

AUDITOR GENERAL OF BRITISH COLUMBIA
DEPUTY MINISTERS' COUNCIL
APRIL 1996



ENHANCING ACCOUNTABILITY
FOR PERFORMANCE:
A FRAMEWORK AND
AN IMPLEMENTATION PLAN

SECOND JOINT REPORT



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AUDITOR GENERAL'S COMMENTS

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Last year I committed to providing the Legislative Assembly and the public with a comprehensive accountability framework that would guide the whole of government in reporting more fully on its performance. In making this commitment, I believed that the best way to develop such a framework was to work closely with legislators and senior members of government. I am pleased to report that together we have achieved our goal.

The accountability framework set out in this report applies to government as a whole and to its ministries and Crown corporations. It can, at the same time, apply to Officers of the Legislative Assembly.

At first glance, the framework may seem ambitious in its scope. Shifting the focus of organizations from process and activities to intentions and results is a challenging undertaking. It is easy to talk about administrative reform; it is much more difficult to put it into practice. Change is often fraught with uncertainty and many may consider the task too arduous. However, I believe that, with resolve and persistence, we can—and will—achieve our goal of improving government performance and accountability. We must accept the challenge and, in so doing, demonstrate the value of the public sector to the citizens of the Province.

I am heartened by what I have seen to date. Clearly, there is desire for reform at all levels of government—for the opportunity to demonstrate to citizens that the public sector is well-performing. We need only build on this desire. The key, I believe, is leadership and an ongoing commitment to accountability for performance.

Members of all political parties have also expressed their support for improved accountability and performance as set out in this, and previous, reports. Over recent months, the Select Standing Committee on Public Accounts, a legislative committee with representation from the main political parties, met to consider the 1995 report, *Enhancing Accountability for Performance in the British Columbia Public Sector*. I congratulate the Committee on its pragmatic and non-partisan approach to its review. In particular, I wish to thank the Committee for its genuine support of this

initiative to improve accountability and, with it, performance across government.

The media and the public also have an important role to play in this initiative. As government finds new, more effective ways of doing business, citizens must have the means to judge how well policies, programs and services are being delivered. Accountability to the public—honest reporting—requires that managers report their failures as well as their successes. This will only happen, however, if the media and the public set reasonable expectations for performance and accept the obligation to use the information fairly. In this way, citizens can exert a positive influence over government and, ultimately, improve the services it receives.

I believe citizens will judge this initiative a success if they receive fair reporting about the important aspects of government's performance, if managers are held accountable for achieving results and, more particularly, if public confidence that government operates effectively in the interest of its citizens is restored.

To this end, I intend, in future reports to the Assembly, to report on the extent to which accountability for performance has occurred. Also, by March 1997, I will report further to the Legislative Assembly on another aspect of this initiative: extending the accountability framework to funded agencies. I look forward to working closely, once again, with legislators and government officials to bring this about.

George L. Morfitt, FCA
Auditor General

April, 1996

DEPUTY MINISTERS' COUNCIL COMMENTS

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Doug McArthur

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– continued

Since the publication of the first joint report in July 1995, the Deputy Ministers' Council has continued to work with the Auditor General to carry forward the commitments outlined in the report.

Our commitment to improving the way government operates is unchanged. The growing public demand that governments demonstrate good value for their tax money requires us to focus more than ever before on the effectiveness and efficiency of government programs.

In order to satisfy this demand, the management processes in government need to be aligned in support of performance as a major objective; something that for various reasons has not always been the case in the past when the emphasis has been more on compliance with regulations.

Over the past year, numerous inter-ministry working groups have reviewed many of the major planning, monitoring and reporting processes of government to identify how they should be changed to support and encourage improved program performance. The results of these reviews are seen in the implementation plans contained in this, the second joint report.

One of the major conclusions of the report is that government must develop better performance measures for its programs; this forms a major part of our implementation plan. These measures will help the public, legislators and government managers judge how well government programs are performing and whether the programs are achieving what was intended.

In many cases the development of these measures will be difficult and time-consuming. It is usually easy to measure activity or outputs (such as number of vehicles inspected or tax returns processed); it is often far more difficult to measure the results of these activities or outcomes (such as whether vehicles on the road are generally road-worthy and safe or whether the tax system is operating in a fair and equitable fashion); it is often impossible to demonstrate direct linkages between the activities of government and outcomes.

**DEPUTY MINISTERS'
COUNCIL**

– continued

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Public Sector Employee
Relations Commission

*Linda Baker, Chief Executive
Officer and Secretary
to the Council*
Public Sector Employers'
Council Secretariat

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Ministry of Small Business,
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Ministry of Social Services

Vince Collins, DM
Ministry of Transportation
and Highways

Suzanne Veit, DM
Ministry of Women's Equality

Cynthia Morton
Transition Commissioner

The implementation process will be lengthy and the change in culture of the public service inherent in this reform will take time to evolve. The public, legislators and government managers and staff must recognize this and be prepared to accept the risk of setbacks along the way. We will do our utmost to achieve great benefits of improved program performance, value for money and increased public confidence in government operations, that these reforms promise.

Doug McArthur
Chair, Deputy Ministers' Council

EXECUTIVE SUMMARY

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When government affects the lives of its citizens in as wide a range of social and economic activity as it does today, citizens have the right to know on a regular basis what their government intends to achieve and what it has actually accomplished.

This is easier said than done. Government is large and complex and the intended results of programs are not always clear. Citizens are routinely provided with volumes of information on government programs and activities, but most British Columbians still don't have a clear idea of how well their government is performing at any given time.

In the business world it is much simpler. The struggle for survival forces companies to make sure they are offering the right product at the right time for the right price. Companies that provide good service and operate efficiently are usually rewarded with healthy profits and repeat business. Those that don't, go broke.

There are no comparable operational consequences that would help us evaluate governments. Usually they have a monopoly on the goods and services they provide to the public. They must also balance numerous and sometimes conflicting objectives. Measuring performance is not a simple task.

Accountability is a contract between two parties. In the case of government, the contract is between the public and their government: the public gives government the responsibility to govern and manage public resources, and the government is accountable to the public through the Legislative Assembly for its performance. It is a concept fundamental to our democratic system. It clearly establishes the right of the citizen to know what government intends to do and how well it has met its goals.

Accountability for performance with a focus on results, is a concept which governments are only beginning to come to grips with. There is a growing public perception that government programs do not deliver enough value for the tax dollars being spent. Whether or not this perception is true, there is also a growing feeling that many of government's operations are accountable only to themselves. As fiscal pressures grow, and government is forced

to decide which programs to keep and which to reduce or eliminate, such decisions become more difficult when the results of those programs are unclear.

The time has come for government to focus on reporting on its organizational and program results. This does not mean that government will always achieve everything it plans. But being clear about intentions, measuring and understanding results, and making adjustments where necessary, would help assure taxpayers that their money is being spent wisely. A focus on results would also help to ensure that limited public resources in the Province are being applied in a way that provides the most value for taxpayers.

In government the lines of accountability are not always clear. Heads of Crown corporations, for example, are accountable to the Ministers responsible as well as to their boards of directors. Program managers can be accountable both for achieving broad public policy directions as well as for the direct delivery of their program or service to the public. Sometimes, these objectives are contradictory.

To be accountable, government must be clear about its objectives, explain the strategies it will use to meet those objectives, reveal the full costs of these strategies, and report on its actual results. Government should also report whether or not its results differed from what was intended, explain why, and outline what action was taken to improve the situation.

Information must be of high quality to be of value. It should be relevant, complete, meaningful, timely, consistent and verifiable. This means that information must be made available in a way that is not now the case. Information such as this can be obtained from a performance management system geared for results.

A performance management system in which program managers and government generally are held accountable for results is not merely a change to an existing process—it represents a major shift in the way government does business.

It will require management that:

- is results-oriented rather than process-oriented;
- is prepared to clearly state intentions and compare results with goals;

- accepts greater accountability for results at all levels of government;
- is able to apply the information gained from performance reporting to make management decisions; and
- will be given more flexibility to meet performance objectives.

The Office of the Auditor General and the Deputy Ministers' Council have taken up the challenge, proposing changes in the way government does business. A first report, *Enhancing Accountability for Performance in the British Columbia Public Sector*, was published in July 1995, tabled in the Legislative Assembly and referred to the Select Standing Committee on Public Accounts. This report committed government to:

- developing a way of providing the necessary information to the public, legislators and government managers—a framework for accountability;
- making the framework an integral part of government's other management processes, such as strategic planning, business planning and budgeting;
- establishing a plan for applying the framework to ministries, Crown corporations and government as a whole; and
- outlining how the principles of accountability will be extended to other agencies funded by the provincial government.

Since the publication of this report, the Auditor General and the Deputy Ministers' Council have continued to work together, with the assistance of the Select Standing Committee on Public Accounts and staff from central agencies, ministries, and Crown corporations, to produce a framework for accountability and to develop a performance management system for government.

The direction taken in *Enhancing Accountability for Performance in the British Columbia Public Sector* has been fully endorsed by the Select Standing Committee on Public Accounts. The Committee Chair has called it “a major step in improving accountability and de-mystifying government.”

The Committee went even further, recommending major changes in the existing budget, Estimates and Supply process for government that would make more information available in a form

that is easily understood and could be compared to the government's stated intentions.

In this second joint report, *Enhancing Accountability for Performance: A Framework and an Implementation Plan*, the Auditor General and the Deputy Ministers' Council set out the steps that need to be taken to reach the goal of implementing accountability for performance:

- establishing an accountability **framework** for government and its organizations; and
- making changes to the **main processes** which determine how the business of government is planned and managed.

Also included in this report is an implementation plan describing how government can start to shift the focus of these management processes towards accountability for performance.

AN ACCOUNTABILITY FRAMEWORK

A framework is a clear guideline on how to achieve an objective—in this case, accountability for performance for government and its organizations. The report sets out two frameworks: one that would be used government-wide or sectorally for broad areas of concern such as the state of the environment; and one for the specific activities of ministries and Crown corporations. These frameworks focus on improved accountability for performance by requiring managers to set out what their plans are, and then report on actual results.

REVIEW OF MANAGEMENT PROCESSES

Government's major planning processes were examined to determine whether they support or discourage accountability for performance. Significant changes are required to improve management processes, including:

- development of a comprehensive system of strategic direction to guide government programs;
- production of multi-year business plans which clearly set out directions and provide a basis for assessing performance;
- better costing of government programs;
- improved information systems; and

- review of management and administrative regulations to ensure that they do not unnecessarily impede performance.

To ensure that the information reported is credible, consistency of reporting must be established across government and the reporting must be independently verified. Eventually, audits will be required to ensure the credibility of the information, just as we now do with financial statements.

IMPLEMENTATION PLAN

The report also sets out an implementation plan—an action plan for making change happen. Deputy Ministers and chief executive officers in Crown corporations have the main responsibility for creating the right environment to make change happen. They will ensure that:

- reasonable but definite milestones are established to make sure progress is being made;
- adequate funds and staffing are dedicated to the process to ensure success; and
- appropriate training and support is provided to all staff who will be affected.

The shift to performance-based accountability represents a paradigm shift for legislators and government managers and will require a fundamental change in how government does its business. Full implementation is expected to take up to five years. But we are not starting from scratch. In some cases, implementation of accountability for performance has already begun.

PROGRESS ALREADY UNDERWAY

Treasury Board has recently issued a policy requiring additional information to accompany all proposals for new programs. This includes a description of how the program supports the government's strategic direction, a clear statement of program objectives, a three-year business plan which includes performance measures, and a clear description of how program accountability will be ensured.

Treasury Board has instructed ministries to outline how and when they will prepare performance measures for all their programs. Treasury Board has also approved the creation of several Special

Operating Agencies for inclusion in the 1996/97 budget, and negotiations are underway with a number of other candidates for agency status.

Crown corporations are now required to develop strategic and business plans which set out measurable long term objectives. The Crown Corporations Secretariat has been working closely with chief executive officers in developing high level performance indicators to be incorporated within their plans.

All the participants in this ongoing initiative remain fully committed to bringing about change to ensure that the best possible level of service is provided to the public.

THE NEXT STEP

Two reports, a progress report on the initiative and a plan for extending accountability to government-funded agencies, will be published in March and April 1997.

INTRODUCTION

INTRODUCTION

THE FIRST REPORT: ENHANCING ACCOUNTABILITY FOR PERFORMANCE IN THE BRITISH COLUMBIA PUBLIC SECTOR

In July 1995, we—the Auditor General and Deputy Ministers’ Council—issued a joint report, *Enhancing Accountability for Performance in the British Columbia Public Sector*. In that report, we recommended a new direction for improving accountability for, and management of, performance. That report serves as the foundation for this second joint report.

In our first report, we noted that the business of government has evolved from managing a small number of programs with relatively clear objectives, to managing a broad range of complex programs, often having indirect and conflicting objectives. Despite this significant change in what government does, its accountability for how well it does it has not kept pace.

While the Legislative Assembly and the citizens of British Columbia are provided with volumes of information about the activities of government, little of it focuses on intended and actual results of government programs and policies.

Government reporting and management continue to focus heavily on resources, activities and compliance with rules. While these are important, more attention should be given to organizational and program results, and performance with respect to the way business is conducted.

We believe the governance process in British Columbia will be enhanced if legislators and government focus more on results: what is working and what is not and where increasingly limited resources can be utilized in the most relevant, economic and effective manner. For this to happen, government needs to expand the focus of accountability and management in the public sector to all key aspects of performance, and in particular, to results.

Government must clearly articulate what it needs to achieve, and what has been achieved. This does not mean that government will always achieve everything it plans. But being clear about intentions, measuring and understanding results, and making necessary adjustments to programs and strategies will help ensure

taxpayers' money is being spent wisely. This is what matters to people today.

Having government be accountable for what matters will:

- help citizens assess the impact that government has on their lives—what was achieved with taxpayers' dollars;
- tell government managers how they are doing—where they are succeeding, and where they are not; and
- influence the way programs are managed through improved public awareness.

To improve accountability for performance, we committed to:

- develop a comprehensive accountability for performance framework;
- outline an action plan (both short- and long-term) for applying the accountability for performance framework to ministries, Crown corporations and government as a whole; and
- establish a process for adapting and implementing the framework to the accountability relationship between ministries and funded agencies.

In July 1995, the report was tabled in the Legislative Assembly and subsequently referred to its Select Standing Committee on Public Accounts. The report was well received, and the ideas endorsed in principle by the Committee.

WHAT HAS BEEN DONE

We have continued working together to consider how a shift to performance might be implemented, both in the way that government is managed and in the way that accountability is fulfilled. Our efforts were concentrated on developing an accountability framework that is linked to a performance-based management system.

In this report, we discuss the link between accountability for, and management of, performance, identify the requirements of a performance-based management system, and set out a performance-based accountability framework for government and its organizations. An implementation plan is presented, that is designed to bring about accountability for performance.

PUBLIC ACCOUNTS COMMITTEE ENDORSES THE INITIATIVE!

“The proposals by the Deputy Ministers’ Council and the Auditor General will be a major step in improving accountability and de–mystifying government.”

Committee Chairperson, Fred Gingell

In July 1995, the Legislative Assembly directed the Select Standing Committee on Public Accounts to review and comment on the joint report of the Auditor General and the Deputy Ministers’ Council, *Enhancing Accountability for Performance in the British Columbia Public Sector*.

The Committee met several times during the period July 1995 through January 1996 to review the joint report. Two public meetings were held as part of this review to hear the views of experts, from different sectors, knowledgeable in accountability for performance issues.

In its report to the Legislative Assembly, the Committee endorsed the initiatives of the Auditor General and Deputy Ministers’ Council. It also went on to recommend changes in three key areas:

- the type of information that government should be required to report to the Legislative Assembly;
- the use of legislative committees in holding government to account; and

- reform of the Estimates process in the Legislative Assembly.

In essence, the Committee:

- confirmed that legislators want to know the results of government’s efforts compared to its plans;
- expressed interest in high–level results information about the broad sectors of government activity;
- encouraged government to provide the public with information about its standards of service;
- recommended that sectoral standing committees review the short– and long–term plans and annual reports of ministries and Crown corporations; and
- suggested that the current, sometimes cursory, review of the Estimates be replaced with a more in–depth review of ministry and Crown corporation plans.

The report of the Committee has been published but not tabled, and therefore, its recommendations have not yet been reviewed by the Legislative Assembly. Entitled *Second Report of the Select Standing Committee on Public Accounts—Enhancing Accountability for Performance in the British Columbia Public Sector*, the report (dated January 31, 1996) is to be tabled in the House as soon as it reconvenes.

This plan recognizes the complex public sector environment, with managers often accountable to several different bodies having different objectives.

From the outset, we recognized that changes to the structures and processes of government are required to bring about accountability for performance. In addition, legislators and the public will have to decide how best to use information about the results of government's performance.

The goal of this initiative is to improve accountability for performance while encouraging improvements in the management and delivery of government services.

This initiative will be moving in the right direction if:

- the Legislative Assembly and the public receive fair reporting about government performance;
- government managers are held accountable for performance, and process or input controls do not unnecessarily impede performance;
- the government consistently conducts its business in a fair, legal and ethical manner, and the public knows it;
- the public is aware of the standards of service they can expect; and
- the public has confidence that government works, and that it operates in the best interest of its citizens.

Bringing about change will take time and the results will not be realized immediately. The changes proposed will require a shift in the way public sector managers manage the delivery of services and the way legislators and the public judge that service delivery. Continuing commitment at all levels of the public sector will be the key to successfully improving government accountability and performance.

ACCOUNTABILITY FOR PERFORMANCE

ACCOUNTABILITY FOR PERFORMANCE

ACCOUNTABILITY

Accountability is the obligation to account for responsibilities conferred. In the public sector, this means that each manager, in both ministries and Crown corporations, is accountable to a superior for managing the responsibilities and resources provided. At its highest level, it means that government is similarly accountable to the Legislative Assembly for its performance in managing the responsibilities and resources entrusted to it. In turn, a responsibility of the Legislative Assembly, acting on behalf of the citizens it represents, is to assess that performance.

The Legislative Assembly has several fundamental rights and responsibilities, including:

- passing legislation (which, among other things, creates government bodies, authorizes government activities, and establishes expectations around standards of conduct);
- approving all government expenditures (either on an annual basis or through legislation which provides continuing authority for expenditures); and
- holding government (each Minister and the Cabinet collectively) to account for performance.

To be able to fulfill its responsibilities, the Legislative Assembly requires appropriate information about the range of government performance in which people are interested. In particular, it needs to know about the results—the outcomes—of government activities. This information will also be of interest to consumers of public services.

While results can be described in many ways—in terms of inputs, activities or outputs, for example—it is outcomes that are of particular interest to legislators and the public because they are a way of describing the difference that a government's programs and services have made in the lives of citizens.

PERFORMANCE

There are three key elements of government performance:

- *Organizational and program (“operational”) performance:* government is responsible for providing taxpayers with value for money from its operations—that is, achieving what it intended to achieve, at a reasonable cost. The services it delivers should be:
 - relevant (make sense in relation to the problems they are supposed to solve);
 - effective (achieve the intended results); and
 - efficient and economical (achieve those results in the least costly manner).

Organizational and program performance also includes developing and maintaining the capacity to deliver results in the future.

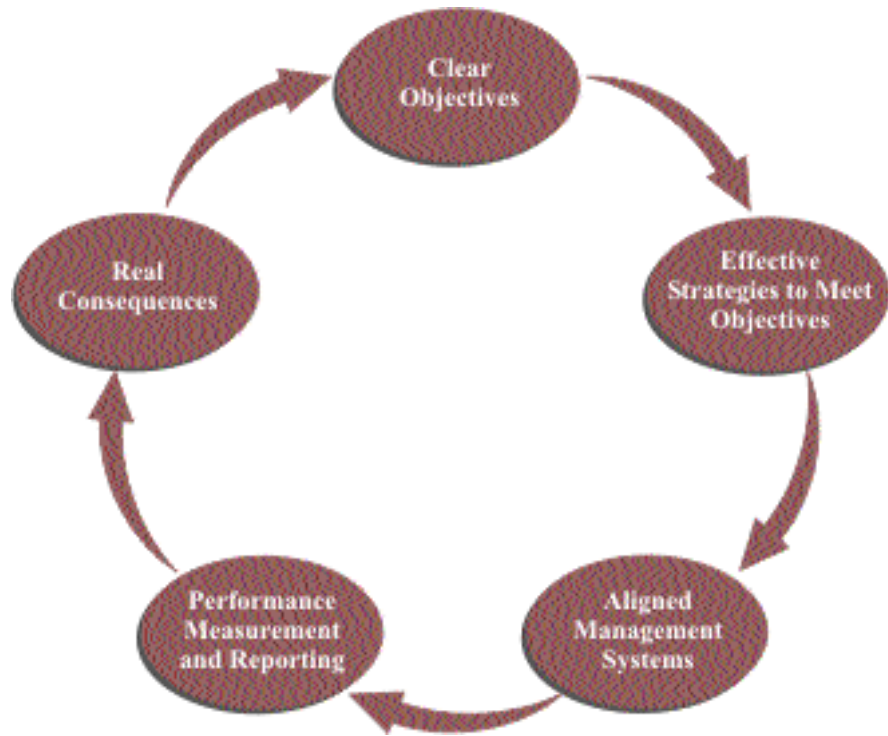
- *Financial performance:* government is responsible for achieving its financial objectives and managing its affairs according to sound financial controls.
- *Legal compliance and fairness, equity and probity (“compliance”) performance:* government is responsible for complying with legislation and related authorities, and meeting standards of behavior in the conduct of its business. While achievement of results is important, the manner in which results are obtained is also important. The public expects government to be fair and ethical in the delivery of its programs.

PERFORMANCE MANAGEMENT

Performance management refers to management focused on the achievement of clearly stated performance or results. Processes such as strategic and business planning, budgeting, and expenditure controls should all support the attainment of performance objectives; they are not ends in themselves. Exhibit 1 illustrates a performance management system.

Exhibit 1

*Public Sector
Performance Management:
A Performance
Management System*



**HOW ACCOUNTABILITY AND PERFORMANCE
MANAGEMENT INTERACT**

If improving accountability for performance is the goal, performance management is the process by which it will happen. To facilitate performance management, the performance objectives of an organization or program must be clearly stated and effective strategies for achieving those objectives identified. Progress against these objectives must be regularly measured and reported, and variances acted upon. The information needed for management of performance can be used to help government become accountable for performance (and vice versa). Exhibit 2 illustrates the relationship between accountability and performance management.

**HOW ACCOUNTABILITY AND PERFORMANCE MANAGEMENT
SUPPORT EACH OTHER**

Accountability and performance management support each other in the following ways.

- Accountability for performance is part of the system of consequences required in a performance management system.

Exhibit 2

*Relationship between
Accountability and
Performance Management*



- Being held accountable for performance is more likely to cause improvements in performance than being held accountable only for resource use and compliance with administrative controls.
- The performance information that managers use to monitor and direct their own programs should also be used for internal accountability (addressed to management) and external accountability (addressed to clients, interest groups, the Legislative Assembly and the public).
- Accountability for performance will require managers to seek out and use indicators of performance.

HOW ACCOUNTABILITY AND PERFORMANCE MANAGEMENT INTERFERE WITH EACH OTHER

Although accountability and performance management will support each other in a well-integrated management system, it is possible for them to conflict.

- If accountability is too administratively cumbersome, it can become an exercise in itself, possibly diverting an inappropriate amount of resources from program delivery.

- Multiple accountabilities to various stakeholders without common interests, especially in the absence of a sense of relative priority, can lead to program paralysis. In these cases, no action can be taken without having a negative impact on, or drawing negative feedback from, one or more factions.
- Where accountability is too onerous, program managers may be reluctant to react to change or to be innovative if they believe this is likely to result in undue criticism.
- Rapid or constant changes in the accountability system—what was acceptable yesterday is no longer acceptable today—can make it difficult for program managers to plan for performance.

THE NEED FOR BALANCE

Achieving the best and most productive mix of accountability and performance management is a question of balance. No complex system of this nature will satisfy all its participants all the time. The balancing of conflicting interests and requirements is the responsibility of management at all levels of the British Columbia public sector.

There also needs to be balance between accountability and authority. It is pointless to hold program managers and executives accountable for performance if they do not have the authority to take the actions necessary to achieve that performance. Any substantial increase in accountability for performance must be accompanied by the necessary changes in authority. In the public sector this means the reduction or relaxation of some internal regulation. It does not mean the elimination of the entire structure of internal controls and administrative regulations. Administrative controls and regulations that seriously restrict a manager's ability to achieve results may well be eliminated, but controls to ensure the appropriate use, and legislative scrutiny, of public funds must be retained.

Multiple lines of accountability is another issue that public sector managers face in their complex operating environment. In addition to the fundamental accountability relationship between a ministry (through the Deputy Minister) and Minister, a ministry also has accountabilities to other major participants in the regime. A ministry has accountability relationships with central agencies,

such as Treasury Board and the Public Service Employee Relations Commission; and special legislative offices, such as the Ombudsman and the Information and Privacy Commissioner. While these accountability relationships do not affect the fundamental relationship between government and the Legislative Assembly, they can affect the ability of managers to deliver programs efficiently.

CROWN CORPORATIONS ARE UNIQUE

Crown corporations are unique instruments of public purpose that have a substantial impact on British Columbia's economy and its citizens. The starting point for accountability regimes for Crown corporations (as for ministries) are clear and unequivocal mandates that assign tasks, confer powers and identify who is responsible for what. While, like ministries, they have multiple accountability relationships, the nature of the relationship can be fundamentally different. Unlike most ministries, many Crown corporations charge for services which means they have to be responsive to client needs and concerns.

Another significant difference between ministries and Crown corporations is that, in the case of the latter, the mandate is devolved on a collectivity—a board of directors. In a ministry, the Deputy Minister is accountable to the Minister. The parallel accountability relationship for the chief executive officer of a Crown corporation is to the board of directors. The Crown corporations' accountability regime is thus even more complex than the ministries' because it involves not only government and the Legislative Assembly but also a board of directors. Because the governance responsibilities are shared, there is a need to clarify respective roles and decision-making authorities, as well as the degree to which each governing agent is accountable for certain directions or decisions.

A separate study to look at these issues is currently underway in British Columbia involving the Crown corporation sector, the Auditor General and the Crown Corporations Secretariat. The intent of the study is to begin the process of establishing clear, consistent, well-understood, and accepted roles and responsibilities for all participants in the accountability regime. The accountability framework for Crown corporations will not be complete until these issues are resolved.

THE DESIRED STATE

Before discussing implementation, a clear articulation of the “desired state”—the intended results—is required. The following summary represents the direction this initiative is heading, recognizing that the process of change is evolutionary.

- Intended performance will be clearly established through effective planning processes.
- Government organizations will be clearly communicating what standards of service the public should expect when accessing government programs.
- Government management processes will be integrated, and consistently focused on key aspects of performance.
- The focus throughout government, from Cabinet to the front-line worker, will be on intended and actual performance.
- Roles and responsibilities of those within government will be clear, and, where appropriate, control will have been relaxed in exchange for clear accountability for performance.
- Government will be providing fair, reliable, and timely reporting about the intended and actual results for all key aspects of its performance to all interested parties.
- Legislators will be able to focus their attention on outcomes—actual and intended—and government will be held accountable for achieving what it set out to achieve, in a fiscally responsible way, and doing so in a manner that complies with expected standards of conduct.
- Actual performance will be appropriately measured, and will have a direct impact on budgets.

CHANGES REQUIRED

If government is to be accountable for performance, information must be made available to the Legislative Assembly and the public in a way that is not currently provided. Information should include:

- government-wide plans regarding intentions (strategies and measurable goals) and finances (fiscal goals);

- ministry and Crown corporation rolling multi-year plans (measurable goals, performance targets, estimated full cost of programs);
- measures of the quantity, quality and full cost of the goods and services—the outputs—by government programs;
- measures of the outcomes achieved by government programs (at the program, ministry and Crown corporation, and government-wide or sectoral levels);
- measures of the extent of compliance with legislation and expected standards of conduct;
- assessments of organizational capacity to deal with the future; and
- intended and actual standards of service delivery.

For performance management to encourage and support accountability for performance, the following actions (detailed in the implementation plan) are required:

- expand strategic direction-setting to cover all significant government activities;
- ensure all programs produce, or are included in, business plans;
- develop performance measures and targets for all programs;
- develop performance standards for public service delivery, where appropriate;
- review management and administrative regulations and input controls, and consider eliminating or relaxing them in exchange for clear accountability for results;
- review human resource management systems to ensure they encourage performance;
- adapt or develop information systems to capture appropriate performance information;
- introduce regular evaluation for all major programs; and
- integrate the various planning and decision processes of government so that the information flow through the system is well-coordinated.

Exhibit 3

Public Sector Performance Management: Management Processes

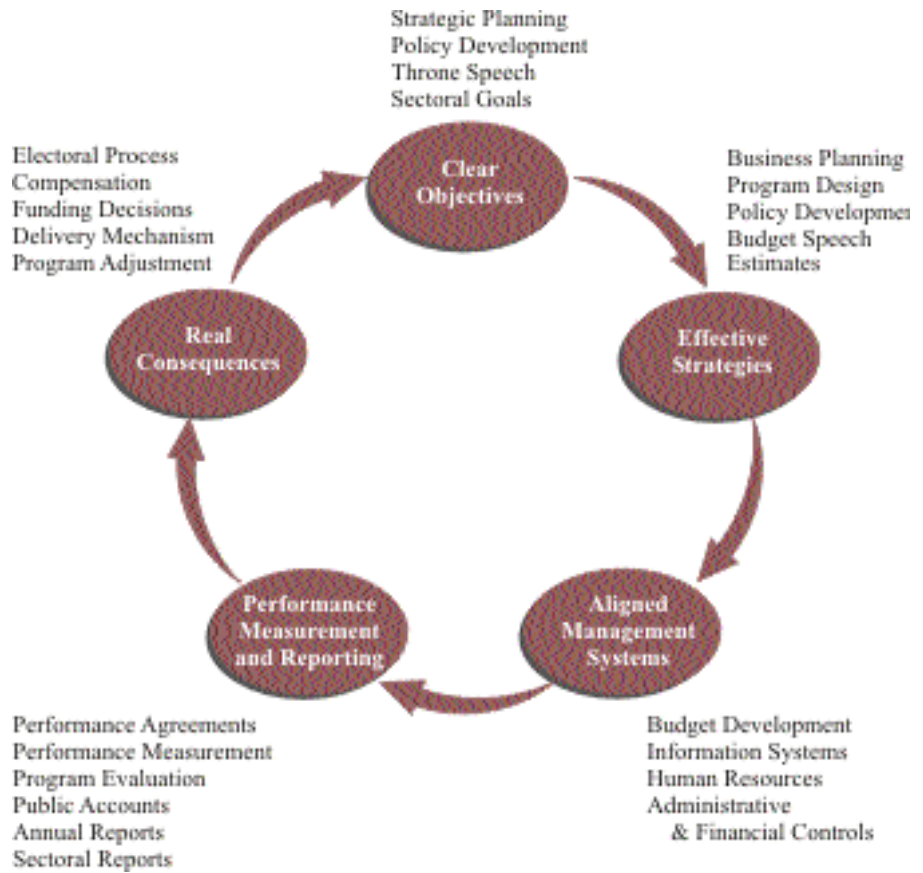


Exhibit 3 sets out management processes in the performance management system and Appendix I: *The Desired State of Performance Management* describes how government's primary processes will function.

Improving accountability for performance is the goal. To facilitate this, the next section of this report introduces a public accountability framework that describes its desired state.

THE ACCOUNTABILITY FRAMEWORK

THE ACCOUNTABILITY FRAMEWORK

An accountability framework is a guide to all levels of governing as to how accountability will be served. It identifies:

- what government should be accountable for;
- who should be accountable for government performance;
- how government should be accountable for its performance (i.e. what, how and when information should be provided and how the credibility of the information can be assured); and
- how the information could be used.

WHAT GOVERNMENT SHOULD BE ACCOUNTABLE FOR

Government should be reporting on the key elements of performance—organizational and program; financial; and legal compliance and fairness equity and probity—discussed in the previous section.

Legislators and the public should be informed about both planned and actual performance. Knowing the intentions of government and its organizations, given the authority and resources entrusted to them, is a critical part of the accountability cycle. It sets the basis for assessing the results subsequently achieved.

Good accountability information should explain not only what happened, but why the results were as they were. In this way, lessons can be learned about which activities worked and which did not in meeting program objectives, and what will be done differently in the future.

For the focus of performance to be expanded to results, the planning horizon needs to be more than one year. Because achieving results—intended outcomes—usually happens over many years, it makes sense to set the annual plans in the context of multi-year plans. Consequently, the Estimates should include multi-year budgets, but continue to have single-year appropriations for government expenditures. This concept was confirmed by the Select Standing Committee on Public Accounts in its recent recommendations to the Legislative Assembly.

WHO SHOULD BE ACCOUNTABLE

In keeping with the convention of ministerial responsibility and with the way in which government is organized into ministries and Crown corporations, government should ensure that the Legislative Assembly and the public receive an accounting directly from the Minister responsible for each organization.

In recent years, however, as government has become larger and more complex, the practicality of ministerial accountability has often been questioned. Expecting a Minister to know and be held accountable for everything that goes on in his or her ministry or Crown corporation has become increasingly unrealistic. Experience in other jurisdictions has shown that as management attention turns to the achievement of specific results and standards of service delivery, so public attention tends to turn to the performance of public servants. Changes arising from this initiative may lead, in due course, to the need for the Legislative Assembly to revisit traditional ministerial accountability.

For Crown corporations, the traditional view of ministerial accountability in Canada is that Ministers have a clear duty to answer on behalf of Crown corporations before the Legislative Assembly. The degree of “responsibility,” however, is less clear because Crown corporations do not fit the traditional model of ministries. Ministers do not generally have responsibilities for the “care and management” of Crown corporations as they do for ministries. This responsibility is reserved for the board of directors. The study currently underway in British Columbia looking at Crown corporation governance issues may clarify how accountability is carried out in this sector.

While individual Ministers remain ultimately accountable, the complexity and size of government means that information about individual ministries and Crown corporations alone does not provide the Legislative Assembly and the public with sufficient information to assess overall government performance. Government also has a collective responsibility to account at the government-wide level. What is needed is accountability information that focuses on the sectors of government—broad fields of endeavor aimed at meeting long-term community needs or goals—and on government as a whole.

Regardless of the way sectors are defined (Appendix II identifies alternative approaches), government needs to report on important matters pertaining to each of the sectors. Government can do this in two ways: one is to provide information about the “state” of the various sectors; the other is to provide information on how much was spent and what outcomes were achieved in each sector.

HOW GOVERNMENT SHOULD BE ACCOUNTABLE

The matrix in Exhibit 4 summarizes how the main elements of performance and the levels of accountability can be combined to guide government’s accountability to the Legislative Assembly and the public.

Exhibit 4
Accountability Matrix

ACCOUNTABILITY LEVEL	OPERATIONAL	FINANCIAL	COMPLIANCE
GOVERNMENT-WIDE/SECTORAL	<p>Is government achieving what it set out to achieve?</p> <p>Is government developing and maintaining the capacity to deliver results in the future?</p>	<p>Is government achieving its financial objectives?</p>	<p>Are government affairs conducted in a manner that complies with legislation and expected standards of conduct?</p>
ORGANIZATIONS OF GOVERNMENT	<p>Is the organization achieving its overall goals?</p> <p>Are its programs achieving what they are meant to achieve in a cost-effective way?</p> <p>Is the organization developing and maintaining the capacity to deliver results in the future?</p>	<p>Is the organization achieving its financial objectives?</p>	<p>Are the organization’s affairs conducted in a manner that complies with legislation and expected standards of conduct?</p>

Appendix II shows more detailed matrices for the two levels: government-wide, including sectoral; and organizational, for ministries and Crown corporations. (A similar matrix will be developed for funded agencies at a later date.) The matrices set out the general questions that government should seek to answer with accountability information. They also indicate the type of information that should be provided about plans and about results.

HOW INFORMATION SHOULD BE PROVIDED

The traditional approach for communicating accountability information—through annual documents such as the budget, the Estimates, financial statements and annual reports—should continue as the base for the broader information required in this initiative.

Some new vehicles will be needed, however. For example, new Crown corporation planning documents which outline their plans could be introduced.

Also, government may find new or different ways of communicating information by making use of emerging technologies, such as the internet. While the form of the information may change, what matters is that its substance meets the requirements articulated in the accountability matrices.

WHEN INFORMATION SHOULD BE PROVIDED

Planning information should be available to the Legislative Assembly when government tables its annual budget. Results information should be available within a reasonable period after the end of the year.

It is neither realistic nor reasonable, however, to expect all the information described in the framework to be provided each year, especially information on program outcomes. Government and its organizations can set out annually the key elements of their plans. They can also provide annual information on financial and compliance performance, and on some aspects of operational performance, especially program outputs (goods and services).

Program outcomes, however, will likely need to be reported over a longer cycle. Outcomes cannot be measured until a program or project reaches the point of maturity (often after several years of full operation for programs continuing indefinitely)

or at completion. Also, some outcomes can be difficult and costly to measure. Consequently, it is not practical to expect progress in achieving overall goals to be measured fully on an annual basis. Measurement must occur over a longer time frame.

HOW THE CREDIBILITY OF THE INFORMATION CAN BE ASSURED

Accountability information is expected to be impartial, consistent and subject to verification. However, managers generally, both in the private and public sectors, want to report in a way that casts the most positive light on their actions and the results of those actions. There is consequently a need to ensure that the information reported is credible. This can be done in two ways:

- by establishing reporting criteria, and
- by auditing the reporting.

There are established criteria—generally accepted accounting principles—for the reporting of financial information. But criteria for the reporting of operational and compliance performance do not yet exist. Until such criteria are developed, the Auditor General, government and its organizations, need to experiment and be actively involved at the national level in bringing about principles for such reporting.

As broader, more comprehensive accountability information about performance is reported publicly, audit likely will be required to add credibility to the information, just as it does now with financial statements. The nature and extent of the audit coverage will evolve over the next few years as the government's performance reporting evolves.

HOW THE INFORMATION COULD BE USED

Accountability is not served simply because information on performance is reported to the Legislative Assembly. If the Assembly is to assess the performance of government, it must inform itself about what government intends to achieve and what it actually achieves. This means the Assembly must actively use the information it receives in assessing the performance of government. Potentially, the most effective tool available to the Assembly in this respect is the legislative committee.

The Select Standing Committee on Public Accounts has recommended reforms to the current legislative committee process as a way of improving accountability. The Committee recommended, for example, that legislative committees be organized by sector and that short- and long-term plans, as well as the annual reports, of ministries and Crown corporations be automatically referred to the appropriate committee. Reforms of this nature are critical to enable the Legislative Assembly to fulfill its obligations to hold the government to account for its performance.

Planning and performance information can also be used by government managers and the public, which receives services, to hold program managers accountable. The information will provide consumers of government services with a mechanism for determining whether or not performance is satisfactory.

IMPLEMENTATION OF THIS INITIATIVE

IMPLEMENTATION OF THIS INITIATIVE

GENERAL APPROACH

Implementation of a performance management system in which program managers and government are held accountable for performance is not merely a change to an existing process; it will require a major shift in the corporate culture of government.

The existing culture, evolved over many years, is founded on the principle of ministerial responsibility. This means that a Minister is personally responsible for every activity in a sometimes large and complex organization. Such an approach has, in turn, resulted in a system that is intrinsically risk-averse, and many management processes are specifically designed to ensure that things do not go wrong. The result is a system of checks and balances that may reduce the focus on results and, in some cases, prevents their achievement.

Implementing a performance management system in which results are of major, if not paramount importance, will not be a simple task, nor will it automatically succeed. It will involve changes to many processes that are managed and influenced by individuals and groups inside and outside government.

For this initiative to be successful, legislators, executives, managers and staff at all levels of the public service must be convinced of the following.

- Performance information is important to both those preparing it and those receiving it and will be the basis on which decisions are made.

If those preparing the information do not regard it as a vital part of the way they do business, they will not concentrate on the right information. Instead, they will produce information to satisfy the system, but it will probably not be useful. If those receiving the information do not use it and provide feedback, it will again be irrelevant.

- Performance information will have a direct impact on the way business is conducted.

If there are no consequences attached to performance information, it will not affect the corporate culture. For any

activity to change the way people act, it must affect them directly. If good performance is not reported publicly, evaluated, appreciated and rewarded, those involved will soon realize that it does not matter if they put in extra effort. If poor performance is not identified and corrective action taken, those involved will have little incentive to learn and improve. It is therefore critical that there be consequences, both positive and negative, based on performance.

Other prerequisites for implementing this initiative are listed separately under *Preconditions for Success* on the following page.

THE IMPLEMENTATION PLAN

The implementation plan will abide by the principles for implementation set out in Exhibit 5. The plan provides for different organizational needs and management styles, and provides for the central agency support needed by ministries and Crown corporations.

The process will not be driven by central agencies, since this approach implicitly fails to recognize the good work already happening in organizations. It also fails to recognize the differences between large and small programs, simple and complex operations, those where performance management is already in progress and those where it has not yet started. And, it fails to recognize other constraints, such as federal–provincial agreements, that are imposed on government operations.

The specific elements of the implementation plan are set out in the tables that follow. Full implementation of performance measurement will take place over the next five years, with an initial focus on the development of appropriate measures in the context of strategic and business plans. This information will enable legislators and the public to better hold government accountable for performance.

The implementation plan:

- Sets out the basic direction of the reform, highlighting the following aspects:
 - results will be the focus rather than the process used to achieve them;

PRECONDITIONS FOR SUCCESS

The objectives of the reform must be clear and consistent: The objectives of the initiative must be understood in the same way by ministries, Crown corporations, central agencies and government broadly. A clear mandate statement must be developed to ensure strategies adopted to achieve the objectives are consistent.

Expectations and communication of the reform must be well managed: Expectations must be well managed, and the initiative communicated throughout government. The public sector must be involved, in a meaningful way, so that the initiative gains genuine support at all levels. One approach is to rely on champions within government who can support and nurture the initiative.

Actions must demonstrate the commitment to making reform successful: We need to show the public and the public sector that we are committed to this initiative. Having senior executives accountable for this initiative represents clear commitment to a performance focus, both in the management of, and the accountability for, government's programs and services.

Delegation of authority must be accompanied by a proportionate enhancement of accountability: To enhance managers' accountability for performance, some degree of authority must be delegated. This will mean reviewing and, possibly relaxing, the rules and regulations governing the way public sector managers operate.

Accountability must serve to influence governance; accountability is not an end in itself: Information required to support public accountability should also encourage the public sector to seek continuing improvements in the management and delivery of programs and services. The information required for public accountability must be necessary, and be used by legislators and by government.

A culture shift, where results are valued over process, must occur at all levels: Cultural change must take place throughout the public sector, among legislators and all of government. Such change requires steady, ongoing leadership. Initially, the focus of leadership efforts should be in providing incentives to encourage a culture of performance in a few, carefully selected organizations where prospects seem especially promising. Showing early success in several areas is critical.

The public (and the legislators who represent them) must exercise tolerance for error as the public sector learns to adapt to a new way of managing: The public and legislators must be encouraged to use the information they will receive fairly in judging the performance of government.

- intended and achieved results will be clearly reported and compared;
 - there will be greater accountability for results at all levels;
 - results information will be used in decision-making; and
 - increased management flexibility will be provided to encourage performance.
- Sets out a challenging timetable for implementation of the various components of reform for the next five years.
 - Provides for as much help and assistance as possible, including:
 - developing and identifying existing centres of expertise and ensuring that such expertise is widely shared across government;
 - undertaking research and compiling literature on the various aspects of planning and performance measurement and making this information available across government; and
 - adapting central decision-making processes (such as strategic planning and the budget process) to require and encourage ministries and programs to focus on results rather than inputs or activities and to make decisions based on performance information.
 - Allows ministries and Crown corporations to determine how and when they will implement the required changes at the front line, within the overall implementation time frame, by:
 - determining the most appropriate performance measures for their programs (outcome measures are the preferred ultimate goal, but they may be impossible in some cases or may take a long time to develop);
 - deciding the order in which the various measures should be implemented; and
 - determining the most appropriate level of public reporting (some organizations have a small number of large, homogeneous programs, others have a large number of diverse programs).

Implementation of the initiative in ministries and for government as a whole will be overseen by a corporate Steering Committee to be established by the Deputy Ministers' Council. The

Auditor General will participate in the Committee as an observer. A central support/advisory group will be established to provide staff support to the Steering Committee, and to ministries. One important function of this support group will be to prepare a cross-government training strategy.

Implementation of the initiative in Crown corporations will be overseen by a Steering Committee of Crown corporation chief executive officers, to be chaired by the Crown Corporations Secretariat. As is the case for ministries, the Auditor General will be an observer to the Committee. Staff support to the Committee will be provided by the Crown Corporations Secretariat.

Deputy Ministers and chief executive officers in Crown corporations bear the primary responsibility for implementation. Because ministries and programs have flexibility on how and when to implement the various components of the accountability initiative, Deputy Ministers and chief executive officers must ensure that:

- detailed implementation plans are developed to ensure full implementation for all programs is achieved;
- reasonable, but definite, milestones are established to ensure that progress is monitored and maintained;
- adequate funds and staffing are provided to ensure successful implementation, through the reallocation of existing resources; and
- appropriate training and support is provided to all staff engaged in the implementation process, both centrally and at the program delivery level.

To reflect the differences between ministries and Crown corporations, the implementation plan for each type of organization is dealt with separately. The plan for ministries includes sectoral and government-wide aspects.

Exhibit 5

Principles for Implementation

GUIDANCE

The performance management system should provide clear guidance to government programs, without prescriptive solutions that may hamper an organization's flexibility to manage.

INTEGRATION

The performance management system should provide integration between various management processes, both within ministries and between ministries and central agencies. It should also clearly define the roles of the various agencies involved.

INFORMED ASSESSMENT

The performance management system should establish the means through which the most appropriate level of the organization can directly provide the most appropriate information to all stakeholders, while recognizing that the responsible Minister is still accountable to the Legislative Assembly and the public.

BALANCE OF AUTHORITY AND RESPONSIBILITY

The performance management system should provide managers throughout the organization with sufficient authority to enable them to achieve good program performance. It should also encourage managers to achieve good performance, and help them to improve poorly performing programs.

INVOLVEMENT

The performance management system should allow as much involvement as possible from all sectors of society, both within the public sector and from outside, in implementation and operation where it is appropriate and cost effective. The system should not be perceived as merely another set of rules imposed from the centre or from senior management.

EXTERNAL IMPACT

The performance management system should help maintain realistic public expectations of government and its programs, rather than create targets and benchmarks that lead to unrealistic expectations.

ACCOUNTABILITY FOR PERFORMANCE FRAMEWORK
 – IMPLEMENTATION PLAN – MINISTRIES AND GOVERNMENT-WIDE

FUNCTION	RESPONSIBILITY	TIMEFRAME
<p>Strategic direction</p> <p>In consultation with ministries, ensure that government provides strategic direction to cover all programs of government.</p> <p>Establish a working group with representatives from a broad selection of ministries to develop a coordinated strategic direction/budget process for implementation for the 1998/99 planning/budget cycle.</p>	<p>Premier's Office</p> <p>Premier's Office, Treasury Board Staff (TBS)</p>	<p>It is estimated that government's strategic direction-setting formally addresses less than half of the government's activity. It is intended to expand the coverage of government strategic direction to 75% by March 31, 1997 and 100% by March 31, 1998.</p>
<p>Business planning</p> <p>Direct a phased-in implementation of multi-year business planning for all programs in government.</p>	<p>Treasury Board</p>	<p>It is estimated that business planning is undertaken by programs forming a small part of the government's activity. It is intended to expand this coverage to 25% by March 31, 1997, 50% by March 31, 1998, and 100% by March 31, 1999.</p>
<p>Budget planning</p> <p>Restructure the budget process to allow ministry budgets to be based on multi-year business plans that include well-defined performance measures at the ministry and program level.</p>	<p>TBS</p>	<p>Pilot projects for some programs to be in place for 1997/98 Estimates.</p>
<p>Performance measures</p> <p>Based on the information received from ministries in the performance measures survey, prepare a phased-in timetable for the inclusion of output and outcome performance measurement information in business plans, budget documents, and ministry annual reports.</p> <p>Issue guidelines on the full costing of government programs (where appropriate) to ensure a consistent basis of comparison.</p> <p>Establish working group to pursue consideration of criteria for measurement and reporting of compliance performance.</p> <p>Establish working group to pursue the consideration of criteria for measuring the state of organizational capacity.</p> <p>Identify candidates for pilot testing the organizational capacity criteria.</p>	<p>TBS</p> <p>Treasury Board and Office of the Comptroller General (OCG)</p> <p>TBS and OCG</p> <p>TBS and OCG</p> <p>TBS</p>	<p>It is estimated that output or outcome performance measures have been developed for only a small part of the government's activity. This coverage will be expanded to 25% by March 31, 1997, 50% by March 31, 1998, 75% by March 31, 1999, and 100% by March 31, 2000.</p> <p>March 31, 1997</p> <p>December 31, 1996</p> <p>March 31, 1997</p> <p>March 31, 1997</p>

FUNCTION	RESPONSIBILITY	TIMEFRAME
Performance Measures (continued) Establish working group to develop guidelines for the establishment and reporting direct to stakeholders and the general public of service delivery standards.	TBS and ministries	To report to Steering Committee by September 30, 1996.
Balancing authority and responsibility Ensure roles and responsibilities are clear. In consultation with ministries, prepare a timetable for the review of all input controls and administrative regulations for possible elimination or relaxation. Establish Special Operating Agencies with specific management flexibilities	TBS and ministries TBS TBS and ministries	Ongoing. September 30, 1996. Ongoing.
Information systems and monitoring Review all existing systems for changes to develop performance measurement data where feasible. Review all future systems development requests to ensure that the capacity for collection of performance measurement data is adequately addressed.	TBS, Chief Information Officer, and ministries	Adaptation of information systems to capture performance data will follow the development of the performance measures themselves and over approximately the same time frame.
Reporting Prepare guidelines for the preparation of performance information in ministry publications. Multi-year planning information to be included with Estimates (recognizing that ministries will not have performance measures for all programs) Provide direction to ministries about the level of timeliness that is acceptable for ministry and other reports. Develop an inventory of sectoral reporting activities and encourage the sharing of such expertise widely across government. Sectoral information to be included in government's annual report.	TBS and ministries TBS and ministries Treasury Board TBS and ministries	Guidelines to be issued by September 30, 1996, for implementation by ministries in 1997. Starting with 1997/98 budget for some programs. Directions to be developed immediately for 1996 ministry annual reports. Inventory to be compiled in 1996. Format guidelines and network to be finalized in 1997. Some information starting with 1996 annual report.
Integration and synchronization of cycles Develop an integrated planning, budgeting, evaluation and reporting cycle that fully supports the accountability frameworks and performance management.	TBS, Premier's Office, Crown Corporations Secretariat (CCS), OCG, and ministries	Following the agreement of all the parties involved, and with suitable incentives, it should be possible to achieve an acceptable level of synchronization over a period of two or three years.

ACCOUNTABILITY FOR PERFORMANCE FRAMEWORK
 – IMPLEMENTATION PLAN – CROWN CORPORATIONS

FUNCTION	RESPONSIBILITY	TIMEFRAME
<p>Strategic and business planning Continue to develop/update the strategic and business planning process.</p>	Cabinet/CCS/Crowns	Ongoing.
<p>Balancing authority and responsibility Recommend changes needed to clarify the roles and responsibilities of all parties involved in Crown corporation governance to ensure they are clear.</p>	All (CCS to take coordinating role)	Review to be completed by October 31, 1996.
<p>Performance measures Continue to develop appropriate measures for each corporation.</p> <p>Establish a long-term review process for evaluating the reporting of performance measures.</p> <p>Establish working group to pursue consideration of criteria for measuring and reporting of compliance performance.</p> <p>Establish working group to pursue the consideration of criteria for measuring the state of organizational capacity.</p> <p>Establish working group to pursue criteria for reporting service delivery standards directly to stakeholders and the public.</p>	<p>CCS/Crowns</p> <p>CCS/Crowns</p> <p>CCS/Crowns</p> <p>CCS/Crowns</p> <p>CCS/Crowns</p>	<p>Initial performance reporting requirement will be confirmed by March 31, 1996. This will include: – a list of key performance measures, and – the start date and frequency of reporting for each measure.</p> <p>Starting April 1, 1996.</p> <p>To report to the Council of Crowns by December 31, 1996.</p> <p>To report to the Council of Crowns by March 31, 1997.</p> <p>To report to the Council of Crowns by September 30, 1996.</p>
<p>Information systems and monitoring Continue to review all existing systems for changes to develop performance measurement data where feasible.</p>	Crowns	Ongoing.
<p>Reporting Crown corporation plans to be published. Establish working group to consider the impact of commercial sensitivity of public reporting requirements. Annual reports for Crown corporations to be focused on performance information. Annual report summarizing performance of all Crown corporations. Quarterly performance reports to Ministry of Finance to incorporate in its published quarterly reports.</p>	<p>CCS/Crowns</p> <p>CCS/Crowns</p> <p>CCS/Crowns</p> <p>CCS</p> <p>CCS/Ministry of Finance/Crowns</p>	<p>Starting with 1997/98 planning cycle.</p> <p>To report to the Council of Crowns by December 31, 1996.</p> <p>Starting with 1997 reports.</p> <p>Starting in June 1997</p> <p>Starting with 1st quarter of 1996/97 fiscal year.</p>

IMPLEMENTATION: MINISTRIES AND GOVERNMENT-WIDE

Implementation has already started. For example, Treasury Board has:

- issued a policy requiring expanded information to accompany all submissions requesting approval for new programs. The submissions must include:
 - a description of how the program supports the government's strategic direction;
 - clear program objectives;
 - a three year-business plan, including performance measures; and
 - a clear description of how program accountability will be assured.
- requested ministries to outline how and when they will prepare performance measures for all their programs; and
- approved the creation of several Special Operating Agencies for inclusion in the 1996/97 budget; negotiations are under way with a number of other candidates.

In addition, some work is already being done with respect to sectoral reporting. For example, in March 1996, the Provincial Health Officer issued a report on the health of British Columbians. Work such as this will form a good basis for sectoral reporting development.

IMPLEMENTATION: CROWN CORPORATIONS

Work to implement performance management has been proceeding for some time in the Crown corporation sector.

Each Crown corporation is now required to develop strategic and business plans, which are to set out a vision for the corporation and establish measurable long-term objectives, as well as describing specific initiatives/actions to be undertaken by the corporation. Guidelines with respect to the desired content of these plans have already been issued by the Crown Corporations Secretariat.

In 1995, the Crown Corporations Secretariat and Crown corporation chief executive officers developed a performance agreement establishing a set of high level performance indicators to be reported regularly to government. Each Crown corporation is now

required to incorporate these indicators as targets within its strategic and business plans and to provide regular reports to government that include current or most recent estimates for each indicator.

The Crown Corporations Secretariat and Crown corporation staff are continuing to work out an appropriate set of measures for each corporation. All performance indicators are to be linked to, and thus measure progress against, key objectives. The choice of what to measure will evolve as discussions proceed. And, over time, measures may be dropped or added as objectives and issues change.

EXTENDING THE INITIATIVE TO FUNDED AGENCIES

WHAT ARE FUNDED AGENCIES?

Over 70% of the program funding through the ministries of government are delivered not directly by the ministries, but indirectly through what may be described as funded agencies. There are essentially two groups of funded agencies: those that are controlled by government through legislation, whose boards are either elected (such as school districts and hospitals) or appointed (such as community colleges, and regional health boards); and those that deliver services on a contractual basis (such as community care homes).

In either case, it is important that government specify clearly what it expects these agencies to achieve, and monitor carefully what is actually being done. Because such a large proportion of government programs is delivered through these funded agencies, it is essential that they manage and account for performance, just as ministries and Crown corporations are expected to do. If they do not, then the expected benefits to be obtained from focusing on performance will not be achieved—certainly not to their maximum potential.

THE APPROACH

There has already been much effort in recent years devoted to developing appropriate accountability relationships between ministries and their funded agencies. Each “sector” is at a different stage of development. For example, work has been done by the Ministry of Education, Skills and Training (formerly the Ministry

of Skills, Training and Labour) along with the community colleges to develop an accountability framework for community colleges. Another example is the March 1996, Ministry of Health guide for regional health boards. This guide is designed to ensure that health services under regional governance are aligned with and contribute to provincial health goals. The guide is focused on monitoring and reporting on health outcomes.

What is needed now is for each ministry with responsibility for funded agencies to review its accountability relationships with the agencies in light of the desired emphasis on accountability for performance. Just as government is reviewing its own processes to ensure they are appropriately focused on the achievement of results, so should funded agencies, with the encouragement and assistance of government ministries, be reviewing their own management processes.

Most of the funded agencies are governed by elected or appointed boards. An important part of the implementation plan for extending accountability for performance to the funded agencies will be to assist the boards in the development of performance management approaches.

It is also intended to apply the accountability and performance management framework to government's funding of the community health and social services delivered through contractor agencies. Two working committees—the Contract Council and the Inter-ministry Steering Committee—are in the process of developing and implementing policies in this area. The new policies and related standards will incorporate requirements for good performance management of government's continuing agreements with contractor agencies.

This work needs to be done under the auspices of the Deputy Minister Steering Committee to be established to oversee the implementation of performance-focused management processes in government.

This work should be completed by March 31, 1997, and another report setting out the status of the work and an implementation plan will be issued shortly thereafter.

CONCLUSION

CONCLUSION

This initiative is extremely ambitious. Some may say it is naive to expect it can be achieved. It is well proven that it is hard to bring about changes in behavior, especially in a large, complex organization. It is impossible to achieve quickly a fundamental change of the type being contemplated; large organizations always move slowly and generally resist change.

The public sector in British Columbia is large and complex, with over 200,000 employees. And there are many different groups (legislators, other elected officials such as school trustees, government, executives, managers, employees, unions, customers, taxpayers, special interest groups, and the general public) with a significant stake in government. The various groups have different, sometimes conflicting, priorities. It will be a challenge to bring these groups onside and keep them supportive of the objectives, particularly in the early years when successes may be slow to be achieved.

So, in light of these challenges and difficulties, why proceed? The answer is that there are enormous benefits to be gained for the Province. Better information about what works and what doesn't will help eliminate or reduce unproductive effort. A focus on performance will help ensure that limited resources are being applied in a way that provides the most effective use—value-for-money—for the citizen.

The public will have access to a broad range of information that will allow it to assess whether government is clear about what it is trying to achieve, the extent to which government is actually achieving what it is trying to achieve, and whether it is doing so in a fiscally responsible manner, and in a way that complies with relevant legislation and established standards of conduct.

Public accountability of this nature will encourage government managers to attend to their performance, and it has the potential to improve public knowledge of, and confidence in, the institutions of government.

Another report will be issued in April 1997, outlining progress to date and the plan for further implementation.

APPENDICES

APPENDIX I: THE DESIRED STATE OF PERFORMANCE MANAGEMENT: DETAILS

Set out below is a description of how the primary management processes in government will function under an accountability for performance system.

STRATEGIC DIRECTION

At present, the government's strategic direction deals only with those areas on which the government wishes to focus in the medium term.

In the desired state, strategic direction for all government activities will be provided by indicating those areas in which government activity will grow, maintain its present level, or decline, possibly to the point of termination. Strategic direction will influence budget planning and business planning—budget planning in the areas of the fiscal framework, target setting and budget-building instructions; and business planning in the areas of establishing operational objectives and resource allocation within ministries.

Strategic direction will be kept current so that it always provides a reference for program managers. This may require regular annual reviews, leading to minor amendments and updating, as well as more fundamental re-examinations at longer intervals.

BUSINESS PLANNING

At present, business planning is undertaken on an ad-hoc basis by some ministries as an internal corporate exercise. It does not generally form part of the budget and Estimates process. Crown corporations are now required to produce business plans.

Business planning in the desired state will be carried out for all government programs in the context of the strategic direction-setting process, as ministries and Crown corporations organize their activities to support the overall strategy of government. Business plans will clearly set out the objectives of government programs, and those programs will in turn be assessed on their performance against those objectives. In this way, business plans will form the major input to the decision processes of government.

PERFORMANCE MEASURES AND TARGETS

At present, performance measures and targets are not frequently used for internal management purposes.

Performance measures and targets should be established for all programs of government and will be included in all business plans. Developed with input from service providers and clients, these measures and targets will be specific enough to:

- allow program managers to assess whether their programs are achieving the desired objectives and, if necessary, to take corrective action;
- allow the ministry and Crown corporation executive and the Minister and board of directors to assess overall program effectiveness and make resource allocation decisions based on the best possible information;
- allow the various program clients to determine whether the program objectives are being achieved;
- allow informed debate in the Legislative Assembly concerning the appropriate allocation and use of public money; and
- allow the public to assess whether appropriate results are being generated from the use of taxpayers' money, and to determine whether progress is being made in achieving societal goals.

INFORMATION SYSTEMS AND MONITORING

At present, the collection and monitoring of performance measurement information are not automatically built into the design of new information systems.

Information systems and monitoring will be adjusted to capture appropriate data in support of performance management. The data most relevant to performance management is that relating to performance measurement. Information systems, the data they capture, and the way in which they are monitored cannot be adjusted faster than the rate at which performance measures are developed. In addition, fiscal constraints and other demands on systems expenditures may slow progress.

For these reasons is it unlikely that full implementation of information systems and monitoring will occur before 2000.

PROGRAM EVALUATION

At present, program evaluation within government is ad hoc, and there is no consistent process for the reporting of evaluation results. The capacity of ministries and Crown corporations to conduct evaluations is limited.

In the desired state, the evaluation of all major programs will be an ongoing exercise as part of the information gathering required by managers to help them measure performance. This information may replace some of the need for traditional, stand-alone program evaluation.

It will take some time for the desired state of performance measurement to evolve and, in the interim, there is a need for programs to be evaluated on a defined, cyclical basis. The evaluation results will provide valuable input to the development of performance measures and strategic, budget and business planning processes.

REPORTING

At present, most reporting is limited to financial or activity reporting. There is little reporting of results or performance, and what is available is not always at an appropriate level of detail.

In the desired state of performance management, all regular government, ministry, Crown corporation, and program reporting will provide more information on actual performance, both intended and achieved. Ideally this information will include quantifiable and verifiable information on the outcomes or overall impact of programs, as well as information about output and efficiency. The results of evaluation reports will be made public.

While the format of these various documents can be reshaped over the next two or three years, the measurable program performance data to be included will be developed over the longer term.

AUTHORITY AND RESPONSIBILITY

Input controls and administrative regulations were developed in response to various circumstances and conditions, some of which persist and some of which have since changed. The sensitivity of many of these controls is such that they can only be relaxed

gradually as the benefits of performance management are demonstrated, and the management culture accepts the risks inherent in the relinquishing of these controls. It may take some years of gradual change before the level of input controls and administrative regulation has been reduced to a level that balances the achievement of results with the maintenance of the appropriate legislative and other control systems.

Government-wide input controls and administrative regulations will be reviewed, and management flexibility granted to specific programs so that they can achieve their stated performance objectives.

Where appropriate, the following steps will be considered when reviewing individual controls:

- eliminating the control entirely for all programs;
- eliminating some of the controls for selected programs (such as Special Operating Agencies);
- raising the approval thresholds for all or selected programs;
- eliminating the monopoly provision of central services for some or all programs; and
- providing some measure of flexibility where the control cannot be eliminated entirely (for example, by providing for a 5% carry-over of expenditure while still maintaining the annual appropriation).

INTEGRATION/SYNCHRONIZATION OF CYCLES

At present, the budget planning process, the business planning process and the strategic planning process, each has its own cycle. The budget process is essentially a year-round process operating on a fairly consistent annual cycle. Business planning, where it is in operation, follows a similar annual cycle. Strategic planning has a less well-defined cycle, and some activity may take place on an annual cycle, with major activity occurring at greater intervals.

While each of these activities affects the others directly or indirectly at various levels and to various degrees, there is currently no formal linkage between the systems to ensure that the output of one process provides appropriate input to another. The present

annual reporting cycle generally does not provide timely input into the following year's decision processes.

Partly this is due to the organizational structure of government, with the strategic planning and budget planning processes being administered by separate central agencies and business planning being carried out by ministries. Another factor, however, is that these processes have not been thought of as serving one common aim but rather of meeting their own individual needs.

To create the linkages outlined above in the discussions on strategic planning, business planning and reporting, the various processes must be adjusted so that the output of the earlier processes is available as the input for the later ones. This may require amendment to the time frames in which information is required, to the type or extent of information required and, in some cases, to the existing balance between timeliness and accuracy.

In a comprehensive performance management system, all of the management processes described above will be integrated and their cycles synchronized. Incentives for achieving performance will be established, such as linking business plans with the budget cycle and inviting public scrutiny of performance through the Estimates process.

APPENDIX II: DETAILED ACCOUNTABILITY INFORMATION MATRICES

The matrices in this appendix (one at the government-wide/sectoral level and the other at the ministry/Crown corporation level) set out the general questions that government should seek to answer with accountability information. They also indicate what sort of information should be provided about plans and results to answer those questions. Several points raised in the matrices are explained below.

SECTORAL ACCOUNTABILITY REPORTING

In government, “sectors” are thought of as broad fields of endeavor aimed at meeting long-term community needs or goals. There are several different ways that government can be divided into major sectors. For example, in preparing financial statements, government reports its expenditures by the functions of government, a categorization that is used consistently in other provinces.

Examples of how other jurisdictions are approaching sectoral reporting can be found in Alberta and Oregon. Alberta has identified the three core businesses of government as people, prosperity and preservation. Oregon has also identified three main areas: people, quality of life and the economy. It should be noted, though, that when sectors are as broad as these, performance measurement can only be undertaken effectively by breaking them into their components.

THE FUNCTIONS OF GOVERNMENT

(from the Province of British Columbia’s 1994–95 Public Accounts)

- health
- education
- social services
- protection of persons and property
- transportation
- natural resources and economic development
- general government

ACCOUNTABILITY INFORMATION MATRIX: GOVERNMENT-WIDE/SECTORAL LEVEL		
What questions should accountability information answer?	What information is needed to allow these questions to be answered?	
	PLANNING	RESULTS
OPERATIONAL:		
<p><i>Is government achieving what it set out to achieve?</i></p> <p>What is government trying to achieve?</p> <p>What are the challenges?</p> <p>What are its long-term goals, and how well is it progressing toward achieving them?</p> <p><i>Is government developing and maintaining the capacity to deliver results in the future?</i></p> <p>Does government have the ability to maintain or improve results, and the capacity to deal with the future?</p>	<ul style="list-style-type: none"> • strategic priorities and goals • analysis of key issues and trends • for each sector of government: <ul style="list-style-type: none"> – strategic goals – performance targets • details of any specific initiatives designed to improve capacity 	<ul style="list-style-type: none"> • key performance measures on long-term goals • assessment of financial condition, protection of assets, employee skills, work environment and operating controls
FINANCIAL:		
<p><i>Is government achieving its financial objectives?</i></p> <p>What are its financial objectives, and are they being realized?</p> <p>Are affairs being managed according to sound financial controls?</p>	<ul style="list-style-type: none"> • planned operating revenues and expenditures (government-wide and by sector) • planned capital expenditures (government-wide and by sector) • planned financial position, including debt • details of any major changes to be made to financial controls 	<ul style="list-style-type: none"> • actual revenues and expenditures (government-wide and by sector) • actual capital expenditures • actual financial position, including debt • management statement of adequacy of financial controls
COMPLIANCE:		
<p><i>Are government affairs conducted in accordance with legislated requirements and with expected standards of conduct?</i></p> <p>What laws does government need to comply with, and is it complying with them?</p> <p>What are government's standards of conduct, and is it complying with them?</p> <p>What are government's internal social policy objectives and, how well is it achieving them?</p> <p>Are there adequate controls designed to ensure compliance with legislation and standards of conduct?</p>	<ul style="list-style-type: none"> • identification of relevant laws • identification of standards of conduct • long-term goals • annual objectives • details of any major initiatives to improve controls over compliance 	<ul style="list-style-type: none"> • management statement of compliance • management statement of compliance • progress towards long-term goals • annual achievement • management statement of adequacy of compliance controls

ACCOUNTABILITY INFORMATION MATRIX: MINISTRY/CROWN CORPORATION LEVEL		
What questions should accountability information answer?	What information is needed to allow these questions to be answered?	
	PLANNING	RESULTS
OPERATIONAL:		
<p><i>Is the organization achieving what it set out to achieve?</i></p> <p>What is the purpose of the organization?</p> <p>What are the challenges facing the organization?</p> <p>What are its overall long-term goals, and how well is it progressing toward them?</p> <p><i>Are its programs achieving what they are meant to achieve in a cost-effective way?</i></p> <p><i>Are its programs:</i></p> <ul style="list-style-type: none"> – needed (that is, relevant)? – achieving what was intended (that is, effective)? – achieving at a reasonable cost (that is, efficient and economical)? <p><i>Is the organization maintaining the capacity to deliver results in the future?</i></p> <p>Does the organization have the ability to maintain or improve results, and the capacity to deal with the future?</p>	<ul style="list-style-type: none"> • legal mandate • mission • analysis of key issues and trends • measurable (outcome focused) targets for long-term goals • client profile • program objectives • link to organization and government-wide objectives • intended outcomes • schedule of evaluations to be carried out • planned service delivery standards • intended levels of user acceptance • planned full cost of programs • planned unit cost of outputs • planned quantity/quality of output • details of any specific initiatives, designed to improve organizational capacity 	<ul style="list-style-type: none"> • key outcomes/performance measures on long-term goals • results of evaluations carried out • outcome measures • results of evaluations carried out including details about secondary impacts • actual service delivery standards • actual levels of user acceptance • actual full cost of programs • unit cost per output • actual quantity/quality of output • assessment of financial condition, protection of assets, employee skills, work environment, and operating controls

ACCOUNTABILITY INFORMATION MATRIX: MINISTRY/CROWN CORPORATION LEVEL		
What questions should accountability information answer?	What information is needed to allow these questions to be answered?	
	PLANNING	RESULTS
FINANCIAL:		
<p><i>Is the organization achieving its financial objectives?</i></p> <p>What are its financial objectives, and are they being realized?</p> <p>Are affairs managed according to sound financial controls?</p>	<ul style="list-style-type: none"> planned operating revenues and expenditures planned capital expenditures planned financial position, including debt details of any major changes to be made to financial controls 	<ul style="list-style-type: none"> actual revenues and expenditures actual capital expenditures actual financial position, including debt management statement of the adequacy of controls
COMPLIANCE:		
<p><i>Are the organization's affairs conducted in accordance with legislated requirements, and with expected standards of conduct?</i></p> <p>Is spending kept within the limits approved by the Legislative Assembly?</p> <p>What laws does the organization need to comply with for (a) the conduct of business and (b) the operation of specific programs, and is it complying with them?</p> <p>What are its standards of conduct, and is it complying with them?</p> <p>What are government's internal social policy objectives, and how well is the organization achieving them?</p> <p>Are there adequate controls designed to ensure compliance with legislation and standards of conduct?</p>	<ul style="list-style-type: none"> voted appropriations identification of relevant laws identification of standards of conduct long-term goals annual objectives details of any major initiatives to improve control over compliance 	<ul style="list-style-type: none"> statements of actual expenditures compared to voted appropriations management statement of compliance management statement of compliance progress towards long-term goals annual achievement management statement of adequacy of compliance controls

BENCHMARKING IN THE STATE OF OREGON

The state of Oregon has generally been recognized as one of the leading jurisdictions in reporting state-wide accountability information. It has defined a wide range of benchmarks to use as indicators of the progress that the state has had in achieving its strategic vision. Just as blood pressure, cholesterol levels, and other such indicators serve as signs of a patient's health, benchmarks serve as signs of Oregon's vision of well-being in such terms as family stability, early childhood development, kindergarten to grade 12 student achievement, air and water quality, housing affordability, crime, employment and per capita income. Benchmarks are designed to keep Oregon's leaders, state and local government agencies, service institutions and citizens focused on achieving those results.

Each benchmark sets targets, usually in five-year increments to the year 2010, and measures performance against those targets. A full report on all identified benchmarks must be tabled in the state legislature every two years.

An important step in defining the scope of sectoral reporting is having government decide, in consultation with the Legislative Assembly and the public, how to divide up government programs. The Legislative Assembly, through its Select Standing Committee on Public Accounts, has already expressed strong interest in the concept of sectoral reporting. The functions of government are a good starting point.

Regardless of the categories of sectors chosen, government also needs to develop a capacity to report on matters pertaining to each of the sectors. In this regard, government has a dual role. One is to focus on the Province as a whole, where there is a partnership between government and the public; the other is to focus on itself, where government is accountable for the effects its activities are having collectively on each sector.

In the first, information is required about the state of the various sectors. Such information can be obtained through the setting of benchmarks—indicators of progress—as a guide to

future activity. Benchmarks help focus government and society's attention on high priority matters and, taken together, can provide a "report card" of major government sectors. This is the approach—widely acknowledged as ground-breaking—taken by Oregon. One point to remember, however, is that the state of the various sectors is not entirely within government control. Factors such as the behavior of the public can significantly influence progress in any area and, therefore, government cannot be held solely responsible. Government is responsible, nevertheless, for reporting on the state of matters.

In government's second role, information is required on its performance: how much it is spending on each of the sectors and what outcomes are being achieved by the various expenditures.

DIFFERENCES BETWEEN MINISTRIES AND CROWN CORPORATIONS

Although one matrix has been prepared for both ministries and Crown corporations, there will still be some differences in how accountability reporting is applied to these two parts of government. For instance, both of these organizations are discrete legal entities but, at least currently, Crown corporations have more autonomy from central government (that is, authority) over financial and operational management. For example, Crown corporations are exempt from central government policies affecting such things as asset procurement and personnel recruitment and remuneration. They are also exempt from annual appropriation limits imposed by the Legislative Assembly (although many receive funding from government). On the other hand, they are more fully accountable for financial results. Generally, ministries are not as autonomous and can only be held accountable for ensuring that their total expenditure does not exceed the amounts authorized by the Legislative Assembly.

The distinction, however, is undergoing change. With a gradual relaxation of central controls (as described in the implementation plan), ministries will become more directly accountable for their financial management in a way that would approach the accountability expected from Crown corporations.

Another important difference between the two organizations lies in the commercial nature of the activities of some Crown corporations. While the Legislative Assembly and the public should be well-informed about all activities of these corporations (including those of subsidiary corporations and joint ventures), in some situations a corporation could be put at a competitive disadvantage by being required to disclose information about its objectives and plans. Guidelines are needed defining the circumstances under which the Minister responsible may decide not to report certain future-oriented information.

REPORTING PERFORMANCE MEASURES

The matrices set out the type of information that government should provide about its performance. For this information to be useful to someone trying to assess that performance, the information on results should satisfy the following criteria:

PROVIDE BASELINE DATA

The information should include contextual material. Most performance measures do not provide absolute measures but, rather, relative information that can only be assessed compared to a baseline or benchmark. For example, to assess whether the fact that government safety inspectors inspected 5,000 trucks during the year is good performance, the reader needs to know how this compares to planned performance and to performance in previous years. Is performance getting better or worse?

BE COMPARABLE

Information should be comparable between reporting periods. If the performance measures used are changed each year, this comparability is lost. Complete consistency between periods may be difficult to attain in the next few years as measures are being developed and refined. It should, however, remain an objective.

BE EXPLAINED

The importance of each key performance measure should be explained and the methodology outlined (for example, how the information is obtained, from what data sources, etc.).

BE ANALYZED

The information should show that any significant variances were analyzed. Performance measures in themselves show what happened, but they do not show why. The reasons for the differences must be examined. Periodic program evaluations are therefore important not only to actually monitor outcomes, but also to assess the relationship between program outputs and intended outcomes. (Program evaluation will also focus on the design of the program.)

REFLECT A RANGE OF MEASURES

The information should reflect the various attributes of performance. For example, to focus only on the cost of outputs is not sufficient to describe performance. If costs are decreasing, what about quality—is that also decreasing?

If the quantity or volume of goods and services is staying constant, what about the population the program is serving? For example, if government safety inspectors are inspecting 5,000 trucks per year, how does this compare to the volume of trucks on British Columbia's roads—is that staying constant also, or is it increasing?

IMPORTANCE OF FULL COSTING INFORMATION

The matrices require that the full costs of outputs and outcomes of government programs be reported. This represents a change from current practice in which costs are usually categorized by type, such as salary, furniture, and professional services. Knowing the true costs of programs, however, is essential information to help legislators and others make better decisions about spending. Initially, a clear understanding of what is meant by full costs is needed. Government needs to determine what and how overhead costs and capital will be allocated to individual programs and how capital will be depreciated over time.

In the public sector, each organization has its own unallocated overhead costs for such things as finance, general administration, and rent for office space and equipment. There needs to be a meaningful way of allocating these costs to individual programs, a way that provides the true costs of the goods or services provided. The same can be said of the cost of the consumption of assets, where a rational method of allocation or amortization is needed.

In addition to requiring clear and precise definitions of the units to be measured, full costing information will require a financial system capable of collecting, assigning and aggregating these costs.

While full costing information is important, the time and money spent on providing such information should not exceed the expected benefit. Implementation should proceed with this in mind.

Consideration of another full costing issue, that of “implicit expenditures,” should be undertaken in due course. One means government uses to implement its social and economic policies is allowing tax exemptions, exclusions, and deductions, or preferential rates for the goods or services it provides. These foregone revenues, or implicit expenditures, are the hidden costs of implementing public policy. There needs to be a meaningful way to identify, quantify and allocate to the applicable programs these hidden costs, a way that provides information on the impact of providing this form of financial assistance.

CONTROL PROCESSES

As important as it is to report results, results themselves do not tell the complete performance story. To achieve and maintain results, government and its organizations need to be in control of their operations. Control in this context can be broadly defined as a process designed to provide confidence about the achievement of short-term and long-term goals. Control, therefore, can help an organization achieve its performance and profitability targets, as well as to prevent losses of resources, ensure reliable financial reporting, and help ensure compliance with key legislation and codes of conduct.

The matrices require management to attest to the adequacy of control processes under three distinct, but overlapping, categories: operational, financial and compliance.

ORGANIZATIONAL CAPACITY

In addition to producing program results (outputs and outcomes), public sector managers are responsible for developing and maintaining organizational capacity—that is, the ability of an

organization to maintain or improve results into the future. There is increasing recognition that this is an important aspect of performance.

The provision of information on organizational capacity will evolve over time as criteria for assessing and reporting are developed. We believe that four of the key aspects of organizational capacity are financial condition, protection of key assets (resources), employee skills, and work environment. These are discussed further in Appendix III: *Performance Measurement*.

LEGISLATIVE REQUIREMENTS

We believe that the accountability for performance framework should be legislated when there is a reasonable degree of certainty around the specifics of the framework. This view recognizes that there are both potential benefits and significant risks attached to accountability-related legislation.

POTENTIAL BENEFITS OF LEGISLATION

Despite accountability being a widely accepted concept, in practice it is often avoided or reluctantly volunteered. Legislating accountability requirements can therefore help ensure meaningful accountability information is provided on a timely basis.

Legislating public accountability standards for reporting on results achieved can also signal a legislature's interest in performance and motivate managers to pursue changes they might otherwise not pursue. Legislation demonstrates the Legislative Assembly's interest and provides for a lasting continuity of reporting expectations.

As well, legislation can establish a minimum standard or level of reporting that is required of all government organizations. In doing so, it also can establish a common basis against which performance can be assessed.

RISKS

Locking all areas of government into a framework before testing its application would be the surest way of guaranteeing compliance with form rather than substance—and of guaranteeing the failure of the initiative. We therefore recommend that legislation be pursued with caution.

Legislating accountability requirements could also raise unrealistic expectations about the information to be reported. In many cases, the data to support performance targets may not yet be available or may not be sufficiently verifiable.

Inherent in a shift towards accountability for results is the obligation to use the information fairly in judging the performance of government. Even if accountability requirements are legislated, government and its public sector may be unwilling to comply until they are assured that the prevailing culture has changed significantly.

APPENDIX III: PERFORMANCE MEASUREMENT

INTRODUCTION

Performance measurement is at the heart of both accountability for, and management of, performance. This appendix provides more detail on some issues associated with performance measurement in the public sector.

Businesses have a relatively easy time deciding whether or not they are doing a good job. Their customers will let them know! Companies that provide good service will be rewarded with repeat business or referrals. Ultimately, businesses that provide high quality goods and services survive and prosper, while businesses that do not go broke.

The struggle for survival forces companies to become efficient, and to ensure that they are offering the right products at the right time for the right price. There is not the same incentive for governments, which usually have a monopoly on the goods and services they provide to the public.

Performance measurement in the public sector is concerned with generating information that will provide the public, legislators, senior management and public servants themselves with a way to tell whether programs are doing what they need to do, in a fiscally responsible way, and in a manner that complies with expected standards of conduct.

ORGANIZATIONAL AND PROGRAM PERFORMANCE MEASUREMENT

PROGRAM PERFORMANCE

The type of programs for which it is easiest to measure performance are those that deliver some specific service to a client group or which have clear measurable objectives, though even these cases are not without some difficulties, as discussed below. Much more difficult, however, are regulatory programs, or programs that provide policy advice to senior officials or Cabinet.

The development of an appropriate set of performance measures for any activity should start with the objectives for the activity. Why are these activities being done? Once the objectives

for a program are clear, measures can be developed to show whether, and to what extent, the objectives are being met.

Program objectives are what government wants to achieve. *Program activities* are how the objectives are going to be achieved. *Program performance measures* are the measurements that will be made and reported to show the extent of achievement.

Program performance measurement is being implemented in the public service programs of many governments at all levels, from local to national. The types of performance measures fall into a number of broad categories:

- **Input measures:** These relate to the resources used by the activities, usually expressed as money spent or number of employees. They are the traditional measures used in the public sector because they provide the information needed for budgetary control. Even with a shift to a greater focus on results, input measures remain important because they provide the denominator for efficiency measures, discussed below.
- **Output measures:** Outputs are direct measurable results of program activities. They are quantitative and qualitative measures of the goods and services produced by programs. For example, for a vehicle testing program, the number of vehicles tested would be an output measure. The number of trees planted would be an output measure for a silviculture program. An important aspect of output measurement is that of service quality (such as reliability, customer safety, and service responsiveness).
- **Efficiency measures:** These relate to how much output is achieved per unit of input. All things being equal, improvements in government efficiency provide more output—more public service—for less money. The number of trees planted per \$1,000 would be an efficiency measure.
- **Outcome measures:** Like output measures, these are related to the results of program activities, but they are closer to the effects or impacts on society of the program's activities.
- **Client/customer satisfaction measures:** These are a particular kind of outcome measure. They may be appropriate where the client group is easily identified and where the perceptions of the client are an important component of the success of the program.

There is a continuum of measures between outputs and outcomes, with outputs being closely related to program activities and outcomes being significant impacts on society. Consider, for example, a program that uses speed monitoring cameras to influence highway driving behaviour. This program is intended to catch speeders efficiently, encouraging drivers to drive more slowly. The effect, it is hoped, will be a reduction in both the number and severity of highway accidents. The output measure for this example might be the number of tickets issued or the number and value of fines collected. An intermediate outcome measure might be a reduction in the average speed on provincial highways; and the ultimate outcome measure might be a reduction in the number of major highway accidents, or savings in accident-related health care costs.

This example also illustrates the attribution problems often associated with outcome measures. Major highway accidents are caused by many things, including driving speed, alcohol, road conditions, vehicle maintenance, and inadequately trained drivers. Thus, although the speed monitoring program may work well, its impact on highway accidents may be extremely difficult to identify because of all the other factors involved. Multiple regression techniques can help to separate the causal factors and reveal the impact of a particular program, but such techniques require substantial amounts of data. This means that the program will likely be maintained even if it is not immediately clear how well it is working.

Output and outcome measures each have advantages and disadvantages, as shown on the next page.

SECONDARY IMPACTS

Often the impact of public sector programs goes beyond the primary intended ones. To the extent that government's activities have side effects that are significant, either positive or negative, these should be assessed and reported on. The impact of park creation on the tourist and resource extraction industries, and the impact of initiatives to improve traffic safety on court costs are examples of secondary impacts.

	ADVANTAGES	DISADVANTAGES
Outputs	These measures are directly linked to the activities of the particular programs. They are usually relatively easy to measure, and the information will be available in a timely fashion.	These measures may have only a dubious relationship with the outcomes being sought, outcomes that provide the justification for the program in the first place.
Outcomes	These are what the public sees; they must be part of the ultimate “report card” for any government program or section.	If many programs are trying to achieve similar or related goals, relating any outcomes to the activities of a particular program may be difficult. Moreover, many outcomes will only become evident over a long time.

ORGANIZATIONAL CAPACITY

These measures address the capacity of an organization to continue and flourish in the future. The concern here is that a single-minded focus on short-term results “at any cost” could lead to unsatisfactory working conditions, low morale and high staff turnover rates, for example.

Four of the key aspects of organizational capacity are:

- financial condition
- protection of key assets (resources)
- work force skills
- work environment

FINANCIAL CONDITION

The concept of financial *condition* goes beyond the traditional concept of financial *position*. Financial position focuses on assets or liabilities that require cash or are normally converted to cash in the near future and can be determined from the financial statements alone. Financial condition requires an understanding of many obligations and characteristics of government that are not included

in the financial statements, for example, financial obligations related to service delivery, capital assets and the underlying economy of the Province.

Knowing financial condition means understanding whether the financial results and financial position of government and its organization are sustainable. This is important information because it is possible for a government or government organization to be in good financial position (having, for example, adequate financial resources and good liquidity) but in poor financial condition (for example, depending on declining industries or facing increased demands for service).

Indicators of financial condition consider an organization's financial viability, future tax and revenue requirements, and ability to maintain or expand the level and quality of services.

PROTECTION OF KEY ASSETS

Information about the protection of key assets (such as property, information systems, or key personnel agreements) is important because their loss can compromise an organization's capacity to operate effectively in the future. There are a variety of measures to assess whether key assets are protected, such as the extent to which key assets have been identified and assessed in terms of the risk of their loss or impairment, and the adequacy of strategies designed to prevent or reduce problems as they emerge. Another measure is the current state of asset maintenance.

WORK FORCE SKILLS AND MOTIVATION

Good organizational capacity is achieved through people, and their behavior and motivation is, in turn, affected by human resource management policies, practices and rewards. For example, the right match of people and tasks helps ensure that people are capable of performing the tasks necessary to get the job done efficiently and effectively.

Measures relating to work force skills and motivation will focus on such aspects as employee recruitment, training and education, and performance assessment systems.

WORK ENVIRONMENT

Employee well-being and the provision of necessary tools and resources (such as equipment, information systems and work methodologies) to staff are two matters important to organizational capacity.

Measures of employee well-being indicate whether the working environment is creating the conditions necessary for employees to exercise their judgment and creativity in the interests of the public. Measures regarding the adequacy of tools and resources indicate whether employees have the capacity to work efficiently and effectively, and are equipped for new challenges such as rapidly changing technologies.

FINANCIAL PERFORMANCE

Measurement of financial performance within government is well-established. Generally accepted accounting principles establish measurement criteria for such things as asset and liabilities valuation, and expenditure and revenue recognition.

LEGAL COMPLIANCE AND FAIRNESS, EQUITY AND PROBITY PERFORMANCE

While achievement of program results is important in government, the manner in which those results are achieved is also important. Government has to be fair and equitable in the delivery of its programs. Usually, the rules for fairness and equity are set out in legislation and other authorities. Legislation governs both the way in which specific programs are run (for example, public elevator safety) and the way in which public business is conducted (for example, conflict of interest, public sector purchasing policies, and employment standards). Such legislation reflects general public expectations as to the way government business should be conducted.

Another aspect of this element of performance is what might be described as social benefits objectives, such as human rights, employment standards, employment equity, conflict of interest, working conditions, employment practices, regional economic development and environmental safety. These objectives may vary from government to government, but they consume resources, and have an important impact on society. Consequently, measurement of performance against these objectives is important.

Compliance with legislation is usually a matter of fact: either the legislation was complied with or it was not. But, to determine compliance with standards of conduct, more complex measures will be necessary. For example, reporting the state of employment equity requires measures to be developed in each organization. Other examples of measures regarding internal social policy objectives include the extent to which government hiring practices or government contracting practices meet standards of fairness and openness. And, environmental indicators measure an organization's consumption of natural resources, the pollution caused by its operations, and its record in complying with environmental regulations and handling hazardous substances.

CHARACTERISTICS OF GOOD PERFORMANCE MEASURES

Good performance measures should be:

- *Appropriate and relevant*

The best performance measures will be ones that follow naturally from the goals and objectives articulated in the strategic and business plans of an organization. They should be limited to a reasonable number, and be simple, meaningful and manageable. Performance measures should be developed in consultation with program managers, their staff, and key stakeholders.

- *Complete and balanced*

Performance measures should include all information relevant to users. Different amounts of detail will be necessary for different users. The information needs of program managers, for example, will differ from those of legislators. The measures selected should be appropriately balanced between those measures for input, output and outcome.

- *Clearly defined and accurate*

The performance measures used should be clearly defined so that employees responsible for collecting the information know precisely what to do. Sound methodologies should be used for gathering and analyzing information.

- *Timely*

Performance measures should be available in time for decision-making.

- *In context*

Performance measures should be explained and contextual information be provided with the measures to explain the results and allow the reader to reach an informed conclusion.

- *Cost-effective*

In many cases, measures will be available from data that are already being collected. If not, it makes sense to try to identify measures that do not impose immense measurement problems. Outputs are relatively easily identified and measured. The selection and measurement of outcomes, even intermediate outcomes, can be difficult and expensive in some cases, so care should be taken to ensure measures selected are appropriate and useful.

GLOSSARY

Activities – the procedures involved in, or steps taken, to carry out a program.

Benchmark – a standard or reference point against which something is measured. The term is used in two different ways in the literature: in conjunction with the setting of long-term goals for a broad range of societal and economic policies, such as the *Oregon Benchmarks*; and as a measure of efficiency in comparing key aspects of an organization’s performance with that of similar organizations.

Business plan – a document prepared for a program or organization that describes its objectives and identifies the activities it will undertake to meet those objectives, the allocation of resources to those activities, and the measures that will be used to indicate progress toward the achievement of the objectives. A business plan may include statements of relevance, the links to government direction, a client profile, and information on contingency plans.

Client – someone outside or within an organization who receives and uses its products and services. Government distinguishes between external and internal clients.

Client satisfaction – an organizational measure, usually by way of a survey, of the extent to which the needs and expectations of clients are met.

Critical success factors – the conditions that have to be in place in order to succeed.

Effectiveness – the extent to which a program or service is meeting its stated objective and an aspect of performance that describes how well the organization’s activities are contributing to achieving the intended outcome.

Efficiency – an aspect of performance that describes the relationship between inputs and outputs or outcomes or the relationship of inputs to inputs (examples: cost per client served; equipment costs per square mile of brush cleared; management to staff).

Evaluation – the assessment of results, impacts and effects (both intended and unintended) of a program or policy. Evaluation may

also address the extent to which the policy or program continues to serve a useful purpose and whether there are more cost-effective alternatives available to achieve the same result. Evaluation includes such techniques as peer review, case studies, surveys and cost-benefit analysis.

Goal – a general statement of desired results to be achieved over an unspecified period of time.

Impact – the result of program activities as felt by clients and society. Impacts may be positive or negative.

Indicator – see **Performance indicator**

Initiative – a new program.

Inputs – the resources available to carry out a program (examples: number of hospital beds; number of full-time employees; amount of funding per student)

Mission – a statement of business direction that should also include for whom services will be delivered and how services are to be delivered.

Objective – statement of specific results to be achieved over a specified period of time. It answers both “what” and “when,” quantitatively.

Organizational culture – the underlying assumptions, beliefs, values, attitudes and expectations shared by the members of an organization.

Outcomes – measurable consequences of a program’s outputs, impacts on the client or the public, and the results of the outputs (examples: percentage of graduates who find meaningful employment and make a positive contribution to society; number of citizens who enjoy improved health and a better quality of life because of early cancer detection; level of pollutants in ambient air tests; reduction in fatal road accidents through stricter enforcement of speeding regulations). Outcomes may be immediate, ultimate or somewhere between.

Outputs – measurable direct results of activities, such as products or services provided (examples: percent of students who graduate from high school; number of teens counselled about teen pregnancy;

emissions reduced by auto exhaust repairs; number of tickets issued for speeding).

Performance agreement – an agreement between organizational levels that sets out performance targets to which the organization’s units must contribute. These agreements are for a specified time period and reflect strategic priorities.

Performance goal – the target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value or rate. Performance goal and **performance target** are often used interchangeably, although the latter is usually the more specific or detailed of the two.

Performance indicator – A quantitative parameter used to ascertain the degree of performance. Often misused as a synonym for **performance measure**. A performance indicator is less precise than a performance measure and usually provides only an intermediate measure of achievement.

Performance management – the use of performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, inform managers to either confirm or change current policy or program directions to meet those goals, and report on the success in meeting those goals.

Performance management system – outlines the key elements and connections underlying the establishment and implementation of performance management in an organization. These elements and connections include performance planning, target setting, negotiating performance agreements and contracts, measuring and monitoring performance, reporting and feedback. The framework provides guidance as opposed to detailed processes and procedures.

Performance measure – a statement specifying, clearly and precisely, a desired output, outcome or event that is expected to occur; the “what” that is to be measured.

Performance measurement – a process of assessing progress in achieving pre-determined goals. It includes measures of the economy of acquiring resources; the efficiency with which those resources are transformed into goods and services (outputs); the

quality of those outputs (such as how well they are delivered to clients and the extent to which clients are satisfied); and the effectiveness of government operations in terms of their specific contributions to the objectives of the programs.

Performance target – see **Performance goal**

Policy – a strategy that defines the way the organization does business. Policies are designed to achieve goals, often not directly related to a program (such as, employment equity policy), and realize the vision.

Program – a set of activities having clearly defined, dedicated resources and measurable objectives that are coherent and consistent.

Program evaluation – the objective assessment of the effectiveness and efficiency of a government program; also see **Evaluation**.

Special Operating Agency – an organizational model in which a program branch is granted specified management flexibilities in return for agreed-to performance results.

Stakeholder – someone in the public or private sector who can be affected by an organization's decisions or activities and who in turn can affect the organization's decisions and activities.

Strategic plan – a high-level corporate document that outlines vision, mission, values and key priorities for the medium to long term, and sets out strategies for achieving goals and objectives.

Vision – a snapshot of the preferred future.

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