Performance reporting

Clear and meaningful service performance information and reporting is crucial for accountability reasons, and in helping to improve the effectiveness and efficiency of public organisations.

As citizens, we need reliable and timely information about the performance of public organisations to ask the right questions of those who govern and lead them. Most public organisations are required to report on:

- the amount of public money they've spent;
- the services they've delivered with that money; and
- the difference they've made.

There are legislative requirements for most public organisations to prepare information (in various forms) about their performance.

Statutes governing public organisations' performance reporting obligations include:

- the Public Finance Act 1989;
- Crown Entities Act 2004;
- Local Government Act 2002;
- Education Act 1989; and
- Energy Companies Act 1992.

There might also be performance reporting obligations in the public organisation's enabling Act.

Being accountable to New Zealanders

An important purpose of performance reporting is to give an account to the public about the responsible use of public resources and regulatory powers. The reporting should include meaningful information that a reader can use to assess the performance of the organisation.

This means that public organisations report on both their service delivery (often referred to as outputs), including the costs of delivering the services, and the effects of their services (usually referred to as impacts or outcomes).

The information needs to be set within the context of their objectives, and compared with planned performance and expected impacts. Public organisations could usefully provide information about the other resources used in delivering services, such as physical resources.

The emphasis and balance of the performance reporting should accurately reflect the public organisation's:

- performance management objectives,
- priorities; and
- significant achievements.

Setting the performance reporting framework

Forecast performance reporting is an important part of public sector accountability requirements. It establishes the base at the start of the year against which performance can be measured and reported at the end of the year.

Public organisations should have a clear performance reporting framework in their forecast reporting. The framework should reflect the high-level goals, the impacts the organisation is looking to have, what it is planning to provide (covering all significant services), and what resources it will apply. A well-designed framework will clearly demonstrate the rationale for, and relationships between, its different components.

It should also link well to additional information in the forecast document on the strategic context within which the organisation operates. This should include:

- the nature and scope of its functions; and
- its operating environment, the challenges this presents, and its immediate priorities.

Many organisations effectively represent their performance frameworks in a diagram. (Our own performance framework is in a diagram.)

Performance indicators

Once the performance framework is in place, the next step is to identify performance indicators that will enable users of the information to assess what the organisation has achieved and whether it achieved what it intended.

Organisations need to weigh up the costs and benefits of potential indicators. As well as needing to be useful, meaningful, and reliable, it's important not to swamp the reader with too many indicators – it's about the right measures, not the number of them.

Finding reliable indicators for the impacts and/or outcomes of services can be challenging. Also, these indicators may be affected by a range of factors external to the organisation. Supporting the indicators with good commentary can help address any weaknesses with them.

The indicators for service delivery should cover the main dimensions of performance, which commonly include quality, quantity, and timeliness.

Importantly, they should also cover the costs of delivering the services.

Applying the SMART approach to service delivery performance indicators and their standards (or targets) can be useful – that they are specific, measurable, attributable, realistic, and time-bound.

Another useful approach is the FABRIC framework: performance information should be focused, appropriate, balanced, robust, integrated, and cost-effective.

It can sometimes be useful for organisations to supplement their reporting against performance indicators with case studies.

Essential qualities of performance reporting

To be clear and meaningful, performance information needs to be relevant, reliable, understandable, timely, comparable, and verifiable. For example:

- The performance information should cover all significant services, and be clearly set within the broader context of the organisation's strategic objectives.
- A good test of relevance and reliability of the performance information is whether an organisation uses its externally reported results to help it make decisions about its future services or priorities.
- All performance indicators in the forecast document must be reported against, and the targets presented alongside the results. Any

There's more information and more good practice resources – including on this topic – on our website.

additional significant performance matters that arise during the course of the year should also be disclosed.

- Prior year comparatives help users by providing context to current year performance. Reporting trends can also provide valuable information, particularly for indicators on the impacts of services.
- The indicators need to be supported by insightful and fair analysis and commentary, especially where actual performance differs markedly from planned performance. Also, rich performance reporting is wider than the set of performance indicators – readers need to be able to understand the performance story.
- Organisations need to have robust systems and processes in place to collect the required data.

More information on the features of good performance reporting is available in our past publications. Although these publications may not reflect current terminology or legislative requirements, the principles of clear and meaningful performance reporting discussed in them remain unchanged.

Similarly, while each sector of organisations has different legislative performance reporting obligations, the principles of good performance reporting are the same.

Features of good performance reporting

The "performance story" reflects the strategy and business model

- Reflects the business
- Tells the story
- Considers attribution
- Links different aspects of achievements
- Gives sufficient context to explain the links between actions and effects
- Is clear about what the entity controls, what it is trying to influence, and what it is responsible for
- Reflects its place in the system and relationship to the work of others
- Information is sufficiently disaggregated
- Is responsive to changes in strategy | direction | operations

Concentrates on what's important to the public

- Is relevant to users
- Answers "so what"
- Is meaningful
- Does not focus on internal activity

Rigorous

Performance measures:

- are well defined
- measure what they say they measure
- are objective and verifiable
- are balanced | neutral
- are supporting reliable data and systems

Helps the public to become better informed

- Increases public awareness
- Is easy to understand
- Is appropriately sized | proportionate | takes cost–benefit into account
- Is accessible and tailored to audience
- Is timely

Enables an informed assessment of performance

- Provides a basis for assessing effectiveness and efficiency
- Distinguishes good from bad performance
- Standards | targets are justifiable
- Level of targets | measures need to be challenging
- Shows accountability for past actions | intentions
- Shows how things have changed