



REPORT TO: Chair and Members of the Corporate Services Committee

SUBJECT: Niagara's Performance Measurement Framework
(The Balanced Scorecard)

RECOMMENDATION(S)

That Council endorses the implementation of Niagara's Performance Measurement Framework in 2006 according to the implementation plan outlined in this report.

EXECUTIVE SUMMARY

This report seeks the endorsement for the implementation of a Corporate Performance Measurement Framework. This is not to suggest that organizational performance measurement does not currently take place. In fact, the opposite is true. This framework places existing efforts in a framework and establishes a formal process to ensure that Council and Senior Management regularly receive a summary of overall performance across several measurement categories. This framework can assist in planning and priority setting efforts, forms an important element in the Integrated Business Planning Cycle, and places Niagara in a good position to demonstrate our readiness with respect to New Deal initiatives.

FINANCIAL IMPLICATIONS

There are no direct financial implications resulting from this report. A balanced performance measurement framework will assist in assessing the success of achieving expected outcomes, which in turn can influence future spending priorities.

PURPOSE

This report responds to direction contained within Report CAO 24-2004 related to Niagara's Sustainability Planning efforts, using the Melbourne Principles. Within that report there was direction to bring forward a report that addressed the development of a Balanced Scorecard to measure the Region's progress against established goals.

BACKGROUND

A Balanced Scorecard can be described as “a set of measures that give top managers a fast but comprehensive view of the business.”¹ It links the organization’s strategy with different perspectives of performance, including customer, financial, internal processes, and learning development. It is a gauge for monitoring a broad spectrum of categories to ensure that the corporate picture is balanced by comparing the organization’s performance against its’ own benchmarks from year to year.

The Balanced Scorecard approach has already been applied in a number of areas of the public sector in Canada. For example, the Balanced Scorecard is used as a framework for all Saskatchewan Crown Corporations. The Workers Compensation Board of Alberta has evolved to the point where scorecards are developed to the program level. On a more local level, a Balanced Scorecard framework is being developed in the Region of Peel. The development of sustainability measurement initiatives such as a Balanced Scorecard is supported by the Federal government, as part of the cities and communities agenda. The effective implementation of a corporate performances measurement framework, along with other sustainability oriented efforts, is part of the initiative to help to develop an increasingly positive future relationship with the federal government. This improved relationship could in turn yield for Niagara a greater access to federal resources and networks.

The investigation and development of a performance measurement framework such as the Balanced Scorecard was approved by Council as a part of the recommendations in CAO 24-2004. Accountability for further reporting was placed with the Corporate Management Team.

This framework for performance measurement is proposed to be implemented in Niagara within the context of community sustainability as outlined by the Melbourne Principles. CMT has solicited the input of a variety of staff in shaping the approach to a balanced performance measurement framework for Niagara. This has included the Corporate Management Advisory Team, members of the Leadership Team who had worked on a proposal to establish a Balanced Scorecard for Council, as well as other staff across the organization involved in measurement activities. In addition, staff has participated in some preliminary discussions with other community partners with respect to the development of a broader community performance measurement framework.

REPORT

Council and the Corporate Management Team have formulated a Business Plan that identifies six strategic objectives. It is important that a mechanism to track progress toward the achievement of these objectives is in place in Niagara. These strategic directions provide a foundation for discussion and debates on new issues and priorities, and the corresponding actions that may be implemented. The most recent discussion of Council priorities took place on March 9th 2006.

¹ Kaplan and Norton

It is important that Niagara's performance measurement framework be flexible enough to adapt to changing priorities without unduly sacrificing the measurement of progress over time.

The measurement process involves continual monitoring of performance, and is a key element to Council's Integrated Business Planning Cycle. Using a performance measurement tool such as the Balanced Scorecard, it becomes possible to track the progress of Council's strategic directions within the context of the measurement categories provided within the Scorecard. By examining the citizen/customer, internal effectiveness, employee, and financial health indicators pertinent to each strategic direction, the progress of each area of Council's Business Plan can be tracked over time. The Balanced Scorecard also acts as a tool for informative decision making, and should be effective as a source of information as to where different initiatives related to the Business Plan require modification or development. The framework provides a balanced set of measures across a broad set of categories, capturing both the internal and external environment.

Measurement of effectiveness and efficiency is crucial to showing progress in an organization. An established self assessment process within an organization can help to identify key areas of success or for improvement. It is necessary to have some form of benchmark that can be used in comparison to change over time; how else would one know if one is improving if there was not some kind of basis for tracking progress? To gauge progress in this assessment, a Balanced Scorecard is an important tool for showing original baseline as well as progress since that time.

Niagara already collects a lot of data which is used by program managers to gauge progress within respective program areas. Despite this, the data is not always at a level high enough for senior management consideration in a corporate context. The balanced scorecard helps to link financial and non-financial measures to put together data in a comprehensive and coherent manner, and in doing so helps Council and Senior Management to make good decisions based on previous work and projected trends.

Proposed Performance Categories

The Balanced Scorecard literature would suggest a number of different categories to measure performance which provide a balanced high level perspective on those things that are critical to monitoring effective and efficient service delivery. Each of these performance measures provides some kind of useful information to guide the planning process. They balance citizen values, organizational values, and cost efficiency, and reflect elements within the environment and community that are key to success and sustainability. Niagara's performance measurement framework, while rooted in the academic structure, has been tailored to recognize unique conditions in Niagara. Specifically, that Niagara Region is one of many organizations in Niagara that contribute to successful outcomes. As a result, our measurement system needs to reflect both our internal progress, but also our contribution to progress in the community even where the Region may not be the only organization with influence on the outcome.

Additionally, as part of the Gas Tax funding agreements, there is a requirement to develop outcome indicators to accompany the New Deal for Municipalities. Indicators must be developed that are relevant, easy to collect, and will help Niagara make the case for continued federal investments into municipal infrastructure. Staff have had the opportunity to discuss pilot and partnership opportunities with Environment Canada, FCM and AMO recently. Interest has been expressed in the work that has been done in Niagara, particularly with respect to measurement of organizational and community sustainability. Staff will continue to explore these opportunities to the extent that they facilitate the further development of the external indicators within Niagara's Performance Measurement Framework.

Internal

Internal Effectiveness and Efficiency

Effective communication of strategy and cascading of measures throughout the organization promotes open sharing of information, and promotes self monitoring of performance by employees. The internal effectiveness and efficiency within an organization can be measured through the data provided by the OMBI, MPMP and other department specific measurement and benchmarking data sets. These data sets are supported by the detailed program information collected within each operational area. In addition there are accreditation processes undertaken within some departments that provide further evidence related to the efficiency and effectiveness of programs. Broader corporate accreditation exercises do exist such as the National Quality Institute Fitness Test. It measures the corporate achievement rate through 4 levels of criteria with potential to achieve a national Public Sector Excellence Award.

Employee

Employee measures guide the organization into taking action to increase employee satisfaction. This is a key driver to ensuring optimal productivity and customer satisfaction. Also, these measures provide employees with the direction necessary to understand exactly how they can effectively contribute, as well as creating a forum for feedback. Measures to gauge employee effectiveness and efficiency include the Quality of Work Life Survey.

The Employee Quality of Work Life survey is completed every 3 years and is used to identify trends and select focus areas for improvement. This survey was recently completed for 2005 and results of this second version should begin to yield some initial trends.

Internal/External

Financial Health

The financial state of a community says a great deal about the efficiency of government programs. It indicates whether or not resources are being used effectively, and helps to reinforce the idea of getting the greatest value for the taxpayer's dollar.

Financial health within the community can be measured by the tax burden rate, tax competitiveness rate, credit rating, and the total gross debt charges as a % of own source of revenue within Niagara. Much of this information is readily extracted from our financial system and/or in the BMA Tax Competitiveness Study, and acts as an indicator of the financial impact of municipal services on the taxpayer, and the affordability of municipal services. In addition the financial health of the population can be gauged, for example, through indicators of average income, incidence of low income, and risk of homelessness. While some of the information from these sources is specific to the organization, other data relates to the financial health of the communities and people that make up Niagara.

Credit Rating is indicated in an annual credit review undertaken by Standard and Poors based on their assessment of the overall economic health of Niagara. It is effective as an indicator of good financial management policies and practices.

Proposed Implementation Plan

In 2005 CMT received a sample of what a reporting framework could look like. (a sample is attached as Appendix A). Some refinement and further consultation with members of the Corporate Management Advisory Team and other stakeholders such as members of the Leadership Roundtable Team "Fit to Commit" who had researched and prepared a report on the Balanced Scorecard in 2004 was suggested. One of the questions raised by CMT was who the ultimate audience for this information is intended. Through discussions with stakeholders it was concluded that there are multiple audiences for this type of information and that Niagara's framework needs to strike a balance between the internal and external indicators. In an effort to ensure a manageable context and work load the proposal is for regular performance reporting based on the Balanced scorecard Framework to CMT and Council with the focus on organizational progress against Council Business Plan priorities. This will include an assessment of our contributions to the broader community. These results would be summarized and supplemented with relevant explanations and plans to address areas of priority or concern for Council consideration as part of their Business Planning exercise.

Through efforts in developing a Community relations framework and in pursuing a "one voice" agenda on issues common to all of Niagara we anticipate that there will be opportunities to strengthen the Region's framework by applying the strengths of initiatives being undertaken by area municipalities or other community agencies. Conversely the Region's framework may be applicable to the initiatives of these same groups.

In reviewing the sample model there were some elements identified where there would be room for improvement. Recognizing that some of these issues were not easily addressed in a short time period the decision to adopt the framework and begin its implementation is done with the recognition that throughout the 2006 implementation year staff need to develop strategies to address these issues. For example, more effort is needed to gauge the effectiveness of public engagement in the Region. The growing body of information collected from community relations initiatives across the Niagara may be used to monitor customer/citizen satisfaction, and provide an added level of insight into how the public feels about the progression of the services covered under Council's Business Plan.

Staff proposes implementation of the framework during 2006 along with efforts to streamline data collection effort and provide opportunity to review the appropriateness of selected measures. A review of measures would become an annual step following the first year of implementation. A summarized outline of the implementation plan is listed below:

- Development of a performance report based on the Balanced Scorecard that would be presented to CMT in the second quarter of 2006. The report would highlight key areas of progress or areas of concern related to the priorities identified through Council Planning sessions. Key performance results would be presented to Council through Council Planning sessions.
- In recognition of the need to be linked to and participate in community efforts, where our performance information may support the development of ongoing community measurement efforts we will contribute to those discussions.
- Measures to streamline resources dedicated to corporate performance initiatives (particularly those related to the Balanced Scorecard) and to maximize the value and use of that information will be implemented.
- Given the variety and volume of performance data collected for a variety of purposes and in order to identify opportunities to improve the efficiency of data collection (to allow greater focus on analysis) a data collection calendar will be developed
- Following this first year of application it is proposed that measures be reviewed annually. A similar opportunity to review measures can be provided to Council through Business Planning Sessions.

Submitted by:

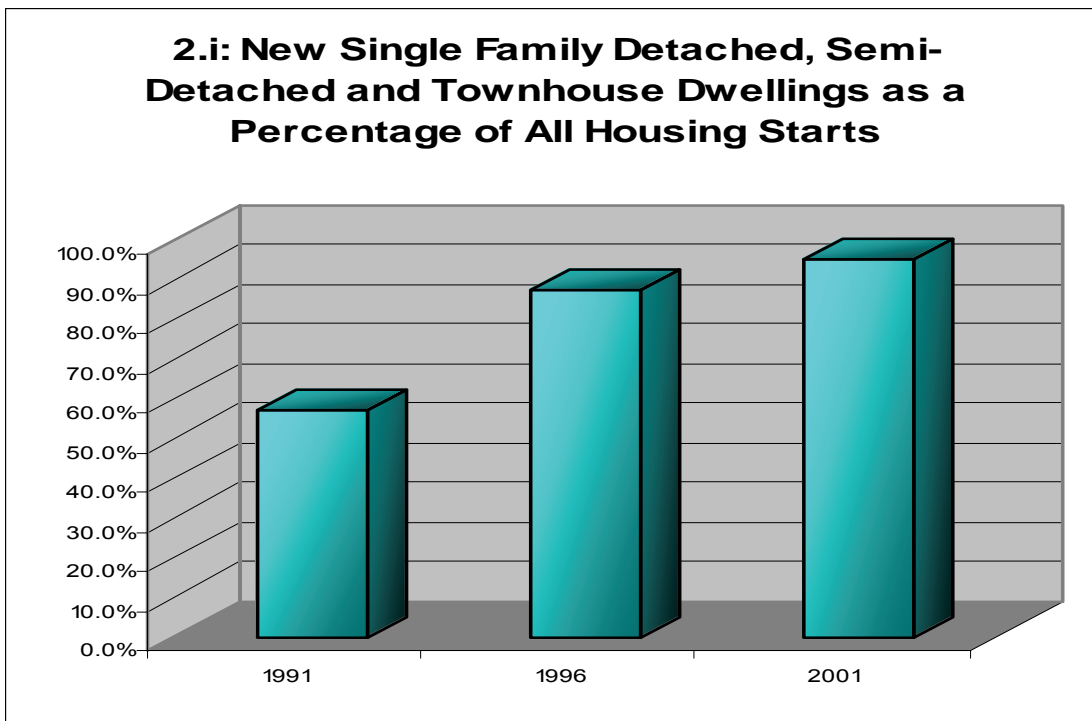
Mike Trojan
Chief Administrative Officer

This report was prepared by Kirk Weaver, Manager, Special Initiatives with input from the Corporate Management Team and the Corporate Management Advisory Team.

APPENDIX A

The following examples provide a sampling of the type of corporate performance information that can be expected through implementation of Niagara's performance measurement framework. These indicators on their own are merely examples that could be found in the report; on their own, they represent one piece to the multi-faceted puzzle that is progress in their particular strategic direction. This document is not intended to be used for performance assessment as some of the information is dated – updated information will be included in the first performance report planned for mid-year. Progress in these areas can help to create an idea of progress in each strategic direction; however, they really require the compliment of other key indicators for optimal effectiveness.

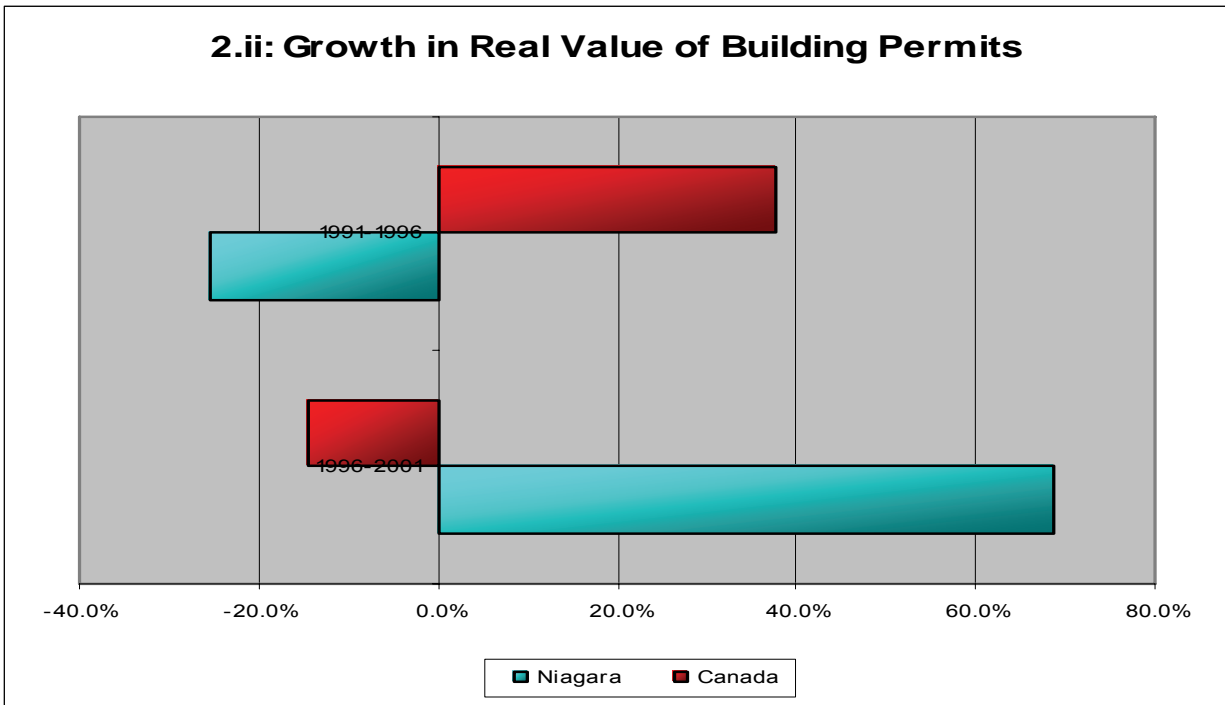
Citizen / Customer Service Measures: Increasing Low Density Development (Strategic Direction #2)



This citizen/customer related measure shows the percentage of new housing developments that consist of low density housing. By tracking the percentage of development that consists of low density housing, we can begin to assess the effectiveness of Smart Growth initiatives in Niagara.

The percentage of new single family detached, semi-detached, and townhouse dwellings continue to rise as a percentage of new housing starts. Although numbers have been high in the past, they continue to come closer to making up 100% of all new housing starts.

High density housing around an urban core seems to make up only a minor percentage of new housing starts, whereas low density housing over urban sprawl dominates new developments. This indicates predominant amounts of development running counter to Smart Growth initiatives.

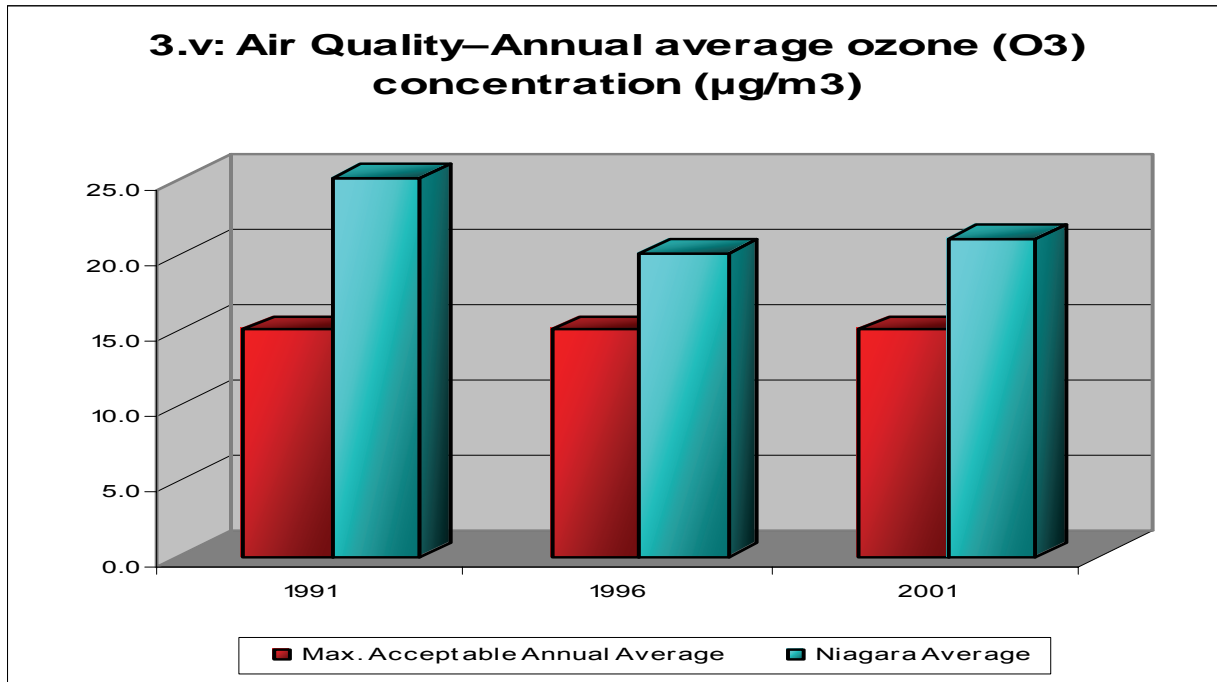


The growth in real value of building permits is an indicator of the amount of economic development and new land usage occurring. These values can be somewhat skewed by large development initiatives; however it still indicates a form of progress.

Table 2.ii shows that the trend of growth of development in Niagara is quite the opposite of that of the rest of Canada. During the 1996-2001 period, Niagara experienced significant levels of growth in development, whereas the Canadian average actually showed a declining growth in real value of building permits.

The indicator used in Table 2.ii alone portrays a positive trend in the development of initiatives under Strategic Direction #2. It must be noted, however, that a major part of this direction is the Smart Growth initiative in Niagara.

Internal Effectiveness and Efficiency Measures: Air Pollution in Niagara (Strategic Direction #3)

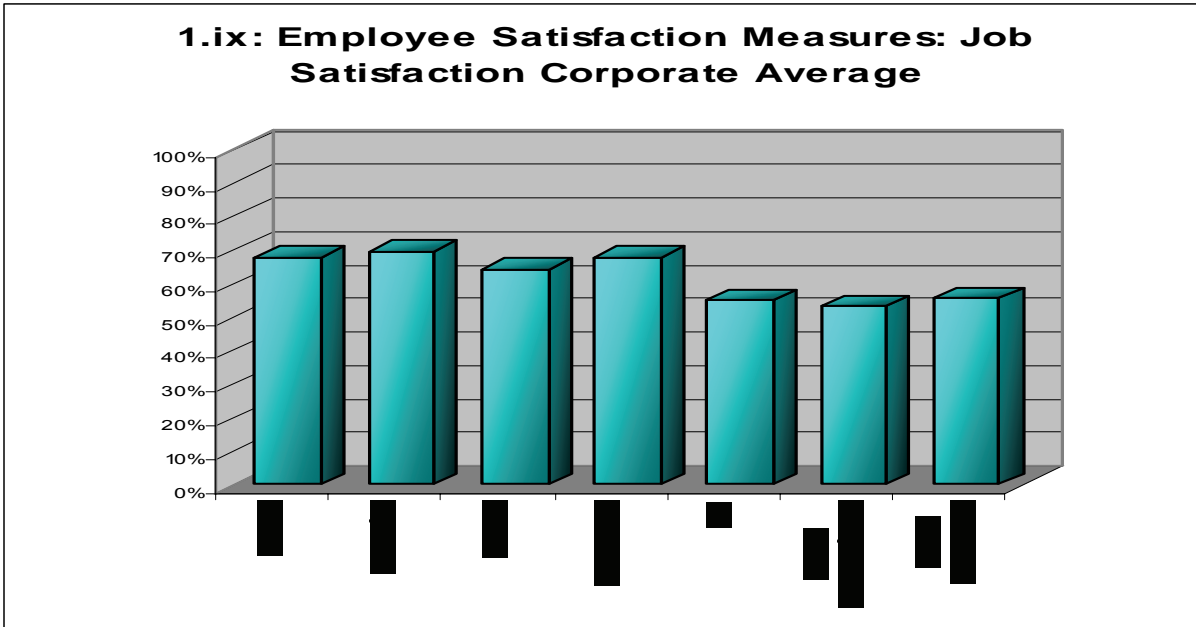


The annual average ozone is a good indicator of air quality. The annual acceptable average of these pollutants stands as a goal to strive towards in the battle against air pollution such as ozone.

The annual average ozone concentration in Niagara is above the maximum acceptable annual average, as can be seen in Table 3.v. Data from QOLRS reports show that the levels of concentration have declined significantly from 1991, however they continue to remain above the average, and even climbed between 1996 and 2001.

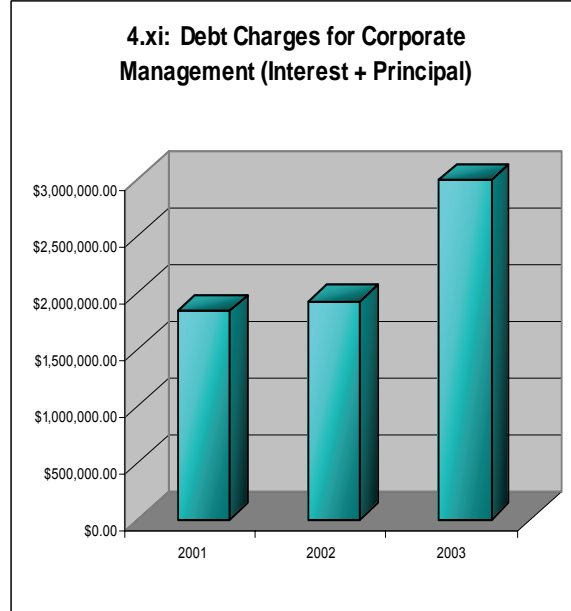
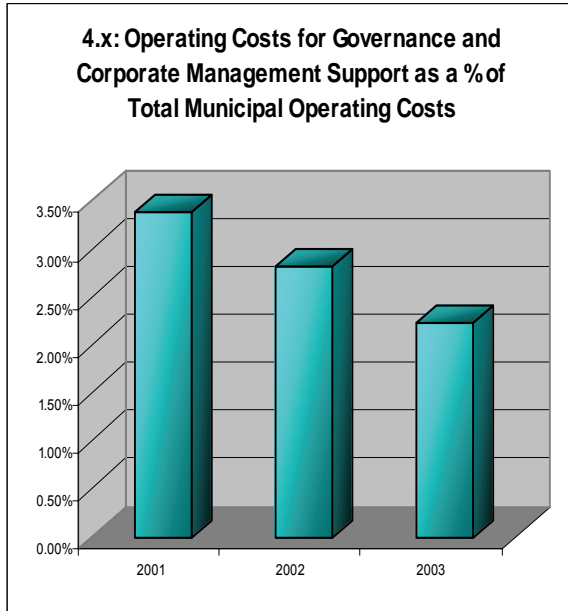
The development of an overarching environmental plan in Niagara as discussed under Strategic Direction #3 would likely include some consideration to air pollution in the Region. Indicators such as these can be used to notify the Region of progress in these areas, and also be reported in the “State of the Environment Report” that encompasses all land, water, air and energy stewardship measures.

Employee Satisfaction Measures: Job Satisfaction



Overall, the Regional Municipality of Niagara received positive results in terms of employee satisfaction, indicating that the Region provides a work environment where people are satisfied with their job and fellow employees. Quality improvement practices are experienced at an individual level, showing that the Region is capable of building a solid foundation of workplace quality. The data used in this chart originated from the Employee Feedback System Survey Report from December 2002. The survey was conducted again in October 2005 and results have recently been rolled out to CMT and Department Management Teams. As a result future report can include trend data that would make this measure more meaningful.

Declining Operating Costs and Rising Debt Charges in Governance and Corporate Management (Strategic Direction #4)



The financial implications that apply under Strategic Direction #4 can be represented in part by financial trends experienced in the governance and corporate management areas. These areas represent expenditure into organizational effectiveness, which is a key part of providing affordable service excellence in Niagara. This data was obtained from the Financial Information Return Report.