

Performance Management: Using Performance Measurement for Decision Making

The original recommended practice was developed by the Government Finance Officers Association (GFOA). Some aspects of the practice have been revised by the Financial Management Capacity Building Committee (FMCBC) for use by Nova Scotia municipal governments. The original GFOA recommended practice is *Performance Management: Using Performance Measurement for Decision Making*, approved by the GFOA Canadian Committee in 2007. Other sources used are footnoted in the text.

Recommendation

The GFOA recommends that program and service performance measures be developed and used as an important component of long-term strategic planning and decision making, which should be integrated into the budgeting process. GFOA also encourages all governments to utilize performance measures as an integral part of the budget process. Over time, performance measures should be used to report on the outputs and outcomes of each program and should be related to the mission, goals, and objectives of the municipality.¹

Purpose

Performance management and performance measures can help municipalities develop a continuous system of improvement. Consistent performance measures can help reveal when a program or service is not being delivered properly or effectively, which can result in insufficient services to the public. It is important for municipalities to be receptive to introducing performance measures to become more focused on outputs and outcomes of a program. Furthermore, performance measurements can also result in positive behavioural change. Municipalities should embrace the concept of continuous improvement and be willing to be measured (benchmarked) against outcomes. Establishing a receptive climate for performance measurement is as important as the measurements themselves.²

¹ Government Finance Officers Association. [Performance Management: Using Performance Measurement for Decision Making, Approved 2007.](http://www.gfoa.org/downloads/budgetpermanagement.pdf)

² Ibid.

Background

Performance measurements can be integrated to the strategic planning process and budget, which can then help assess accomplishments on a municipal-wide basis. When used in the long-term planning and goal setting process and linked to the municipality's mission, goals, and objectives, meaningful performance measurements can help identify financial and program results. Performance measures can also help evaluate past resource decisions and facilitate qualitative improvements in future decisions regarding resource allocation and service delivery.³

Considerations for Policy Development

Performance measurements often create nervousness. Municipalities may be apprehensive to implement performance measures. Performance measures have been perceived as revealing what has been done wrong, or they are perceived as personal evaluations. Performance measures are also perceived as additional work and a greater strain on existing resources. However, these misconceptions are not necessarily true. In fact, most municipalities already use performance measures at some level, but performance measures should become more formalized to be more accountable to the public. In order to be effective, performance measures need to be perceived from a different perspective. *Appendix I* describes why performance measurement is important for municipalities to consider.

Once a municipality has committed to implementing performance measurements, they need to develop specific performance measures that are best suited for their municipality. The key to reaping the benefits of performance measurement is developing customized performance measures. *Appendix II* describes how to develop customized performance measures. If the performance measures do not reflect the program that they are evaluating, they will not be helpful. *Appendix III* includes practical examples of actual municipal performance measurements.

In addition to implementing performance measurements, it is important to develop a performance management model. A performance management model can help municipalities implement performance measures, thereby making the performance measures more effective. *Appendix IV* provides a step-by-step explanation to develop a performance management model.

In addition to performance measurements and performance management, a municipality can also choose to develop a program evaluation. Program evaluation is similar to performance management, and can be combined with performance measures. An explanation of program evaluation and how it is integrated with performance measurement can be found in *Appendix V*.

³ Government Finance Officers Association. [Performance Management: Using Performance Measurement for Decision Making, Approved 2004.](http://www.gfoa.org/downloads/budgetperfmanagement.pdf)

Strategic plans and performance measurements are intertwined, as the performance measurements should be designed to reflect a municipality's goals, mission, and vision. *Appendix VI* is an example of a strategic plan within performance measurement, which can help municipalities better understand how the two relate to each other. This example can also help a municipality demonstrate its performance measures in its annual report or business plan.

Municipalities should consider disclosing their performance measurements and performance results to the public. An example and description of disclosing the performance results to the public is included in *Appendix VII*. This can act as a helpful guide for municipalities to understand how to publish their performance measure results, thus becoming more accountable.

Appendices

Appendix I: Why is Performance Measurement Important for Municipalities?

Appendix II: Developing Customized Performance Measures

Appendix III: Examples of Performance Measurements

Appendix IV: Performance Management Model

Appendix V: Program Evaluation Recommendations

Appendix VI: Example of a Strategic Plan within Performance Measurement

Appendix VII: Reporting and Explaining Results

Appendix I: Why is Performance Measurement Important for Municipalities?

The following are reasons why municipalities should consider implementing performance measures, along with a brief description of what the positive benefits associated with performance measures might bring to municipalities.

Stimulates Productivity and Creativity

- Performance measures can be used to create new incentives and rewards to stimulate staff's creativity and productivity. Municipalities may be able to reduce costs while maintaining or even improving service delivery if they implement creative ideas to reach the performance measurement goals.⁴
- Performance measurement changes the focus from what is achieved over how the job is completed. This enables administrators to manage and motivate employees to develop or try new ideas that will achieve the stated objectives.⁵

Improve the Budget Process

- Performance measures can help municipalities develop budgets that are based on realistic costs and benefits. Performance measurement can also improve the monitoring of municipal budgets by measuring whether the budget and expected service levels are being met.⁶

Accountability

- Reporting to the public improves municipal government accountability to taxpayers.⁷
- Accountability is improved because stakeholders and taxpayers involved can be informed about the achievements and challenges succinctly.
- Performance measurement also allows managers and administrators to delegate authority with greater confidence because their expectations are clearly stated, and a consistent method for reviewing actual performance.
- Taxpayers can be provided with a better understanding of how their tax dollars are being spent.⁸

⁴ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program. 2003.
<http://www.mah.gov.on.ca/Page297.aspx>.

⁵ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program Summary of Results 2003.
<http://www.mah.gov.on.ca/AssetFactory.aspx?did=4552>.

⁶ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program. 2003.
<http://www.mah.gov.on.ca/Page297.aspx>.

⁷ Ibid.

⁸ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program Summary of Results 2003.
<http://www.mah.gov.on.ca/AssetFactory.aspx?did=4552>.

Communication

- By nature, performance measures necessitate greater communication among taxpayers, Council members, other municipalities, and the Province.⁹

Priority Setting

- Activities can be prioritized and resources allocated (including time and attention of managers) according to the contribution they make toward meeting client needs and expectations.¹⁰
- Performance measures can also assist council in setting priorities and allocating tax dollars to services in the municipal budget.¹¹

Focus

- Results become the focus, leading to a closer review of how service is delivered, how well it is delivered, its costs, and the impacts on the community.¹²
- Service delivery can be regularly altered or tuned to respond to current taxpayer needs. A focus on client needs causes organizations to rely more on cooperation and partnership.¹³

Setting Targets

- Improvements in performance can occur simply by setting clear, measurable targets.¹⁴

Improved Service Delivery

- Improved communication, setting targets, comparisons, a focus on service, and access to a directory of best practices can lead to improved service delivery.¹⁵
- Services can be more easily altered and adjusted to the current situation because the changes are revealed earlier.¹⁶

⁹ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program. 2003.

<http://www.mah.gov.on.ca/Page297.aspx>.

¹⁰ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program Summary of Results 2003.

<http://www.mah.gov.on.ca/AssetFactory.aspx?did=4552>.

¹¹ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program. 2003.

<http://www.mah.gov.on.ca/Page297.aspx>.

¹² Ibid.

¹³ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program Summary of Results 2003.

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¹⁴ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program. 2003.

<http://www.mah.gov.on.ca/Page297.aspx>.

¹⁵ Ibid.

¹⁶ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program Summary of Results 2003.

<http://www.mah.gov.on.ca/AssetFactory.aspx?did=4552>.

Appendix II: Developing Customized Performance Measures

When initially implementing performance measures, municipalities should consider developing performance measures for the largest and most costly programs or services first, and then develop performance measures for other programs and services. By beginning with the larger programs or services, the municipal staff can better appreciate the importance of the performance measures. Furthermore, it is important for municipalities to convince its Councillors and senior management staff that the performance measures are necessary and can help improve governance and project management. If Council and senior managers are not supportive of the new performance measures, municipalities will experience difficulty in executing their performance measures effectively.

The following is a general method for developing performance measures, which can be applied to various types of services delivered by municipalities. It can generate different kinds of performance information to support a variety of municipal decision making processes, including strategic planning, operational planning, budgeting, and service or performance evaluations.

1. *Defining the Service Mission*

The mission states what the service is trying to achieve over the long term, and it should respond to three questions:

- What** is the product or service being produced?
- Who** is the intended client, customer, or target group?
- Why** is the service needed?

2. *Stating the Key Results the Service is Trying to Accomplish*

The outcomes that need to be measured should be identified. It is essential to realize that any government service produces many different kinds of results. The results can be grouped into three categories: service outputs, client benefits/impacts, and strategic outcomes. The three categories of results relate directly to a service area's mission statement.

Defining the Service Mission

What is the service?

⇒

Results

Service outputs (efficiency)

Who is the client?

⇒

Client benefits/impacts (effectiveness)

Why is the service needed?

⇒

Strategic outcomes (effectiveness)

All three categories of results are important because together they encompass the concepts of efficiency and effectiveness. Service outputs can be evaluated by efficiency measures that are often expressed as unit costs. Client benefits address effectiveness in terms of quality or benefits from the client or taxpayer's point of view. Strategic outcomes address effectiveness in terms of the benefits of the program or service over the

long term for the entire municipality. Client benefits and strategic outcomes can be evaluated by effectiveness measures that are often expressed as percentages or ratios.

	Service Outputs <i>(Efficiency)</i>	Client Benefits/Impacts <i>(Effectiveness)</i>	Strategic Outcomes <i>(Effectiveness)</i>
Description	Direct outputs or work processes.	Results from client's point of view.	Results from community's point of view.
Main Users	Municipal staff and management.	Municipal staff and management, senior management, councillors, and public.	Senior management, councillors, and public.
Degree of Control	Relatively direct control.	Less control, but can still be strongly influenced	Indirect, outside influences are strong.
Measurement	Measurement is relatively straightforward. Efficiency measures expressed as ratio of inputs to outputs. Measures often expressed as unit cost.	Measures must be defined carefully. Effectiveness measures compare results to goal. Measures expressed as percentages, ratios, and counts.	More difficult to measure. Effectiveness measures compare results achieved to goal. Measures expressed as percentages, ratios, and counts.

3. Selecting Performance Measures for Desired Results

The following is a description of how a municipality's landfill operations would appear using all three stages of performance measurement.

	Service Outputs <i>(Efficiency)</i>	Client Benefits/Impacts <i>(Effectiveness)</i>	Strategic Outcomes <i>(Effectiveness)</i>
Landfill Operations <i>Mission:</i> To receive and manage solid waste from residents and industrial, commercial, and institutional users in the municipality to ensure a safe environment and to protect public health.	Processing solid waste	Service time minimized	Environment and public health protected Landfill capacity maximized
	Processing solid waste <ul style="list-style-type: none"> • Cost per tonne processed • Equipment hours per tonne 	Service time minimized <ul style="list-style-type: none"> • Average waiting time to enter scales • Average cycle time once scales have been entered 	Environment and public health protected <ul style="list-style-type: none"> • Percentage of the off-site monitoring tests that meet environmental standards Landfill capacity maximized <ul style="list-style-type: none"> • Average waste/volume • Estimated number of years to full capacity

17

¹⁷ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program. 2003.
<http://www.mah.gov.on.ca/Page297.aspx>.

When selecting various performance measures, municipalities may consider addressing some specific perspectives. In order to fully evaluate programs and services, municipalities should reveal if the programs and services are efficient, effective, and if they are making an impact. The following is a more detailed description of the efficiency, effectiveness, and impact perspective.

- **Efficiency Perspective**
 - The efficiency perspective refers to input constructs and output constructs.
 - Input constructs of efficiency refer to the ability of the resources to be used for production, while output constructs of efficiency refer to the ability to maximize output with the given resources.
 - Input and output constructs may differ between a municipality's products and services.

- **Effectiveness Perspective**
 - Effectiveness has been defined as the comparison of produced output to the intended output.
 - Constructs of effectiveness are concerned with the extent that the service provided in terms of quantity, location, and character corresponds to the goals and objectives established by the municipality and the needs of the residents.

- **Impact Perspective**
 - The impact perspective describes the greater effects of programs and services, while also reflecting the efficiency and effectiveness of the programs and services.
 - The impact perspective can also reveal the external and indirect effects on social well being, economic development, and environmental quality. Impact constructs can also include externalities and indirect effects, both beneficial and adverse, and intended and unintended.¹⁸

4. Develop a Benchmarking Process

After the performance measures have been identified it is important to create a degree of comparison to provide context to the results that were collected. A benchmarking process can help municipalities develop a constant comparison system. In order to develop a benchmarking process, a municipality should identify the programs, services, functions, or other municipalities that will be compared. A municipality should compare and evaluate its operations against similar municipalities to assess if gaps exist between its performance levels and the best industry performers.

- Budget documents can be used as performance measurements in benchmarking and trend analysis. Previous budget years can be compared to determine cost efficiency and effectiveness.

¹⁸ Phillips, Jason Keith. "An Application of the Balanced Scorecard to Public Transit System Performance Assessment". *Transportation Journal*. 43.1. Winter 2004.

- This use of performance measures can allow municipalities to compare itself with other municipalities with respect to effectiveness, efficiency, and quality of its outcomes.¹⁹

It is important to clarify the differences inherent in the benchmarking practices between municipalities. Explanations of these factors should be an integral component in the communication of benchmarking comparisons. Municipalities should also institute internal benchmarking by comparing past years and setting targets to meet.

5. Conduct a Cost Benefit Analysis

A cost benefit analysis should be conducted on the programs and services that generated low performance ratings. This can help assess the effectiveness and efficiency of the projected improvements.²⁰

6. Develop an Implementation Plan

An implementation plan should be developed to implement the proposed operation improvement initiatives. The implementation plan should explain the following:

- *What* will be accomplished;
- *How* it will be accomplished; and
- *Who* will be responsible for the implementation.

The implementation plan should also include an implementation schedule to specify the milestones and goals related to the implementation plan.²¹

7. Post-Measurement Evaluation

The performance of the programs and services that were adjusted should be evaluated again after the changes have been completed and taken effect. This can be done by collecting additional data for the service areas and generating a new set of performance measures. These new performance measures will subsequently be benchmarked against similar municipalities for comparison.²²

¹⁹ Calia, Roland, Judd Metzgar and Salomon Guajardo. "Putting the NACSLB Recommended Budget Practices into Action: Best Practices in Budgeting." *Government Finance Review*. April 2000. <http://www.gfoa.org/services/dfl/bulletin/BUDGET-BudgetingBPApr00.pdf>.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

Appendix III: Examples of Performance Measurements

Upon instituting performance measures, municipalities may find it difficult to decide which aspects of the programs and services provided should be measured, and how they should be measured. Service Nova Scotia and Municipal Relations (SNSMR) offers municipal indicators for municipalities to follow when trying to understand their level of success, and to make improvements on their current standard of service. The following performance measurements are taken from SNSMR's performance section of the Municipal Indicators. Municipalities may find these helpful in determining how performance measures can be designed.

General Government Services

Documentation

- This measure will indicate if the Department received all documentation by the stipulated date.
- Timely reporting and submission of reports to Councils and the Provincial government is a sign of an efficient municipal administration. It provides stakeholders, including taxpayers, with important information on the well being and plans of the municipality.
- Reports and submissions required by SNSMR are: Estimates Forms, Capital Budgets, General Return, Financial Statements including Auditor's Reports, and a Management Letter.

Legislative Per Capita

- This indicator shows the amount that a municipality spent for legislative services per capita. This can be compared to a municipality's previous years' spending on this service or can be compared to other municipalities of similar size and structure.

Administration Per Capita

- This indicator shows the amount that a municipality spent for administrative services per capita and measures the efficiency of administration. It is calculated by dividing general administrative services less tax rebates and expenses related to properties acquired at tax sales by population.
- This indicator can be used to compare with previous years and with similar municipalities. A high indicator may indicate high expenditures in this area or higher service levels. A low indicator may indicate efficient operations or an insufficient number of qualified employees.

Police

Police Services Per \$1,000 Assessment

- This indicates the efficiency of police services. It is calculated by dividing total costs of police services by thousands of dollars of assessment. Assessment less

business occupancy is used as a measure because part of police services mandate is to protect property.

- Police services in Nova Scotia are delivered by a municipality's own force, the RCMP, or a combination of both. Differences between municipalities should be researched before conclusions are made because service levels may be different.

Fire

Fire Services Per \$1,000 Assessment

- Fire services in Nova Scotia are delivered by a municipality's own force, volunteer fire departments, or a combination of both. Differences between municipalities should be researched before conclusions are made because service levels may be different.
- This indicator reveals the efficiency of fire services. It is calculated by dividing total costs of fire services by thousands of dollars of assessment. Assessment less business occupancy is used as a measure because part of fire services responsibility is to protect property.

Fire Services Per Capita

- This indicator reveals the efficiency of fire services. It is calculated by dividing total costs of fire services by population. Population is used as a measure because part of fire services responsibility is protection of people.

Transportation

Roads and Streets

- This indicator measures the efficiency of road and street maintenance services per kilometre of roads owned by the municipality. Costs included in this measure are operating costs for roads and streets, sidewalks, snow and ice removal, bridges, street lighting, traffic services, and parking.
- A high or low result for this indicator may have many different explanations. For example, municipalities with hilly streets or more annual snowfall may have a higher 'Roads and Streets' indicator.

Wastewater

Storm and Wastewater Per Km

- This indicator measures the efficiency of storm sewer and sanitary sewer systems. It is calculated by dividing storm and sanitary sewer collection and treatment expenditures by total kilometres of sewer line.
- A high result may indicate old, deteriorating sewer lines. A low result may be the result of new or updated sewer lines.

Sewer Main Backup Per Km

- Municipal wastewater management practices prevent environmental and human health hazards. This indicator measures the efficiency of the sewer system. It is

calculated by dividing the number of sewer main backups in a year by the kilometres of sewer line.

- A sewer main backup is defined as an obstruction of hydraulic overload in a municipal system (separated sanitary and storm sewer systems as well as combined sanitary/storm system), which results in a backup of wastewater that may enter a house. This should be distinguished from an obstruction in a lateral line from a house to the sewer main. Included are municipal system flushing activities that cause a backup in residential basements. Sewer lines on private property are not measured.

Solid Waste Resource Management

Solid Waste Collection Per Tonne

- This indicator measures the efficiency of municipal solid waste collection services.
- A municipality with large collection areas such as countries may have a higher solid waste collection cost per tonne indicator than a town that has a shorter collection route.

Solid Waste Disposal Per Tonne

- This indicator measures the efficiency of municipal solid waste disposal services. It is calculated by dividing the costs of disposal, including landfills and incinerators, less revenues received from other municipalities by total tonnes collected.
- A high indicator may be the result of the higher costs of running a second generation landfill. A low indicator may result from a higher than average recyclables diversion rate.

Recycling Costs Per Tonne

- This indicator measures the efficiency of municipal solid waste recycling services. The definition for operating costs for recycling applies to material collected from all property classes that are diverted for recycling or composting.

Water

Water Treatment and Distribution

- This indicator measures the efficiency of municipal water treatment and distribution services. It is calculated by dividing operating costs for water including: source of supply, pumping, water treatment, transmission and distribution, administration, depreciation, and taxes by millions of litres of water treated.

Water Tests

- This indicator measures the percentage of water test results that showed adverse water quality or exceeded maximum concentrations as prescribed. The effectiveness measure indicates whether water is safe and meets local needs. It is

calculated by dividing the number of adverse water quality tests by the total number of water quality tests.

Water Main Breaks Per Km

- This indicator measures the effectiveness of the water main system in the municipality. It is calculated by dividing the number of breaks in water mains in a year by the total number of kilometres of water main pipe.²³

The following is a description what Ontario municipalities are mandated to measure in the year 2005. Nova Scotia municipalities may find some of these examples useful and applicable to their particular situation.

General Government

- Operating costs for governance and corporate management as a percentage of total municipal operating costs

Protection

Fire

- Operating costs for fire services per \$1,000 of assessment

Police

- Operating costs for police services per person
- Violent crime rate per 1,000 persons
- Property crime rate per 1,000 persons
- Total crime rate per 1,000 persons (Criminal Code offences, excluding traffic)
- Youth crime rate per 1,000 youths

Transportation

Roadways

- Operating costs for paved (hard top) roads per lane kilometre
- Operating costs for unpaved (loose top) roads per lane kilometre
- Operating costs for winter maintenance of roadways per lane kilometre maintained in winter
- Percentage of paved lane kilometres where the condition is rated as good to very good
- Percentage of winter events where the response met or exceeded locally determined – municipal service levels for road maintenance

Transit

- Operating costs for conventional transit per regular service passenger trip
- Number of conventional transit passenger trips per person in the service area in a year

²³ Service Nova Scotia and Municipal Relations. [Municipal Indicators – Indicators Descriptions](http://www.gov.ns.ca/snsmr/muns/indicators/public/IndicatorDescriptions.asp).
<http://www.gov.ns.ca/snsmr/muns/indicators/public/IndicatorDescriptions.asp>.

Environment

Wastewater

- Operating costs for the collection of wastewater per kilometre of wastewater main
- Operating costs for the treatment and disposal of wastewater per megalitre
- Operating costs for the collection, treatment, and disposal of wastewater per megalitre
- Number of wastewater main backups per 100 kilometres of wastewater main in a year
- Percentage of wastewater estimated to have by-passed treatment

Storm water

- Operating costs for urban storm water management (collection, treatment, disposal) per kilometre of drainage system
- Operating costs for rural storm water management (collection, treatment, disposal) per kilometre of drainage system

Drinking Water

- Operating costs for the treatment of drinking water per megalitre
- Operating costs for the distribution of drinking water per kilometre of water distribution pipe
- Operating costs for the treatment and distribution of drinking water per megalitre
- Weighted number of days when a boil water advisory applicable to drinking water was issued, was in effect
- Number of water main breaks per 100 kilometres of water distribution pipe in a year

Solid Waste

- Operating costs for garbage collection per tonne or per household
- Operating costs for garbage disposal per tonne or per household
- Operating costs for solid waste diversion per tonne or per household
- Average operating costs for solid waste management (collection, disposal, and diversion) per tonne or per household
- Number of complaints received in a year concerning the collection of garbage and recycled materials per 1,000 households
- Total number of solid waste management facilities owned by the municipality with official Provincial approval
- Number of days per year when a Department of Environment and Labour compliance order for remediation concerning an air or groundwater standard was in effect for a municipality owned solid waste management facility
- Percentage of residential solid waste diverted for recycling
- Percentage of solid waste diverted for recycling (based on combined residential and tonnage)

Parks and Recreation

- Operating costs for parks per person
- Operating costs for recreating programs per person
- Operating costs for recreation facilities per person
- Operating costs for parks, recreation programs, and recreation facilities per person
- Total participant hours for recreation programs per 1,000 persons
- Hectares of open space and hectares of open space per 1,000 persons
- Total kilometres of trails and total kilometres of trails per 1,000 persons
- Square metres of recreation facility space and square metres of recreation facility space per 1,000 persons

Library Services

- Operating costs for library services per person
- Operating costs for library services per use
- Library uses per person
- Electronic library uses as a percentage of total library uses
- Non-electronic library uses as a percentage of total library uses

Land Use Planning

- Percentage of new lots, block, and/or units with final approval that are located within settlement areas
- Percentage of land designated for agricultural purposes that was not re-designated for other uses during the reporting year
- Percentage of land designated for agricultural purposes that was not re-designated for other uses relative to the base year of 2000
- Number of hectares of land originally designated for agricultural purposes that was re-designated for other uses during the reporting year
- Number of hectares of land originally designated for agricultural purposes that was re-designated for other uses since January 1, 2000²⁴

²⁴ Province of Ontario Ministry of Municipal Affairs and Housing. List of Measures for 2005 Reporting Year. <http://www.mah.gov.on.ca/Page1673.aspx>.

Appendix IV: Performance Management Model

A Performance Management Model can help municipalities implement a performance management system into their standard business or annual reports. The performance measurement process does not have to be extremely intricate, and it can be made so that it can become part of a municipal administrator's and manager's regular routine. The following Performance Management Model can act as a helpful guide for municipalities wanting to implement performance measurement tools.

There are three fundamental elements that can be part of the Performance Management Model: macro-level performance evaluation and decision making, operational performance implementation and improvement, and enabling conditions that enhance the performance of the overall system.

1. Macro-Level Performance Evaluation and Decision Making

Macro-level evaluation and decision making in local government can include council mandates, departmental strategic objectives, budget documents, outcomes and impacts, assessments, and decisions on future actions.

In this stage, municipalities can develop high-level community indicators that reflect key priorities of Council, and how the various organizational programs affect Council. These would be central around the organizational programs that Council does not have total control over, such as community safety and economic development. By indicating these priorities, the areas that may require attention can be more easily identified, and adjustments can be made to help achieve the desired outcomes.

Strategic priorities should be developed to help identify what is most important to Council. This can help outline the results that are expected and when the results will occur.

The responses of employees, taxpayers, and Council can be captured as feedback and incorporated into the decision-making process. This can help enable learning, modification of performance standards, and the development of enabling conditions required to satisfy both the strategic objectives and the Council's mandate.

2. Operational Performance Implementation and Improvement

Operational performance implementation and improvement consists of:

- Developing the strategic plans and performance standards and measures;
- Operational task performance;
- Monitoring, measurement, and assessment; and
- Corrective action.

These components can provide a framework for communicating organizational goals and objectives throughout the organization, assessing results of organizational activities, and

taking corrective action when necessary at the level where activities occur. Performance measures, monitoring, and feedback systems need to be developed and applied at the performer, job, process, and organizational levels of the organization. It should be noted that all of these actions should be completed on a continuous basis, and responding to situations as they occur.

Strategic plans should contain strategic measures that operationalize the Council's strategy. To effectively manage this effort, each municipal department should develop key indicators for its area, thus creating a *dashboard* that can be used to monitor important processes. Essentially, key indicators are measures that track and quantify anything that is critical for managing a work process. Some of these processes will be targeted in the strategic plan for improvements, while others will not be, but will still be tracked and managed to meet certain requirements.

A performance measurement dashboard is a useful tool that supports the use of the measures. Basically, a dashboard contains measures included in the business plan and more 'process-oriented' measures that can be used to diagnose current and potential problems. If the product or service is highly influenced by external forces, there may also be a need to include measures that monitor changes in the environment. In most cases, each level of the organization will require its own unique dashboard highlighting information relevant to that group. The right amount and right type of information is critical. An excessive amount of detailed measures will usually act as a hindrance rather than help to make decisions. Dashboards can demonstrate whether goals are being met and provide valuable information on barriers to performance, and they should be kept clear and concise.

3. Enabling Conditions that Enhance the Performance of the Overall System

Enabling conditions that enhance the performance of the overall system involves changing the environment surrounding performance management. Municipal administrators and managers need to embrace a performance management and measurement system in order for it to be successful. That is why it is important for enabling conditions to be present in the organizational environment; otherwise a performance management model will not produce any significant benefits. Greater employee and Council acceptance can be achieved by providing the tools, resources, and authority to act on the information provided by the model. This creates the enabling conditions that allow employees to view the system as a positive, useful tool that helps remove the barrier to performance.

Authority, accountability, access to resources and knowledge, communication, and training all contribute to greater organizational power among municipal administrators. If employees are held accountable for performance, they must be empowered to influence results and remove barriers. Without these measures, employees may begin to feel alienated and frustrated.

The enabling conditions allow the macro-level and organizational level phases to operate at their full potential, and thus enabling more effective performance evaluation. This can help municipalities fully assess and improve their performance.²⁵

²⁵ Douglas, Janine and Thomas Plant. "The Performance Management Continuum in Municipal Government Organizations". Performance Improvement. 45.1. January 2006.

Appendix V: Program Evaluation Recommendations

Program evaluation can be an added component to a municipality's performance measurement process. Program evaluations can be completed on all programs, or programs that have been deemed questionable or in need of adjustment. The benefits of program evaluation can include identifying specific components that are not creating an output or outcome; help a municipality identify areas of inefficiency, and increase a municipality's accountability.

The following is a format that municipalities may consider adopting when implementing program evaluation tools.

Program evaluation and performance measurement should be part of a municipality's greater plan for delivering services effectively. A performance management cycle should be the municipality's core plan to deliver effective and efficient programs and services. The performance management cycle should include the following steps:

1. Develop a Strategic Plan

- This can help identify the strategic direction of the municipality by establishing the planned results and explaining the strategies that will be used to try and achieve the planned results.
- The strategic plan can identify key contextual factors that have influenced decisions about performance expectations, goals and strategies, and any constraints that may impede performance.
- The strategic plan should explain how such contextual factors and constraints would be addressed and handled. In addition, the strategic plan should include how the municipality has learned from its experiences and how they have influenced the current decisions.
- SNSMR has developed a comprehensive guide to developing municipal strategic plans, which can be found at: http://www.gov.ns.ca/snsmr/muns/manuals/PDF/LGRH/LocalGovernmentResourceHandbook_6.pdf.
- For an example of a strategic plan with performance measures, see *Appendix VII*.

2. Develop an Annual Plan

- An annual plan should outline the objectives, priorities, and specific commitments of the municipality for the entire year.
- An annual plan can be the venue for establishing the inputs used and the activities executed to produce the planned outputs and outcomes.

3. Measuring, Monitoring, and Assessing Actual Results

- This component of the cycle involves regularly comparing what has actually been achieved against what was planned. The differences between actual achievements and planned objectives should be identified

and understood. This allows for clear identification of the components that are working as intended and those that require adjustments.

- Performance measurements can help identify these components, but they may not necessarily explain why they have not performed to the extent expected.

4. *Develop a Performance Report*

- A performance report should include a description of the actual results compared with the planned results, including an explanation of the differences between the planned and actual results.
- Where there were discrepancies, the municipality should identify areas for further investigation and determine if any changes to the performance expectations, targets, or strategies are necessary.²⁶

The performance management cycle can act as a preliminary stage for program evaluation. As mentioned, a performance report can be included in the performance management cycle, which can help municipalities identify the areas that require further investigation. The next step to investigating the areas of improvement is developing a program evaluation *logic model* (also known as a results chain). A logic model can act as a tool to identify how the outcomes and outputs are being achieved, and identify those that are not being achieved.²⁷

The first step in evaluating a program is to clarify its activities, the people and organizations involved, and the aim or expected benefit. A logic model is a map of how a program is executed (inputs and activities) and its expected outputs and outcomes. A logic model can help clarify the expectations of program managers and other stakeholders about how the program is supposed to work and how the intended results will be achieved. A logic model is an effective tool to communicate program intentions to the staff and funding sources, ensure a reasonable level of agreement among stakeholders on expectations for the program, and identify the measures needed to assess the program's quality, efficiency, or effectiveness.²⁸ The following is a description of the components of a logic model.

Inputs

- Financial and non-financial resources and authorities given to a public sector entity to carry out activities, produce outputs, and accomplish results. Inputs can include items such as tax dollars, user fees, transfers, human resources, capital, and information.

²⁶ Public Sector Accounting Board. *Public Performance Reporting*. March 2006.

http://www.psab-ccsp.ca/download.cfm?ci_id=37690&la_id=1&re_id=0.

²⁷ Ibid.

²⁸ Shipman, Stephanie. "Program Evaluation: Improving Performance and Accountability." *Public Manager*. 34.3. Fall 2005.

Activities

- What a municipality does to produce the outputs that contribute to the outcomes. Activities can include the processes and initiatives used by the municipality to produce its outputs.

Outputs

- The direct products and services produced by the activities of the municipality.

Outcomes

- The consequences of the outputs. An output might include the provision of information, the provision of a product, or the provision of a service.
 - *Immediate Outcomes*, the first level of outcome, are largely attributable to the outputs over the short term.
 - *Intermediate Outcomes* are typically achieved in the medium term and are expected to logically occur once immediate outcomes have been achieved.
 - *Final Outcomes* are the highest level of outcomes that can be reasonably attributed to activities.²⁹

Characteristics of Performance Information

A public performance report should communicate information that is credible and that embodies reliability and validity, relevance, fairness, comparability and consistency, and understandability.

Reliability and Validity

- Performance information must be reliable. Reliable performance information is based on data that can be replicated by independent observers to produce similar results and independently verified. If the procedure and information is verifiable, then the information is more reliable.
- Performance information is valid when it is in agreement with the sources used to prepare it and represents what it claims to represent. Without valid information, credibility is compromised.

Relevance

- Performance information is relevant when it is linked to what was stated in the strategic plan, enabling users to assess performance and contributes to decision making. Relevant performance information can help reveal the aspects of performance that are key and that reporting has been focused.
- Relevant performance information should also be timely. The usefulness of performance information declines as time elapses, so performance information should be provided before it loses its capacity to be valuable.

²⁹ Public Sector Accounting Board. *Public Performance Reporting*. March 2006.
http://www.psab-ccsp.ca/download.cfm?ci_id=37690&la_id=1&re_id=0.

Fairness

- Performance information is fair when it is free from bias that will not lead readers to false conclusions.
- Performance information may also be biased when information is not presented when the information emphasizes successes in an unbalanced way, minimizing discussion of matters that did not unfold as planned. In order for reporting to be fair, the information disclosed must be complete.

Comparability and Consistency

- Comparative information provides a clear frame of reference for users to assess performance in a broader context, thereby enhancing its usefulness. Information about past performances provides context as to whether performance is improving, stable, or deteriorating.
- In order for comparisons to be valid, the information must be prepared on a consistent basis or difference in circumstances between comparisons being made must be clearly stated.

Understandability

- For performance information to be useful, it must be understandable. Explanatory narratives clearly stated in plain, non-technical language that focuses on the critical facts of the performance information should be included to provide readability and understandability. The information should not be oversimplified or critical information should not be omitted.

Practical Trade-Off Between Characteristics

- A trade-off between various aspects of these characteristics often occurs. For instance, there is often a trade-off between the timeliness of producing a public performance report and the reliability of the information. Municipalities should keep trade-offs in consideration, and ensure a balance is maintained.³⁰

³⁰ Public Sector Accounting Board. *Public Performance Reporting*. March 2006.
http://www.psab-ccsp.ca/download.cfm?ci_id=37690&la_id=1&re_id=0.

Appendix VI: Example of a Strategic Plan within Performance Measurement

Developing a strategic plan is constantly repeated throughout performance measurement literature and can be easily found in existing performance measurement frameworks. In order for municipalities to develop a comprehensive strategic plan, an example has been provided to create some context and clarity.

SNSMR's Strategic Planning Steps are helpful for a municipality, and share similar characteristics to other provinces' strategic plans. Municipalities may consider examining how the Province of Alberta's Municipal Affairs department has formatted their performance strategic plan. This is a good example of how performance measures have been directly integrated into a strategic plan. The following is a description of how the Province of Alberta, Municipal Affairs has structured its performance model's strategic plan.

- The strategic plan has been divided into core goals, which has separate cascading goals.
 - Each core goal has separate goals to describe how the core goal will be broken down and achieved.
- Each goal is stated, and then accompanied by a clearer description of what the goal means.
- After the goal has been further defined, a list of the strategies and how the strategies will be accomplished are provided.
- After the strategies have been described, the strategic plan then includes the performance measures for each goal.
 - The performance measures include a description of:
 - The measure;
 - Last year's results;
 - Next year's results; and
 - Two year's worth of future targets.

The following page is an excerpt from one goal of Alberta's Municipal Affairs Business Plan and its Core Business, Goals, Strategies, & Performance Measures section. The complete document can be found at:

<http://www.finance.gov.ab.ca/publications/budget/budget2006/munic.pdf>.

Core Business One: Local Government Services

Providing support services, policies, and legislations that enhance the development of an accountable, well-managed, responsive, and effective local government.

Goal Three

A well-managed and efficient assessment and property tax system in which stakeholders have confidence.

What it Means

The Ministry promotes a fair, reliable, and transparent system of generating local and provincial revenue through taxation of property. The key result is an assessment and property tax system that is accurate, understandable, predictable, and timely.

Strategies

Promote an assessment and property tax system that is accurate, predictable, transparent, and timely by:

- Demonstrating leadership by exhibiting a high level of professional standards and good practices in assessment, while helping municipal officials and taxpayers to better understand and deal with the assessment system;
- Administering assessment procedures and guidelines on an ongoing basis, and reviewing regulated assessment procedures and guidelines regularly;
- Developing and maintaining handbooks and guides, providing professional advice to ensure that assessment practices and methodologies are current; and
- Maintaining a comprehensive program of annual statistical audits and a five-year cycle for assessment procedure audits for each municipality.

Contribute to an effective and efficient system for assessment and taxation by:

- Providing timely and accurate linear property assessments;
- Providing timely and accurate equalized assessments and education tax requisitions; and
- Facilitating appropriate sharing of data to improve the assessment, equalized assessment, and education taxation requisition process.

Performance Measures

Performance Measure	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity, and equity.	92%	95%	95%	95%

³¹

³¹ Province of Alberta Municipal Affairs. Municipal Affairs Business Plan 2006-09.

Appendix VII: Reporting and Explaining Results

In order for the performance report to be effective and comprehensive, it must include a clear description of what the municipality planned to accomplish and how the actual results compared with those planned. To provide a proper explanation of this, the municipality should provide extensive description and explanation.

- *Strategic Direction*
 - The strategic direction of the municipality should be included to provide context for the performance report.
 - The strategic direction should include the municipality's high-level priorities and long-term goals.
- *Planned Results*
 - In order to report progress towards achieving goals and objectives, planned results should be identified.
 - Planned results should be stated in terms of outputs and outcomes. This provides a framework to assess actual results.
- *Actual Results*
 - Actual results and planned results should be compared to present a transparent public performance report. Once the planned results have been established, they should be compared with the actual results to report on the municipality's programs and services.
 - Both positive and negative variances between the planned and actual results should be explained.
 - Short-term achievements should also be included to provide an analysis of the potential long-term outcomes.
- *Comparative Information*
 - The performance report should include comparative information about past performance, benchmarks, baseline data, or the performance of other similar municipalities. These comparisons would be useful for interpreting the information collected.
- *Lessons Learned*
 - The performance report should include what the municipality had learned during the evaluation period. This could be an area where the municipality had realized areas for further study or evaluation.³²

In order to maintain accountability to the public, municipalities should disclose the performance measurement results. Municipalities may wish to report its performance measurement results in a variety of mechanisms. This could include mailing the reports

<http://www.finance.gov.ab.ca/publications/budget/budget2006/munic.pdf>.
³² Public Sector Accounting Board. *Public Performance Reporting*. March 2006.
http://www.psab-ccsp.ca/download.cfm?ci_id=37690&la_id=1&re_id=0.

directly to households, including it in the property tax bill, disclosing it in the Annual Report or Business Plan, publishing it in local newspapers, or making it available on the municipality's website. However a municipality chooses to inform the public, the information presented should be concise and written in easily understandable language.

When reporting performance measurement information to taxpayers, municipalities should consider the following:

- Reports should focus on results, highlighting the value of the service;
- Information should be meaningful, clear, and understandable;
- Numbers alone may be misleading; therefore, respective comments should be included.
- Comments should be kept simple as operational details may cause the readers to miss the true point, and thus accountability is reduced.³³

³³ Province of Ontario Ministry of Municipal Affairs and Housing. Municipal Performance Measurement Program. 2003.
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