

Performance Management of Local Public Services – an international comparison

Acknowledgements

This paper has drawn on input from colleagues in local government associations internationally, the Council of Europe's "Report on performance management at the local level" (2005), and evidence from research and reports of systems across the world.

Introduction

This report explores approaches to monitoring, reporting and managing performance in different countries, and considers the varied roles of central and local government. Central government has a greater or lesser role in different countries in prescribing indicators to be collected and reported, prescribing standards and targets and prescribing systems and processes which councils must follow.

It is important to distinguish 'performance management', which is an activity undertaken within councils, from the performance monitoring and regulation undertaken by central government and the wider accountability framework, which includes accountability to local people. Performance management is one of a range of tools which councils, like other bodies, use to manage and improve their performance. It involves various aspects of planning, reviewing performance and revising both plans and activities. The IDeA and Audit Commission define performance management as: "*taking action in response to actual performances to make outcomes for users and the public better than they would otherwise be*". The central-local relationship in England requires councils to submit information to central government including performance indicators, which is used in government's regulation of and influence on councils. This influence can include some setting of standards and imposition or negotiation of targets and can include processes which councils must follow (as was required under Best Value). This is part of a broader accountability framework which includes councils' accountability to local people. There are clearly overlaps between these three activities – performance management, regulation and influence and accountability – for instance in the use of performance indicators, but they remain distinct in their purpose, methods and legitimacy.

The extent of each sort of activity and the ways in which they are implemented varies between different countries. An international comparison of approaches suggests that the UK has one of the most centralised regulation systems in Europe, and possibly the world. This short paper looks at some of the different arrangements for performance management, regulation and accountability and how they compare and differ to that in England. The paper does not intend to draw conclusions on these different arrangements but rather offers insights into sector-led approaches in other countries which could potentially be applied in England.

Scope

There is a concern within the local government sector about the cost implications of performance management, particularly comparing a centralised regulation system to a locally driven system. To date no international quantitative study has been conducted to enable such a comparison, not least due to large variations in performance management systems *within* countries in addition to *between* countries. The scope of this paper has therefore been limited to considering the qualitative differences between systems.

Overview

The extent of performance management by local public services and central government control varies widely in how it is conducted across different countries. The Council of Europe published a paper in 2005, "Report on performance management at the local level"ⁱⁱ that highlighted the variation between different countries in the extent to which central government had driven and designed performance monitoring of local authorities¹.

Drive for performance management of local public services

In England, central government prescribes national performance indicators and regulatory regimes which give it considerable influence on how performance management is undertaken locally. However in a number of countries central government has no control over performance management. For example in New Zealand responsibility resides entirely with local government.

New Zealand

Responsibility for performance management of local public services in New Zealand resides with local government. The Local Government Act 2002 requires councils to work with agencies capable of influencing outcomes - social, economic, environmental and cultural - to help with processes that identify priorities. Central government is encouraged, but not required, to engage in discussions of priorities or sign up to specific joint work on priorities. Local authorities are required to be explicit about their plans and resources, including the level of service they intend to deliver. They have to self report on performance which is audited and made public. For example councils are required to carry out a self assessment every three years on the state and quality of information and planning processes and to identify where there may be issues or shortcomings and how they will respond. There is, however, no formal performance assessment of how central government partners deliver on local priorities and few mechanisms for local or regional communities to objectively review and make comment about central government delivery on local priorities or influence how these may be improved.

¹ The Council of Europe report uses performance management to mean 'identification of targets and measurement of progress towards achieving these' (p.10) and so includes the prescription of indicators by government within its definition. We think it is more appropriate to reserve the term 'performance management' for activities within councils, which is where management of performance actually happens.

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The Council of Europe survey of 29 countries found that 66% reported central government's powers in relation to performance management at the local level were "not very extensive" or "non-existent". This is the case in Germany, where local authorities have a set of functions that the state generally will not intervene in.

Germany^{iiiiiv}

The local autonomy of towns, municipalities and districts is integral to governance in Germany. Central government works with regional levels of government (*Länder*) with a view to prevent the state from intervening in local government tasks if they can perform them on their own. For example in Bavaria, according to Article 108 of the Local Government Law of the Free State of Bavaria (most recently amended in 1996) states "The supervisory authorities ought to advise, encourage and protect with understanding the municipalities in the performance of their tasks and they ought to reinforce the decision-making force and the responsibility for their own action of the municipality bodies." Local authorities have two key remits:

Firstly, local authorities have a set of tasks called "self-government tasks" some of which the authority is under obligation to handle (for example urban land-use planning) and some of which are non-mandatory such as culture or sport. These tasks can be considered as anything falling under the heading "managing the affairs of the community". For these tasks local authorities are only subject to supervision of the legality of the activities. Local authorities can adopt bye-laws as generally binding legislation to ensure effective performance of these autonomous functions.

Secondly, local authorities discharge delegated functions from the federal or state governments. Delegated functions are fairly prescriptive in how they must be run and are subject to functional or special supervision where appropriate.

The same survey found that several countries, including Belgium, Moldova and Spain have allocated powers to regions.

Design and development of performance management systems

In England, Local Area Agreements (LAAs) provide a mechanism for central and local government to agree priorities for the area, performance for which is assessed through the national Indicator set, which includes user satisfaction data; the joint inspectorate area assessment; the organisational assessment; plus individual assessments of adult services, children's services, police and community safety, fire and housing. Comprehensive Area Assessment (CAA) is led by central government agencies.

The picture, however, is very different in other countries. The Council of Europe survey of 29 countries found that 40% of respondents reported responsibility for designing evaluation tools resides with central government, 16% reported responsibility generally

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resides with regional governments and 44% reported generally local government. In the Netherlands the Local Government Association equivalent, the VNG, works with authorities and central government to agree and monitor targets. In Sweden local authorities determine their own performance targets.

Netherlands

Councils are autonomous in local affairs yet they are required to execute laws and regulations from the central and provincial levels. This creates a heavy administrative burden with accountability at both the local level and central levels. To cope with this burden, local authorities use a 'single information single audit' (SISA) system, which indicates spending allocations. However, the system only covers financial accountability. There are, consequently, a large number of central government inspections, inspectorates, monitoring systems and questionnaires.

The Dutch local government association (VNG) and the Ministry of the Interior agree about the current heavy administrative burden. Negotiations between the VNG and the Dutch government may lead to a new system of transparent accountability.

Local authorities would provide information on policy implementation and could be 'benchmarked' against various indicators. These indicators are currently selected by local authorities and the VNG.

The Dutch government has indicated it will reduce the burden of regulation by 25 per cent across both government and business. Councils would therefore be more actively responsible and accountable for both autonomous and statutory activities. This also means that less monitoring, reports and questionnaires from inspectorates and central government are required.

The Dutch Interior Minister is keen to monitor the way local authorities cooperate in performing their statutory duties. There is a push to promote self-monitoring so that local authorities can demonstrate their effectiveness themselves. Inspectorates can then be bypassed to an extent.

The VNG and Dutch national government have agreed on a local agenda, with set targets for local authorities to work towards. The targets for the period 2007 to 2011, which correspond with central government ones include: crime reduction; improving neighbourhoods; reducing the number of people who depend on welfare; and education for pre-school children. The VNG reports on and monitors annual progress across all target areas.

For areas where there is less government influence and control over local government there are less likely to be standard performance management systems across the country. The Council of Europe found that standard PM systems were found in 13 of the 29 countries surveyed. Systematic or at least very widespread use of standard performance indicators was reported by just 4 of the respondents. The use of systematic performance indicators, as in the UK, enables comparison and identification of top performers,

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alongside identification of areas for improvement. However in some countries, for example the Netherlands, movement is away from this. Education in Finland provides an example of performance management without such systematic monitoring.

Finland^v

In the recent OECD report "Education at a glance: 2009"^{vi} Finland came top in the performance of 15 year olds in science, reading and maths. Assessment of students and evaluation of education does not involve national testing, school ranking lists or inspection systems, but rather is based on a system of "Centralised steering – local implementation". Steering is conducted through legislation and norms, core curricula, government planning and information steering. However local authorities are responsible for the provision of education and implementation and operate in a flexible system. The system is based on co-operation and partnership working between schools, other social actors and various levels of administration.

However to enable some kind of benchmarking and country wide performance comparison a number of countries have developed systems, including Sweden where the Swedish Association of Local Authorities and Regions (SALAR) has taken a strong role. Another example is Benchmarking Initiative in Ontario, Canada, where authorities are working together to share statistics and best practice. These examples are moving away from a model of traditional regulation to one of sector led self-regulation.

Sweden

Central government agencies review education services, care for the elderly and hospital systems. Local government officers have suggested that the reports from these agencies do not adequately take account of local authority strategic work to develop performance targets. Part of this problem stems from a lack of analysis of the reports by local authorities.

In Sweden local authorities determine their own local performance targets and level of local taxes in order to achieve targets. Sweden's municipalities also have a great deal of freedom to organize their activities as they see fit. This freedom is based on a tradition in which the government and the local authorities share a joint interest in maintaining a high level of autonomy and work together to maintain a stable welfare state.

In order to compare performance across municipalities the Swedish Association of Local Authorities and Regions (SALAR) has developed a Municipal Compass^{vii} that uses criteria with a particular emphasis on citizen participation and satisfaction. SALAR's president Anders Knappe comments " When we developed this benchmarking instrument, which values systems and processes for good municipal governance, there was no central hindrance to do so. On the contrary I believe that the government expects and appreciates this kind of initiative."

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The Municipal Compass was developed by SALAR using a set of criteria based on those developed for the Bertelsmann Prize (1993) that was awarded to local authorities for outstanding performance. Of particular importance within the assessment are citizen participation and satisfaction which are overarching criteria. The Municipal Compass also places value on the learning capacity of authorities, SALAR state that “in order to serve the citizens effectively, the municipality must know what the needs and demands of the citizens are, and it must be able to determine whether actions and policies adopted actually contribute to the satisfaction of those needs...Judging the effects of adopted policies with regard to citizen needs is much harder and usually requires special, often highly technical efforts of data collection and analysis. Therefore, the benchmarking criteria are weighted to reflect the importance of such learning efforts, which may also be seen as important contributions to the full realisation of local democracy.”

The criteria used in this system look at processes, procedures and structures as well as citizen satisfaction, and points are awarded where procedures seem to be in accordance with “best practice”. In 2001 an additional set of criteria was developed that focussed on the role of local authorities as community development agents or community partners. These criteria assess how authorities work with community organisations, local businesses and other partnerships more widely.

Data for the assessments is collected through a series of stages. Firstly authorities supply written material answering a series of questions. This is then analysed and complemented by information from interviews with representatives of the city administration and employee organisations. The scoring system is then used to give a result, which is then cross-checked to ensure consistency. Local authorities are given the opportunity to comment on drafts of the reports.

SALAR is currently working with sister organisations in Denmark and Norway to modify the existing Municipal Compass model so that a new model will be developed to enable benchmarking between these countries in 2010.

Canada

Canada is divided into 13 provincial/territorial jurisdictions, and each can mandate different responsibilities to local authorities. There is no national audit function in Canada and no requirement for local authorities to collect common data. The Federation of Canadian Municipalities (FCM) carries out this role in part by asking members for particular data which is then fed into the Quality of Life Reporting System. The QOLRS is a bottom-up publication created by local governments, with FCM support and without any national government involvement. It was conceived by FCM and is funded by the local governments upon which it reports, with oversight support by FCM. Originally it was created to demonstrate that changes to the way in which the Government of Canada transferred money to provinces in the mid-90s held real implications for local government funding.

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There are also a number of joint local authority initiatives which focus on self-regulation, for example Ontario^{viii} have set up a benchmarking initiative, where participating municipalities work together to identify and share performance statistics, operational best practice and innovation.

The Ontario Municipal Benchmarking Initiative (OMBI), started in 2000, is a collaboration between 15 Ontario municipalities. The OMBI has created new ways to measure, share and compare performance statistics to help local authorities to understand where they are performing well and where they can make improvements. It now covers almost all municipal services provided by regional municipalities and single-tier cities. In addition to benchmarking data the initiative has also helped experts in each of the authorities involved to share ideas on leading operational practices, thus encouraging improvement and innovation.

“Our work to date is very encouraging and we believe that by identifying the municipalities whose results are in the 'high performance zone', we will be able to research and identify the policies and practices that contribute to achieving these results. In this way, this exercise will enable us to identify those municipalities who have outstanding efficiency (unit cost), and effectiveness (community impact and customer service) performance both generally and in specific functions, and will enable all of us to share those experiences. We will also be further refining OMBI's capabilities as a high-level tool to assist our CAO's and City Managers in planning/priority setting, and budgeting/allocating resources.” *Ron Gibson, Project Manager, Ontario Municipal CAO's Benchmarking Initiative*

The OMBI is voluntary, but the authorities involved have found it a useful mechanism to help them improve public services by sharing learning within the sector. The OMBI looks at 4 different types of measures^{ix}: 1. community impact measures, for example the percentage of refuse directed away from landfill; 2. service level measures that look at the type, number or level of services authorities provide, e.g. the number of social assistance cases; 3. efficiency measures, for example cost per unit of services or volume of output per member of staff; 4. customer satisfaction.

Developing benchmarking for new service areas follows a 7 step process. 1. select services to benchmark; 2. develop a measure; 3. collect and analyse data; 4. establish “zones of performance”; 5. assess and recommend practices; 6. develop emulation strategies; and 7. evaluate the benchmarking process. This process is very much bottom up and involves local authority officers and an expert panel working in partnership.

There is a similar system in Nova Scotia^x.

The Council of Europe study found that performance assessment most often applied to technical services, not least because in these areas it is possible to identify objective outputs or outcomes, whereas in other fields this can be more complex. The fields member states were most likely to assess were roads (63%), public transport (61.5%), water supply (61.5%) and refuse collection (59.3%), with regional planning (20%) and sport (15.4%) much less likely to be assessed.

Reporting and using performance management data

The presentation of performance information to the public varies. The Council of Europe study found that in only 21% of member states to respond were indicators and standard values reported on municipal websites. In the Netherlands there has been a recent push to make data more accessible on the “how does you municipality perform?” website. In Baltimore in the US there is an example of locally driven monitoring and reporting being used to enable fast improvement to local public services, through the CitiStat tool.

US: Baltimore CitiStat^{xixii}

Public services in Baltimore are monitored using real time information to enable fast action to be taken, thus ensuring targeted and efficient service delivery. The system collects data and enables fast analysis so that officers can discuss problems and solve them quickly. This and similar systems have been used to support targeting of police services, solve education issues, delivery of youth services, coordination of public housing, monitor public safety, support public works initiatives, and inform the planning of economic development and capital spending efforts. Since its inception, the city has credited CitiStat with \$350 million savings.

The system is fed by information from 3 sources: firstly residents are able to report issues by calling a hotline, secondly agencies provide data such as number of employees or traffic citations issued, and thirdly more in-depth information is fed in from officers conducting follow up work of issues that come up. Effective use of the information then relies upon partnership working between agencies that have a role in solving any given problem, and thorough monitoring and evaluation to measure the impact of interventions.

The system was initiated and led by the Mayor of Baltimore, working with the architect of a similar system for policing in New York. Learning was also shared by Chicago, who had set up a similar hotline for residents called “CitiTrack”. Similarly locally initiated and driven systems have been set up based upon CitiStat across the US (including Buffalo, Somerville, Philadelphia, Providence, Maryland, Washington DC).

A second example from the United States is performance reporting on children and youth services in a number of cities.

US Children’s scorecards^{xiii}

The National League of Cities, who represent municipal government across the US, have cited examples of performance management of youth services in its recent report “The state of city leadership for children and families”. There is no state-wide performance management system, but a number of cities publish “scorecards” that evaluate the well-being of children, youth and families. For example the Philadelphia Children’s Report Card and Community Report Cards published from 2000 to 2008, monitored 26 key indicators in

areas such as child health, school readiness and achievement, safety and family stability. Another example is Irvine, Calif., who contracted a not for profit organisation, Children and Family Futures (CFF), to develop indicators which are based on an assessment of local policies, programs, as well as input from youth and community leaders. In St. Petersburg, Fla., a City Scorecard is posted on the city's website, allowing residents to see how well their local government is meeting performance measures for various departments and services. In addition to publishing children's scorecards, several cities have developed children's budgets and fund maps to analyse the various public and private funding streams that support different types of services for children and youth.

Conclusions

This brief exploration of performance management systems and accountability frameworks has revealed considerable variations in the extent of government influence over performance reporting and regulation. Where responsibility lies with local government there are variety of ways that local authorities can work together – directly, through regional groupings and through national local government associations – to develop performance strategies. Local public services in the UK, in comparison to those in Europe and more widely, are some of the most centrally regulated and managed.

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ⁱ A Manager's Guide to Performance Management, 2nd edition, IDeA and Audit Commission, 2006, p.3

ⁱⁱ Council of Europe "Report on performance management at the local level" (2005)
<https://wcd.coe.int/com.instranet.InstraServlet?command=com.instranet.CmdBlobGet&InstranetImage=1160503&SecMode=1&DocId=1337510&Usage=2>

ⁱⁱⁱ The comparative Law Society <http://www.iuscomp.org/gla/literature/localgov.htm>

^{iv} The Baltic Sea Conceptshare, Germany <http://commin.org/en/bsr-countries/germany/3.-administrative-system/3.4-local-self-government..html>

^v The education system in Finland <http://www.edu.fi/english/SubPage.asp?path=500.4699>

^{vi} Education at a Glance 2009: OECD Indicators

http://www.oecd.org/document/24/0,3343,en_2649_39263238_43586328_1_1_1_1,00.html

^{vii} *THE MUNICIPAL COMPASS: A benchmarking system for good municipal governance; SALAR 2009*

^{viii} Ontario Municipal Benchmarking Initiative website <http://www.ombi.ca/index.asp>

^{ix} Ontario Municipal Benchmarking Initiative 2008 performance benchmarking report

<http://www.ombi.ca/docs/db2file.asp?fileid=212>

^x Nova Scotia Municipal Indicators <http://gov.ns.ca/snsmr/muns/indicators/>

^{xi} A review of UK and international public sector performance frameworks & approaches, Improvement Service, 2008 <http://www.improvementservice.org.uk/performance-management/>

^{xii} Baltimore City government website <http://www.baltimorecity.gov/government/citistat/othergovernments.php>

^{xiii} National League of Cities, "The State of City Leadership for children and families", 2009