

Project for the Implementation of Municipal Annual Reporting

**BC Municipalities' Practices with Performance Management and Reporting Prior to the
Community Charter**

Written by Meagan Gergley
Masters of Public Administration, University of Victoria, BC

Paper presented at the annual conference of the Canadian Political Science Association
June 2-4, 2005, London, Ontario

This research was commissioned by the Local Government Department, BC Ministry of Community, Aboriginal and Women's Services¹, as part of an initiative to facilitate the implementation of municipal annual reporting requirements under the *Community Charter*. This paper summarizes the research undertaken for the Ministry, Union of BC Municipalities (UBCM)², and the Local Government Management Association of BC³.

1.0 Introduction

Pressure to modernize government accountability is growing as the public sector changes how it delivers services and citizens demand more transparency from their government. In recent history, there have been extensive shifts in how government programs are managed in the face of performance management.⁴ Citizens want their governments to be more transparent and effective in the management of public resources, and to be fully accountable for their performance (Office of the Auditor General of Canada, 2002). The call for increased accountability through performance management has not been directed at federal and provincial governments alone. Efforts have also been made to enhance accountability at the local level.

The British Columbia (BC) *Community Charter* came into effect on January 1, 2004, establishing the foundation for a new legislative framework for BC municipalities. Under the *Community Charter*, municipalities are recognized as “an order of government within their jurisdiction that is democratically elected, autonomous, responsible and accountable”. The new Act gives municipalities more freedom to better serve the interests of their citizens by ensuring that they have the autonomy to make local decisions, locally. Through its municipal annual reporting provisions, the *Community Charter* seeks to balance new municipal capacity with measures to encourage appropriate public accountability. Municipal councils in BC are required to provide annual progress reports to their citizens telling their citizens what their priorities are, what it is doing, and what it has accomplished.

1.1 Research Issue

According to the performance management literature, integrating performance management practices into the decision making process can be challenging and may require a substantial cultural change in most organizations (Kernaghan, Marson and Borins, 2000). While the Ministry recognizes that a number of BC municipalities already measure and report on their performance, the creation of an annual progress report will be a new undertaking for many

¹ The Ministry of Community, Aboriginal and Women's Services (formerly Municipal Affairs) is the principal Ministry responsible for local government in BC. The Department of Municipal Affairs was established on March 29, 1934 and was initially established to supervise the financial affairs of municipalities. Over time, this role expanded to include the laws and regulations which set the basic structure for the governance and operation of local governments, the supervision of incorporations, community planning activities, and provisions of conditional and unconditional grant funding (Bish and Clemens, 1999).

² The UBCM is a body formed for the purpose of representing, the various municipalities of the Province and to provide a common voice for local government. The UBCM advocates change to better meet the needs of local governments and ensure that the views of local government are heard, providing an opportunity for municipalities of all sizes and from all areas of the province to come together, share their experiences, and take a united position on common concerns (UBCM, 2004).

³ The Local Government Management Association, formerly known as the Municipal Officer's Association, was established in 1919. The original purpose of the LGMA was to “encourage the interchange of ideas and to foster and encourage a greater efficiency of municipal officers in the performance of their duties” (LGMA, 2004). Today, the LGMA is a professional organization representing municipal and regional district managers, administrators, clerks, treasurers, and other local government officials in the province. The Association is dedicated to promoting professional management and leadership excellence in local government, and to create awareness of the municipal officers' role in the community.

⁴ Performance management is a broad term relating to a systematic process which consists of the integration of strategic planning, goal setting, the use of performance measures to monitor the results of activities, the use of performance information to inform decision-making and resource allocation, and communicating results achieved. Section 2 of the paper provides a more detailed account of the performance management process.

municipalities. For these municipalities, the mere creation of a statutory obligation is unlikely to trigger everything necessary for a successful outcome. That is to say, in many instances legislative reform is not an end in itself. The literature shows that performance measurement is merely a tool, and in order to be effective it needs to be carefully implemented. The research discusses that while performance management practices can assist with planning and decision making, its importance is often met with some ambivalence and even resistance (Ammons, 1996).

It is speculated that the impact of annual progress reporting may be quite burdensome in terms of costs and time to some BC municipalities, and as a result, a number of municipalities may be apprehensive about the new reporting requirements.⁵ BC municipalities vary considerably in the resources available to them, whether it is financial constraints, capacity issues or varying degrees of technological advancement. The question is whether municipalities are well equipped. Specifically; do they have the appropriate organizational capacity, understanding, and resources to carry out their new reporting responsibilities? It is unclear what impact the new annual reporting requirements will have on municipalities since there is little existing data regarding the use of progress reporting practices at the local government level.

This purpose of this research is to explore municipal practices with performance management and reporting prior to the coming into force of the *Community Charter* as well as address some of the challenges facing municipalities by proposing a set of strategies to assist with implementation. This paper is the first step in identifying some critical success factors that are most likely to contribute to successful early implementation of municipal progress reporting. As such, the paper's scope is limited to an analysis of current local government experience. This paper begins by exploring the recent history of public sector reforms towards increased accountability in government. This is followed by an examination of the relevant literature on performance management and a look at some of the performance programs in other jurisdictions. The final sections present the main research, including a survey of BC municipalities and a number of recommended strategies aimed to support municipalities with the transition to the *Community Charter's* new annual reporting requirements.

2.0 Recent History of Public Sector Reform and Review of the Literature

Accountability is a critical element of representative democratic government, and in most democracies governments are held accountable through the electoral process. However, elections are not the only way of holding public officials accountable. Over the last couple of decades, a movement has developed to hold governments publicly accountable, not merely to the elected representatives of the people, but directly to the people through the medium of transparency (Barker, 2000). The history of public sector reform is long. Thus, this section provides only a recent history and brief overview to help the reader understand the basis for recent calls for increased accountability through performance management.

The literature suggests the reform of public organizations is driven by a variety of factors, such as globalization, technology, financial constraint, public demands for quality service, as well as demographic changes and changes in political culture (Kernaghan, Marson and Borins, 2000). In

⁵ Section 2 of this paper considers some of the challenges commonly associated with implementing a performance management system and section 3 highlights some of the key issues and lessons learned by looking at the experience of other jurisdictions.

the 1980's, economic decline and increased international competition triggered governmental reforms in most western states. This was due in part to major changes to the labour force, high population shifts, and a rapid expansion in the scope of government activities since the end of World War II (Office of the Auditor General of BC, 1995). Subsequently, governments began accumulating budget deficits and debt to provide services, and as a result, the objective of governments became to cut budgets and to improve the efficiency and effectiveness of programs and services (Van Thiel and Leeuw, 2002).

In order to achieve these objectives, market-type mechanisms such as privatization and competition were introduced in the public sector. Traditional public sector accountability systems also underwent profound changes, which emphasized the role of accounting systems in measuring and evaluating both financial and service performance, promoting disclosure and communicating results to stakeholders (Guthrie et al., 1998; Guarini, 1999). These changes led to the adoption of a number of what were considered private sector techniques to measure and improve performance.⁶

Despite the improvements in the public administration process that resulted from these early financial reform movements, concerns continued to mount about whether government entities were operating in an economical, efficient, and effective manner (Kernaghan, Marson and Borins, 2000). The early 1990's was a period of profound change in government organizations, with an ever-increasing focus on accountability and results-based management. Bens (1998) suggests the quest for accountability in the public sector derives its strength from three sources: public administrators are increasingly aware of the expressed needs of their internal and external clients; organizations are eager to conserve resources and use them wisely; and the public wants and expects quality services.

The practitioner theory underlying some of the changes to public sector management practices was the New Public Management. In general, the New Public Management movement describes a management culture that emphasizes the centrality of the citizen or customer, as well as accountability for results (Kernaghan, Marson and Borins, 2000). Believers in the New Public Management attribute a high priority to measuring output and outcomes and aim to base their new policies and management activities on this type of information – ideally to make policy implementation more efficient and effective (Van Thiel and Leeuw, 2002). According to Kernaghan, Marson and Borins (2000), the New Public Management movement has influenced management thinking and practices in countries such as Australia, Great Britain and New Zealand, and reforms in these countries have stimulated public sector reform in Canada.

Generally speaking, many governments are now engaged in what is commonly described as results-based management or performance management, involving the development of performance indicators and measures related to an organization's objectives, measuring the outputs and outcomes of services and using the data to evaluate the performance of the

⁶ A number of professional organizations, including the Government Finance Officers Association (GFOA) and the Governmental Accounting Standards Board (GASB) have actively encouraged governments to adopt performance measures so that public officials can more effectively evaluate the inputs, outputs and outcomes of the public services they manage (Coates and Tat-Kei Ho, 2002). The recognized goal of financial reporting was to provide information that would assist stakeholders in making decisions, including assessing whether the reporting organization has acted in an accountable manner (GASB, 1987). In its *Objectives of Financial Reporting* document, the Governmental Accounting Standards Board in the United States held that financial reporting should provide information "for evaluating the results of programs, activities and functions and their effectiveness in achieving their goals and objectives" (GASB, 1987).

organization and its employees (Kernaghan, Marson and Borins, 2000).⁷ The literature on performance management is vast. Therefore the literature review that follows considers mainly theories on public sector performance management and some of the common difficulties associated with implementing performance management in government.

2.1 Review of the Performance Management Literature

An increasing body of literature has attempted to define the concept of accountability in the public sector through performance management. The performance management literature emphasizes the importance of strategic planning processes, and observes that performance measurement does not operate in isolation. Posters and Streib (1999) suggest performance management is created through the process of monitoring both the internal and external environment and involves the integration of four key planning systems: strategic planning, results oriented budgeting, performance management, and strategic measurement. According to Bens (2002) strategic planning is a process of identifying a vision, identifying linkages between an organization's objectives and strategies, mobilizing resources for the future, and choosing priorities by considering the economic, social, environmental and physical needs of the community. Within the context of local government, performance management aims to measure public progress in terms of services delivered, the costs of services, and the outcomes or results actually obtained.

A great deal of the performance management literature also focuses on implementation. That is to say, if plans are not implemented in a very purposeful way, the strategies may not take hold. Bryson (1995) suggests that implementing strategic planning processes involves the following eight steps:

1. Initiating and agreeing on a strategic planning process.
2. Identifying organizational mandates.
3. Clarifying organizational mission and values.
4. Assessing the external environment: opportunities and threats.
5. Assessing the internal environments: strengths and weaknesses.
6. Identifying the strategic issues facing an organization.
7. Formulating strategies to manage the issues.
8. Establishing an effective organizational vision for the future.

2.2 Common Challenges to Public Sector Performance Management

Although the concept of performance management is derived from various private sector techniques to measure and improve performance, measuring performance in the public sector pose special challenges. Performance measurement is a more difficult and often controversial undertaking in the public sector than it is in the private sector, since public sector organizations exist for different reasons than do private companies (Schacter, 2002). This is because performance measurement appears to be most successful when there is clarity about what is being measured and why.

In the private sector, the "bottom line" typically provides this type of clarity, as private companies exist to make a profit and create wealth for their owners. This can often be measured by indicators such as profits, revenue, and market shares. However, in the public sector there is

⁷ The terms managing for results, results-based management and performance management are often used interchangeably.

often a lot of ambiguity over what the “bottom line” is. While financial accountability continues to be important in the public sector, ultimately governments have an obligation to make program choices and deliver services in the best interest of its citizens. Evaluating how programs and services make a difference in people’s lives cannot easily be measured (Schacter, 2002). This creates room for disagreement over what elements of performance should be measured, and what constitutes results and outcomes in a community. For some public organizations, the implementation of performance management practices presents a number of challenges.

Some of the common issues or challenges noted in the literature are: time, resources, knowledge, skills, and agreement on goals. According to Shane (2003) governments must understand that the development of a performance management system takes time, and is often a multi-year effort, involving costs in terms of staff time, effort, skills, expertise, resources, and technology. Further to Bryson’s eight steps to implementing strategic planning processes, signals that an organization may be ready to implement a performance management system involve having a business plan, a mission, and an organizational culture relatively open to change. The organization will need staff with the skills and abilities to implement a system, and with the time it will take to develop the system (Shane, 2003).

Another problem is that public policies often have many contradictory goals, and as a result, measures and indicators are often contested both by politicians and administration, complicating the efficiency and effectiveness of policy implementations (Van Thiel and Leeuw, 2002). The performance management research suggests securing managerial commitment is a key step to successful implementation and integration of a performance management system. Ammons (1996) suggests that not only will that high level commitment help to overcome resistance within the organization, but will also increase the likelihood that resulting measures will be used in decision-making and sustaining the system.

3.0 The Context for Implementing Municipal Progress Reporting in BC

The aforementioned forces driving broad based public sector reform over the last 20 years have stimulated governmental reform in the BC provincial government. Following is a recent chronology of events that led to provincial government restructuring, and in part provides the rationale for the inclusion of annual progress reporting requirements in the *Community Charter*.

3.1 Governmental Reform in BC

The main impetus for enhanced public accountability reform in BC began in 1995, when the government expressed a commitment to broaden the scope of its performance planning, monitoring, and public reporting by focusing on results. In 1995, the Office of the Auditor General, in collaboration with the province’s Deputy Minister’s Council, issued the joint report *Enhancing Accountability for Performance the BC Public Sector*. The report provided an overview of accountability as it has evolved in BC, and outlines the basis for a framework to improve accountability in the public sector.⁸ In support of this new initiative, the Public Accounts Committee, a select standing committee of the Legislative Assembly, presented ten

⁸ The paper suggests that an effective accountability framework requires that government be clear about its intended and actual results, and that the framework is closely integrated with a performance management system that includes: clear objectives; effective strategies; aligned management systems; performance measurement and reporting; and real consequences for the success or failure of programs (Office of the Auditor General of BC, 1995). This approach to enhanced accountability is consistent with the strategic planning literature.

recommendations (in 1996) for enhancing accountability for performance in BC.⁹ The government also opened up the estimates process to public involvement, with the purpose of making the process more transparent.¹⁰ Overall, a key goal of the reform of the BC civil service has been to increase public confidence in governments and raise accountability in the province's public sector.

In 2000, the provincial government passed the *Budget Transparency and Accountability Act* (BTAA) which, for the first time, mandated public performance reporting for ministries and agencies in BC. The Act calls on ministries, government organizations and government as a whole to provide the same degree of transparency, credibility and accountability through the development of standardized annual service plans and reports. The BTAA specifies that all service plans must contain a statement of goals, identification of objectives and performance measures, and accountability statements from the minister's responsible. The implementation of the BTAA signalled a strong commitment on the part of the provincial government to make real improvements in how it budgets, manages, measures and reports on its programs and services (Office of the Auditor General of BC, 2001/2002).

With increased autonomy and expanding service responsibilities, there was a growing recognition among citizens and the provincial government that enhancing municipal democratic accountability was essential (Ministry of Community, Aboriginal and Women's Services, 2002). Similar to recent reforms in other levels of government, the new *Community Charter* continues the process of reform within the local government sphere.

3.2 Local Government in BC

Local governments form a major part of the public sector of BC. There are 155 municipalities and 27 regional districts serving communities. Local governments provide a broad range of services to citizens, including fire protection, policing, land use planning, parks, recreation, local streets, water, sewer, and garbage collection and disposal.

The Canadian Constitution provides that municipal governance is an area of exclusive provincial jurisdiction. This relationship stems from the *Constitution Act, 1867*, the principal document defining inter-governmental relations in Canada. As such, the relationship between municipalities and the provincial government is largely determined by provincial legislation. In general terms, the provincial government affects local governments in the following key ways:

- The province sets the rules under which local governments may be organized.
- Provincial legislation makes it mandatory for local governments to perform certain functions and activities as administrative extensions of the province.
- Provincial legislation authorizes all activities that local governments may undertake (Bish and Clemens, 1999).

⁹ Summary of Recommendations from the Second Report of the Select Standing Committee on Public Accounts, January 31, 1996.

¹⁰ In 1999, the Auditor General's report to the Legislative Assembly entitled *A Review of the Estimates Process in BC* discussed both the governance and management aspects of the Estimates process. The report recommended changes to the way in which the cabinet develops the provincial budget (including the Estimates) and the way in which the Legislative Assembly scrutinizes and approves the Government's spending plans. The report also recommended significant changes to the way the Government plans its finances and programs, monitors actual results and reports on its performance to the Assembly (Office of the Auditor General of BC, 2000).

In the past, the provincial government has played a regulatory role, setting the rules under which local governments may be organized and establishing rules for the governance and operation of local government. In August 2001, the BC Liberal government introduced the *Community Charter Council Act* that resulted in the establishment of a Community Charter Council (CCC). This enactment made the Council responsible for the development of the *Community Charter* legislation. The *Community Charter* resulted in comprehensive amendments to the *Local Government Act* and further increased the autonomy, broadened the powers and enhanced the financial flexibility of local governments.¹¹ The new legislative framework of the *Community Charter* creates a new approach to governmental relations, replacing a tradition based on provincial rules with one based on dialogue and jointly steering provincial-local government relations (Ministry of Community, Aboriginal and Women's Services, 2002).¹²

3.3 Municipal Annual Reporting under the *Community Charter*

While the autonomy and decision-making powers of municipalities have evolved significantly over the last decade, traditionally, much of the focus of performance management has been on financial management. Increasingly, in response to more complex environments, higher expectations, the demand for greater accountability and the need for more effective approaches to service delivery, attention has been turned to developing a more robust municipal accountability system.

Under the *Community Charter*, municipal governments are now required to report publicly on their performance. Section 98 of the legislation contains new annual reporting requirements for municipal councils. The municipal annual report must include the following elements:

- the municipality's audited annual financial statements for the previous year;
- a list of the permissive tax exemptions provided by council, and for each exemption, the amount of property tax that would have been imposed during the previous year if the exemption had not been granted;
- a report respecting services and operations for the previous year; a progress report on the performance of the municipality with respect to established objectives and measures;
- a statement of objectives and the measures that will be used as the basis for determining the municipality's performance for the current and following year; and
- the details of any declarations of disqualification made against individual council members during the previous year.

The annual report must also be made available for public inspection and considered at an annual public meeting, providing citizens an opportunity to review the report, ask questions and prepare

¹¹ The new *Community Charter* provides municipalities with broad powers which are generally provided in natural person powers and powers in sixteen regulatory spheres such as municipal services, business, trees, public nuisances, and protection of the natural environment. The *Community Charter* encourages municipalities to be more self-reliant and manage their organizations, which will allow them to better serve the interest of their citizens. The Charter ensures that they municipalities have the authority to make local decisions locally.

¹² In recent history, the provincial and municipal governments have endeavoured to improve and formalize provincial-municipal relations and consultation. In 1996, the Province entered into a Protocol of Recognition with the UBCM. This agreement formally recognized local governments as an independent, responsible, and accountable order of government. Recognition of local government as an order of government was later legislated in the *Local Government Act* in 1998. Legislative reform continued as the Ministry and the UBCM agreed to work together to ensure that legislation governing local governments met their individual needs. This culminated in the passing of the *Community Charter* in 2003, which commenced in 2004.

submissions to council.¹³ The deadline for the first municipal annual report (reporting on municipal activities in 2003) is June 30, 2004. The progress reporting requirements will be phased in over three years (the first comprehensive progress report is not required until June 30, 2006).

Although the *Community Charter* prescribes the essential elements that must be included in the annual report, the legislation provides a considerable amount of discretion to elected officials to set objectives and measure and report on its accomplishments each year. In this respect, municipal progress reporting is different from mandated public performance reporting for provincial ministries; there is no standardized service plan or reporting format that councils are required to follow. This approach gives municipal governments the flexibility to structure their progress reports in a way that reflects the diversity, size, economic conditions, and wishes of their own communities.

The *Community Charter* recognizes municipal councils as autonomous and responsible orders of government acting within their jurisdictions. Through annual progress reporting, municipalities will be held democratically accountable to their citizens. With clear, democratic rules guiding municipal government, citizens will have a better understanding of their government's intentions and priorities. Annual progress reporting under the *Community Charter* provides an opportunity for councils to act and perform more strategically and engage with their communities to determine what their goals are. Rather than strictly focussing on management practices and performance measurement, progress reporting allows municipalities to focus on strategic objective setting aimed at meeting the needs of their communities. Within this framework, citizens should expect open, accountable and transparent municipal governments. In turn, progress reporting will provide a means to assess municipal decision-making.

4.0 The Experience of Other Jurisdictions

Although mandated performance management systems in local government are relatively new, it is becoming widespread. Local authorities in the United Kingdom are now required by legislation to report on their performance. Provincial Governments in Ontario, Nova Scotia, and now BC, have also made it mandatory for local governments to report on their performance.¹⁴ The literature review provided a fundamental understanding of performance management processes, as well as some of the potential challenges to effective implementation of progress reporting. This section of the paper takes a more practical approach by studying the experience of other jurisdictions where mandated local government performance management systems have recently been implemented.¹⁵ It is important to note that even though some of these local government programs have been in place for a few years, they are still in their early stages and it may still be too early to establish their success or failure.

¹³ The new municipal annual reporting requirements apply only to areas incorporated as a municipality, such as villages, towns, cities, and municipal districts. The requirements, however, do not apply to regional districts, special local bodies, such as the Islands Trust and greater boards, and the City of Vancouver. The City of Vancouver operates under the *Vancouver Charter* legislation.

¹⁴ Progress toward a mandatory performance management system is being made in Quebec. In June 2002, the province passed a Bill, which included provisions whereby the Provincial Municipal Affairs Minister could authorize municipalities to report on their performance. Quebec is currently in the process of establishing mandatory municipal performance indicators framework, where it is expected municipalities will be required to report to the province on a minimum of 19 indicators. Quebec's program is expected to come into force sometime in 2004 (Brochet, 2003). Other Canadian local governments have less provincial direction with respect to performance reporting systems.

¹⁵ Cross-jurisdictional information was gathered through the collection and review of reports, internet research, and through consultation with ministerial staff in Ontario, Nova Scotia, and Quebec.

4.1 The United Kingdom Experience

In 1997, *Best Value* was promoted by the UK Government as a new way of delivering council services more efficiently and effectively and with the public's involvement.¹⁶ Best Value reviews became a statutory responsibility of local authorities in April 2000 under the UK's *Local Government Act* – local governments were required to ensure that services are delivered in line with the national performance management framework for Best Value (Enticott et al, 2002). Administered by the Office of the Deputy Prime Minister, Best Value reviews must include performance targets that meet minimum national service standards and annual milestones. Local authorities have discretion to set community targets for service improvements against 128 national Best Value performance indicators that cover 15 different services. The results of Best Value reviews are assessed annually and are subject to audit by the Audit Commission.¹⁷

A 2001 census that was undertaken as part of an evaluation of the impact of Best Value revealed that implementing Best Value was seen as having been a major challenge for most local authorities. Some of the key challenges included lack of political leadership, resources within the authority, competition, and community planning (Enticott et al, 2002). In many cases the level of political leadership and member involvement in Best Value was relatively low, and it was usually corporate officers who took the lead in developing Best Value policy. A willingness to take risks and trust between managers and staff and between officers and council members, together with high levels of productivity, was though seen as lacking in some authorities (Enticott et al, 2002).

Best Value reviews appear to have been particularly challenging for smaller authorities where staff numbers and small budgets meant there was comparatively little support for conducting reviews (Martin et al, 2003). Many authorities were also critical of the role and costs associated with external inspectors and skeptical about the net value added by Best Value inspections (Martin et al, 2003). Despite some early problems with implementing Best Value reviews, a recent study indicated that management systems are perceived to have improved in most authorities since the introduction of the Best Value regime, and many officers and members believe that this will lead to improvement in services (Martin et al, 2003).

4.2 The Ontario Experience

In 2000, the Ministry of Municipal Affairs and Housing implemented the Municipal Performance Measurement Program (MPMP). The formal requirements of the MPMP are enacted under Ontario's *Municipal Act*. The goals of the program are to: promote better local services through continuous improvement in service delivery and clear government accountability; improve taxpayer awareness of municipal service delivery; and compare costs and level of performance of municipal services both internally year to year, and externally among municipalities (Ontario Ministry of Municipal Affairs and Housing, 2003).

¹⁶ The Best Value regime requires each local authority to 'make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness'.

This means that authorities need to develop a corporate strategy and review all their activities in line with Best Value legislation and ensure there are action plans from these reviews to ensure improvement will take place. This improvement involves consideration of costs as well as making the most of money spent, making sure that services meet the needs of communities and authorities' priorities (Martin et al., 2003).

¹⁷ The Audit Commission is an independent public body sponsored by the Office of the Deputy Prime Minister with the Department of Health and the National Assembly for Wales. The Commission is responsible for ensuring that public money is spent economically, efficiently, and effectively in the areas of local government, housing, health and criminal justice services.

With the aim of providing taxpayers with useful information on service delivery, and municipalities with a tool to improve those services over time, this reporting system requires municipalities to annually measure and report on their performance in nine core municipal service areas through a standardized provincial format. The nine service areas include: water, wastewater, solid-waste management, land-use planning, local government administration, roads, transit, fire, and police. In 2003, municipalities were required to report on 40 different efficiency and effectiveness measures in these nine core areas. Municipal data and results are not subject to audit by the province.

When first implemented, the MPMP was met with a great deal of resistance from municipalities. Given the prescriptive nature of the legislation the program was dubbed the municipal report card. According to an official in the Ontario Ministry of Municipal Affairs and Housing, many municipalities were critical of the new legislation, and felt that it did not offer municipalities enough flexibility to develop performance measures that were relevant to their communities (Wynnycky, 2003). Ontario officials also indicate municipalities were concerned about the conclusions that are drawn from the comparison data gathered by the province, since comparisons will show that some municipalities are achieving better results than others. It appears that a key issue for many local governments is that reported results are not always reviewed and assessed with an understanding of the differences between municipalities. For example, factors such as, location, climate, and economic conditions, as opposed to better management strategies, and practices and methods in service delivery, may account for differences (Buckstein, 2003).

Another criticism was that the provincially mandated MPMP was developed with minimal local government consultation, yet placed considerable pressure on municipalities to measure and report their performance to the province and taxpayers. The standardized reporting requirements were applied to all municipalities regardless of their size or capacity. As a result, there were a number of local governments that were extremely concerned about how they were supposed to find the resources to carry out their new obligations (Wynnycky, 2003). Generally speaking, the ambitious requirements of the program were imposed on local governments with little direction or guidance on how to put the program into practice, which raised many of the aforementioned concerns for local governments.

4.3 The Nova Scotia Experience

Nova Scotia's municipal indicators program was initiated by Service Nova Scotia and Municipal Relations as a municipal/provincial partnership in 1999. Unlike Ontario's MPMP, the municipal indicators program presents a much more informal approach to municipal performance measurement, as it does not contain standardized measures. Under the municipal indicators program, the province developed 41 different indicators that focus on financial, community, governance and municipal performance. The 41 indicators act only as guidelines to assist municipalities to better understand their own internal environment and the changes which are taking place in the external environment, and "indicate" if things are relatively stable, are declining, or are improving (Nova Scotia Municipal Indicators Handbook, 2002). Similar to performance management programs in other jurisdictions, Nova Scotia's municipal indicators program is intended to improve accountability by providing information to the broader community.

With respect to reporting, municipalities are required to send the province a General Return at the end of each fiscal year which consists of general performance data on things such as staffing, kilometres of road, water treatment, number of breaks in water mains in a year, and tonnes of solid waste collected and disposed (Houlihan, 2003). The province's *Municipal Government Act* sets out the formal requirements that municipalities must report annually on their performance. The province then publishes a public report based on the General Return data. The General Return data is not subject to audit by the provincial government.

Although the municipal indicators program offers municipalities a great deal of flexibility to measure their performance, mandatory reporting was still met with some resistance at the onset of the program. According to an official in Service Nova Scotia and Municipal Relations, there was some initial anxiety from municipalities over time limits and their capacity to carry out measurement and collect data (Houlihan, 2003). Similar to the experience in Ontario, municipalities were also concerned about comparisons being made across jurisdictions. Despite these concerns, it appears that the implementation of the municipal indicators program was generally more positive than the Ontario experience, as the province did engage in consultation with local governments at the inception of the program.

4.4 Lessons Learned

Although the nature of each of these mandated performance systems are somewhat different, there are some common lessons that can be learned from their implementation. The key lessons learned from the study of the United Kingdom, Nova Scotia, and Ontario are:

- Mandated performance management programs are likely to be met with some resistance from local governments at the onset.
- Significant problems can arise at the implementation stage. Often overlooked is the readiness of local governments to carry out measurement, such as identifying the resources available for developing, implementing and maintaining a performance management system (Shane, 2003).
- Meaningful consultation and communication with local governments, advisory services and the dissemination of information are thought to be critical for successful implementation. Local governments should be clear about the expectations of the program well in advance of implementation (Ammons, 2003).
- Program requirements that are too ambitious or prescriptive may burden local governments and are likely to be met with higher resistance than more flexible models. Flexible programs allow local governments to develop individual planning systems that meet the specific needs of their community (Ammons, 2003).
- Comparisons across local governments can be difficult, and may be a source of concern for local governments undertaking performance-based management activities.
- Smaller communities may have the most difficulty with implementing performance management systems, to the extent that they may not have the capacity to develop and maintain a system.
- Feedback from local governments should regularly be reviewed to determine if changes are needed to the system.

While lessons learned provide insight into what can be expected in BC, one should be mindful that the *Community Charter's* annual progress reporting provisions are quite different than the approaches implemented in these other jurisdictions. The Ontario and Nova Scotia performance reporting systems are highly administrative in nature, focussing on the management of common local services and programs. These programs appear to focus on narrowly defined objectives and technical exercises that focus on inputs and outputs, and the efficiency and effectiveness of recurring activities and services. However, there appears to be little focus on local government strategic planning processes and the accountability of elected officials.

In BC, progress reporting obligations establish a duty for municipal councils to be more responsive to voters. The *Community Charter* provides municipal councils with the opportunity to be more strategic in their planning, by providing council autonomy to define goals and objectives based on the particular needs of their citizens. While inputs, the costs of services, and measurement activities at the management level are critical for carrying out government strategies and achieving government objectives, perhaps a larger measure of government accountability is focusing on the strategic goals of the municipality, and whether the intended targets were met. Against this background, it is conceivable that BC municipalities may face different challenges and require different types of support than their Canadian municipal counterparts.

5.0 Survey of BC Municipalities

While lessons learned offer insight into what can be expected in BC, an important consideration is whether or not BC municipalities face similar challenges or have similar concerns with progress reporting. A full understanding of the current performance management practices and the key issues facing BC municipalities requires further investigation, and raises important questions. For example, what experience do municipalities have with progress reporting? What impact progress reporting will likely have on BC municipalities? What types of support are needed to facilitate implementation? Following is the research methodology that was undertaken in support of the research objectives. The research methodology builds upon the literature and lessons learned in other jurisdictions. Two key research instruments were used: a survey and a workshop session.

5.1 Survey Methodology

The local government survey on progress reporting (Appendix A) was designed to obtain data on local government planning and reporting activities prior to the *Community Charter*. The questionnaire focussed on three parts which sought to answer a number of key research questions. The survey included questions on the extent of utilization of strategic planning and performance measurement by local governments, focussing on the types of planning and reporting activities currently used in decision making. The second section focussed on local government experiences with progress reporting, addressing perceptions of the relative successes and challenges of the planning and reporting processes used in their communities. The third section focussed on what resources could be brought to bear on implementation.

The online survey was administered through CivicInfo BC.¹⁸ Recipients could access and complete the survey online through the CivicInfo BC website. The results were retrieved through a secure online database designed by staff at CivicInfo BC. The survey was distributed to the Chief Administrative Officers of all 155 BC municipalities and 27 regional districts. These individuals were chosen as the target population because they are thought to possess extensive knowledge about the current activities, services, and operations of their respective communities. Although the new *Community Charter* provisions do not apply to regional districts, their feedback was sought because it was thought that their experiences and feedback would add value to the research process.

5.2 Development of the Survey Instrument

The final questionnaire was designed in consultation with Ministry staff and the UBCM and relied upon the literature as well as drew upon the experiences of staff that have extensive knowledge of the BC local government system. Table 1 takes a comprehensive look at the foundation for the final questionnaire. As part of the survey development process, several practical issues were also considered, such as recognizing that the questions had to be comprehensible to all local governments. It was also important to keep the survey at a reasonable length, so as not to be too onerous on recipients.¹⁹

Table 1: Survey Development Process

Final Survey Instrument	Research Questions	Relevant Research and Rationale
<p>Section A This part of the survey looked at the depth and breadth of use of performance measures by local governments. The goal was to determine to what extent municipalities engage in planning and reporting, how the information is being used, whether activities have changed in recent years, and what was the motivation behind the change?</p> <p>Q1. (a) How do you set goals and communicate them? (list provided) (b) Do you define targets, evaluate outcomes, and report on results?</p> <p>Q2. Have the number and types of planning and reporting activities changed (increased/ decreased/ same)?</p> <p>Q3. If increased, what motivated the increase?</p> <p>Q4. How has the focus of your planning and reporting activities changed?</p>	<ul style="list-style-type: none"> • What are the current planning practices of local governments? • Do councils set and communicate goals? • What is the nature of the methods used to set and communicate goals? • Do municipalities engage in strategic planning, and to what extent? • How does council/administration determine if they have achieved their goals? • Do municipalities report on performance, either publicly or within their corporation? • Have citizen demands for improved accountability and transparency influenced any change in planning and reporting activities? • If municipal planning and reporting activities have increased, what motivated the increase? • Do the types of activities differ between smaller and larger communities? 	<p>In section 2 of this report, strategic planning processes were discussed. In Question 1, the researcher wanted to know the extent to which these activities are actually practiced in BC, given that there is little research measuring the extent to which progress reporting/strategic planning are used by BC municipalities.</p> <p>The literature indicates that performance measurement processes are linked with strategic planning and budgeting processes, and that these are connected to the organization's missions, values (Poster and Streib; Bens). It was thought that by identifying the scope of planning and reporting activities, this may indicate the level of readiness to carry out progress reporting and whether it will create a major change/impact for the municipality (Shane; Bryson).</p> <p>The literature indicates that performance measurement and reporting improves organizational decision making, and is used by citizens to gauge how government is doing (Fischer; Coates; Kernaghan et al).</p> <p>The reform literature identifies various forces motivating public sector reform (Bens; GASB; Kernaghan et al). In Question 2 to 4, the researcher wanted to know if these forces have stimulated reform in local governments and influenced change in planning and reporting activities.</p>

¹⁸ CivicInfo BC is an information sharing service for those who work, or have an interest in BC's local government sector. The main goal of CivicInfo BC is to encourage and facilitate the free exchange of local government information, which is done primarily through the CivicInfo web site. CivicInfo BC was initiated in 1998 by a partnership of seven key organizations in the BC local government field, which formed a strategic partnership to investigate ways to encourage and facilitate information sharing within the sector. The CivicInfo BC web site was launched in April 2000, and the CivicInfo BC Society was incorporated as a non-profit organization in the fall of 2000.

¹⁹ A test audience of six local government senior administrators was used to pre-test the survey instrument for question wording, relevance, sequence, convenience of administration, and also to determine the average length of time it took to complete the questionnaire. Each respondent provided useful feedback on the survey instrument and their comments were used to revise the survey prior to distribution.

Final Survey Instrument	Research Questions	Relevant Research and Rationale
<p>Section B This section sought to find out the most important lessons learned about local government experiences with performance management or progress reporting. Respondents were asked to share the challenges they have faced, as well as the areas where they have been successful.</p> <p>Q5. What types of challenges have you experienced with planning and performance management? Where have you been successful? (Please identify, from lists below, the top three challenges/successes)</p> <p>Q6. Please expand on your challenges and successes (open-ended question).</p> <p>Q7. How do you carry out your planning and reporting activities (what resources do you use)?</p> <p>Q8. Would you be willing to share your experiences in helping others build capacity?</p>	<ul style="list-style-type: none"> • Do local governments have experience with performance management? Challenges? Successes? • What is the level of readiness of municipalities to implement progress reporting? • Are municipalities concerned over the new annual reporting requirements? If so, what are their key concerns? • What are the main obstacles to successful implementation? • Are there some municipalities who do not require assistance? • What resources are needed? • Do municipalities have the capacity to prepare annual reports? • Do smaller and larger communities have similar experiences? Why or why not? • Can the experiences of others be used to help assist others? 	<p>The goal of Question 5 and 6 was to assess the challenges and successes of BC municipalities directly. These questions were included, since the research indicates that there are often barriers or challenges to developing and implementing strategic planning and measurement systems (Martin et al; Bens; Shane).</p> <p>By identifying some of the challenges, it would help us understand where to direct implementation activities. The list was derived from common challenges found in the literature and from the lessons learned from others (Part 1 and 3 of this report).</p> <p>It was anticipated that some municipalities would have internal resources/expertise to implement progress reporting, while others would not (Martin et al; IDeA and Audit Commission). Question 7 was related to the internal capacity of local governments. The goal was to identify what resources may be lacking, and where capacity building may be needed?</p> <p>In Question 8, the researcher was interested to know whether some local governments would be interested in sharing their experiences with others to help others who may require help build capacity and to encourage the sharing of best practices.</p>
<p>Section C The final section sought to identify what advisory materials or communications materials would be the most effective in assisting municipalities, and where resources would be best focussed.</p> <p>Q9. What would you find most useful in terms of support mechanisms that may help you build capacity? (list provided)</p> <p>Q10. General Comments (open-ended)</p>	<ul style="list-style-type: none"> • What is the best way to assist municipalities? Advisory materials? Education? Workshops? • How should information be communicated to local governments? • Do the needs of smaller communities differ from the needs of larger communities? 	<p>The research indicates that consultation and advisory services are important to facilitate implementation. The goal of Question 9 was to identify what tools or activities would be most relevant to local governments and what means of communication would be most effective. The list was derived based on communication and educational tools that have been employed by the Ministry, UBCM and LGMA in the past.</p> <p>General comments were sought to solicit general feedback and perceptions on the new progress reporting requirements and give local governments an opportunity to address any issues that may have not been covered by the survey.</p>

5.3 Analysis of Survey Results

The analysis that follows presents the key issues and results that have arisen from the survey data. Given the vast range in sizes of municipalities in the province, and the previous knowledge that smaller municipalities may have more difficulty implementing a progress reporting system, it was thought that the needs of smaller municipalities would be different than those of larger municipalities. For analysis purposes, responses were grouped into categories based on population size to help determine if the responses are common across BC municipalities, or if they are unique to smaller or larger municipalities.

5.4 Summary of Survey Results and Key Findings

A total of 89 local governments responded, for an overall response rate of 48.9%. This response rate provides a confidence that the survey results will fall within $\pm 7.45\%$ (41.45%-56.35%) in 19 samples out of 20 within the population of local governments in BC. The positions held by survey respondents were mainly Chief Administrative Officers (78%). Positions held by other respondents included Chief Financial Officers (11%) and other corporate officers and administrators (11%).

Overall Response Rate

Jurisdiction	Responses	Potential Population	Percent
Municipality	73	155	47.10%
Regional District	16	27	59.30%

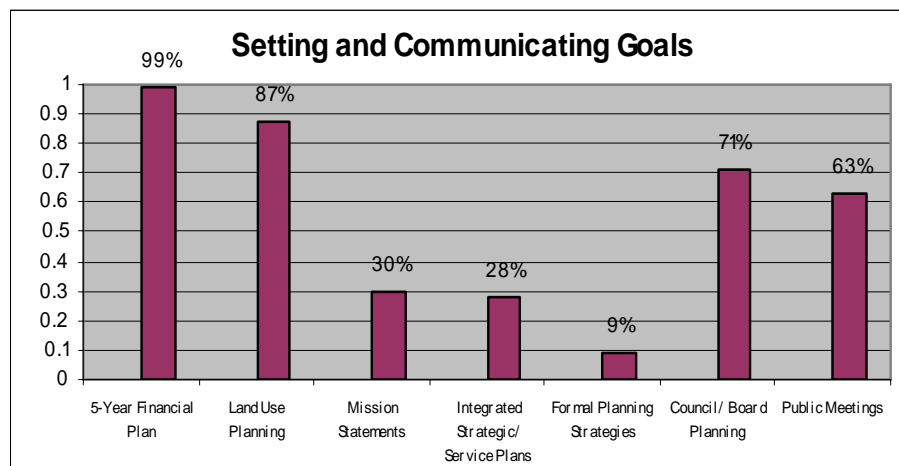
Population Categories

Based on population size, jurisdictions were categorized as very small, small, medium, and large. The very small category comprises 38% of the local governments in BC. The small category captures 19% of all local governments. The medium category comprises 19% and the large category captures 23% of all local governments in BC. Of the 89 local governments that responded, 51% were from a very small or small jurisdiction, 21% of respondents were from jurisdictions with populations between 10,000 and 24,999, and 27% were from a jurisdiction with a population of 25,000 and over. In the large category, there were responses from 12 municipalities and 12 regional districts.²⁰

SECTION A – CURRENT ACTIVITIES

Setting and Communicating Goals

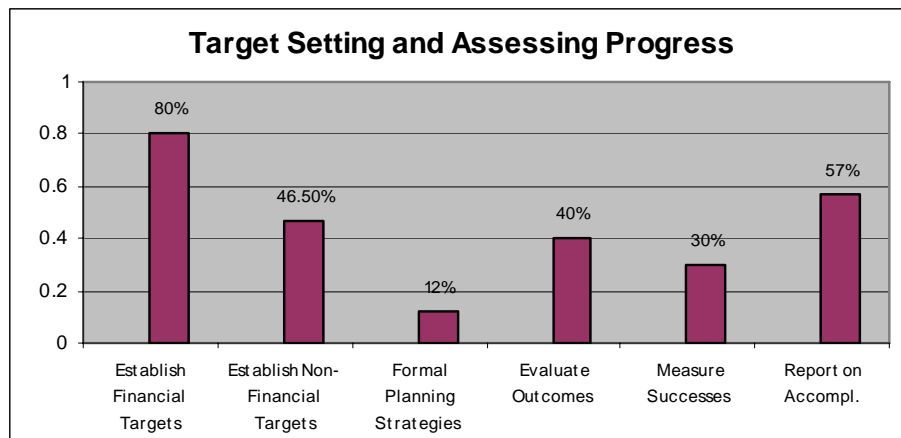
The survey first focussed on the current practices of local governments and asked respondents about the extent to which certain activities are being utilized in their jurisdiction. Overall, 86 of 89 local governments responded. Of these, 85 local governments produced a 5-year financial plan and 75 engaged in land use planning, or community planning and growth strategies. Only 8 respondents (9%) indicated that they used formal planning strategies, such as performance measurement models or the balanced scorecard approach. The chart below summarizes these findings. Overall, 31 (35%) respondents undertake at least five of these activities. The results were evenly dispersed among the different categories (19% for very small and small jurisdictions; 23% for both medium and larger jurisdictions).



²⁰ In the survey, the median population for municipalities was 2,991. The current median population is just below 5,000. The median is used because the average population size is heavily skewed by larger municipalities – municipalities with over 75,000 populations only make up about 10% of all municipalities in BC.

Target Setting and Assessing Progress

Overall, 86 of 89 local governments responded. Of these, 69 established financial targets and only 40 local governments said they established non-financial targets. There were 57% of the respondents that indicated that they reported on their accomplishments. Of these 49 respondents, 82% report to their councils/boards, 57% report to the public, and only 6% of respondents said they reported to their management or staff. Overall, 41% of these respondents report both to their council/boards, as well as the public. Only 10 local governments said they used formal planning strategies. Of these, 80% were from jurisdictions of over 10,000. There were no jurisdictions from the very small category that engage in formal planning strategies, such as using formal performance systems. The chart below summarizes these findings.



Planning and Reporting Activities

Most local governments indicated that the number and types of planning and reporting activities had increased over the past five years. Overall, 79 of 89 responded. Of these, 58 felt that their activities had increased, 19 felt their activities stayed the same, and 2 respondents indicated that their activities actually decreased. The two respondents that indicated their planning and reporting activities had decreased were a very small municipality and a small regional district. The respondents mentioned that they are a very busy municipality, and staff and council are overloaded with day-to-day issues, and that the focus of their activities is simple survival. Local governments indicated that their activities had increased over the past five years. Some indicated many of the changes were legislation driven, while others felt that accountability was a key issue. This is due to an increased public demand and expectation for more information and transparency. A greater emphasis is also put on corporate strategic planning and meaningful planning and reporting activities. Of those local governments whose activities stayed the same, 53% were from municipalities of under 4,000. Limited resources, such as staffing and time, played a role in the ability of these smaller communities to expand their planning and reporting activities.

What motivated this increase in activities?

Participants were asked to rank in order of priority what motivated their increase in planning and reporting activities, or who they were trying to serve better, such as management, their councils/boards or the public? Almost 50% of respondents ranked their councils and boards as their first priority (49.2%). Overall, 47% also ranked this group as their second highest priority,

40% of the respondents ranked the public as their first priority, and only 11% ranked management as their highest priority. One local government ranked all three audiences as their number one priority, stating that all three were interdependent. Over half of the respondents felt that management was the least important audience. These results appear to be consistent with current reporting practices. As mentioned above, 49 respondents indicated that they currently report on their accomplishments. Of these, 82% report to their Councils/Boards, 57% report to the public, and only 6% of respondents said they reported to their management or staff.

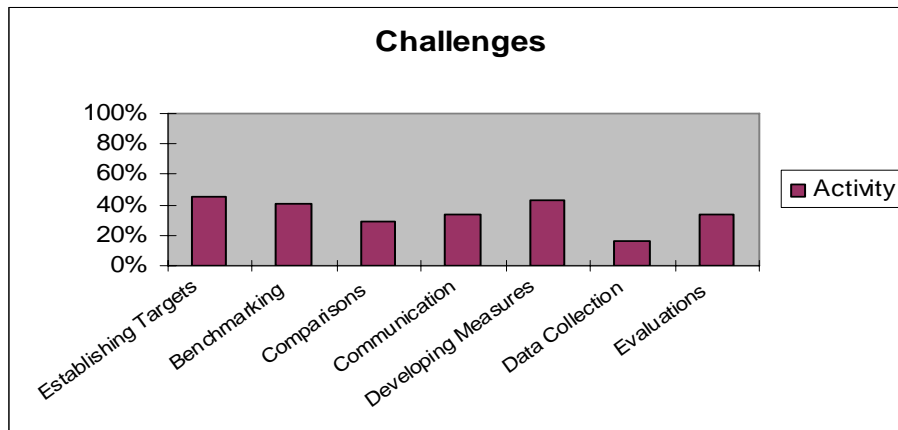
SECTION B – EXPERIENCES

In the second part of the survey participants were asked to share their experiences with using performance management tools, as well as telling the most important lessons learned about the process or outcomes, such as the types of challenges they have faced and where they have been most successful.

Challenges with Using Performance Tools

Overall, local governments had the most difficulty establishing targets, establishing benchmarks, and developing measures. Overall, 82 of 89 local governments responded. Of these, 45% found translating goals into targets was a challenge, 41% found it difficult to establish benchmarks, and 43% found it difficult to develop measures.

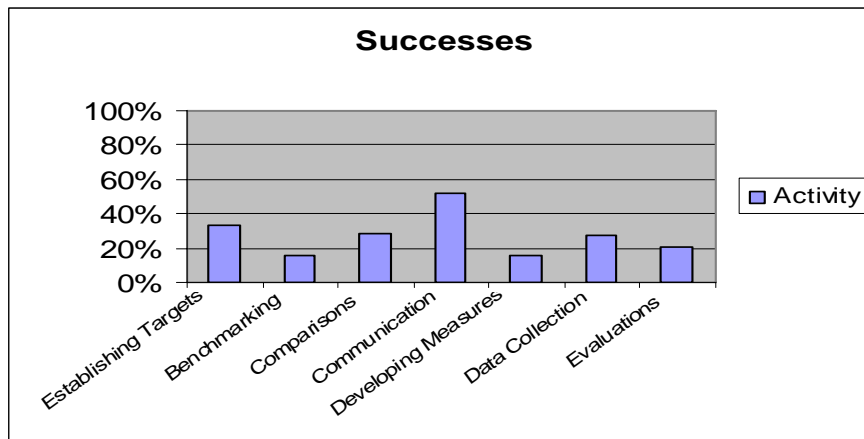
Respondents (28%) felt that comparisons with other municipalities are challenging, due to differences in organizational structures, methods of accounting, and differences in levels of service provided. Many municipalities felt that a lack of human resources and limited time was a challenge to carry out these activities. Some also felt that a lack of agreement on goals with council and the community was an ongoing issue.



Successes with Using Performance Tools

Local governments indicated they were most successful at communicating with the public, establishing targets, and making comparisons with other jurisdictions. Overall, 82 of 89 local governments responded. Of these, 52% felt that they were successful communicators, 33% felt that they were successful in translating their goals into targets, and 27% felt that they were successful in collecting data. Many local governments indicated that communicating with the public is a priority. Some smaller municipalities felt that they had an advantage in

communicating directly with their public (51% of the 43 respondents were from a population of under 10,000). Of the 27 local governments that felt they were successful in establishing targets, 57% of these respondents were from a population of fewer than 10,000.



What types of resources do you use to carry out your activities?

Most local governments rely on in-house expertise or outside contractors for their planning and reporting activities. Overall, 75 of 89 local governments responded. There were 91% of respondents that said they rely on internal resources, and 67% indicated they also use outside contractors to help them with planning and reporting activities. In addition to using in-house expertise, on-line resources, or outside contractors, many local governments use other resources such as books/resources, volunteers, and consultation with other experts and communities in the field.

Types of Resources Used by Local Governments in BC

In-house expertise	On-line resources	Outside contractors	Other resources
91%	28%	67%	21%

Of those local governments that use online resources, 5 municipalities (all under 10,000) indicated that CivicInfo BC was an extremely valuable resource. Others indicated that they use statistical research and information from various websites.

Building Capacity

Survey participants were asked if they would be willing to share their experiences in helping others build capacity with respect to performance management. Overall, 54 of 89 jurisdictions responded. Of these, 25 local governments were willing to share their experiences with others, indicating this could be achieved through networking and workshops. Others said they were not opposed to helping out wherever possible, but were unsure to what extent they would be of help. There were 16 respondents that felt they were not in a position to help others, mostly due to their lack of experience. Half of these respondents said they were in need of assistance.

SECTION C – FUTURE DIRECTIONS

The final section of the survey looked at future directions and what the best way would be to assist local governments in building capacity with respect to progress reporting, such as where resources would be best focussed.

Support Mechanisms

A majority of local governments felt that a best practices guide would help them build capacity with regard to progress reporting. Overall, 86 of 89 local governments responded. Of these, 62 (75%) felt that a best practices guide would be useful as a mechanism to build capacity, 43 felt that the development of indicators or benchmarking would be useful, and 46 felt that LGMA workshops that focus on performance measurement would be useful.

Types of Support

Indicators/ Benchmarks	Best practices Guide	On-line data/ Information	Mentoring Program	LGMA Workshop	UBCM Workshops	Other
50%	72%	44%	22%	55%	30%	8%

LGMA Workshop

Overall, 46 of 86 local governments felt that LGMA Workshops would be useful in terms of support mechanisms that may help them build capacity. Of these, 61% were municipalities with a population under 10,000. Only 4% of large jurisdictions indicated that LGMA Workshops would be helpful.

Indicators/Benchmarks

Overall, 50% of local governments felt that the use of indicators or benchmarks would help them build capacity with respect to progress reporting. The distribution of responses did not vary significantly between the different sizes of local governments.

5.5 Workshop Overview

In partnership with the UBCM, the Ministry held a full day invitational workshop regarding the new *Community Charter* annual reporting requirements. The invitational seminar was planned as a follow-up strategy session to the survey to meet and initiate dialogue with local government representatives. Information elicited from the literature review and survey process was used to plan the workshop. The workshop was designed to provide a forum for the invited participants to exchange ideas, primarily between those local governments and agencies that had considerable experience with performance management and reporting and those that had less expertise. The primary focus was to learn more about the perceptions of progress reporting for local governments, and what some of the challenges were to implementation.

The session was facilitated by an external consultant, who was experienced in local government administration and finance. In attendance were Ministry staff, Chief Administrative Officers and financial officers from various BC communities, one elected official, and an academic expert from the University of Victoria. Also in attendance were representatives from various local

government agencies, including two representatives from the UBCM, one representative from the LGMA and Government Finance Officers Association of BC.

Many of the workshop outcomes echoed the results of the local government survey. The general opinion of the participants was that the new annual reporting requirements would provide communities with the opportunity to engage in more integrated and long-term planning, and would also improve council accountability. However, there was some trepidation from participants concerning the ability of smaller communities to carry out the new reporting requirements. The general sentiment was that many smaller municipalities lack the knowledge, skills and abilities to effectively enter into a full reporting system.

5.6 Key Challenges

Through this research, several widespread challenges to the implementation of progress reporting were identified. The findings of the survey and outcomes from the workshop broadly mirror some of the experiences of other jurisdictions, and flesh out the literature on performance management. The following issues were identified in the research:

- **Some municipalities are resistant to the municipal annual reporting requirements under the *Community Charter*.** The survey results indicate there is some resistance to the new *Community Charter* annual reporting requirements. A number of local governments are concerned about lack of resources and political barriers to implementing reporting systems, while others did not understand the need for annual reporting. There was also some reluctance regarding the reporting of accomplishments and discussing them in a public forum. The research indicates that local governments believe it is critical that objectives and measure setting is relevant to the community and planning is designed to meet the needs of the municipality.
- **Implementing progress reporting is likely to be a bigger challenge for smaller communities.** The research shows that not all municipalities in BC are equally equipped to implement the new progress reporting requirements. The research data suggests that smaller communities in particular, are struggling under the burden of increasing need and responsibilities in a time of limited financial and human resources.
- **The implementation of progress reporting may prompt organizational changes for some municipalities.** The research findings indicate that some local governments have undertaken reforms in recent years. Most local governments indicated their planning activities had increased in the last five years, indicating that demands for increased transparency and accountability are a key issue. However, the survey data shows there are relatively few local governments that engage in strategic planning processes. While local governments indicate that their planning and reporting activities have increased, over fifty percent focus on financial planning. Most municipalities do not establish and measure non-financial goals.
- **There are some political barriers to successful implementation.** One of the widespread issues that emerged from the research is the difficulty of attaining council support for performance planning activities. It was felt by many local governments that

the context within which councils are operating can have a significant impact on their ability to effectively manage performance. A number of local governments indicated that lack of agreement on goals is a significant challenge. The data shows that integrating performance management systems into the local decision-making process will require a shift in most organizations. Some respondents felt that it is difficult to get council to agree on community goals, which makes it very challenging to develop meaningful reporting systems.

- **Many municipalities are faced with resource barriers, such as limited staff, limited time, and finite fiscal resources.** Some of the key challenges to implementation that emerged from the survey and workshop include limited time, limited resources, and lack of internal expertise. Many local governments indicate that they are faced with human resource barriers, such as limited staff, time, and finite fiscal resources, which make implementation very challenging. Many felt they lack the skills and expertise needed to make progress reporting work in their community. Many local governments also felt their resources were already severely stretched and they needed help to build capacity in their organizations and get their progress reporting systems underway.

5.7 Critical Success Factors

The following have been identified as factors considered being critical to the successful implementation of progress reporting in BC municipalities. While these factors may not guarantee a smooth transition to progress reporting, it is thought that these points address many of the key issues raised by local governments. The research findings highlight that successful implementation:

- requires council commitment and participation;
- requires council to initiate and agree on a strategic planning process for their community; is underpinned by a clear understanding of strategic planning processes;
- relies on the commitment and support of Chief Administrative Officers and involvement of staff at all levels of the organization to identify the strategic issues facing the municipality;
- relies on local governments having adequate information and educational materials to communicate changes within their organizations;
- requires that the progress reporting implementation scheme and reporting principles are communicated in a timely manner;
- relies on undertaking opportunities for local government capacity-building, such as training and provision of advisory materials; and
- requires adequate time for organizations to adapt to their new obligations and develop meaningful and comprehensive planning and reporting systems.

The survey of BC local governments and follow-up workshop session show there are several challenges to the implementation of municipal progress reporting. The survey results were generally supported by the workshop discussion. The overall research findings also reflect much of the performance management literature and the lessons learned from other jurisdictions. Although the list of critical success factors may not be exhaustive, they aim to address many of

the key issues facing BC municipalities as they carrying out their new progress reporting obligations.

6.0 Recommendations

The data and findings of the survey and workshop, as well as the preceding research were used to inform the final recommendations of the paper. Several recommendations for early implementation are offered. The recommended strategies take into account the background research contained in this paper, the data and findings of the survey and workshop, the diverse range of communities in BC, as well as the unique relationship between local governments and the province. It is recommended that the following strategic initiatives be undertaken to assist municipal governments in carrying out their new reporting obligations.

Recommendation 1: The Ministry and local government organizations should deliver effective communication materials to keep municipalities informed and promote awareness of the *Community Charter*'s annual reporting requirements. Effective communication with BC municipalities is critical to foster effective relationships and to provide early guidance on the new annual reporting requirements. It is believed that communication materials could be used to ameliorate local government concerns and promote preparedness for progress reporting.

Recommendation 2: The Ministry and local government organizations should provide key information materials to local governments. Detailed information materials should be provided in conjunction with local government communications to provide basic background information and advice to facilitate the implementation of progress reporting.

Recommendation 3: The Ministry should engage in capacity building for local governments. Capacity building efforts should include using a consultative approach to educate local governments, promote awareness and answer questions to alleviate concerns over the new reporting requirements.

Recommendation 4: The Ministry should engage in internal capacity building to enhance its function as facilitator, information provider, and advisor. The provision of advice and support should be regarded as an integral part of implementation.

Recommendation 5: The Ministry, in partnership with the LGMA, should develop a progress reporting guide. A major challenge in implementing progress reporting appears to be the relative lack of experience and expertise of municipalities with performance management practices.

Recommendation 6: The Ministry should engage in an in-depth evaluation of how well progress reporting has succeeded in enhancing council accountability. This recommendation proposes future work to be undertaken, subsequent to the implementation of annual reporting, such as an examination of how well councils' were able to communicate their goals and results to their citizens, whether the cost of implementing annual reporting has been reasonable, and what effect has annual reporting had on the community?

7.0 Conclusions

Measures to enhance local government accountability in BC mirror a broad trend in the public sector for improved transparency and increased government accountability. Through its new municipal annual reporting requirements, the *Community Charter* aims to balance municipal autonomy with a strong sense of municipal responsibility. As democratically elected and autonomous orders of governments within their jurisdictions, municipal councils must learn to balance their obligations of providing for their communities, while being economically responsible, efficient, and accountable.

The creation of an annual progress report will be a new undertaking for many municipalities. One of the principal goals of this research project is to enhance the understanding of municipal experience with performance management and reporting practices to determine what communities need to effectively implement the new progress reporting requirements under the *Community Charter*. To the greatest extent possible, this research identifies some of the significant issues facing BC municipalities. The lessons learned from others and the performance management literature helps put into context some of the challenges related to implementing performance management systems in local government.

This paper identifies several critical success factors that aim to address many of the key issues facing BC municipalities. It is believed that the successful implementation of progress reporting relies first and foremost on the engagement of elected officials – a council’s commitment to initiate and agree on a strategic planning process for their community. Under the *Community Charter*, councils now have a statutory responsibility to publicly set strategic goals and evaluate the outcome and achievement of those goals. In order for progress reporting to be successful, it is also critical that municipal organizations are composed of individuals with the necessary knowledge, ability and commitment to fulfill their government’s obligations.

REFERENCES CITED

Ammons, David N. 1996. *Municipal Benchmarks, Assessing Local Performance and Establishing Community Standards*. Sage Publications.

Aucoin, Peter. February 1998. *Auditing for Accountability: The Role of the Auditor General*. Institute on Governance. URL: <http://www.iog.ca/publications/aucoin.pdf>

Barker, Robert S. *Government Accountability and its Limits*. Issue of Democracy. August 2000. URL: <http://usinfo.state.gov/journals/itdhr/0800/ijde/barker.htm>

Bens, Charles K. 1998. *Public Sector Performance Measurement: successful strategies and tools*. Best Practice Consulting.

Bens, Charles K. 2002. *Measuring Up: An Evaluation Toolkit for Local Governments*. Municipal World Inc.

Bish, Robert L and Eric G.Clemens. 1999. *Local Government in British Columbia*. Published by UBCM (3).

Brochet, Claude. May 12, 2003. Personal E-mail. Quebec Ministry of Municipal Affairs.

Bryson, John M. 1995. Chapter 3, *An Effective Strategic Planning Approach for Public and Non-profit Organizations*. *Strategic Planning for Public and Non-profit Organizations – A Guide to Strengthening and Sustaining Organizational Achievement*.

Buckstein, Jeff. *A Delicate Balance*. *Certified General Accountants Magazine*. January/February 2003. URL: http://www.cga-canada.org/eng/magazine/jan-feb03/balance_e.htm

Budget Transparency and Accountability Act, 2000. URL: http://www.qp.gov.bc.ca/statreg/stat/B/00023_01.htm

CivicInfo BC. URL: www.civicinfo.bc.ca

Coates, Paul and Alfred Tat-Kei Ho. (April 2002). *Citizen Participation: Legitimizing Performance Measurement as a Decision Tool*. *Government Finance Review*.

Community Charter, 2003 URL: http://www.qp.gov.bc.ca/statreg/stat/C/03026_00.htm

Enticott, Garaeth, Richard M. Walker, George A. Boyne, Steve Martin and Rachel Ashworth. September 2002. *Best Value in English Local Government: Summary Results from the Census of Local Authorities in 2001*. URL: <http://www.local.dtlr.gov.uk/research/bvfinal.htm>

Fischer, Richard. (1994). *An Overview of Performance Measurement*. *Public Management*. International City/County Management Association (ICMA).

GASB - Governmental Accounting Standards Board (1987). *Objectives of Financial Reporting*, Concepts Statement No 1. URL: www.seagov.org/sea_gasb_project/suggested_criteria_report.pdf

Geddes, Mike. December 1998. *Achieving Best Value Through Partnership*. Local Government Centre at Warwick Business School, Best Value Series Paper Number 7. URL: <http://www.local.dtlr.gov.uk/research/bestva~1/bvpap7.doc>

Guthrie et al., 1998; Guarini, 1999, in *Local Government Annual Report: an Accountability Medium?* By Ileana Steccolini, SDA Bocconi-Bocconi University. URL <http://www.cergas.info/upload/publications/2560/wp81.pdf>

Houlihan, Bob. May 7, 2003. Personal Interview. Municipal Advisor, Service Nova Scotia and Municipal Relations.

Improvement and Development Agency and Audit Commission. July 2003. Performance management, measurement and information. URL: [http://www.ideaknowledge.gov.uk/knowledge/assets.nsf/public+assets/pmmi_main.pdf/\\$file/pmmi_main.pdf](http://www.ideaknowledge.gov.uk/knowledge/assets.nsf/public+assets/pmmi_main.pdf/$file/pmmi_main.pdf)

Kernaghan, Kenneth, Brian Marson, and Sandford Borins. 2000. The New Public Organization. The Institute of Public Administration of Canada.

Martin, Steve, Richard M. Walker, Gareth Enticott, Rachel Ashworth, George A. Boyne, Lynne Dowson, Tom Entwistle, Jennifer Law and Ian Sanderson. May 2003. Evaluation of the long-term impact of the Best Value regime: Baseline report. Centre for Local & Regional Government Research, Cardiff University. URL: <http://www.local.odpm.gov.uk/research/regprpt.pdf>

Ministry of Community, Aboriginal and Women's Services. May 2002. The Community Charter: A New Legislative Framework for Local Government.

Ministry of Community, Aboriginal and Women's Services. 2004. Budget 2004, Service Plan 2004/05 - 2006/07. URL: <http://www.bcbudget.gov.bc.ca/sp2004/caws/caws.pdf>

Nova Scotia Service Nova Scotia and Municipal Relations. August 2002. Municipal Indicators.

Office of the Auditor General of BC and Deputy Ministers' Council. June 1995. Enhancing Accountability for Performance in the British Columbia Public Sector.

Office of the Auditor General of BC. November 2001. Quick Reference Guide to Performance Measures.

Office of the Auditor General of BC. September 2000. Report on the Implementation of the Recommendations of the Budget Process Review Panel.

Office of the Auditor General of BC. 2001/2002. Building Better Reports: Public Performance Reporting Practices in BC. Performance Excellence.

Office of the Auditor General of Canada. December 2002. Modernizing Accountability in the Public Sector. Chapter 9. URL: [http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20021209ce.html/\\$file/20021209ce.pdf](http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20021209ce.html/$file/20021209ce.pdf)

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

Posters, Theodore H. and Gregory D. Streib. (March 1999). Strategic Management in the public sector. Public Productivity & Management Review. Vol.22 (3), pp.308-325.

Schacter, Mark. 2002. Not a "Tool Kit", *Practitioner's Guide to Measuring the Performance of Public Programs*. Institute on Governance. URL: www.iog.ca

Shane, Bryan. August 2003. Implementing Performance Measurement in a Public Service. BPC Management Consultants. Ottawa, Canada. URL: www.performance-measruemetn.net/news-detail.asp?nID=64

Treasury Board of Canada Secretariat. 2000. Results for Canadians: A Management Framework for the Government of Canada. URL: http://www.tbs-sct.gc.ca/res_can/dwnld/rc_e_pdf.pdf

Van Thiel, Sandra and Frans L. Leeuw. The Performance Paradox in the Public Sector. *Public Performance and Management Review*, Vol.25 No.3, March 2003, pp267-281. Sage Publications.

Wynnycky, Bohdhan. May 5, 2003. Personal Interview. Manager, Municipal Performance and Accountability Branch, Ontario Ministry of Municipal Affairs and Housing.

APPENDIX A - LOCAL GOVERNMENT SURVEY INSTRUMENT

PREAMBLE

New provisions in the Community Charter will require municipal councils to make an annual progress report on municipal accomplishments in relation to objectives and measures established for the year. Rather than assuming there is one way to report on progress, the Community Charter Council recommended a flexible requirement with no compulsory reporting format.

Through a joint initiative, the Union of British Columbia Municipalities (UBCM) and the Ministry of Community, Aboriginal and Women's Services are seeking to understand the support needs of local governments in the implementation of progress reporting. Your participation in this survey will help identify these needs. Our overall goal is to determine the best approach in assisting local governments with implementing progress reporting. Although these new provisions will not apply to regional districts, we would nevertheless welcome feedback from regions on this matter.

In order to meet our goal we need first to identify the range and types of practices in BC local governments. In completing this survey, we are looking for you to share with us some information on your activities and experiences. There are three parts to this survey. The first part focuses on your current planning activities; the second part focuses on your experiences with performance management, and the third focuses on future directions. All participation is voluntary; however, your honest responses will ensure that we have accurate and unbiased information. Completion of this survey should take approximately 20 minutes.

For verification purposes, you are asked to identify your local government and a contact person. The information and results of this survey will be kept confidential, and only aggregated or summary data will be reported on. Individual examples, if necessary, will be provided in such a way as to protect the identity of both the respondent and the jurisdiction. Due to the nature of this research, we may wish to contact you to discuss further your responses.

BACKGROUND INFORMATION

Local Government _____
Population _____
Name of Contact Person _____
Contact phone or e-mail _____

Please identify your current position:

- **CAO**
- **Chief Financial Officer**
- **Corporate Administrator**
- **Other Corporate Officer**
- **Other (please specify)** _____

SECTION A – CURRENT ACTIVITIES

We first want to understand the current practices and ways local governments set and communicate goals, how they determine if they have achieved their goals, and if they report on progress either publicly or within the corporation. One way to share this information might be for you to tell us what activities you currently undertake.

1. Setting and Communicating Goals, Targets and Accomplishments

A. Setting and Communicating Goals

This part looks at the ways you set goals and communicate them. Please check all that apply.

- θ 5 year financial plan [integrating operating/capital planning]
- θ Land use planning [community planning/growth strategies]
- θ Mission statements
- θ Integrated strategic or service plans

- Formal planning strategies [e.g., logic model, balanced scorecard]
- Council/Board planning [retreats]
- Public meetings [e.g., Town Hall meeting]
- Other (please specify)_____

B. Target Setting and Assessing Progress

This part looks at the activities you undertake each year in measuring your progress towards meeting your established goals. For example, do you define targets? Do you evaluate outcomes? Do you report on your results? Please check all that apply.

- Establish financial targets
- Establish non-financial targets
- Formal planning strategies [performance measures -logic model approach/balanced scorecard]
- Evaluate outcomes
- Measure successes
- Report on accomplishments. If so, to whom?_____
- Other (please specify)_____

2. Over the past five years have the number and types of your planning and reporting activities changed? Have they_____?

- Increased
- Decreased
- Stayed the same

3. If your planning and reporting activities have increased, we would like to know what has motivated this increase: are you trying to serve management, council/board, or citizen/public needs better? Please rank in order of priority (#1 being the highest priority).

- _____Management
- _____Council/Board
- _____Citizens/Public

4. How has the focus of your activities changed? For example, have your activities evolved from use as a management tool, to use as a budgeting tool, and to use as an accountability tool? Have some audiences become more or less important? Please explain.

SECTION B – EXPERIENCES

If you have experience with setting targets and progress reporting, we would like you to share the most important lessons learned about the process or outcomes that you would pass on to others that would embark on or have similar processes.

5. Can you please share what types of challenges or obstacles you have faced and where you have been most successful? Please identify in the columns below what you feel is working well and what is not working so well.

Challenges (check only your top 3 challenges)	Successes (check only your top 3 successes)
<input type="checkbox"/> Establishing targets	<input type="checkbox"/> Establishing targets
<input type="checkbox"/> Establishing benchmarks	<input type="checkbox"/> Establishing benchmarks
<input type="checkbox"/> Comparison with other jurisdictions	<input type="checkbox"/> Comparison with other jurisdictions
<input type="checkbox"/> Communicating with the public	<input type="checkbox"/> Communicating with the public
<input type="checkbox"/> Developing measures	<input type="checkbox"/> Developing measures
<input type="checkbox"/> Data collection methods	<input type="checkbox"/> Data collection methods
<input type="checkbox"/> Evaluating outcomes	<input type="checkbox"/> Evaluating outcomes

θ Other (please specify)	θ Other (please specify)
--------------------------	--------------------------

6. To put these experiences into context it would be useful if could expand on your challenges and successes. For example, if you make comparisons between local governments, what type of comparisons do you make and what is your reference group? As another example, if you feel that translating goals into measurable targets is a challenge, please explain why and what might help make this activity more straightforward?

Challenges -

Successes –

7. Can you please share with us how you operationalize or carry out your activities, such as what type of resources do you use? Please check all that apply.

- θ In-house expertise
- θ On-line resources, if so please explain _____
- θ Outside contractors
- θ Other resources, please specify _____

8. Would you be willing to share your experiences in helping others build capacity? If so, how do you think your experiences could be of assistance to others?

SECTION C – FUTURE DIRECTIONS

We are interested in finding out what the best way would be to assist local governments in building capacity with regard to progress reporting, such as where resources would be best focussed.

9. What would you find most useful in terms of support mechanisms that may help you build capacity? Please check the 3 things that would help you the most.

- θ Indicators/benchmarks
- θ Best practices guide
- θ On-line data/information
- θ Mentoring program
- θ LGMA Workshops
- θ UBCM Workshops
- θ Other (please specify) _____

10. General Comments

Thank you for your participation.