and outputs, but where there is little by way of

Table 2.1: R&D Grant Scheme: existing performance indicators

Objectives	Existing agreed-on performance Indicators	Data Sources
1. Resources are allocated and expended	1a. Staff years allocated	1a. Budget
	1b. Staff years expended	1b. Programme record
	1c. Grants allocated	1c. Budget
	1d. Grants expended	1d. Accounting System
2a. Staff activities	2a. Number of grants processed per month	2a. Programme records
	2b. Time taken to process grants	2b. Programme records
3. Grants are issued	3a. Number of grants issued per month	3a. Programme records
4. Grants used by applicants for skills development and linkage with research institutes	4a. ———————	4a. —————
5. New high value products and services produced	5a. ———————	5a. —————
6. Increase in Ireland's competitiveness	6a. GDP and GNP per capita as % of EU average	6a. Department of Finance

outcome indicators. The final outcome indicator − change in GDP and GNP per capita as a percentage of the EU average is an important contextual indicator (we need to know this to have some idea about the ultimate aims of the programme). But it is of little use in terms of judging the success of the particular grant scheme, as many other factors also affect GDP and GNP per capita movements.

Having identified the gaps, the logic model then can be used to help develop new performance indicators. Table 2.2 identifies possible new performance indicators that might be used to track the short-term and medium-term intermediate

Table 2.2: R&D grant scheme: Possible new performance indicators

Objectives	Possible new performance indicators	Data sources
4. Applicants use the grants to invest in skills development and linkage with research institutes	4a. Perceived level of research skills before and after grant 4b. Type and quality of links with Research institutes	4a. Telephone surveys of applicants 4b. Telephone surveys of applicants
5. New high value products and services arrive on the market	5a. Number and type of new products and services on the market 5b. Turnover attributed to new products and services	5a. Annual survey of applicants 5b. Annual survey of applicants

outcomes. In order to gather data to provide these indicators, regular surveys of applicants will need to be undertaken.

Using the logic model thus enables existing indicators to be identified in a systematic manner, and highlights where new indicators are needed. By describing the inputs, activities, outputs and intended intermediate and final outcome objectives (results and impacts in the European Commission terminology), the model can be used to suggest what new indicators are needed to fill identified gaps.

3

Performance indicators and business planning

3.1 Introduction

Government departments are increasingly using performance indicators as part of their business planning process. Divisional and work unit business plans are now a common feature in most departments and offices. In discussions with the four government departments interviewed for this study, the development of performance indicators for business planning was described as a priority issue. For example, in the Department of Community, Rural and Gaeltacht Affairs, as from 2004, performance indicators form a part of all divisional business plans, and the related role profiles for staff. The Department of Agriculture and Food was one of the participants in the pilot resource allocation and business planning (RABP) pilot project, aimed at linking departmental business planning processes, outputs and impacts.

In this chapter, a number of issues of specific interest with regard to performance indicators and business planning are addressed. First, the approach outlined in Chapter 2 of using the logic model to help develop indicators for business plans and business plan reporting is outlined. This is followed by how to assess the quality of indicators used in the business plans. Finally, the use to which business plan indicators may be put and in particular the distinction between using indicators for management and for accountability is discussed.

3.2 Developing performance indicators for business planning

A significant challenge noted by departments interviewed for this study is to ensure that indicators used in business plans move beyond activity and output indicators and cover outcomes as well. As one interviewee notes, they need to be able to show not only that divisions are busy and fully occupied, but also that they are busy doing the right things and performing well.

The logic model outlined in Chapter 2 can be of assistance in thinking through and developing the range of performance indicators needed for sound business planning. This is illustrated by the example of business plan reporting given in Table 3.1. In this table, a hypothetical example is given for a division dealing with a grant scheme for improvements to traditional Irish farmhouses.[2] In this hypothetical case, the division runs a scheme to award grants for improvements made to traditional Irish farmhouses using traditional building materials and methods. The government, on introducing the scheme, stated that its objective is to encourage greater retention of traditional farmhouses and so help combat rural depopulation, protect rural heritage and encourage agri-tourism. The division has inspectors who carry out two inspections of the buildings, before the initial and final payments are made.

In terms of the business plan itself, the objectives of the scheme, their conformity with the departmental strategy statement, and specific priority tasks for the year are outlined in the plan. The focus here is on the indicators to be used to support these objectives and tasks.

3.2.1 Input indicators

The first part of Table 3.1 shows suggested input indicators. In this case, they cover both programme and administrative expenditure, and current and capital expenditure. Such information should be available from the estimates and budget control process, and the management information framework (MIF).

Table 3.1: Business plan reporting of performance indicators for traditional Irish farmhouses improvement programme

Input objective: to ensure that programme and administrative expenditure levels are delivered on as agreed

Input indicators	2004 ¤000	2005 ¤000
• Programme expenditure	690	640
- Current	580	550
- Capital	110	90
• Administrative expenditure	160	150
- Pay	135	125
- Non-pay current	25	25
- Capital	–	–

Output objective: to process applications and inspections and pay approved grants efficiently

Output indicators		
• Number of applications	152	126
• Number of rejected applications	13	6
• Number of pre-grant inspections	125	112
• Number of grants approved	110	105
• Average time from grant application to payment for approved grants	7 weeks	6 weeks

Intermediate outcome objective: to improve traditional farm houses using traditional building materials and methods

Outcome indicators		
• Number of farmhouses improved	100	96
• Percentage of applicants who do not comply with scheme	8	6

Final outcome objective: to encourage greater retention of traditional farm houses and so help combat rural depopulation, protect rural heritage and encourage agri-tourism

Context indicators		
• Percentage of population in rural areas	40.4 (2002)	40.4 (2002)
• Number of new full-time-equivalent jobs in agri−tourism	275	240

It may also be relevant, when developing input indicators, to include indicators addressing key government priorities on human resource and financial management issues. An example of such an indicator is the percentage of women in the assistant principal grade for the division or work unit (linked to the government's gender equality policy).

3.2.2 Output indicators

The outputs represent the products of the division's activity. In this case of a grant scheme run by the division, outputs might include the number of grant applications, the number of rejected applications, the number of pre-grant inspections, the number of grants approved, and the average time taken from grant application to payment for approved grants. This last indicator, of the average time taken to process the grant, is typical of indicators used to assess quality of service.

The indicators in the figure are presented at a global level. For more detailed management purposes on a regular basis (say monthly or quarterly) it may often be helpful to 'break out' or disaggregate these indicators (Hatry, 1999). For example, it may be desirable to check if there are differences in performance among different groups or areas: are most of the applications coming from specific areas; does the time taken to process applications vary by region?

Linking output and input indicators can give measures of efficiency. So, for example, in this case it is possible to track over time (and by area if appropriate) the cost per application or the cost per grant approved. Changes in efficiency can thus be monitored on a regular basis.

Output indicators are a vital element in the business planning process, as outputs are the delivery elements over which management and staff have most control. Other examples of output indicators can be found in Boyle (1996) and Department of Finance (2004).

3.2.3 Outcome indicators

The outcome indicators in Table 3.1 are indicators of intermediate outcomes or results: the direct effects of the grant scheme for beneficiaries. These intermediate outcome indicators allow judgements to be made on the effects of the division's work and can be measured on a regular basis. The number of farmhouses improved is directly linked to the objective of the scheme of retention of traditional farmhouses. The indicator measuring the percentage of applications that do not comply with the scheme (which can be determined from inspector visits after grant payment has been made) illustrates whether or not the money is being used correctly. This latter indicator reflects the fact that not all outcomes are as intended, and it is therefore important to track unexpected or undesirable outcomes where possible.

3.2.4 Context indicators

The final row in Table 3.1 sets out two context indicators for the grant scheme run by the division. These indicators measure final outcomes or impacts. They directly track the objectives put forward for the scheme – helping combat rural depopulation and encouraging agri-tourism. The percentage of the population living in rural areas can be measured from Central Statistics Office population data. But, as indicated in Table 3.1, these data illustrate one problem with final outcome indicators – the data are derived from census information and so may only be available on a multi-annual basis. It may not be possible to track year-on-year changes in this case.

Both indicators, of population distribution and of new full - time equivalent jobs created in agri-tourism, illustrate a further problem with final outcome or impact indicators. The factors affecting these indicators are many and varied. Indeed, it could be readily argued that the grant scheme under scrutiny here is likely to have only a marginal effect on these indicators, with other factors being much more important. This issue is known as the attribution problem. As Schacter (2002a) notes: 'The further you move down the logic model toward results out in

society… the further you move away from results that are within the control of your programme'. This issue is addressed further in section 3.4.

Therefore, these indicators are context indicators. It is important that the division track them to see whether or not the ultimate objectives that the scheme is intended to promote are being achieved. But they cannot be used directly to make judgements about the scheme. They set the context within which more detailed information is used to assess the performance of the scheme and the division.

3.2.5 Summary

The development and use of performance indicators for business planning has been illustrated by the example of a hypothetical grant scheme. The use of logic model thinking has been shown to help structure the development of indicators covering inputs, outputs and outcomes. (The application of such an approach when dealing with divisions or work units involved in more policy-oriented work is discussed in Chapter 4.)

An important point to highlight here is the identification and use of intermediate outcome objectives and indicators. As final outcome indicators may only appear after a lengthy time, and as there can be difficulties in attributing change in these indicators to the policy or programme under scrutiny, intermediate outcome objectives and indicators are important for business planning purposes. To illustrate this point further, one of the final outcome objectives of the government's rural development programme is to enhance the natural and cultural heritage. Enhancements to heritage can be difficult to measure. But one of the intermediate outcome objectives associated with this final outcome is the enhancement of the appearance of towns and villages in targeted areas. The theory underlying this intervention is that supports provided through grants and other schemes will lead to enhancements to the appearance of towns and villages which in turn will contribute to the creation of an enhanced natural and cultural heritage. A relevant indicator to track this intermediate outcome objective could be the score

participating targeted towns and villages receive in the tidy towns competition. Changes can be monitored annually in this case, and even compared with changes in non-participating towns and villages. Developing intermediate outcome objectives and indicators enables departments to track their contribution to change in the business planning process.

One final point worth mentioning here is the linkage between business plan indicators and evaluation.[3] The indicators developed for business planning purposes are ones used for regular monitoring of a scheme or programme. They may serve a further useful purpose in indicating that an aspect of a programme or the whole of a programme should be evaluated in more detail. For example, in the traditional Irish farmhouse improvement case, a problem may arise with increases in time taken to process applications that needs to be explored further. Drops in application levels together with other contextual information may suggest the need for a fundamental review of the scheme.

In such circumstances, the indicators used for business planning purposes will be important inputs to the evaluation. But it is unlikely that they will be sufficient of themselves to provide all the information needed. To take the case of a fundamental review of the farmhouse grant scheme, one of the issues that would need to be addressed is deadweight (the extent to which applicants would have gone ahead with the improvements anyway even without a grant). This information is not available from the business planning indicators, nor would one necessarily expect it to be, as it requires intensive survey work to get this information. New indicators would need to be developed to assess deadweight for the evaluation.

3.3 Assessing the quality of indicators used in business plans

Having determined a set of indicators for inclusion in the business planning process, it is useful to check the quality of the proposed performance indicators. Good quality indicators are needed if they are to be useful. In the Department of

Agriculture and Food, performance indicators proposed by divisions for their business plans have been subject to a quality analysis from within the economic and planning unit. This analysis checks the indicators against the SMART criteria (specific, measurable, achievable, relevant and time-bound). An illustrative example of this process is given in Table 3.2. The benefits of this process in terms of improving the specificity of the indicators and ensuring there is a link between indicators and targets can clearly be seen from this example.

SMART criteria or other commonly used criteria make a useful checklist against which to assess the quality of individual indicators.[4] The European Commission (2004) also identifies quality criteria to assess indicator systems as a whole:

- The indicators selected should cover a sufficiently large proportion of the programme measures; at least three-quarters of planned expenditure.

- The system should consist of a good balance between indicators in the different categories, including result and impact indicators.

- The system of indicators should be simple, reflecting managers' capacity to absorb information.[5]

- The relevance of the system implies that the indicators are developed primarily for areas that have significant implications in terms of decision making, such as activities with a large budget, or key strategic themes.

3.4 Using indicators in business planning: distinguishing between management and accountability purposes

Business planning is intended as part of a process of improved management within government departments. Business plans are meant to 'step down' the high level goals and objectives contained in strategy statements to the divisional level. They are also intended to subsequently guide the development of individual performance management and development plans. As such, business plans, and consequently the performance

Table 3.2: Examples of performance indicators analysed using the SMART criteria

Indicator Identified	Specific	Measurable	Achievable	Relevant	Time-bound
Certification of products for export is delivered accurately and within the time limit set out in the CAP.	Relates to a specific item (certification of products for export)	In terms of number of accurate certifications.	Generally targets identified by divisions are deemed to have been incorporated on the basis that they are achievable. This has generally not been questioned in this analysis when a target has been identified.	Relevant to strategy no. 1.5 in statement of strategy	Time criteria identified
Levels of animal disease	Relates to a specific item (animal disease levels)	In terms of number of disease levels	What is identified here is an indicator. Target progress toward which measurement is to take place is not identified therefore achievability cannot be commented upon	Relevant to numerous actions identified in statement of strategy	Not identified, but perhaps not applicable
The example above highlights the issues of distinguishing between a target and an indicator. Levels of animal disease can be seen to be a good indicator but needs to be qualified by a relevant target to be meaningful. The example below also highlights this distinction.					
% of payments within protocol deadlines	Relates to a specific item (payment deadlines protocol)	In terms of % within deadline	Again, what is identified here is an indicator. Target progress toward which measurement is to take place is not identified, therefore achievability cannot be commented upon.	Relevant to numerous actions identified in the statement of strategy	Time criteria identified (protocol deadlines)
Deliver scheme payments in a controlled timely fashion	Relates to specific item (scheme payments)	Although not explicitly stated, would be same as above	Although the 'target' identified is vague, by specifying an action, that action can be deemed achievable	As above	As above
The example above again highlights the indicator/target distinction required. By taking the best of these 2 examples and incorporating a specific target, say 80% within protocol deadlines, the output would be a meaningful target, measured by a concrete indicator. The examples below illustrates where a target and indicator are both identified.					
Implementation of risk management policy in all divisions (80%, on average, reporting throughout year)	Relates to a specific item (risk management policy)	In terms of % reporting throughout year	Generally targets identified by divisions are deemed to have been incorporated on the basis that they are achievable. This has generally not been questioned in this analysis when a target has been identified	Relevant to numerous actions identified in the statement of strategy	Time criteria identified (annual basis)
To remain in bottom quarter of EU member states in terms of disallowances as a % of EU expenditure compared to other member states	Relates to a specific item (disallowances)	In terms of % and comparison to other member states	As above (however achievability may be outside control of division in that it will also be highly dependant on the performance of other countries)	As above	Time criteria not identified (but not relevant given that it is an ongoing activity most likely measured on an annual basis)

Source: Department of Agriculture and Food internal working document

indicators contained in business plans, are an important part of the public accountability process for the use of public funds.
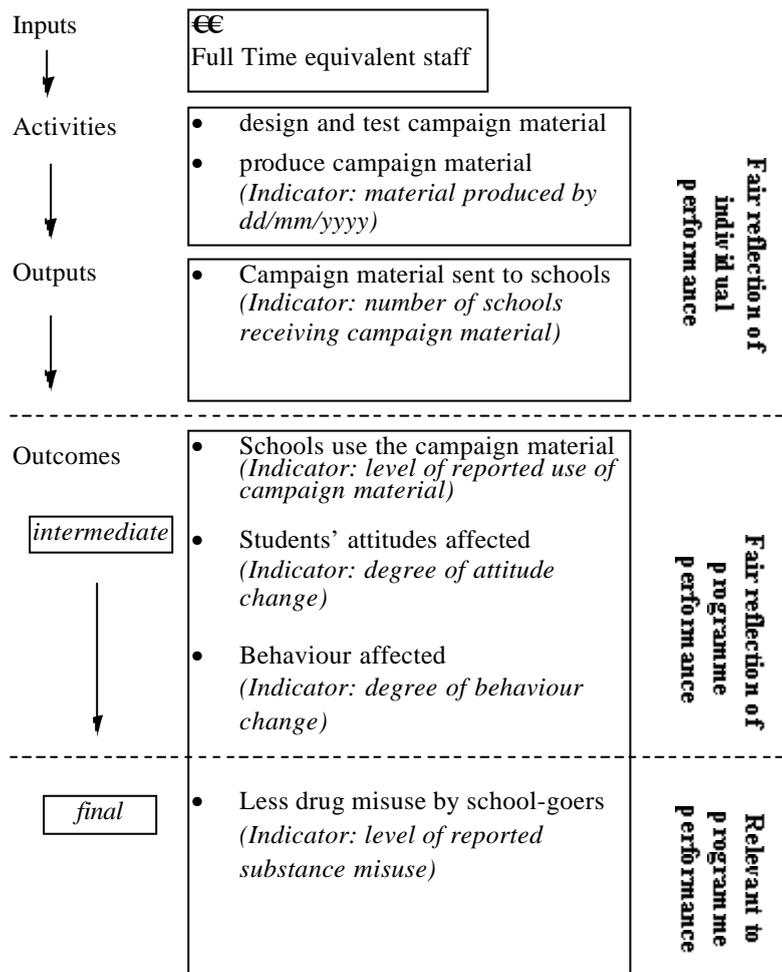
In this accountability context, it is important to recognise that indicators may play different roles, depending on the aspect of performance being measured. Some indicators may be used properly for individual or programme accountability purposes. Other indicators, on the other hand, may be misleading if used for such accountability purposes but nevertheless be important for the overall management of the programme or activity. This issue is best illustrated by way of example, as set out in Figure 3.1, adapted from work by Schacter (2002a).

Figure 3.1 sets out performance objectives and indicators used to assess a substance misuse prevention campaign in schools. Input, activity and output indicators in this example can be used to help assess individual and team performance of staff working in this area. It is the responsibility of the staff working in the area to ensure that the campaign material is designed, tested and sent to schools, within agreed resource allocations. Staff can be *held to account* for this work.

The intermediate outcome objectives and indicators – assessing whether schools use the campaign material, and if students attitudes and behaviour are affected – are clearly beyond the direct responsibility of people working in the area. But these indicators do measure the results of the programme that can readily be directly attributed to the programme. It is possible to judge if the misuse campaign has been used and if it has had an effect on students' attitudes and behaviour. As such, these indicators can be used to assess programme performance and hence programme accountability.

The final outcome indicator – level of reported substance misuse – is affected by many other factors than the campaign itself. It is therefore best described as a context indicator using the terminology outlined in Chapter 2. This indicator is clearly relevant to judgements about programme performance, but it is not possible to attribute changes in this indicator directly to the programme.

Figure 3.1: Using indicators for different accountability purposes: the example of a substance misuse prevention campaign in schools

Inputs ↓	**€€** Full Time equivalent staff	
Activities ↓	• design and test campaign material • produce campaign material *(Indicator: material produced by dd/mm/yyyy)*	**Fair reflection of individual performance**
Outputs ↓	• Campaign material sent to schools *(Indicator: number of schools receiving campaign material)*	
Outcomes intermediate	• Schools use the campaign material *(Indicator: level of reported use of campaign material)* • Students' attitudes affected *(Indicator: degree of attitude change)* • Behaviour affected *(Indicator: degree of behaviour change)*	**Fair reflection of programme performance**
final	• Less drug misuse by school-goers *(Indicator: level of reported substance misuse)*	**Relevant to programme performance**

Source: Adpated from Schacter (2002a)

Both intermediate and final outcome indicators are beyond the direct control of staff working in the area. But as Schacter (2002a) notes: 'They are nevertheless things that you must monitor, because they have profound relevance to the design and the implementation of your program. These are the results that you are managing for even if you can't control them'. These outcomes should be reported on as part of the business planning process. But they should be seen as contributing to *giving an account* on performance rather than being used to hold staff to account.[6] Including outcome indicators such as these is important for the successful management of the programme.

4

Performance indicators and policy work

4.1 Introduction

The use of performance indicators to facilitate judgements about the efficiency and effectiveness of policy work presents significant challenges. As Perrin (1998) notes, a requirement to produce more policy-focused indicators can lead to situations where there is widespread development of easy-to-count indicators which have little or no relationship to what the policy is supposed to be achieving. Peripheral activities that are easy to quantify become the focus of reports that nobody uses.

Such actions as described above arise in part because of cultural and 'political' reasons, but there are also inherent technical difficulties in 'measuring' policy work. Schacter (2002b) identifies four particular challenges:

- Multiple high-level outcomes, which must be pursued simultaneously and that sometimes are in conflict with each other.

- Immeasurable outcomes, described in broad, subjective terms not amenable to rigorous assessment.

- Time lag problems, associated with the fact that many years may elapse between the initiation of a policy and its implementation.

- Attribution problems, where it is impossible to disentangle the impact of a particular policy on final outcomes because these outcomes are also influenced by other policies and influences.

Other challenges may be added, such as where policy is initiated in a department but responsibility for delivering on the outcomes rests with other agencies. These examples are given not to suggest that indicators have no role in policy work; but rather to caution about raising expectations too highly in terms of the role indicators may play. As will be seen, as part of broader efforts to improve evidence on performance, indicators can be helpful for managers and staff engaged in policy work.

4.2 Whole-of-government policy outcome indicators

A survey carried out by the Steering Group on Social and Equality Statistics in 2003 suggested that policy makers regard the indicators currently in use as inadequate for supporting the development and evaluation of social policy (National Statistics Board, 2004). Partly in response to these findings, and partly in relation to initiatives underway, steps are being taken to enhance the indicator base for policy development and evaluation.

Importantly, from a 'whole-of-government' perspective, a number of initiatives are developing, proposing high-level policy outcome indicators that are of relevance to policy formulation and evaluation in a number of government departments:

- A National Economic and Social Council report (NESC, 2002a) on national progress indicators for sustainable economic, social and environmental development proposed eighteen headline indicators and twelve background indicators.

- A separate NESC report (NESC, 2002b) identified twenty headline indicators and sixty background indicators to benchmark the progress of the *Programme for Prosperity and Fairness* (2003).

- The National Competitiveness Council produces an annual competitiveness report using selected indicators to assess competitiveness (National Competitiveness Council, 2004).

- The Combat Poverty Agency (2002) has identified potential social indicators for monitoring the effectiveness of anti-poverty policies.

- The Central Statistics Office (2003) has published *Measuring Ireland's Progress*, a set of 108 progress indicators on economic, social and environmental policy issues.

Examples of indicators from these reports are given in Table 4.1. The main point about these indicators is that they have a high-level focus on broad policy outcomes concerning social, economic and environmental issues. Using the language developed in Chapter 2, they are *context indicators*. These indicators can provide important contextual information for policy units in terms of facilitating judgements about the contribution of policy initiatives to desired outcomes. For example, the indicator of private households with Internet access can be used to inform policy development and evaluation in the e-government policy sphere. The indicator on school retention rates to the end of upper secondary school can be used to inform school attendance policies.

These indicator sets are an important development in the Irish public administration system. It is vital that these indicator sets are developed over time and that supporting initiatives, such as the establishment by departments of data strategy committees (National Statistics Board, 2004) are taken seriously and supported in their activities by senior management.

4.3 Developing policy-related indicators at departmental level

The indicators described above in section 4.2 refer primarily to 'whole-of-government' priorities aimed at final, longer-term outcomes. It is also possible to develop indicators for policy units within government departments that can be used in the business planning and departmental strategic management process.

Table 4.1: Policy outcome indicators: some selected samples

Central Statistics Office - Measuring Ireland's Progress (CSO, 2003)
- GDP and GNI at current market prices
- Ireland and EU15: gross domestic expenditure on research and development
- Private households with Internet access
- Ireland and EU 15: unemployment rates
- Persons experiencing consistent poverty
- Total net greenhouse gas emissions (based on CO_2 equivalents)

National Economic and Social Coucil Progress Indicators (NESC, 2002a)
- Retention rates to the end of upper secondary school
- Participation in adult and continuing education and training
- Employment growth rates by region

National Economic and Social Council Indicators for Benchmarking the Programme for Prosperity and Fairness (NESC, 2002b)
- Occupational injury rate per 1,000 at work
- Disability-adjusted life expectancy at birth and age 60
- Number of childcare places per 1,000 children aged 5 years and under (pre-school) and 6 to 15 years (after-school)

National Competitiveness Council Annual Competitiveness Report (NCC, 2004)
- Composite business basket cost of calls (national and international)
- Broadband penetration per 1,000 population
- Average speed of business deliveries in capital/principal cities (minutes)
- Waste recycling – paper and cardboard (as % of apparent consumption)

Combat Poverty Agency - Monitoring Progress on Poverty (CPA, 2002)
- Number of school leavers lacking basic numeracy skills
- Number of low birth-weight babies
- Extent to which older people participate in civic organisations

Table 4.2 presents an illustrative example from the case of the agri-food policy programme in the Department of Agriculture and Food.[7]

In this example, derived from work undertaken in 2003, output indicators are listed first in Table 4.2. The number of actions taken in implementing recommendations (from the Agri-Food 2010 plan and the beef task force report) and the number of meetings attended (regarding CAP mid-term review negotiations) are examples of commonly used indicators in policy units. They are important and helpful indicators.

Table 4.2: Agri-food programme output and outcome indicators

Outputs   - Number of actions in Agri-Food 2010 plan of action completed or in progress   - Actions taken on beef task force recommendations   - Scale of input to CAP mid-term review negotiations indicated by number and level of EU, bilateral and consultation meetings attended
Outcomes   - Gross value added (GVA) of agriculture and food industry   - Non-EU / new markets open to Irish beef   - Outcome of CAP mid-term review negotiations in terms of the expected impact on Irish agriculture and food sector

Source: Report on Resource Allocation and Business Planning, Department of Agriculture and Food, 2004.

Tracking the implementation of actions outlined in policy plans is obviously a useful exercise. Tracking meetings attended is helpful in terms of planning the efficient use of staffing resources. But on their own, these indicators provide limited information. For example, there may be a small number of actions not implemented, but these may be crucial in terms of achieving the main desired outcomes. The number of

meetings attended gives information on how busy people are, but says nothing about what happens as a result of attending the meetings.

In light of these limitations, the Department of Agriculture and Food has also developed outcome objectives and indicators to track the outcomes arising from the outputs[8]. In the language of the logic model outlined in Chapter 2, the logical sequence of what should happen as a result of producing the outputs is thought through in terms of the desired outcome objectives. So, for example, a key outcome objective of the Agri-Food 2010 plan is that it has a positive impact on the gross value added (GVA) of agriculture and the food industry. The department tracks indicators of the percentage of GDP and of employment accounted for by the agri-food sector annually to assess impact here. Similarly, a key outcome objective of the beef task force report is that non-EU and new markets are opened up to Irish beef, and the number and nature of markets opened up can be tracked as an indicator in this case.

The outcome objective for the meetings attended on CAP mid-term negotiations is to try to ensure that negotiations result in the most positive impact possible on the Irish agriculture and food sector. In its 2003 business plan report, the department states that: 'The benefits achieved under the Agenda 2000 agreement were preserved in the negotiations on the Mid Term Review of the CAP.' In this case, the indicator is qualitative and descriptive in nature, and reporting against it will similarly be of a qualitative and descriptive nature.

Table 4.3 presents a further illustrative example of the development of policy-related indicators at departmental level, focused on intermediate and final outcome indicators. This example covers the islands programme area, overseen by the Department of Community, Rural and Gaeltacht Affairs. The department is developing outcome indicators to help assess the effectiveness of programmes, using the principles of the logic model. In the case illustrated here, as a first step, intermediate and final outcome objectives for the islands programme area are identified. Indicators are then attached to each of these objectives. This approach is being used across all of the

Table 4.3: Possible intermediate and final outcome objectives and indicators for the Islands programmes

Activities/ Outputs	Co-ordinating the state's engagement with the islands. Assisting island communities to participate fully in society through support programmes and government schemes, including funding for capital and current projects to enhance access, services and infrastrature.
Intermediate Outcomes	• Improvements in islands' access infrastructure (*Indicator: number and type of infrastructure improvements*) • Maintenance and development of island access services (*Indicators:* *- number of passengers carried, by islander/non-islander* *- customer satisfaction index*) • Improvements to islands' social and economic infrastructure (*Indicators: number and type of infrastructure improvements*)
Final Outcomes	• Maintenance of living and working population as measured on the islands (*Indicator: changes in living and working population as measured in Census returns*) • Maintained or enhanced living standards for islanders (*Indicators:* *− Full time and part-time/seasonal employment in projects supported by Udárás na Gaeltachta on Gaeltacht islands* *− Number of tourists* *− Average tourist spend* *− FTE jobs supported by tourism expenditure*) • Sustainable and culturally vibrant communities (*Indicator: number and type of services provided through social economy supports and youth work supports. Future indicators could be developed for this objective using selected socio-economic and socio-linguistic indicators as suggested in the Review of Certain Subsidised Ferry Services to the Islands*)

Source: Department of Community, Rural and Gaeltacht Affairs internal working documentation

department's main programme areas to develop high-level outcome indicators.

4.3.1 *Developing policy indicators when overseeing implementation through agencies*

A common situation for policy-oriented units operating in government departments is that they have overall responsibility for policy and for ensuring the implementation of that policy through agencies operating under their control. In this instance, policy units may sometimes not develop or report on indicators themselves, saying that it is the responsibility of the agencies to develop performance indicators. The argument used here, following on from the logic model approach, is that policy units should be responsible for developing and outlining the programme theory including the intermediate and final outcome objectives. While it may then be up to the relevant agencies to develop indicators and collect information on performance against the objectives, the department should report on performance against these indicators as part of its overall policy responsibility.

An example of this approach is set out in Table 4.4. Here, the focus is on the community and local development policy and related programmes, overseen by the Department of Community, Rural and Gaeltacht Affairs. With regard to some programmes in the community and local development sphere, including the Local Development Social Inclusion Programme (LDSIP), implementation and administration of the programmes are overseen by ADM Ltd. on behalf of the department. An intermediate outcome objective for the LDSIP is that local groups develop innovative plans and programmes to improve the local social and economic infrastructure. Readily applied indicators here are the number of plans developed and the number of actions implemented from the plans. It may also be possible to develop an indicator covering the quality of the plans, for example the percentage of plans inspected that fall below a determined quality standard. In this case, the programme theory is that as a result of developing

Table 4.4: Community and local development indicators

The Department of Community, Rural and Gaeltacht Affairs has responsibility for policy and a number of programmes designed to support local and community development. The Local Development Social Inclusion Programme (LDSIP) is one such programme. The Local Development Social Inclusion Fund, which provides funding for the LDSIP is managed by ADM Ltd. Selected intermediate outcome and final outcome objectives and indicators for the LDSIP are outlined below:	
	Intermediate outcomes:
Objective:	Local groups develop innovative plans and programmes to improve the local social and economic infrastructure
Indicators:	• Number of plans developed • Number of actions implemented
	Final outcomes:
Objective:	Sustained social and economic development in communities, with a special focus on areas of disadvantage
Indicators:	• Number of people placed in jobs • Number of people supported in self employment • Number of adults participating in certified education and training • Number of infrastructural/environmental projects supported

high-quality plans, and the subsequent implementation of these plans, local groups contribute to sustained social and economic development in their communities, which is one of the final outcome objectives of the community and local development programme.

With regard to this final outcome objective of sustained social and economic development in communities, Table 4.4 gives examples of indicators gathered by ADM Ltd. that can be used to track progress against this indicator. While ADM Ltd. has responsibility for developing and gathering the data on these indicators as the policy body with overall responsibility for the programme, it is important that the department use these

indicators in its own reporting procedures. In this way, an overview is provided of the outcomes of the community and local development programme for public accountability purposes.

4.4 Summary

This chapter raises some issues associated with developing indicators for policy work. The main focus is on the development of outcome-focused indicators, as this is where there is a relative weakness at present. Boyle (1996) provides a more general overview of assessing policy work for those with a more general interest in this area.[9]

The main points emerging from this discussion on indicators and policy are:

- There is a need to accept that there are limitations on the role and usefulness of indicators for policy work. Not all aspects of work can be adequately addressed by indicators. And, where indicators are used, issues of interpretation and attribution may constrain their role.

- Encouraging new initiatives are taking place in the development of key government policy outcome indicators. These developments should be facilitated and encouraged, and the role of data strategy committees in departments developed to make effective use of policy outcome indicators.

- The identification of intermediate and final outcome objectives, and the subsequent development of indicators to track these objectives, provides a useful approach to identifying relevant indicators for policy work.

- Where departments are responsible for policy that is implemented through other agencies, the department should still maintain overall responsibility for reporting against indicators developed (either by the department or the agencies) that track the outcomes of the policy.

5

Performance indicators
and performance verification

5.1 Introduction

Under the terms of *Sustaining Progress* (2003), the sixth social partnership agreement between the government and social partners, procedures are set out for verifying improvements in organisational performance in return for public service pay increases. For each public service sector, payment of the phases of agreed benchmarking increases is dependent on verification of satisfactory achievement of the provisions on co-operation and flexibility in ongoing change; satisfactory implementation of the agenda for modernisation set out in *Sustaining Progress*; and the maintenance of stable industrial relations.

To determine that conditions for payment are met, performance verification groups (PVGs) are in operation in each sector. Each PVG has an equivalent number of management, trade union and independent members, and an independent chair. The PVG makes an assessment on progress with regard to implementation of the modernisation agenda based on the provision of action plans by organisations, and the subsequent provision of progress reports from each organisation detailing achievements against proposed actions. In the case of the civil service, which is the prime focus of attention in this study, the verification process operates at departmental level.[10]

PVGs note significant variations in the quality of information provided to them with regard to the achievement of

the modernisation agenda. An absence of clear, agreed and common criteria, and of clearly identifiable milestones, is seen as a limitation in the current process.[11] Performance indicators currently play a limited role in the performance verification process. But there is a perceived need to enhance the existing evidence base. In this chapter, means of improving the performance information provided in the verification process are explored. In particular, lessons to be learned from international experience are drawn on to provide a context for possible future developments.

5.2 Some international experience

Two examples of practice in linking public sector organisational performance to resource allocation are examined here: the allocation of a 6 per cent performance reserve in Italy, and the operation of the President's Management Agenda in the United States of America. These examples provide information on approaches to using performance indicators and other performance evidence to enable informed judgement on the implementation of public service modernisation goals. It is the approaches used rather than the actual indicators used that are of interest. Indicators need to be specific to the task for any individual country or programme.

5.2.1 Competition and accountability for the 6 per cent performance reserve in Italy[12]

In the course of implementing the Italian Community Support Framework (CSF) 2000-2006, Italy created a performance reserve incentive scheme aimed at achieving results in terms of the modernisation of public administration. The system is designed to encourage competition among administrations, both on the achievement of targets and on the allocation of financial resources. The aim is to provide incentives for reforms of public administration seen to be essential in terms of ensuring the success of the CSF.

A small set of indicators is used to assess the performance of regional and central administrations. Sample indicators are

set out in Table 5.1. It can be seen that the indicators are qualitative in nature and need to be read in conjunction with their associated benchmarks to be meaningful as indicators. The indicators used reflect intermediate objectives needed to achieve the desired final outcome of improving the effectiveness of public administration and the quality of public spending. Regions compete on twelve indicators, covering the issues of institutional enhancement, integration and concentration of financial resources. Central administrations compete on five indicators covering institutional enhancement and integration. Examples of indicators of institutional enhancement, which is nearest to issues of concern in Irish public service modernisation, are: delegation of managerial responsibilities to officials; implementation of one-stop-shops for enterprises; development of the information society in the public administration; and set up and implementation of an internal control management unit.

Table 5.1 Selected indicators for the allocation of the 6 per cent reserve for Italian regions

Indicator	Benchmark
Delegation of managerial responsibilities to officials	Adoption of the decree 29/93 and managers' evaluation for the year 2002
Implementation of public employment services	At least 50 per cent of the regional population covered by employment officers
Set up of regional administration evaluation units	Set up of the evaluation unit by April 2001, appointment of the director and experts by July 2001

Source: Brezzi, Raimondo and Utili, 2004

For each indicator a benchmark level of performance is determined (for example at least 80 per cent of the regional population covered by the one-stop-shops: see Table 5.1 for other examples). The benchmarks for the institutional enhancement indicators represent minimum standards to be attained by the administrations. For the indicators of integration and concentration of financial resources, the thresholds for achieving targets are set on the basis of the average performance of the participants at the end of the period, creating direct competition between them.

Responsibility for verifying, monitoring and evaluating the achievement of targets and indicators is assigned to a technical group, including two members of the evaluation unit of the Ministry of Economy and two members designated by the network of evaluation units of regional administrations. The reports of the technical group are standardised, and include a description for each indicator of progress made as well as of delays or blockages in achieving the targets. The managing authority of the CSF makes final decisions on allocation of the performance reserve, on the basis of performance against the indicators as verified by the technical group. Allocation of the performance reserve took place at a CSF monitoring committee meeting in March 2003. There was a significant variety in the performance of the administrations, with one region reaching all targets, and regions overall reaching 62.5 per cent of targets. All the participants accepted the allocation of the reserve.

The strength of this approach is that a common set of agreed indicators is identified to track progress with regard to the modernisation of public administration in the authorities concerned. A technical group that is responsible for verifying the data provided by the authorities subsequently tracks these indicators. The central authority, on the basis of both absolute and relative performance by the participating authorities, then distributes a performance reserve resource allocation. Introducing a competitive element to the process has been found to act as a spur to modernisation. The relative weakness of the approach from the point of view of applying the learning

in an Irish context is that the indicators are relatively simplistic and tell little about the outcomes of modernisation.

5.2.2 The President's Management Agenda in the United States of America[13]

The President's Management Agenda (PMA), initiated in 2001, is a strategy for improving the management and performance of the federal government. The PMA contains five government-wide goals to improve federal management: strategic management of human capital; competitive sourcing; improved financial performance; expanded electronic government; and budget and performance integration.[14]

For each of the five government-wide goals, a management scorecard is used to track performance of the departments and major agencies. Departmental and agency scores are based on established standards of success. The President's Management Council developed these standards in consultation with public administration experts in government and academia.[15] Details of the scorecard standards are set out in Annex 1. Selected examples of standards from the strategic management of human capital goal are set out in Table 5.2. These examples are used here as the strategic management of human resources is also a key modernisation objective for Irish public services.

In the cases illustrated in Table 5.2 it can be seen that to achieve the top score (green) departments and agencies must show that they are achieving particular modernisation outcomes (for example using the new planning and accountability system to make budget decisions). It is not enough simply to have introduced a new system or developed a new plan. Evidence of changes arising from their introduction is needed. The Office of Management and Budget (OMB) oversees the scoring system. In scoring departmental and agency performance against the standards, a simple grading system is used:

- green − department or agency meets all standards for success
- yellow − department or agency has achieved intermediate levels of performance against all the standards
- red − department or agency has any one of a number of serious flaws.

Table 5.2: Selected standards from the strategic management of human capital goal of the President's Management Agenda

Green	Yellow	Red
Implemented a comprehensive human capital plan, analysed the results, and integrated them into decision-making processes to drive continuous improvement	Developed, documented and communicated throughout the agency a comprehensive human capital plan that clearly aligns with the agency's mission, strategy and goals; incorporates metrics for each standard; and designates accountable officials	Lacks a comprehensive human capital strategy
Uses outcome measures to make human capital decisons, demonstrate results, make key programme and budget decisons and drive continuous improvement in the agency	Developed a planning and accountability system using metrics, including the federal capital survey results, to evaluate performance on all of the human capital standards	Has not developed a planning and accountability system using metrics to evaluate performance on all of the human capital standards

Source: www.whitehouse.gov/results

While the indicator used is a simple one − green, yellow or red − there is a requirement of the presence of a significant evidence base to inform judgements as to the grade achieved. It is not enough simply to state that progress is ongoing in a particular area: evidence of achievement in terms of milestones met or other tangible evidence of progress is needed.

In addition to the scorecard approach to assessing modernisation improvements, another interesting element of the PMA from the perspective of this study is the Program Assessment Rating Tool (PART). The PART is used in support of the government-wide goal on budget and performance integration. The PART takes the form of a diagnostic questionnaire used to rate expenditure programmes and to provide a consistent approach to evaluating federal programmes during budget formulation (Breul, 2004). PART assessments contain twenty-five to thirty questions that are intended to evaluate programme performance. Most questions are written in a yes/no format. The user is required to explain the answer briefly and, importantly, to include relevant supporting evidence. Again, while the indicator is a simple one − yes/no − a high level of evidence is required to merit a 'yes' response, with the burden on the programme to demonstrate performance. Guidance is issued explaining the purpose of each question, what is required for a 'yes' answer to be given, and what type of evidence/data are required.

The approach adopted for the PMA, as with the Italian experience outlined in section 5.2.1, is one of developing and using agreed standards and indicators of performance with regard to administrative modernisation. Guidance is issued to assist those judging performance as to how they should frame their answers, and crucially what evidence is needed to ensure a positive result. The PMA goes further than the Italian case in requiring more evidence about the outcomes achieved by modernisation. The PMA is also much more comprehensive in its scope. However, the PMA is a highly detailed initiative requiring significant resource allocation at both central and departmental level to make the process work.

5.3 Lessons learned for the performance verification process

In the third report of the civil service performance verification group, the chair, while noting satisfactory implementation of the modernisation agenda, notes that '…more specific reporting using appropriate performance indicators would enhance the group's ability to verify progress under this heading' (deBuitleir, 2004). In a section of the PVG report on quality of reporting, deBuitleir (2004) goes on to state:

> The Group wishes to acknowledge that the improvement in the quality of reporting by Departments and Offices which was evident in the second phase of the verification process has been maintained in the third phase. However, because very many Departments' and Offices' modernisation projects have moved from the initiation stage to the implementation stage, it will become increasingly difficult to assess ongoing progress in the absence of appropriate performance indicators … For this reason, the Group considers that in the fourth verification phase each Department and Office should, to the greatest feasible extent, provide assessments of progress achieved by reference to such performance indicators.

What lessons can be learned from this study to assist in the further development of indicators for the performance verification process? First, it should be noted that the general approach to indicator development outlined in this study should assist in the development of performance indicators relevant to the verification process. Using the logic model to track developments from inputs to outputs and outcomes, and in particular to identify intermediate and final outcome objectives, and then attaching indicators to these objectives where possible, provides a means of verifying movement from initiation (concerned primarily with inputs, activities and outputs) to implementation (concerned with outputs and outcomes).

An example of how this approach could apply is given in Table 5.4, using the expenditure review initiative (one of the

elements of the financial management strand of the modernisation agenda) to illustrate the approach. Here, output indicators are used to track the number of reviews completed to required quality standards, and on time. This alone is important information with regard to implementation of the initiative. But outcome indicators can also be developed and used to track the intended outcome objectives associated with the initiative. The proportion of recommendations from reviews that are implemented is an important indicator of whether or not the reviews are making a difference in practice to programme management. Changes in expenditure patterns arising from expenditure reviews illustrate whether or not reviews are ultimately contributing to influencing expenditure decisions.

These outcome indicators also illustrate possible limitations of using indicators on their own, and the need to supplement indicator information with other evidence. In tracking the proportion of review recommendations implemented, for example, it is important to know whether or not a small number of recommendations not implemented are, in fact, key recommendations of the review. Similarly, changing expenditure patterns are not the only impact expenditure reviews may have on policy; some reviews may be particularly influential in affecting policy thinking on a particular issue but only have limited impact on expenditure patterns. In this latter case, other information, such as the views of Secretaries General to the Expenditure Review Central Steering Committee, may be needed to give a more complete picture.

Such an approach could be applied across the elements of the modernisation agenda as issues move from initiation to implementation. For example with regard to atypical working, the number and type of atypical working arrangements by grade is an output indicator which can be tracked over time. Periodic surveys of management and staff of satisfaction with atypical working arrangements would give an outcome indicator relating to the outcome objective of enhancing work life balance whilst maintaining efficient service delivery. The intention with such indicators is to provide evidence as to

Table 5.4: Illustrative example of using the logic model approach to developing indicators for performance verification: the expenditure review initiative

Output objective Complete expenditure reviews in a timely manner and to required quality standards
Indicators • Number of reviews, with satisfactory independent quality assessments completed • Proportion of reviews completed to agreed time schedule
Outcome objectives Findings from expenditure reviews are used in program development
Indicator • Proportion of recommendations from reviews implemented
Expenditure reviews influence expenditure patterns and policy-making decisions
Indicator • Changes in expenditure patterns as a result of expenditure reviews

progress, rather than simply reporting that actions are being implemented or are ongoing.

This idea of a wide evidence base, including indicators but also using other sources of evidence, is at the heart of the two international examples examined in section 5.2. From the international cases examined here, a number of good practice

lessons would seem to be of particular relevance for the performance verification process:

- There is a need for agreement on a small number of principal themes that the modernisation process is intended to address to which priority attention will be given in the verification process. The main thematic areas of the modernisation agenda (quality customer service, financial management, human resource management etc) provide the basis for such an approach here.

- For each of these thematic areas, standards or benchmarks of performance should be identified that help determine when and to what extent the desired output and outcome objectives are reached.

- Guidance should be developed as to the evidence base that is needed to illustrate and verify progress towards the achievement of the modernisation objectives. Indicators form an important part of this evidence base. But they are not the only source of evidence. Other sources, such as evaluations carried out, reviews of policy areas, internal audit studies, structured qualitative assessments and the like, are also important sources of information.

- Judgement as to progress made should be made jointly by the departments/agencies themselves and a central authority. Technical support should be provided as part of this process, to facilitate rigorous performance assessment.

At present, the performance verification process is linked in an all-or-nothing manner with decisions on the granting of pay increases. Either a decision is made to grant the increase for the sector or it is not. The international experience reviewed here links modernisation verification to broader government expenditure decisions. In the case of the PMA, this is intended to influence budgetary decisions affecting departments and agencies (though there is no direct linkage between PMA assessments and programme budget decisions). In the case of Italy, allocation of a reserve fund is decided on a competitive

basis. Also, as the focus on implementation increases, it makes sense to ensure that verification is linked to the strategy statements of departments and offices, as the source of high-level strategies and objectives for modernisation, policy and service delivery.

Performance indicators have an important role to play in the performance verification process. To date, the role of indicators has been limited. Suggestions have been made here as to means by which indicators might be more comprehensively used. It is important to note, though, that it is the overall evidence base for decision making regarding verification of the public service modernisation agenda that needs enhancement, with indicators being but one component of this evidence base.

6

Managing the development and use of performance indicators within organisations

6.1 Introduction

There are many reports from the literature and from practice of performance indicators failing to play a useful and supportive role in the management of organisations. Smith (1995) identifies a number of unintended consequences of using performance indicators. For example, tunnel vision: concentration on issues covered by indicators to the exclusion of other important areas. And ossification: a disinclination to experiment or innovate for fear of failing to meet indicator-related targets. Perrin (1998) similarly identifies limitations in the use of performance indicators to ascertain programme performance. For example, indicators are invariably recorded and interpreted in varying ways, making comparisons difficult. And aggregate indicators may obscure subgroup differences crucial to understanding programme performance. Van Thiel and Leeuw (2002) refer to the performance paradox: a weak correlation between performance indicators and performance itself.

Given these concerns, it is important to consider how best to manage the development and use of performance indicators so as to minimise the chances of unintended consequences; and to maximise the chances of having performance indicators that are actively used in the management of government business. Three important issues to consider in this context are examined here: getting the organisational conditions right, determining

who assures the quality of indicators used, and linking indicators with the political decision making on targets.

6.2 Getting the organisational conditions right for supporting the development and use of performance indicators

Certain key factors can influence the successful use of performance indicators:

- *High-level commitment.* It is a truism of all reforms that senior management and ministers must understand and support them if they are to succeed. This is no less the case with regard to performance indicators than it is of other initiatives. Without top-level support it is unlikely that performance indicators will operate for the organisation as a whole. However, indicator systems may be installed in sections of the organisation if they have the support of the management of these sections and, as a minimum, senior management's willingness to allow the system to be developed. Success here may convince senior management of the benefits that can be obtained by improving indicators throughout the organisation.

- *Involvement and feedback.* Many studies, such as those cited in section 6.1, show that if indicators are to take root in organisations, staff must have an opportunity at some stage to influence the choice of indicators used. Staff should also be given feedback on performance rather than simply feeding information up the line. Examples of ways of encouraging participation are: offering briefings on proposals; developing mixed task teams from different areas to work on particular issues; and regular meetings between managers and staff to discuss results.

- *Delegation.* When possible, the delegation of responsibility down the line for indicator development and use can show that the system is being used as an aid to better management rather than solely as a control mechanism.

- *Outside pressure.* Outside pressure can be used in two ways to enhance indicator development and use. One way,

increasingly being adopted in some administrations, is to encourage citizen and consumer groups to be actively involved in the design of appropriate performance indicators. Another way is the judicious influence of outside agencies, such as that of the Department of Finance or Performance Verification Groups to act as a spur to indicator development. In combination with committed internal managers, such influences may help win over reluctant managers and staff.

- *One step at a time.* It is important that recognition is made of where organisations are starting from, and not to expect uniform development across organisations. Building on existing information sources and systems when developing indicators is important. A staged implementation of indicators may be appropriate, either through the piloting of a system in a particular division, or through the use of indicators where data already exists as a first step and gradually moving on to the development of new data sources for new indicators. The approach outlined in section 2.3, where existing indicators are identified and gaps gradually filled, is an example of moving forwards positively but in a manageable manner.

- *Skilled support staff.* Better progress can be made when skilled support staff are available to encourage the development and use of performance indicators. For example, the Department of Agriculture and Food has expertise in the economics and planning unit that supports department-wide initiatives. Civil service wide, the masters and diploma programmes in public policy analysis sponsored by the Centre for Management and Organisation Development (CMOD) will produce staff familiar with the design and development of performance indicators. Networks, such as the Expenditure Reviewers Network run by the Department of Finance and the Irish Evaluation Network, also provide training and development supports of relevance.

These factors need to be kept in mind throughout the design, initiation and implementation of performance indicator systems. They are not the only matters of concern, but they are

key determinants of the success or otherwise of embedding performance indicators in practice.

6.3 Providing quality assurance for performance indicators[16]

The question of assuring the quality of performance indicators has been touched on in section 3.3, with regard to indicators for business planning. There are also a number of broader issues concerning the quality assurance of indicators. First is the issue of reasons for introducing assurance systems in the first place. Is it necessary to validate indicators? Validation adds another layer to the process, and may slow down the publication of information to citizens on the performance of state organisations. In general, assuring the quality of indicators is done both for the purpose of assurance itself, which is important in a public service setting, and to promote improvements in practice.

A second issue centres on who provides the assurance. Internationally, the picture here is that a range of players is involved in assuring indicators. Auditors are key players in a number of countries such as Canada, Sweden and the USA. This role is growing. A review of central government audit and accountability in the UK commissioned by the Treasury recommends that there should be external validation of departmental information systems as a first step in a process towards validation of key published performance data. The Comptroller and Auditor General is seen as the body which should be responsible for external validation for central government (Sharman, 2001). At the formative level, there is evidence of internal quality assurance procedures being developed by organisation management, often with the involvement of an internal audit function. Academics and professional researchers are also involved in assessment. Their role can vary from providing frameworks for assessment, through broad overview assessments, to being commissioned by government agencies and audit institutions to undertake assessments on their behalf.

A third issue relates to the contribution of assurance approaches toward better practice in indicator development. To what extent do assurance systems and procedures lead to improvements in performance indicators, or are they simply seen as an administrative burden with limited impact? There is some evidence that even when guidelines and assurance systems are in place, their impact may be limited. The Office of the Auditor General of Canada (2000), reviewing progress in reporting to parliament over a five year period, including the use of performance indicators, found some improvements in quality but expressed disappointment at its pace. Three factors were identified as particularly contributing to the current state of reporting: (a) basic principles of good reporting are not understood or applied; (b) performance reporting has political dimensions; and (c) there are few incentives for good reporting or sanctions for poor reporting. Interestingly, assurance approaches only directly affect (a) above. They are likely to have little impact on (b) and limited influence on (c). This indicates that assurance approaches on their own have limits on the impact they are likely to have on the credibility of publicly reported performance indicators. However, there are also some positive signs of the impact of assurance approaches on the quality of indicators:

- Johnsen (1999) notes that the quality assurance of performance indicators in a six municipalities network in Norway has proven successful and has been extended to cover other services than those originally assessed and has also been used in a national project to develop a municipal-government performance measurement reporting system.

- Despite their criticisms of performance reporting, the Office of the Auditor General of Canada (2000) notes that over the past few years departments have considerably improved their presentation of performance information.

- The UK National Audit Office (2001) indicates that the percentage of public service agreement targets to be reported on that address outcomes increased from 15 per cent in 1999-2002 to 68 per cent for 2001-04. They report

that the use of assurance-based critiques of agreements has contributed to this increased emphasis on outcomes.

Certainly there is no simple correlation between the assurance of indicators and the impact and use of indicators. Neither is there any clear-cut picture that some assurance approaches are better than others or that who does the assessment strongly influences the outcome. What appears likely is that a mix of approaches and assessors will offer a diversity of benefits if designed to work together effectively. So, assurance of individual indicators at the formative stage by staff directly involved in the programmes, and independent summative assurance of indicator systems by audit institutions, will help assure the quality of indicators. The organisation itself should be responsible in the first place for assurance as to the quality of its indicators. But, other organisations such as central agencies and audit offices should have a role in determining the broad systems and structures of assurance to be used and in acting as an independent guarantor of the quality of indicators and the data used to support them.

6.4 Linking indicators with political decision making on targets

Indicators are sometimes used in conjunction with specific targets of achievement. For example, the public service agreements in the UK set largely outcome-focused targets for achievement, such as to halt the year-on-year rise in obesity among children under eleven by 2010, or to reduce the proportion of young people not in education, employment or training by two percentage points by 2010. In this context, sometimes targets can be mistakenly confused as being the indicator. But it is important to note that the indicator is the measure used to judge whether or not the target is achieved. So, in the cases mentioned here, the indicators are the level of obesity among children under eleven and the proportion of young people not in education, employment or training.

The importance of this distinction is that the decision whether or not to set specific policy targets, and if so the level

of those targets, is a political decision that needs to be made at the political and not the administrative level. Indicators show the level of achievement of the targets, but they are not the targets themselves. There are also administrative tasks where targets can be set without the need for political direction. But the same distinction between indicators and targets applies.

6.5 Conclusions

The development and use of performance indicators is not simply a technical task. There are behavioural, cultural and political issues involved. When designing, developing and implementing performance indicators in organisations, it is important to be aware of such issues. In particular, the potential for unintended consequences from the use of indicators needs to be guarded against.

7

Conclusions and recommendations

7.1 Introduction

A principal aim of this study is to support public organisations in the design and use of performance indicators. Examples of practice, both from Irish civil service departments and from international experience, are used to illustrate how the process of performance indicator development and use can be taken forward. In this chapter, the main conclusions and recommendations from the previous chapters are brought together and summarised.

7.2 Conclusions and recommendations

Performance indicators have an important role to play in enhancing learning and accountability in public service provision. But to start with a word of caution, it is important that decision makers accept that there are limitations on the role and usefulness of performance indicators. While performance indicators serve many useful purposes, they cannot adequately address all aspects of work. And where indicators are used, issues of interpretation and attribution may constrain their role. When planning for and implementing the design and use of performance indicators, it is important to have realistic expectations.

7.2.1 Performance indicator design and development

The logic model is a powerful tool in the design and development of performance indicators. By describing the inputs, activities, outputs and intended intermediate and final outcome objectives, the model can be used to suggest where indicators need to be developed to provide a more comprehensive picture of performance. Performance indicator groups established in government departments, as part of the MIF process, should consider the use of the logic model approach to indicator development within their departments.[17]

A particular challenge identified in this study is to move beyond reporting on inputs, activities and outputs in business plans to also include coverage of outcomes. An important point to highlight here is the identification and use of intermediate outcome objectives and indicators. As final outcome indicators may only appear after a lengthy time, and there can be difficulties in attributing change in these indicators to the policy or programme under scrutiny, intermediate outcome objectives and indicators are important for business planning purposes. Particular attention should be given in the business planning process to the identification and description of intermediate outcome objectives and associated indicators.

Developing indicators for policy work poses particular challenges. At a 'whole-of-government' level, encouraging new initiatives are taking place in the development of key government policy outcome indicators. Efforts such as the Central Statistics Office publication of *Measuring Ireland's Progress* are to be welcomed. Such developments should be facilitated and encouraged, and the role of data strategy committees in departments developed to ensure effective use of such policy outcome indicators. At the departmental level, as with business planning, the logic model approach of identifying intermediate and final outcome objectives and then identifying indicators for these objectives provides a fruitful way forward. Where departments are responsible for policy that is implemented through other agencies, the department should still maintain overall responsibility for reporting against

indicators developed (either by the department or the agencies) that track the outcomes of the policy.

Finally, there are a number of organisational factors that those involved in the design and development of performance indicator systems need to keep in mind. These include:

- The need to ensure high-level commitment and buy-in.

- The involvement of staff, and the consequent feedback of information to them. Means of involvement include briefings, establishing task teams, and regular feedback meetings to discuss results.

- Delegation down the line for indicator development and use.

- The judicious use of outside pressure, from citizens and/or central agencies. The Performance Verification Groups have an important role here, as an influential voice in promoting the use of performance indicators.

- Building on existing systems and procedures, in an incremental yet rigorous manner. Developing indicators first for which data exists and then moving on to new indicators, or piloting indicator developments in particular areas, offer examples of moving over time to a more developed system.

- Developing and using skilled support staff. Specialised staff in central units, CMOD-sponsored trainee policy analysts, and networks such as the expenditure reviewers network and the Irish Evaluation Network, help produce staff trained in designing and using performance indicators.

These are not the only matters of concern, but they are key determinants of the success or otherwise of embedding performance indicators in practice. Actions to ensure that each of these factors is addressed should be determined by performance indicator groups and others charged with indicator development.

7.2.2 Making use of performance indicators

Some indicators are better seen and interpreted as describing the context for judging performance of policies and programmes rather than as actual indicators of performance. Context indicators are, in practice, often the same as final outcome or impact indicators: they aim to track the final outcomes of a policy or programme. Because many factors can affect these final outcomes, it is often impossible to directly attribute to a programme or policy the changes that take place to final outcomes. But these changes need to be tracked, because they provide important contextual information for making judgements about the ultimate success or otherwise of a programme or policy. Context indicators should be used to enable better judgements to be made about policies and programmes, but should not be used to directly attribute success or failure at the level of the organisation.

The use of performance indicators for accountability purposes is a vital issue to sort out. It is important to recognise that indicators may play different roles, depending on the aspect of performance being measured. Some indicators may be used properly for holding individuals to account. This is often the case with input, activity and output-focused indicators. Other indicators, on the other hand, may be misleading if used for such accountability purposes but nevertheless be important for the overall management and accountability of the programme or activity. Both intermediate and final outcome indicators are beyond the direct control of staff working in the area. These outcomes should be reported on. But they should be seen as contributing to *giving an account* on performance rather than being used to hold staff to account.

A related issue to the use of performance indicators for accountability purposes is that of the linkage between indicators and targets. First, a decision must be made as to whether or not to set specific targets for policies, programmes or activities, and if so the level of those targets. This target-setting decision when applied to policy issues is a political

decision that needs to be made at the political and not the administrative level. There are also administrative tasks where targets can be set without the need for political direction. But the same distinction between indicators and targets applies in each case. Indicators show the level of achievement of the targets, but they are not the targets themselves.

Business plan indicators should be linked with decisions about the review/evaluation of programmes. The indicators developed for business planning purposes are used for regular monitoring of a scheme or programme. They may serve a further useful purpose in indicating that an aspect of a programme or the whole of a programme should be reviewed/evaluated in more detail, for example in helping determine which programmes should be evaluated as part of the expenditure review initiative. Conversely, proposals for new performance indicators put forward in expenditure review reports should, where appropriate, subsequently be included in the business planning process.

7.2.3 *Quality assuring performance indicators*

Quality assurance of performance indicators is an important task. A mix of approaches and assessors would seem to offer a diversity of benefits if designed to work together effectively. Staff directly involved in the programme or policy under scrutiny should provide assurance of individual indicators at the formative stage. The Office of the Comptroller and Auditor General should have a role in determining the broad systems and structures of assurance to be used and in acting as an independent guarantor of the quality of indicators and the data used to support them. Central units such as the MIF central unit in the Department of Finance have an important role to play in identifying and promoting good practice. As experience with developing indicators as part of the MIF process grows, central guidance should be issued with illustrative examples of good practice across the range of activities covered by indicators.

7.2.4 Performance indicators and performance verification

Using the logic model to track developments from inputs to outputs and outcomes, and in particular to identify intermediate and final outcome objectives, and then attach indicators to these objectives where possible, provides a means of verifying movement from initiation (concerned primarily with inputs, activities and outputs) to implementation (concerned with outputs and outcomes).

In moving forward on the development of performance indicators for verification, it is important that the social partners agree on a small number of principal themes that the modernisation process is intended to address and to which priority attention will be given in the verification process. Departmental statements of strategy provide insight into high-level policy and service delivery objectives. The main thematic areas of the modernisation agenda (quality customer service, financial management, human resource management etc) provide a basis for service-wide issues. For each of the agreed thematic areas, standards or benchmarks of performance should be identified that help determine when and to what extent the desired output and outcome objectives are reached.

The centre (Department of Finance and Department of the Taoiseach) should develop guidance as to the evidence base that is needed to illustrate and verify progress towards the achievement of the modernisation objectives and associated benchmarks/standards. Indicators should form an important part of this evidence base. But they are not the only source of evidence. Other sources, such as evaluations carried out, reviews of policy areas, internal audit studies, structured qualitative assessments and the like are also important sources of information.

In forming judgement on progress against indicators and other evidence, this should be done jointly by the departments/agencies themselves and a central authority. Technical support should be provided as part of this process to facilitate rigorous performance assessment.

7.3 Concluding comments

Performance indicators are receiving increasing attention. Within government departments and offices, issues such as the implementation of the Management Information Framework (MIF) are highlighting the need for improved indicators of performance, both financial and non-financial. Civil service wide, the performance verification process linked to pay awards is highlighting the need for better and more comprehensive indicators to illustrate progress with regard to public service modernisation.

There are initiatives underway that are improving the design and use of performance indicators. At the 'whole-of-government' level the Central Statistics Office and departmental data strategy committees are developing new policy-focused indicators. Performance indicator groups within departments and offices are beginning to grapple with the design of realistic sets of indicators for management purposes. Some departments, such as Community, Rural and Gaeltacht Affairs and Agriculture and Food, are getting to grips with outcome indicators showing the effectiveness of their interventions.

There is much that remains to be done. The evidence base to inform management and policy decision making is still elementary in many instances. This study contributes to enhancing this evidence base. The challenge is to develop performance indicators that are seen as useful by staff, management, politicians and citizens in enhancing the way the public service is run, and in contributing to the wiser use of public money.

Annex 1

Strategic Management of Human Capital

Green	Yellow	Red
Agency:	Agency:	Agency:
• Implemented a comprehensive Human Capital Plan, analysed the results, and integrated them into decision making processes to drive continuous improvement;	• Developed, documented and communicated throughout the agency a comprehensive Human Capital Plan that:	• Lacks a comprehensive Human Capital Standard;

• Analysed and optimised existing organisational structures from service and cost perspectives, using redeployment and delayering as necessary and integrating competitive sourcing and E-Gov solutions; and has process(es) in place to address future changes in business needs;	○ clearly aligns with the agency's mission, strategy and goals;
	  ○ fully addresses the Human Capital Standards for Success;
	  ○ incorporates metrics for each standard, including timelines for implementation; and
	  ○ designates accountable officials
		• Has not done analysis or initiated steps to ensure that its organisation structure is optimal for service delivery;

• Succession strategies, including structured executive development programs, result in a leadership talent pool and continuously updated to achieve results;	• Analysed and optimising existing organisational structures from a service delivery perspective, using redeployment and delayering as necessary;	• Has not identified leadership gaps and implemented succession strategies to assure continuity of leadership;
• Has performance appraisal plans and awards programs for all SES and managers, and more than 60 per cent of the workforce, that effectively link to agency mission, goals and outcomes; hold	• Implemented succession strategies, including structured executive development programs, to assure continuity of leadership; • Implemented performance appraisal plans for SES and managers that link to agency mission goals	• Has not implemented a performance appraisal system for SES and managers that is linked to agency mission, goals and outcomes, effectively differentiates between various levels of

Strategic Management of Human Capital Continued

employed accoun

and outcomes, effectively differentiate between various levels of performance, and provide consequences based on performance;

performance, and provides consequences based on performance;

- Implemented strategies to address under-representation, particularly in mission-critical occupations and leadership ranks;

- Implemented a workforce planning system to identify and address gaps in mission critical occupations and competencies, and developing short- and long-term strategies and targeted investments in people to create a quality workplace that continues to attract and retain talent;

- Has regular, auditable system(s) for collecting and analysing data on stages of the hiring process, and sets a standard for time from closing of the announcement until offer is made (i.e., 30 days for SES and 45 days for all others); AND

- Developed a planning and accountability system using metrics, including the Federal Human Capital Survey (FHCS) results, toward meeting each of the Human Capital Standards.

- Uses outcome measures to make human capital decisions, demonstrate results, make key program and budget decisions, and drive continuous improvement in the agency.

Competitive Sourcing

Green	Yellow	Red
Agency:	Agency:	Agency:
• Has an OMB approved 'green' competition plan to compete commercial activities for competition;	• Has an OMB approved 'yellow' competition plan to compete commercial activities available for competition;	• Does not have an OMB approved competition plan;
• Publicly announces standard competitions in accordance with the schedule outlined in the agency 'green' competition plan;	• Has completed one standard competition or has publicly announced standard competitions that exceed the number of positions identified for competition in the agency's 'yellow' competition plan;	• Has not completed one standard competition or publicly announced standard competitions that exceed the number of positions identified for competition in the agency's 'yellow' competition plan;
• Since January 2001, has completed at least 10 competit	• In the past two quarters, has completed 75 per cent of streamlined competitions in a 90-day time frame or time frame otherwise approved in accordance with the Circular;	• In the past two quarters, exceeded the timeframes stipulated in the Circular in more than 25 per cent of streamlined competitions; **OR**
	• In the past two quarters, has cancelled fewer than 20 per cent of publicly announced	• In the past two quarters,

Competitive Sourcing Continued

categories of commercial activities determined to be unsuitable for competition;

- Structures competitions in a manner to encourage participation by both private and public sectors as typically demonstrated by receipt of multiple offers and/or by documented market research, as appropriate; **AND**

- Regularly reviews work performed once competitive sourcing studies are implemented to determine if performance standards in contract or agreement with agency provider are met and takes corrective action when provided services are deficient.

To main green status, agency:

- Has positive anticipated net savings and/or significant performance improvements from competitions completed either in last fiscal year for which data has been officially reported to Congress by OMB or in the past three quarters; **AND**

- Through sampling, independently validates that savings to be achieved for the prior fiscal year were realised.

standard and streamlined competitions; **AND**

- Has positive anticipated net savings and/or performance improvements from competitions completed either in the last year for which the data has been officially reported to congress by OMB or in the past two fiscal quarters; or has taken corrective actions to address identified weaknesses.

cancelled 20 per cent or more of standard and streamlined competitions.

Improved Financial Performance

Green	Yellow	Red
Agency: • Meets all Yellow Standards for Success; • Currently produces accurate and timely financial information that is used by management to inform decision making and drive results in key areas of operations, **AND** • Is implementing a plan to continuously expand the scope of its routine data use to inform management decision making in additional areas of operation	Agency: • Receives an unqualified audit opinion on its annual financial statements; • Meets financial statement reporting deadlines; • Reports in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act; • Has no chronic or significant Anti-Deficiency Act Violations; • Has no material auditor-reported internal control weaknesses;	Agency: • Receives an opinion other than unqualified on its annual financial statements; • Does not meet financial reporting deadlines; • Cannot report in its audited annual financial statements that its systems are in compliance with the Federal Financial Management Improvement Act; • Commits chronic or significant Anti-Deficiency Act Violations; • Has material auditor-reported internal control weaknesses; • Is in material non-compliance with

Improved Financial Performance Continued

- Has no material non-compliance with laws or regulations; **AND**
- Has no material weaknesses or non-conformances reported under Section 2 and Section 4 of the Federal Managers' Financial Integrity Act that impact the agency's internal control over financial reporting or financial systems.

laws or regulation; **OR**

- Has material weaknesses or non-conformances reported under Section 2 and Section 4 of the Federal Managers' Financial Integrity Act that impact the agency's internal control over financial reporting or financial systems.

Expanded Electronic Government

Green	Yellow	Red
Agency:	Agency:	Agency:
• Has an Enterprise Architecture linked to the Federal Enterprise Architecture (FEA) rated 'effective' using OMB's EA Assessment tool (score of '3' on both EA Maturity and Degree of Alignment);	• Has an enterprise Architecture linked to the FEA rated 'effective' by using OMB's EA Assessment tool (score of '3' on both EA Maturity and Degree of Alignment);	• Does not have an enterprise Architecture linked to the FEA that is rated 'effective' by using OMB's EA Assessment tool (score of '3');
• Has acceptable business cases (security measures of success linked to the Enterprise Architecture, program management, risk management, and cost, schedule, and performance goals) for all major systems investments;	• Has acceptable business cases (security measures of success linked to EA, program management, risk management, and cost, schedule and performance goals) for more than 50 per cent of its major systems investments;	• Does not have acceptable business cases (security measures of success linked to EA, program management, risk assessment, and cost, schedule and performance goals) for more than 50 per cent of its major systems investments;

• Has demonstrated, using EVM or operational analysis, cost and schedule overruns, and performance shortfalls, that average less than 10 per cent for all major IT projects;	• Submits security reports to OMB that document consistent security improvement and either:
	   • 80 per cent of all IT systems are properly secured; **OR**
		• Has not submitted Security reports to OMB that document consistent security improvement and cannot demonstrate that:
		   • 80 per cent of all IT systems are properly secured; **OR**

• Submits quarterly status reports in remediating IT security weaknesses;		

Expanded Electronic Government Continued

• Inspector General verifies the effectiveness of the Department-wide IT Security Remediation Process;	• Inspector General verifies the effectiveness of the Department-wide IT Security Plan of Action and Milestone Remediation Process;	process and plan for implementing all of the appropriate E-Gov initiatives • Inspector General has verified the effectiveness of the Department-wide IT Security Plan of Action and Milestone Remediation Process;
• Has 90 per cent of all IT systems properly secured (certified and accredited); **AND**	• Has cost and schedule overruns, and performance shortfalls, that average less than 30 per cent for all major IT projects; **AND**	• Has cost and schedule overruns, and performance shortfalls, that average 30 per cent or more; **OR**
• Has implemented all of the appropriate E-Gov initiatives rather than creating redundant or agency unique IT projects.	• Has established a	• Has not established a process and plan for implementing all of the appropriate E-Gov initiatives rather than creating redundant or agency unique IT projects.

To maintain green status, agency:

• Has all IT systems certified and accredited;

• Has IT systems installed and maintained in accordance with security configurations; **AND**

• Has consolidated and/or optimised all agency infrastructure to include providing for continuity of operations.

Budget and Performance Integration

Green	Yellow	Red
Agency:	Agency:	Agency:
• Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers all major responsibilities of the Department. Agency demonstrates improvement in program performance and efficiency in achieving results;	• Senior agency managers meet at least quarterly to examine reports that integrate financial and performance information that covers some of the major responsibilities of the Department. Agency can demonstrate information is used to improve performance of agency programs;	• Senior agency managers do not have a regular process for considering financial and performance information when making decisions regarding the management of agency programs;
• Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART and focus on the information used in the senior management report described in the first criterion;	• Strategic plans contain a limited number of outcome-oriented goals and objectives. Annual budget and performance documents incorporate measures identified in the PART process;	• Strategic plans contain too many goals and objectives to provide a clear focused statement of agency priorities. Performance measures included in annual budget and performance documents do not meet the standards of the PART;
• Has performance appraisal plans and awards programs for all SES and managers, and more than 60 percent of agency positions that effectively link to agency mission, goals and outcomes; hold employees	• Performance appraisal plans for SES and managers link to agency mission, goals and outcomes, effectively differentiate between	• Performance appraisal plans do not link to agency mission, goals, and outcomes, effectively differentiate between various

Budget and Performance Integration Continued

accountable for results appropriate to their level of responsibility, differentiate between various levels of performance; and provide consequences based on performance. The agency is also working to include all agency employees under such systems;	various levels of performance, and provide consequences based on performance;	levels of performance, or provide consequences based on performance;
• Reports the full cost of achieving performance goals accurately in budget and performance documents and can accurately estimate the marginal cost (+/− 10 per cent) of changing performance goals;	• The full cost of achieving performance goals is accurately reported in budget and performance documents;	• Does not have a systematic way to estimate the full cost of achieving performance goals reported in budget and performance documents;
• Has at least one efficiency measure for all PARTed programs; **AND**	• At least 50 per cent of agency programs rated by the PART have at least one efficiency measure; **AND**	• Less than 50 per cent of agency programs rated by the PART have at least one efficiency measure; **OR**
• Uses PART evaluations to direct program improvements, and PART ratings and performance information are used consistently to justify funding requests, management actions, and legislative proposals. Less than 10 per cent of agency programs receive a Results Not Demonstrated rating for more than two years in a row.	• PART ratings and performance information are used to justify funding requests, management actions, and legislative proposals. No more than 50 per cent of agency programs receive a Results Not Demonstrated rating for more than two years in a row.	• Agency does not consistently use PART ratings to justify funding requests, management actions, and legislative proposals. More than 50 per cent of agency programs receive a Results Not Demonstrated rating for more than two years in a row.

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Notes

1   The management information framework (MIF) is a government initiative concerning the design and implementation of new management information and reporting systems in government departments and offices. The project aims to equip departments and offices with enhanced financial management systems and practices.

2   This example is derived from a case used in training for civil servants involved in expenditure reviews devised by the secretariat of the expenditure review initiative in the Department of Finance.

3   Under the government's expenditure review initiative (ERI) each department must periodically evaluate expenditure programmes under their control.

4   Alternative criteria for assessing the quality of individual indicators can be found in part 4 of the European Commission guide to evaluating socio-economic development (European Commission, 2004, http://www.evalsed.info). These criteria include reliability, credibility, and validity.

5   They recommend no more than a few dozen indicators for even complex programmes. They also note that for decision-making purposes, a person cannot take into account more than about ten indicators at once.

6   See Boyle (1998) section 3.1.1 for a discussion on the distinction between giving an account and being held to account. Giving an account refers to providing information and explaining actions to parliament. Being held to account refers to a minister's duty to respond to criticism raised in parliament.

7   The indicators referred to here were developed in the context of the participation of the Department of Agriculture and Food in a pilot resource allocation and business planning project co-ordinated by the Department of Finance and the Department of the Taoiseach − see section 1.2.

8   In the terminology used by departments and agreed under MIF, the department refers to these outcome indicators as impact indicators.

9   In Chapter 6, Boyle (1996) outlines broad options for assessing performance in the policy sphere, moving beyond performance indicators to develop a broad performance assessment framework for policy work.

10 Full details of the assessment procedures for PVGs are set out in section 26 of *Sustaining Progress* (2003).

11 As noted in a presentation by PVG chairpersons to a meeting of the Public Sector Panel of the Forum on the Workplace of the Future, Dublin, 5th February 2004. The National Centre for Partnership and Performance publishes reports of the Forum on the Workplace of the Future (www.ncpp.ie).

12 The information for this section derives from a paper by Brezzi, Raimondo and Utili (2004).

13 Details of the President's Management Agenda can be found at http://www.whitehouse.gov/results.

14 The PMA also contains nine agency-specific goals addressing issues such as reform of food aid packages and privatisation of military housing.

15 The President's Management Council is made up of the chief operating officers from departments and agencies. These chief operating officers have responsibility for day-to-day operations of departments and agencies. They are typically the second ranking officials, reporting directly to the agency head.

16 The information for this section is derived from a paper by Boyle (2005)

17 The logic model approach to indicator development is complementary to performance indicator systems such as the balanced scorecard. The logic model approach is a way of generating indicators that can then fit into reporting mechanisms like the balanced scorecard or other business plan reporting schemes that may be used by government departments and offices.

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