



OFFICE OF THE  
**Auditor General**  
of British Columbia

## QUICK REFERENCE GUIDE TO PERFORMANCE MEASURES

### PURPOSE OF THIS GUIDE

This guide is intended primarily for the use of MLAs:

- ✓ to understand performance measures and targets
- ✓ to make use of service plans and reports containing this information

### WHAT IS A PERFORMANCE MEASURE?

A performance measure is a way of assessing aspects of an organization's performance.

#### FOUR STEPS TO PERFORMANCE MEASUREMENT

1. Being clear about what is to be achieved—**the intended results**. Results may be expressed as outputs or as outcomes
2. Identifying what will be measured to determine success—**the performance measures**
3. Identifying the concrete, measurable targets that will, over time, lead to the intended results—**the performance targets**
4. Comparing progress against the target and against the intended results—**actual versus intended performance**

There are several types of performance measures an organization can use:

**Input**      *The resources (dollars and FTEs) used to undertake a function.*

**Output**     *The level of service provided by a program or the products and services delivered. The measure may be a number, percentage or ratio.*

**Outcome**   *The result, the consequence or the change in conditions, behaviours or attitudes. Outcomes are of direct importance to customers and the public. They may be immediate, ultimate or somewhere in between.*

*Intermediate outcomes are expected to lead to the desired ends, but are not themselves "ends." In many programs, a progression or sequence of outcomes usually occurs.*

*Ultimate outcomes are the desired end or ultimate results that are hoped to be achieved by the organization's activities. These results are directly related to the organization's mission.*

## INPUTS, OUTPUTS AND OUTCOMES—A CONTINUUM

Outcome measures are the most important type of measure because, ultimately, they deal with the effectiveness of an organization. However, outcomes are also the most difficult to measure. Why is this? In part, because outcomes are often broad statements of the benefits an organization wants to bring to the community or public—"people enjoy a healthy lifestyle," for example. There is no single measure for this outcome nor is it influenced by a single organization.

Outputs are easier to measure because they are usually quantifiable. Measures include, for example, quality, cost and timeliness. Output measures are important because they describe the service levels of an organization and, in combination with outcome measures, provide useful information. Inputs (such as budgets and FTEs) on their own are of limited value, but when linked to outputs provide useful measures of efficiency. Input measures provide an important link between resources and results—key information for decision-making.

Program delivery moves along a continuum. Inputs are consumed and outputs are produced with the expectation of good outcomes. Consider, for instance, these examples:

<b>PROGRAM</b>	Driver Licensing Program	Silviculture Program
<b>Inputs</b>	Budget \$ FTEs	Budget \$ FTEs
<b>Activities</b>	Reviewing applications Testing Issuing	Site preparation Planting/tending of seedlings
<b>Outputs</b>	Applicants tested Licenses issues	Trees planted Hectares of site prepared
<b>Immediate Outcomes</b>	Only qualified drivers are on the road New drivers have appropriate skills	Resource base is sustained or increased
<b>Intermediate Outcomes</b>	Fewer, and less severe accidents	Forest industry is profitable
<b>Ultimate Outcomes</b>	Savings in health care and insurance costs	The provincial economy is healthy

Source: Adapted from draft Guidelines for Performance Measurement in the British Columbia Government, Treasury Board Staff, Ministry of Finance and Corporate Relations, November 1996

These examples raise the attribution question: "To what extent did this program contribute to the ultimate outcome?" For example, a reduction in the number and severity of road accidents depends on many things, not just good drivers: road conditions, vehicle maintenance, and alcohol consumption are all contributing factors, for example. Thus the driver licensing program may be working very well, but its impact on road accidents may be difficult to measure because of these factors. What is needed are measures that are more closely associated with the immediate outcomes of the program. An example might be the accident rate among recently licensed drivers.

## WHAT SHOULD MLAS EXPECT OF THE SERVICE PLANS AND REPORTS?

Performance measures may be presented as targets (intended results) in the service plan or as actual results in the annual service plan report.

Service plans are forward-looking documents. They should set out an organization's:

- intended outputs and outcomes, and
- its performance targets

for each of its goals and objectives, key program areas or core businesses.

Similarly, the annual service plan report should look back on what was achieved relative to what was planned. The report should explain the variances or differences between the two and give you some sense as to what the organization will do differently in the future as a result.

**Experience to date.** You may find as you review the service plans that organizations do well explaining their public purpose, but seem to have trouble identifying the critical performance measures and targets they will focus on in the next three years. Why is this? There are several reasons. It's challenging to select the right measures, to gain acceptance from staff and stakeholders for those measures, to collect the information to support the measures, and to determine which factors actually contributed to the intended result. Moreover, organizations in British Columbia are at different starting places—some have had more experience than others in performance measurement, the business of some organizations may more easily lend themselves to measurement, and some organizations may not yet have the capacity—the resources, skills and expertise—that others have.

Performance measurement may be hard to do, but it is worthwhile. It is a vital activity because:

- It provides the information government needs to be open, transparent and accountable to the public and its representatives
- It supports rational decision-making when it comes to allocating public funds
- It provides valuable feedback to managers and legislators about the extent to which the program is getting the job done
- It helps demonstrate to the public and to legislators that services are delivered fairly

*"I don't think any of us think there is some template that's going to fit every circumstance. This is a difficult exercise, and we're going to have to start slowly and correct where we go off in the wrong directions."*

Fred Gingell, MLA and Chair of the Public Accounts Committee, BC, 1996

**How can MLAs help?** Service plans and reports won't be perfect. Nonetheless, legislators can help influence the quality of the plans and reports they receive by showing interest in what organizations are trying to do and by using the information provided by organizations in making decisions.

### **CHARACTERISTICS OF PERFORMANCE INFORMATION**

What constitutes good performance information? Simply put, it's information that is:

#### **Relevant–**

- ✓ relates to the stated objectives, strategies and programs of the organization, and allows for an assessment of the extent to which the objectives are being achieved
- ✓ is reported in sufficient time to influence decisions
- ✓ measures something that is significant; that is, it is useful in forming assessments and judgements
- ✓ aggregated at an appropriate and meaningful level

#### **Reliable–**

- ✓ neutral and fair; that is, judgements about performance are not influenced by the way the information is presented
- ✓ reasonably accurate and complete; that is, free from material error or omissions
- ✓ capable of being replicated or verified by independent and knowledgeable observers
- ✓ faithfully represents the event, results or situation it is measuring

#### **Understandable–**

- ✓ provides the minimum level of detail necessary to understand the activities and performance
- ✓ focuses on a small set of key performance measures
- ✓ provides comparative information over time and explains the context as to what happened and why; judgements can be made as to whether performance is improving or declining over time
- ✓ includes comparative information from similar organizations, when reliable, and information about best practice, to provide a frame of reference for assessing performance

Source: Principles for Building a Public Performance Report, A Discussion Paper from Canada's Legislative Audit Community, CCAF-FCVI Inc., July 1999

## THE BUDGET TRANSPARENCY AND ACCOUNTABILITY ACT—WHAT IS IT?

*“With its focus on managing and reporting on results, the Act is pivotal legislation in BC—a key vehicle for greater transparency and accountability in government.”*

Wayne Strelloff, Auditor General of BC, 2001

### HIGHLIGHTS

- Act requires 3 year service plans of all ministries and “specified” government organizations
- Service plans must identify goals, objectives and performance measures
- Service plan reports, comparing actual results to expected results, are required annually
- Service plans and annual service plan reports must be made public
- Ministry service plans and reports must include accountability statements signed by the responsible Minister
- “Specified” government organizations will present their annual service plan reports at public meetings
- Crown corporation service plans (and the annual service plan reports) are automatically referred to the Select Standing Committee on Crown Corporations by authority of the Assembly
- No such provision yet exists for ministry plans and reports, but the service plans will be available to MLAs for debate of the Estimates

#### Did you know . . . ?

BC is 1 of only 3 Canadian provinces with broad-based accountability legislation. The others are Alberta (Government Accountability Act, 1995) and Quebec (Law of Public Administration, 2000).

The Budget Transparency and Accountability Act was first passed in 2000; its accountability provisions were subsequently strengthened in 2001.

2002 will be the 3rd year ministries and specified government organizations have tabled their plans and performance measures.

## WHAT DO THE PERFORMANCE MEASURES TELL ME?

As an MLA, how can you get the most from the service plans and annual service plan reports you receive? By asking the right questions. There's no monopoly on the right questions, of course. And there's no limit to the variety and depth of questions you might ask—either of the organization or of yourself as you read a plan or report. But here are a few key questions to get you started.

### TOP 10 KEY QUESTIONS

- Is it clear what the organization is trying to achieve (i.e. its outcomes):
  - a. in the short to medium term?
  - b. in the long term?
- For each of the major programs and lines of business, is it clear what services are to be delivered or goods produced (i.e. outputs) to help achieve the intended outcomes?
- Is there a logical link between the programs and lines of business of the organization and its intended outcomes? Is it clear how the outputs will contribute to the achievement of outcomes?
- Is it clear what measures the organization intends to use to gauge its success?
- Do the types of measures seem reasonable—do they make sense—in relation to the outcomes and outputs the organization wants to achieve?
- Can the organization reasonably be held accountable for its results? To what extent are there factors beyond their control?
- Do you know what its targets are? Can you tell what quantity and quality of goods or services the organization intends to produce over the next three years?
- Do the targets seem reasonable in relation to:
  - the trends over time,
  - the organization's past performance,
  - the performance of similar organizations, and
  - the funding that is available?
- Do you know what the intended costs of the goods and services will be?
- Do these costs seem reasonable in relation to the level of outputs? Can you tell whether the organization will be efficient?

*Note: These questions are couched in terms of the service plan but would work equally well when considering the annual service plan report. The difference is in looking back for the report rather than looking forward for the plan.*

Should you wish to comment on the usefulness of this guide, or suggest ways to improve it, please contact the Office of the Auditor General of British Columbia at 250 356-2628 or at [www.bcauditor.com](http://www.bcauditor.com)