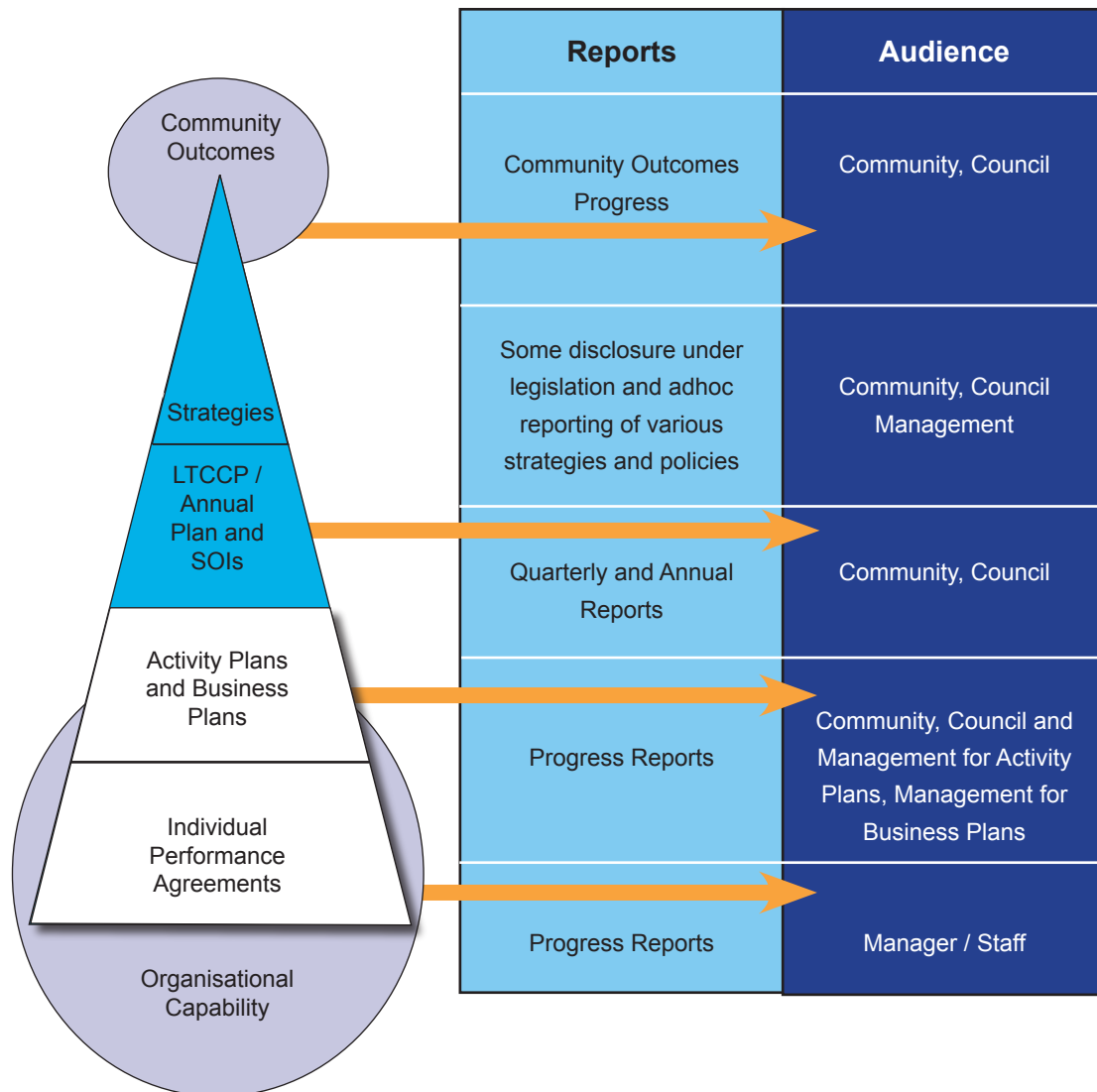


7.0 Linking the Framework to the Day to Day



This (very short) section essentially discusses the bottom layers of the hierarchy from the framework diagram. The emphasis in this section is in linking the high level content of strategies and/or the LTCCP to what staff do on a day to day basis. In this section you can expect to see discussion of:

- the annual plan
- the annual report, and
- individual staff performance plans.

7.1 The Annual Plan

Under the LGA the annual plan has become an annual slice of the LTCCP in terms of the levels of service package and the financials for the year. Basically the annual plan now functions largely as the link between the LTCCP and the annual rates assessment, with the disclosures of levels of service reminding the community what they can expect.

Section 85 requires the following disclosures for the year covered by the annual plan:

- the levels of service for each group of activities, and the performance measures linked to each level of service
- the expenses involved in achieving and maintaining the levels of service, and
- an explanation of how the expenses will be met, including the sources of funds and the rationale for the selection in terms of section 101(3)¹¹.

Where there is any variation in any of the above from the information identified in the LTCCP, your annual plan must also disclose the reasons for that variation. This applies to any of the above, regardless of the size of the variation, even quite insignificant changes to a performance measure must be disclosed and explained.

The annual plan is a vehicle for local authorities to make amendments to the LTCCP¹². As local authorities become more experienced with the long-term planning requirements of the Act the main reason for amendments will be significant changes in levels of service (ie the section 97 1(a)). This further supports the need to be clear when specifying levels of service and performance measures so that the significance of changes (or otherwise) can be assessed easily as part of the process of determining amendments. The statement of proposal requirements for an amendment also require disclosure of reasons for the proposal, in other words a change in level of service must be explained. Further examples of the sorts of change that could trigger an amendment (including a level of service related example) can be found in the SOLGM publication *Identifying and Preparing Amendments to Long-Term Council Community Plans*.

7.2 The Annual Report

The annual report is the reporting mirror to the annual plan. Disclosure of performance management information in the annual plan is at the groups of activities level and includes:

- the community outcomes to which the group primarily contributes (in other words what it is that makes peoples lives better)
- the results of any monitoring of community outcomes that your local authority has undertaken during the year
- a description of any identified effects that the group (or any activity within the group) has had on the social, environmental, economic and cultural wellbeing of your community. *All* identified effects must be disclosed, not just the negative effects. Your linkages to community outcomes and the rationale for service delivery will help you identify the effects that you planned for, but you will also need systems in place to capture the unexpected effects
- an audited statement that compares actual levels of service provision with the levels of service provision *set out in the LTCCP* (not the annual plan) and explains the reasons for any variation, and
- an audited statement that describes any significant asset acquisitions or replacements, the reasons for that, and the reasons for any variation between the acquisitions and replacements projected in the LTCCP and the actuals.

And don't forget that a summary of the annual report must also be prepared. Further guidance on summaries can be found in section eight. The summary must be fair reflection of the major matters in the report, which can include issues relating to the performance management framework (such as failure to deliver a key level of service).

¹¹ One of the factors that section 101(3) obliges local authorities to consider when making funding policy is the community outcomes to which each activity (not group) relates.

¹² Local authorities have the option of making any amendments to the LTCCP as a part of an annual planning process or in a separate process. Regardless of which option is taken the information requirements of section 89 that relate to amendments must be observed eg a summary of the amendments etc.

7.3 Individual Performance Plans

7.3.1 The Chief Executive's Performance Agreement

The Chief Executive's performance agreement is the base document for linking the policy decisions made by elected members with the capability of council.

Part of the document will be based on observable behavioural competencies, some of which will flow through to the competencies expected of staff (leadership, results orientation, customer focus etc). The remainder of the agreement will be performance targets relating to the achievement of particular service delivery and organisational goals, which set the framework for the objectives that flow into individual performance agreements.

The key users of performance management information from the agreement are the Chief Executive and the elected members. The key requirements of these users are that the process provides timely, accurate, evidence-based feedback on the Chief Executive's performance against performance targets and observable behaviours.

The unique elements of the Chief Executive's performance agreement are:

- having a performance agreement between the Chief Executive and elected members is a statutory requirement
- the Chief Executive is the only employee whose performance is reviewed by elected members
- elected members may lack experience in employee performance management
- elected members will generally be more sensitive to changes in the political environment than managers and need to be aware of this factor. 'Political success' may unfairly skew perceptions of performance
- the Chief Executive has leadership responsibilities which are difficult to evaluate.

In terms of the cascade of key targets into employee performance agreements, the Chief Executive's agreement is the apex of the cascade. The performance targets in this agreement flow down into the rest of the organisation.

7.3.2 Individual Performance Agreements

The key users of an individual's performance management are the employee and their manager. The key requirements of these users are that the process provides timely, accurate evidence-based feedback on employee performance against performance targets and observable behavioral requirements.

This ensures that the employee has a clear understanding of:

- what they are expected to do
- the expected standards and how achievement will be measured
- how they contribute to the wider objectives of the local authority
- how they can improve their performance, and
- how the employer can help them develop in their career.

Individual performance agreements will generally have a mix of actions to complete and particular performance measures that must be achieved (particularly at the level of the activity manager). These link back to the delivery of the levels of service specified in the LTCCP and annual plan (and is the main reason why activity managers should be involved in developing the performance management framework).

The performance agreement ensures that the employer has a clear understanding of those matters, as well as information to guide other management decisions such as:

- allocation of training expenditure, and
- salary increases and other performance rewards.

The process of agreeing upon performance expectations and monitoring progress against these is also an opportunity to identify obstacles which may impede achievement of performance targets, and to agree strategies for tackling those.

Performance appraisal is an on-going cycle of communication not a once a year event. Throughout the year the employer and employee should:

- review performance against targets at regular intervals
- revise targets if necessary
- give and receive regular feedback on performance, and
- undertake performance coaching as needed to avoid surprises during the formal review.

Performance appraisal is the area of the PMF where objectives and targets are translated into individual accountabilities. Performance appraisal will support the PMF when:

- key targets from the LTCCP are cascaded down into employee targets
- employees are enabled to understand the 'why?' as well as the 'what?', and
- feedback on obstacles (and strategies to resolve them) flows quickly back up into management (and if needed, elected members) decisions for corrective action.

THINGS TO REMEMBER: LINKING THE FRAMEWORK TO THE DAY TO DAY

1. The annual plan is the yearly slice of the LTCCP, and must include the levels of service and measures for the year as well as an explanation for any variation from those in the LTCCP.
2. The annual report must compare actual levels of service with those indicated in the LTCCP, not the annual plan.
3. The annual plan requirements and the section 97 triggers for LTCCP amendments provide yet another reason to be clear in your specification of levels of service and performance measures in the LTCCP.

Further Reading and Helpful Resources

Local Government New Zealand, (2000), *Guide for Local Authorities on Hiring and Managing Chief Executives* <http://library.lgnz.co.nz/cgi-bin/koha/opac-detail.pl?bib=112>

Local Government New Zealand et al, (2003), *The KnowHow Guide to Decision-Making*

Office of the Auditor-General, (2002), *Managing the Relationship between a Local Authority's Elected Members and its Chief Executive*.
<http://library.lgnz.co.nz/cgi-bin/koha/opac-detail.pl?bib=105>

Office of the Auditor-General, (2006), *Report to Parliament: Results of the 2004/5 Audits*.
<http://www.oag.govt.nz/local-govt/2004-05/docs/local-govt.pdf>

SOLGM, (2005), *Good Practice for LTCCP Summary Documents*.

<http://www.solgm.co.nz/NR/rdonlyres/24B58E03-25EC-438B-B6BA-D1706EA88D76/21709/GoodPracticeforLTCCPSummaryDocuments.pdf>

SOLGM, (2007), *Identifying and Preparing Amendments to Long-Term Council Community Plans*

<http://www.solgm.co.nz/NR/rdonlyres/24B58E03-25EC-438B-B6BA-D1706EA88D76/41710/LTCCPAmendmentsGuidanceMarch2007.pdf>