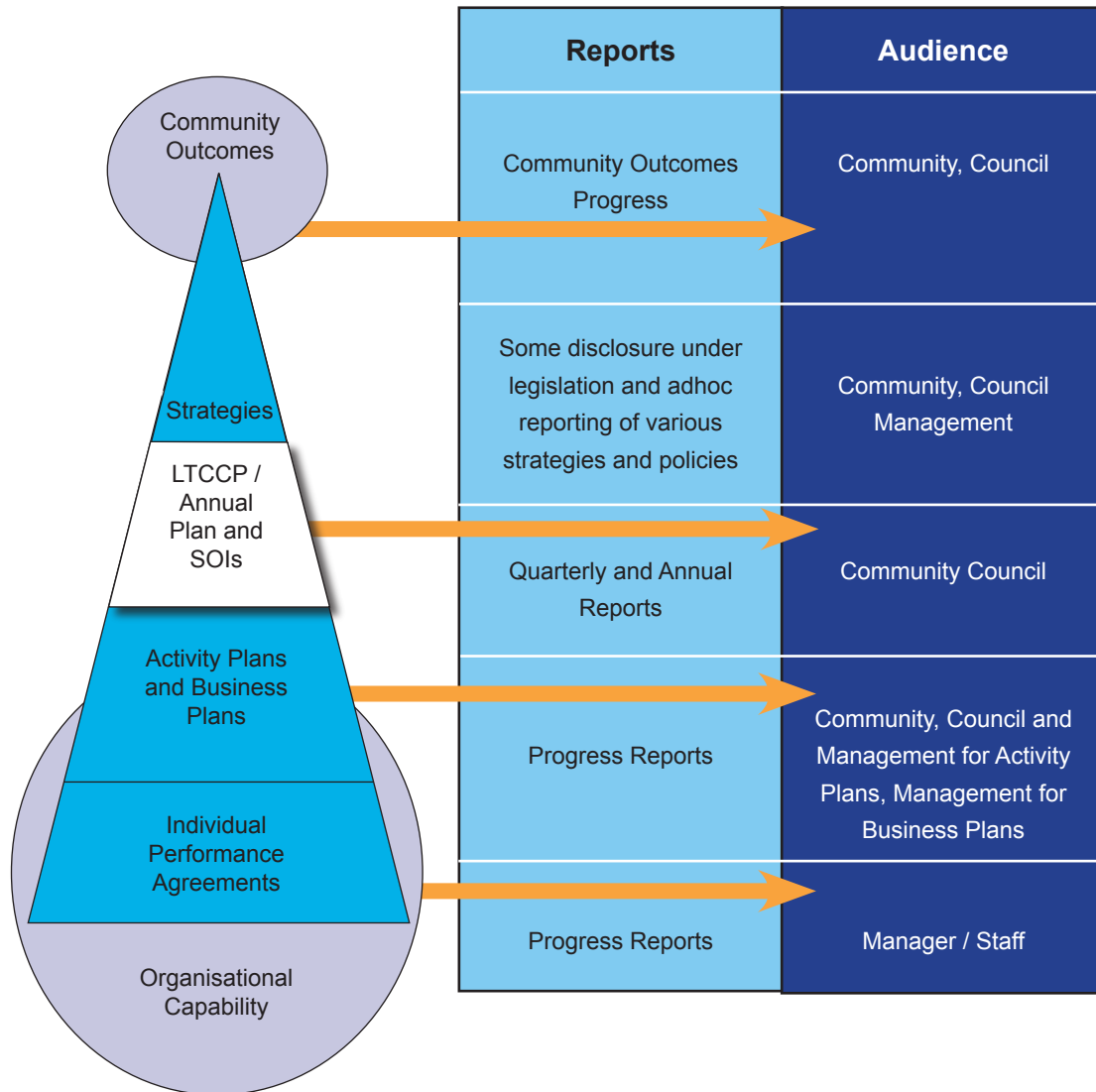


## 6.0 Levels of Service, Performance Measures and Targets

Author's Note: We are grateful for the assistance of the National Asset Management Steering Group and their publication Developing Levels of Service and Performance Measures. Readers interested in purchasing this publication may order a copy via [www.nams.org.nz](http://www.nams.org.nz).



In previous sections we have dealt with the sharp end of the triangle in the links between performance management frameworks and community wellbeing – through the community outcomes process and strategies.

This section covers:

- grouping activities
- setting meaningful levels of service, performance measures and targets
- consulting on the package of levels of service, performance measures and targets, and
- common issues with levels of service, performance measures, and targets.

Most of this section discusses levels of service and performance measures for LTCCPs and annual plans. As we saw in section five all plans and policies need to have clear statements on what the community can expect from the council (in other words, levels of service) and how it will measure success (performance measures and targets). This section is therefore equally applicable to all policies and plans.

This section focuses on service delivery. But the principles of levels of service, performance measures and targets apply equally to the so-called back-office functions (nobody has a finance function, or a human resources function for their own sake but because these functions support the service delivery arms to promote wellbeing).

## 6.1 Levels of Service, Performance Measures, and Targets - What's the Difference?

The terms levels of service, performance measures and performance targets are often (incorrectly) used interchangeably. So the first thing we need to do is clarify what the difference between each of these is.

*Levels of service* are the outputs that your local authority expects will be generated by the activity, and which are supported by quantifiable performance measures. It is these levels of service that make the contribution to community wellbeing that will generally be the reason why your local authority is undertaking the activity (or is required to undertake the activity). Commonly used levels of service relate to quality, reliability, responsiveness, sustainability, timeliness, accessibility and cost. For example:

- residents have access to clean and healthy drinking water
- councillors and management receive focused, relevant, accurate and timely information
- the council maintains a well-designed and attractive city through the District Plan and its strategic projects, and
- the council provides safer access for cyclists around the city.

### **Levels of Service and Performance Measures: Two Paths to Enlightenment**

There is more than one way to link levels of service and performance measures – both are equally valid ways of approaching the development of a performance management framework.

Some local authorities use a general output statement as the level of service eg residents have access to clean and healthy drinking water. This level of service is then linked with a performance measure and target such as improve water supply grading from Bb to Aa by 2012. This is the approach we have taken in the guide.

Others prefer to word their levels of service in a way that is measurable and in effect combines the level of service and the measure.

*Performance measures* (also sometimes referred to as key performance indicators or KPIs) are means for determining whether the attributes that make up the levels of service are actually being delivered upon.

Performance measures can be classified into two categories – *technical and customer service* measures. A customer service measure is something that is focused on how the customer receives or experiences the service, for example:

- number of minutes to fill a ten litre bucket (a measure of water pressure)

- distance to the nearest park or community playground
- annual survey shows x percent of people feel the cost of (the facility or service) represents good value for money, and
- degree of satisfaction with democratic processes.

Technical performance measures tend to be used internally to measure performance against the service levels, for example:

- level of compliance with bridge width and geometry standards
- monthly testing confirms that the water supply meets the New Zealand Drinking Water Standard
- the cost per square metre of the facility will not exceed \$x, and
- number of days that the facility reaches capacity limits.

The two categories of performance measure both contribute to the achievement of the same levels of service, ie your performance measures with respect a given level of service may have a mix of technical and customer service measures linked to them. Some measures may fit within both categories – especially around items such as customer satisfaction, cost and efficiency and the like.

#### **Example:**

Let's take the community and recreational facilities activity. In order for these facilities to make an effective contribution to community wellbeing they have to be accessible to the public (among other things). Turning the attribute 'accessibility' into level of service would probably result in a statement along the lines of:

*'customers are aware of the range of facilities available and are able to access them'*

The means by which you assess that your council has provided this level of service form the basis for your performance measures, some examples of which might be:

- *'percentage of the community who are aware of the facility' – a customer measure*
- *'percentage of households that have access to a (facility) within 15 minutes walk of their home' – a technical measure*

With the performance targets then placing quantities alongside these, for example.

- *'x percentage of the community are aware of the facility (as measured in the ABC survey)' or*
- *'y percentage of households have access to a (facility) within 15 minutes walk of their home' etc.*

In addition to these your council would identify other levels of service that would be relevant to the parks activity such as safety, cost etc and specify measures and targets alongside these.

## 6.2 Grouping Activities

Your groups of activities are one of the fundamental underpinnings of your performance management framework, and indeed of the LTCCP itself, as this is the level at which the much of the LTCCP disclosures must be pitched.

Experience from the 2006-16 LTCCPs showed that presentation of asset information, levels of service and financial information at group level sometimes tends to obscure some of the key information. In particular, it may take effort to establish group levels of service

and performance measures that have any real meaning. This points to a lower level of aggregation into groups, that is more groups with fewer activities in the groups.

The following criteria may be of assistance in defining groups of activities:

- *contribution to outcomes* – as a general rule, activities that contribute to the achievement of the same outcomes will generally be more likely to be candidates for grouping together than those that contribute to markedly different outcomes. This may mean that the outcomes process should be completed before much of the LTCCP development begins
- *patterns of benefit* – different activities that have similar patterns of benefit across ratepayers and over time may be candidates for grouping together
- *how they are funded*
- *compliance costs* – the costs of gathering and analysing information may not justify separate treatment for some activities, and
- *transparency* – on occasion certain issues may arise that warrant treating an activity separately especially where the issue might obscure others.

## 6.3 Identifying Levels of Service

### 6.3.1 What makes a Good Level of Service?

A good level of service should:

- *flow logically from the rationale for service delivery*
- *demonstrate a user orientation* - levels of service are part of your commitment to your community, so they should be written in terms that are relevant and understandable to the user/ratepayer
- *present a clear picture of the activity and its contribution to community wellbeing* - when read in conjunction with the other levels of service that apply to the activity. This raises the question around how many levels of service should be specified for each activity. In short the answer is enough to describe the activity given its contribution to community wellbeing and overall importance to the local authority. Some activities that are central to your local authority's overall strategy may need a higher number of levels of service – some with particularly narrow focus may require fewer. A useful rule of thumb is 4-6 levels of service per activity, and
- *identify attributes that are within your local authorities control* – in other words don't commit to levels of service if you know they are unattainable, or sit outside your ability to influence (in the end your local authority is going to have to report against the delivery of levels of service).

### 6.3.2 Rationale for Service Delivery and Levels of Service

Many of the issues with the 2004-14 and 2006-16 frameworks can be traced back to either a lack of a clear rationale for service delivery or unclear specifications of levels of service. A clear statement of your rationale for undertaking the service provides the beginning of the flow of logic for that part of your framework. The rationale for service delivery should be framed in such a way as to help in the identification of the key attributes required from the service.

A key part of your rationale will be based around the contribution the activity makes to community wellbeing. To give an example, in many communities recreational facilities are provided on grounds that usage of these facilities promotes public health. It follows that the levels of service for these activities, in these communities, would then include levels of service relating to accessibility and affordability.

It is important to move beyond general statements such as *the community wants us to do it* and *the law requires us to do this*. Neither provides a basis for determining what about the service promotes community wellbeing, and does not form a basis for determining a level of service. Communities ask their local authorities to provide services because they consider them to be necessary to promote community wellbeing. Similarly central government doesn't pass laws requiring local authorities to provide services for their own sake, but for their expected contribution to community wellbeing .

The rationale for service delivery for any given activity may differ from community to community. It is likely that the levels of service that are important in your local authority may differ markedly from those of your neighbour, even though the services are physically very similar. It also means that great care should be taken if you are borrowing from the frameworks of others.

### **Examples:**

#### Library Services

A metropolitan authority cites the following as its rationale for delivering libraries

*'to ensure all members of the community have ready access to a wide range of high-quality intellectual and creative resources in a range of formats for information, leisure and cultural enrichment'*

and goes on to identify that the library service contributes to the following community outcomes:

- *vibrant, healthy and diverse communities*
- *a great place to grow up*
- *strong sustainable economy*
- *actively involved people*

So why is this rationale for service delivery useful for identifying the levels of service? It is clear what outcomes the service promotes. The lead statement provides further clues as to what levels of service are important, for example:

- the ability to access the service is important, thus accessibility is one of the key levels of service for this service for this community (and indeed other information in the activity statement reveals this council is building two new branch libraries in the next 10 years), and
- comments about the range and format of the collection suggest this community values quantity of service both in terms of the number of items in the collection (quantity measure) and availability of different formats (a quality measure).

So the following were identified as key levels of service for the libraries activity:

- accessibility of libraries (measured by the percentage of the population satisfied with library hours, number of hours opening, library space per 1000 population, and library staff per population)
- range of library stock (measured by amount of stock per person), and
- range of formats (measured by the percentage of the population satisfied with the range of formats).

### 6.3.3 Aligning Priorities and Levels of Service

The Local Government Act signals that one of the key aspects of your rationale for undertaking a particular activity is its contribution to the achievement of community outcomes. But in a wider sense it is the contribution to strategic priorities that should matter (not just the contribution to the community outcomes).

There is not necessarily a one to one relationship between priorities, community outcomes, activities and the associated levels of service. The secret to aligning priorities and levels of service is to take the time to think clearly about your services and how they contribute to priorities. Some local authorities have developed some ingenious means of depicting the linkage between priorities and particular activities. One way of showing the link between outcomes, activities and levels of service is shown in the table below.

Strategic Priority <i>- long-term, inter-generational view</i>	Strategic direction (council and others) <i>- medium to long-term, now and in the future</i>	Council services (activities) <i>- now and in the immediate future</i>	Council levels of service and performance measures <i>- what's happening now</i>
A prosperous and thriving economy	Economic Development Strategy local strategies	Economic development	Accurate information about the availability and types of programmes are readily available. Council-provided programmes assist in the development of new business and employment opportunities
	Regional Land Transport Strategy (and related local strategies)	Transportation network (includes roading, walkways, cycleways and public transport)	The council provides a transport system that is efficient and enables customers to move around effectively
	Events Strategy Arts & Culture Strategy	Recreation & leisure facilities Event facilities and support Sports grounds	Community facilities attract events and visitors to the city
		Regulatory services (consents and monitoring)	Consents and licences are processed efficiently, accurately and within statutory timeframes

### 6.3.4 Information Sources for Levels of Service

You should now be able to identify what it is about the service that makes the contribution to community wellbeing. A useful second step in the process, especially now that local authorities have been through one LTCCP process, is to collate and evaluate the existing levels of service and other information that might be relevant to setting levels of service (for example, any recent consultation exercises that you may have done on levels of service).

Some of the relevant sources of information that you can use when identifying levels of service include:

- the latest community outcomes process
- your previous LTCCP documents (however careful thought will be required before wholesale transplanting of results from a previous LTCCP especially where areas of weakness were identified in the last document, or where there have been substantial changes to your rationale for service delivery)
- previous submissions to LTCCP processes and/or the annual plan
- other strategies or policies
- information gathered during any recent consultation on levels of service
- the LTCCPs of other local authorities - but use these with caution. In particular make sure you understand the logic underpinning the other local authority's selection of levels of service. Their rationale for service delivery might be different, and other attributes might be more important to your community. For example, your community might consider affordability to be paramount and be willing to trade-off accessibility and/or quality for that reason
- customer service complaints or other feedback from the front-line staff (although the limits and biases of this source need to be kept in mind)
- data on use patterns
- asset management plans
- legislation and regulations (some levels of service are mandatory)
- surveys (such as Communitrak), and
- your significant forecasting assumptions.

### 6.3.5 Engaging Elected Members in the Process

Making judgements about, and tradeoffs between, levels of service is one of the most fundamental roles of an elected member. Nothing is more guaranteed to undermine the elected members' ownership of the LTCCP than their feeling they have not been involved in these decisions or that they receive a nasty surprise during the process. It is particularly important that councillors make the tradeoffs between cost and levels of service that get made before issuing the statement of proposal and again after the consultation.

Some of the key areas where elected members should be involved are:

- *scope* – the elected members should make the decision as to whether the LTCCP process will focus on an in-depth review of a few key levels of service with the status quo going into the LTCCP for the remainder, or whether to take a zero-based approach and conduct a full review for all. This decision has major implications for the shape of the LTCCP or the consultation process
- *costs and level of service options* – regardless of the point at which the primary consultation occurs, be it a separate levels of service review or through the LTCCP, elected members should approve the package of cost and level service options going to the community for input, and
- *final decision making* – the final decision on levels of service post the LTCCP consultation is the elected members'.

As community representatives, elected members can be a valuable input into the consultative process, for example in defining what residents and ratepayers might value.

Regardless of the elected member's decision as to their levels of involvement in the process, they need to be kept informed of the progress of the aspects they are not involved in, and in particular any issues that arise.

It may be that the process of finally determining levels of service is iterative as the funding implications of determining levels of service are determined.

### 6.3.6 Developing Options

There is usually not only one choice for a level of service – there are always options (which often can be classified into the general headings of increase, decrease, maintain or cease the activity altogether). Options around levels of service should be developed if there is interest from the community (not just a vocal minority) in changing the current level of service. In general the community will be happy with most levels of service provided by your local authority – focus your attention on those where the community may want change.

Sometimes service level changes sit on a continuum of options and small incremental differences in levels can each be an option in itself. More often, changes in levels of service can only be done in significant blocks (as is usually the case where the change involves changes to asset capacity).

On occasion there may be upper and lower limits which place constraints on the range of options under consideration, which might include:

- levels prescribed in legislation (such as Building Act consent processing times)
- national or regional guidelines (such as the NZ Drinking Water Standards 2005, regional policy statements)
- technical constraints
- cost/budget implications, and
- other constraints (for example resource consent conditions).

Where there are significantly different options, staff should undertake an analysis of the options in terms of:

- alignment with community outcomes and/or the other strategies and policies of the local authority
- the impact of each option on wellbeing (including the identification of any likely tradeoffs between the different aspects of wellbeing)
- the impact on the ability of your local authority to meet statutory responsibilities now and in the future
- any impact on Maori (where options involve land or bodies of water), and
- the financial costs of the option (not just the capital cost of improvements but the impact on ongoing lifecycle costs such as replacement and maintenance needs and the impact on depreciation).

Elected members should then make a decision on:

- whether to adopt a single option as the basis for consultation in the LTCCP (or whatever the process is), or
- to send more than one level of service option out for consultation.

If consulting on two or more options it is important to:

- clearly identify each option
- clearly describe levels of service and any key performance measures in terms that the layperson can understand
- highlight the issues and tradeoffs for each option, and
- present the costs for each option (doing otherwise is inconsistent with the Act and in any case failure to do this raises expectations and creates issues later in the process when elected members or the public become aware of the cost).

**Example: Consulting on Levels of Service Options in an LTCCP – Tauranga City Council**

Tauranga City Council historically operated a 'like for like' policy with seal replacement - as the seal wears out it was replaced by the same type as the existing seal. Tauranga wanted views on the options for replacement once the seal on existing roads wears out - should it be replaced by hot mix, or by something not as visually attractive but fit for purpose in engineering terms. The council decided to take three options to consultation in the draft LTCCP:

- the status quo (like for like)
- fit for purpose, and
- all reseals to be done with hot mix.

The information overleaf highlights several aspects of good practice in consulting on levels of service options. All options are identified and fully explained in terms that are easy to understand and relevant to the users. The financial impact of each is defined and made relevant to each ratepayer (by providing an estimate of the cost per ratepayer and the total cost of the option). The pros and cons of each option are briefly stated (including the environmental effects such as noise and visual intrusion).

As a result of the consultation the council decided upon a mix of the options, and adopted a largely like for like policy, with all major arterials (defined as more than 10,000 vehicles per day) being resealed in hot mix.

## ROAD RESURFACING

Should the Council move to a resealing policy that is 'fit for purpose' instead of 'like for like'?

Typically developers use "hot mix" when developing a new subdivision as this improves the look of the subdivision and therefore helps to attract buyers. In contrast most residential roads in older parts of the city are sealed with bitumen and stone surface chip. With the rapid growth of the city over the last 10 to 15 years there are a number of roads that will be due for re-sealing in the ten years covered by this draft Plan.

The Council has operated a "like for like" policy in recent years with regard to re-seals. This means that the Council replaces the current surface with a similar one once the original has worn out. In the majority of cases where the more expensive "hot mix" is used there are no engineering or traffic-based reasons why the "hot mix" should be used.

### The Council's proposed direction included in the Ten Year Plan

The Council proposes to move to a "fit for purpose" policy away from the current "like for like" policy for re-seals.

The "fit for purpose" policy broadly states that once the current surface wears out, roads will be resurfaced in the material that best suits the needs of that road. This will mean that:

- busy roads with significant traffic flows will be sealed with the smoother, quieter, and more expensive "hot mix"
- most residential streets with low traffic volumes and low traffic speeds (typically these are in 50kph zones) will be sealed with cheaper chip seal.

This approach will save ratepayers approximately \$300,000 per annum but will result in many residential roads that are currently sealed with smooth "hot mix" being resealed with

chip seal over the next ten years.

### Other options

Other options for consideration include:

#### 1. Retain the current policy

This option means that the level of service for each individual street will be unchanged. What is covered in "hot mix" now will always be covered in "hot mix". This option continues the current inequity of nearby streets being sealed in different materials for historical reasons rather than sound engineering or traffic reasons.

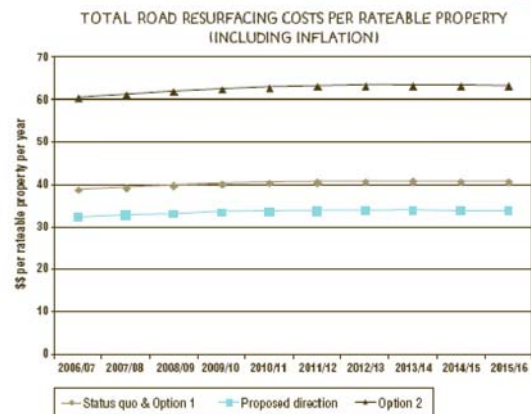
This option is approximately \$300,000 per annum more expensive to ratepayers than the proposed option.

#### 2. Seal all roads with "hot mix"

This option removes the inequities noted above, but will result in many roads being sealed with an expensive surface that is not justified on engineering grounds. However, all roads will be smooth and pleasant to drive or cycle on.

This option is approximately \$1.3 million per annum more expensive to ratepayers than the proposed option.

OPTIONS - IMPACT ON RATES				
ROAD RESURFACING	Current Rates Impact (per annum)	Current Rates / per Ratepayer	Current Rates / per Ratepayer (inflation adjusted)	
Current Status	\$1,800,000	\$39	\$39	
ROAD RESURFACING	Additional Rates Impact (per annum)	Additional Rates / per Ratepayer	Additional Rates / per Ratepayer (inflation adjusted)	First year of full cost
Proposed Direction	-\$300,000	-\$6	-\$6	2006
Option 1	Same as Current Status			
Option 2	\$1,000,000	\$21	\$21	2006



## 6.4 Some Common Levels of Service

Levels of service are essentially those attributes of the service that make the contribution to community wellbeing. Other useful ways of thinking about levels of service are:

- what is it about the activity that provides value to the community and
- how do the users experience the service.

These attributes (or values) form the basis for your levels of service.

For each activity a range of levels of service will be used – the key is only to use those levels of service that most appropriately relate to the activity from the user's view. Some of the more common levels of service are described below.

## Quality

This attribute describes the standard to which the service is provided. Some examples of levels of service based on quality might include the following:

- pleasant tasting and looking water is provided
- the success of local business is recognised
- the council has plans in place to prepare for, respond to, and recover from emergencies, and
- the network and associated facilities are up to date, in good condition and fit for purpose.

## Reliability/Responsiveness

This attribute essentially describes predictability and/or continuity of the other levels of service and expectations for resolving any variation or loss of service. Some examples of levels of service based on reliability and responsiveness might include the following:

- a 24 hour, 7 day service is provided
- travel times are predictable
- traffic control systems are designed to improve traffic and are sensitive to changes in flow
- waste is processed as agreed with the community, and
- failures and service requests are responded to promptly.

## Customer Service

This attribute describes how the providers of the service relate to the users on a day to day basis. A common example of a level of service based on customer service is customers are treated in a fair, consistent, and respectful way.

In addition, customer satisfaction is a performance measure that tends to relate strongly with customer service. Customer satisfaction is an appropriate measure to use in circumstances where people's perceptions or feelings are important success factors eg people feel they have been 'listened to' during democratic processes. But customer satisfaction is influenced by a number of factors, many of which may be outside your sphere of influence such as age, ethnicity, and life circumstances. Each of these may impact on the results you get. While satisfaction measures have their place they should not be relied upon to supply more than a subset of your stock of performance management information.

## Sustainability

This attribute has assumed particular relevance with the passage of the Local Government Act 2002 and essentially relates to the management of the service for the future. Some examples of levels of service based on sustainability might include the following:

- the assets are managed with respect to current and future generations
- adverse effects such as dust, noise, and vibration are managed effectively
- sewerage is managed without adversely affecting the quality of the receiving environment
- the network moves goods and people fast and efficiently, and
- economic growth is strong and sustainable.

## Safety

This is related to the risks created by provision of the service and the degree to which these are mitigated. Examples of levels of service based on safety might include the following:

- services do not cause a hazard to people
- response systems have been tested and work
- the water supply provided is adequate for fire fighting purposes, and
- sewage is managed without risk to public health.

## Accessibility

A measure of the ease with which users can make use of the service which could be defined in terms of the spatial distribution of the service, the hours the service is available, or other conditions that may apply before the service can be accessed. Examples of levels of service based on accessibility might include the following:

- opportunities are provided for involvement in decision-making
- provision of sufficient facilities to meet needs
- opening hours are convenient for customers
- accurate information about the services is readily available, and
- provision of adequate physical access to facilities.

## Affordability

A measure both of the cost of providing the service, and of the financial impact use of the service has on the user. Examples of levels of service based on affordability might include the following:

- services are provided at the lowest possible cost, and
- services are provided cost effectively (although the term 'cost effectively' may need to be defined to be useful as a level of service).

## 6.5 Taking It To The Next Level – Performance Measures and Targets

Performance measures are an important part of the overall performance management framework as they are the aspect of your framework that the public will most readily relate to. Elected members may find it easier to relate to the levels of service with performance measures and targets attached.

### 6.5.1 Attributes of a Good Performance Measures

Some of the important attributes of a good performance measure are:

- *relevance* – the measure should have a close relationship not just to the level of service it has been linked to, but the relationship should also flow back through levels of service to the rationale for service delivery. The best performance measures demonstrate a clear and direct linkage with the level of service. For example, achieving an Aa water grading is a good way of demonstrating that the water supply is clean and healthy. But this will not always be possible, and sometimes measures will take the form of proxies. For example, if the level of service is to provide interesting displays in a museum, and a survey of public perception is impractical, then numbers of visitors may be an appropriate proxy even though it is influenced by other factors such as awareness and cost.

- *realism* - targets should be achievable.
- *comparability* – in this guide we take comparable to indicate that the measurement methodology should generate results that are comparable over time, so that differences between performance levels in any given period are not the result of quirks in the methodology. We are not referring to comparability in the sense of comparability between local authorities.
- *verifiability* – the results should be capable of independent replication given the same data sets and assumptions that your local authority has used
- *timeliness* – performance measures should have some time dimension associated with them. There is time dimension built in to local authority performance reporting in that many objectives appear in a plan identified as an objective for a particular year. Common examples relate to the achievement of certain statutory requirements such as processing of resource consents. As a general rule, programme related milestones such as 'major arterial ABC will be completed by 30 December 20xx' should be avoided. Service levels and measures should focus on the impact on community wellbeing. This reflects the Act's shift in focus from input-output based thinking to outcome based thinking.
- *neutrality* – the measure should avoid systematic biases.
- *robustness* – sources for your performance measures should be clearly specified as the source of the information is a key piece of information in helping your community form a judgement on the validity of the measure. Assumptions and any important features of the methodology should be documented and explained (especially those that may not be readily understood by the public).
- *avoidance of perverse incentives* - performance measures should not encourage behaviours that provide incentives for managers to 'game' to meet the targets. For example in many regulatory functions setting a target based on the number of regulatory interventions (eg number of prosecutions, impoundments etc) is likely to encourage zealous enforcement of the regulations to the partial or total exclusion of other approaches to encouraging compliance.

Your set of performance measures for any particular level of service should be:

- *complete* – the performance measures should provide the whole story regarding the achievement of the level of service
- *efficient* – the cost and effort of performance measurement with respect to the level of service should be in proportion to the importance of the activity, and
- *compliant* – ensure your reporting meets statutory requirements and that there is robust evidence to support each result reported.

### 6.5.2 Developing Performance Measures and Targets

There will usually be a considerable number of measures and targets already in existence within your local authority. Once you have identified levels of service you will then be able to look critically at the information you already collect. It is likely that when viewed against the levels of service you will find:

- 'overs and unders' - some levels of service that have a number of measures linked to them, and others that have none at all
- 'orphan' measures - measures that do not have a clear relationship to any level of service. Most often orphan measures will be the result of a past need to collect the information arising from a query by elected members or the community. These measures may not necessarily form part of the performance management information disclosed in the LTCCP. An alternative approach some have taken is to include a section in each of their activity level disclosures that sets out other key information/matters of interest.

The checklist on page 82 will help in developing performance measures for a single activity.

## 6.6 Identifying Levels of Service etc - Some General Comments

*Start early and align with the development of other parts of your planning processes...*

Many local authorities have large numbers of activities. That means some local authorities could potentially be identifying 100 or more levels of service. The process is one that requires a good deal of critical thought to identify the linkages between levels of service and priorities. The package around performance measures will require a significant investment of time. This element of the performance management framework needs to be started at an early point of the process. During an LTCCP process you would most likely start this as soon as the outcomes process is completed and you are linking your activities to community outcomes.

*Reviewing your level of service package is a significant task – some scaling to resources may be necessary...*

The full review of levels of service, performance measures and targets can be a significant task. Attempting to simultaneously review packages for all your activities can be a major undertaking. It may be that your local authority should consider either:

### **Checklist for reviewing levels of service and performance measures**

#### **Alignment**

1. Is there (or should there be) an explicit link between strategic direction, the rationale for the activity, the levels of service and performance measures?

#### **Coverage**

2. Do the levels of service and performance measures cover all core aspects of the activity?
3. Do the levels of service and performance measures address areas of customer issues or concern identified?

#### **SMART measures**

4. Does each level of service and performance measure concisely cover only one aspect of the activity (Specific)
5. Are the performance measures quantifiable (Measurable)?
6. Can you show how performance gaps will be actioned and funded (Achievable)?
7. Do the performance measures provide useful information to stakeholders about the performance of the activity (Relevant)?
8. Are targets set for 1, 2, 3 and 10 years? (Timebound)

#### **Robust**

9. Are performance measures verifiable (can you demonstrate where the data came from and replicate the results readily)?
10. Are you relying on assumptions or estimates that might invalidate the results?
11. Are performance measurement procedures clearly defined?
12. Is there an over reliance on measures that relate to customer satisfaction?

#### **Community involvement**

13. Have the community been consulted in the development of levels of service?
14. Is there a transparent process by which consultation results have been considered and used in establishing future performance targets?

### Simplicity

15. Have you filtered all levels of service and performance measures that don't add value to your local authority?
- conducting some of the development and consultation outside of the LTCCP process (especially if options are likely to stimulate a great deal of interest, or carry significant financial implications), or
  - selecting some key levels of service to review and letting others go into the LTCCP for consultation on a status quo basis ie rolling over the objectives from last time (of course, this only works when there were no issues with the framework identified in the last package).

Priorities for review are likely to emerge where:

- the rationale for service delivery is weak
- factors such as the introduction of new technology or a process improvement have implications for levels of service
- sudden unexpected changes in cost or improvements in the knowledge about your assets could have an impact on the achievement of levels of service from within the current cost
- there are high levels of complaint and/or public interest in the issue
- the service is currently not meeting legislative requirements, or
- changes to your other strategies or plans necessitate change to levels of service.

*Don't look for the magic performance measure - it probably doesn't exist...*

An informed analysis of the performance of a particular activity is not usually possible from a single performance measure. For example, there is little point in having a wide range of community facilities available, if the cost of accessing them is prohibitive, or if they are falling to bits. Incomplete descriptions of levels of service was one of the most common flaws in the frameworks in the 2006 LTCCPs largely because people were looking for the one measure that would fit all.

*Activity managers must be involved in development of levels of service as well as being accountable for their achievement ...*

The best means of ensuring that a particular measure is met is simply to assign responsibility for achievement of a measure to an individual (through performance agreements and the like). Basic principles of managerial accountability point to the need to involve those within the organisation who are accountable for meeting objectives in the process for setting those objectives. Involving activity managers in development obtains their commitment to the achievement of the levels of service, and also secures the commitment of staff.

Activity managers are a valuable source of technical knowledge which can be used in developing performance measures and targets in particular ie they know what information is available within the local authority and the limitations of the information, they also usually have reasonable knowledge of the likely cost and practical issues involved in introducing new measures. Many of the common issues with performance management frameworks identified in section 6.7 stem, at least in part from not involving activity managers.

This is not to say that activity managers should lead the overall process for developing levels of service. Having a single point of communication is a must for the consultative process. Central collation and review of levels of service across the organisation is also important both in terms of quality control and early identification of major issues. But the central point is for managing the process, not devising the measures.

## 6.7 Some Common Issues with Levels of Service, Measures and Targets

### 1. The framework lacks logical flow.

Most commonly this will in some way be traced back to one or more of:

- your rationale for delivering the service lacking sufficient clarity to develop levels of service
- replicating levels of service or performance measures from previous accountability documents, or
- replicating the levels of service or performance measures used by others without adapting them to your particular circumstances.

All three of these will generally be symptomatic of either insufficient time devoted to the performance management framework, or some issue with the sequencing of the development of the framework vis-à-vis other information (for example, some degree of 'backsolving' or doing the framework as an afterthought).

### 2. Levels of service and performance measures are too technical

This is perhaps the most serious of the things that can go wrong with the whole package around levels of service. Your performance measures especially must be meaningful to the user/beneficiary. Without customer understanding it is difficult to manage the customer's perceptions of value.

Knowledge of what is important to the end user is vital when developing levels of service and measures. That knowledge acts as a filter both for your levels of service and your choice of measures and the way they are expressed in the LTCCP. Often technical concepts can be expressed in a non-technical way. For example:

INSTEAD OF SAYING ...	TRY SAYING ...
'the minimum pressure at the point of supply during normal operations shall be at least x kilopascals'	'water pressure at all properties served by the scheme shall be sufficient to fill an (x) litre bucket in (y) minutes'
'samples of water collected from beaches shall not contain more than x faecal coliforms per y of water'	'local beaches will be closed to bathing no more than x days per year'
'the council will comply with the statutory timeframes of the Building Act'	'x percent of building consents will be processed within 20 working days of receipt of the application'
'rabbit densities reduced from level (x) to level (y) on the modified McLean scale'	'estimated rabbit population in ABC reduced to x (or by x percent)'
'the Library Association of New Zealand standards for collection size and breadth shall be met.'	'The collection shall contain at least x items per person.'

If time and resource permits it may be useful to involve the community in the development of the framework before it goes into the LTCCP. This need not take the form of a full consultative process – but could for example, be a focus group.

### **Case Study: Getting Feedback from the Community on Levels of Service – Palmerston North City**

In 2005 the Palmerston North City Council reviewed its levels of service for infrastructural, recreation and community assets. A key part of the review was the use of user and community workshops to capture a broad cross section of community views on current and future levels of service. The Council also sought feedback on how the community assesses the quality of Councils services so that it could develop meaningful customer KPIs.

The Council worked with an independent facilitator to hold workshops with general users and key stakeholders (eg emergency services, major water users, the Chamber of Commerce, sports groups, Ward Committees, Environment Manawatu and schools).

The workshops were based around two key tools:

- rich pictures - these are 'figure sketches' of the key services. They show the key elements of each service in an easy to grasp and discuss way.
- H-forms - this is a loosely structured survey that captures people's views in a low key and specific manner. People are asked to rate each Council service out of 10. They are then asked to write down why they did not give a score of 10 out of 10. (This captures the negatives or things they don't like about the service.) They then write down why they did not score 0 out of 10 - to capture the positive and things they do like.) Finally people write down specific ideas for improving the service. Each person writes their ideas down on yellow stickies. These were then put on the H-form for discussion and later analysis.

Over 200 people and groups were involved in the workshops.

Information from other sources, such as community outcomes, Communitrak surveys, Annual Plan submissions, etc was also used.

All this information was used to identify the key community themes and issues that officers needed to address through the levels of service. The information was used to develop the Asset Management Plans, and hence the LTCCP.

Feedback on the results was given to all workshop participants.

The process gave the Council a variety of community views on desired levels of service. It involved targeted consultation and the use of the H-form in particular gave the participants an easy and enjoyable way of sharing their views. It also gave the Council a systematic way of gathering comparable information from a wide range of users and community representatives.

### 3. Performance measures are inefficient

By inefficient we mean that the cost (both financial and the time and resource involved in doing the measurement) cannot be justified relative to the benefits that performing the measurement generate (improvements in service delivery, improved perceptions of value for money and the like).

These issues are most likely to occur in instances where performance management frameworks are developed in isolation from activity managers, for example where 'the Corporate office' develops a framework that's reliant on information that the activity manager does not currently collect and cannot easily create or access.

This is not to say that measures that are defective in other respects should be substituted for better measures just because your local authority does not currently collect the data. A better initial step is not to discard the initial measure, and revisit it when you have completed the task of developing levels of service and measures across the organisation. It may well be that the results of the other activities may lead to gains elsewhere in the organisation.

#### THINGS TO REMEMBER: LEVELS OF SERVICE, PERFORMANCE MEASURES AND TARGETS

1. Developing levels of service, measures and targets require thought and time. The package should be developed sooner than later in the process.
2. Grouping activities is crucial to getting an LTCCP and performance management framework that make sense. There is no single magic factor to consider when grouping activities – but some relevant factors are: transparency to the reader, cost, existence of a common rationale for service delivery, and a common funding source.
3. Your levels of service for a particular activity should flow from the rationale for delivering the activity. Developing a clear rationale will pay dividends as you develop levels of service and performance measures.
4. Be wary when looking to transplant measures from your previous accountability documents or from someone else's framework – subtle differences in the rationale for service delivery may make different levels of service appropriate and lead to a lack of logical flow.
5. Levels of service, performance measures and performance targets are not the same thing – avoid using the terms interchangeably.
6. Levels of service are the things that the users of, or beneficiaries from the activity, actually value from receiving the service. Common ones are affordability, quality, reliability, customer service, sustainability, safety and accessibility. Levels of service should be written in terms the end user can understand and relate to.
7. There is no magic number of levels of service per activity, though a useful rule of thumb is 4-6 per activity.
8. There are risks to not involving your local community, the elected members and the activity managers in the process of defining levels of service.

9. Your performance measures and targets should flow from your levels of service. Measures should provide a complete picture of the achievement (or otherwise) of levels of service. Each level of service must be represented by at least one measure in the performance framework.
10. Performance measures should be relevant, realistic, comparable, verifiable, timely, robust, neutral, compliant and should avoid perverse incentives.

## Further Reading and Helpful Resources

National Asset Management Steering Group, (2007), *Developing Levels of Service and Performance Measures* - an in-depth guide that covers the setting and reviewing of level of service in detail, and contains a number of worked examples of levels of service and associated customer and technical performance measures for different types of activity.

Office of the Auditor-General, (2007), *Matters Arising from the 2006-16 Long-term Council Community Plans* – the report makes useful observations regarding levels of service in the 2006-16 LTCCPs. The report also contains an independent review that comments on these aspects also.