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COMPACT GUIDELINES FOR PERFORMANCE MANAGEMENT SYSTEM

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Salvador PARRADO, John TATAM and Dr. Volkan ERKAN - Short Term Senior Experts
Dr. Ece H. GULERYUZ -Junior Expert
Prof. Dr. H. Hakan YILMAZ – UNDP Key Expert

Reference to the Description of Action	
Component	Component 1: Effective Local Service Delivery
Activity	A.1.1.8 Performance Management System Development in Metropolitan and Metropolitan District Municipalities
Output	Compact Guidelines for Performance Management System (Output 5, Deliverable 5)

TABLE OF CONTENT

ACRONYMS

BSc	Balanced Scorecard
KPIs	Key Performance Indicators
PDCA	Plan, Do, Check and Act
PIs	Performance Indicators

INTRODUCTION

This document isthe compact guidelines that correspond with point 4.4 of the Terms of Reference. The “Compact Guidelines” tries to prepare a local performance programme for the “Development of a Performance Management System to be Adopted in Metropolitan Municipalities and District Municipalities”. Besides the explanations offered in this document, this text accompanies two other documents with PowerPoint slides to be presented during the workshops. The slides are reproduced here at a lower scale. Explanations accompany the different slides so that the reader can follow them more easily.

PART 1: UNDERSTANDING PERFORMANCE MANAGEMENT

1.1 Introduction

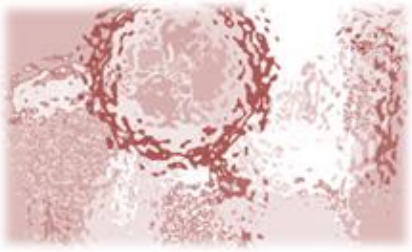
We prioritise, measure whether we are getting closer to our priorities and act if we are not achieving them or still need to get closer to those priorities (see Illustration with further explanations). A performance management system follows this logical order. Many organisations do something else. They measure what they can measure. They don't know what priorities they are trying to achieve. And they may or may not act if the measurement provides negative results. This section revolves around the logical sequence of performance management (how it should be), reproducing the classic management loop PDCA (Plan, Do, Check and Act).

What is performance management?

A system for helping us to focus on *improving* the things that are *most important* for our organisation to *achieve its aims*.

In other words it is central to the management of an organisation

- Not an add on
- Not a matter for others
- Not an IT system



The achievement of priorities understood as results of the organisation is vital in a performance management system. In the field of performance management, a result is understood as the quantifiable effect of an action or set of activities. The terms effects, actions and quantification are referred to below.

Therefore, the results (see examples in the following Illustration) denote the effect to be achieved. The most important effects are linked to outputs or impacts on those who receive the product/service/policy or third parties. Regardless of the time frame for achieving the effects (short, medium and long term), and the proximity of this effect to the organisation's responsibilities (close, medium-range or distant), the effects must be relevant to the organisation's mission, which is the raison d'être of its existence and which does not change considerably over time.

What results do you try to achieve? The starting point…

Higher-level results (linked to mission-vision results / strategic results)

- Disadvantaged groups access public services
- Satisfaction of citizens with public services increases
- Cities are less polluted

Lower-level results (processes – critical activities)

- People with disabilities access barrier free public buildings
- Civil servants apply customer-related skills learned in training
- Bicycle lanes are used regularly by citizens

* Colours reflect the relationship between the lower and higher-level results.

The actions of an entity, over which it usually has a high degree of control, are not results. There is a tendency to identify government actions with the results that are achieved. For example, the objective 'Simplify a process' looks like a result, but it is an action. It answers the question of 'what to do', not 'what to achieve'. The conversion from 'what to do' to 'what to achieve' can be done by answering the question 'what for', (see the Illustration). The question in the response side: "To reduce the internal workload", What for? "Linked result: Staff employs less time ton process management."

Conversion of actions into results…

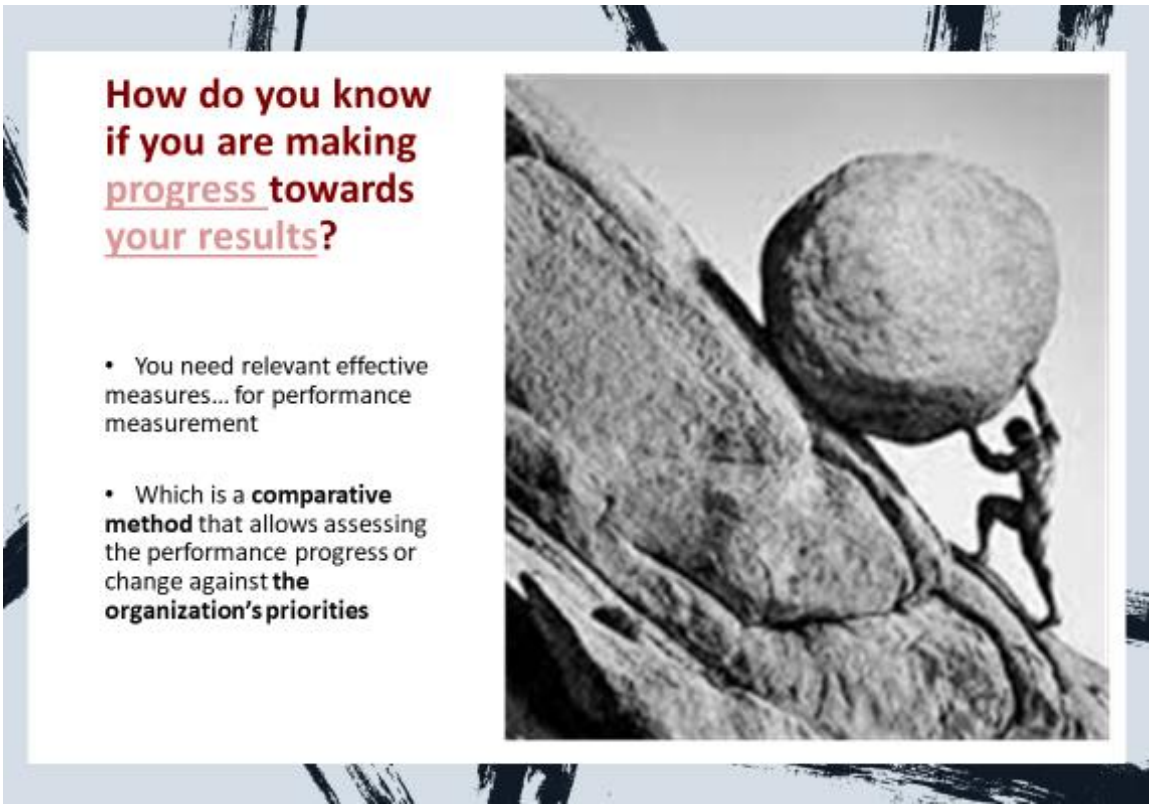
The objective 'Simplify a process' becomes an outcome by answering the question 'What is the purpose of simplifying a process?

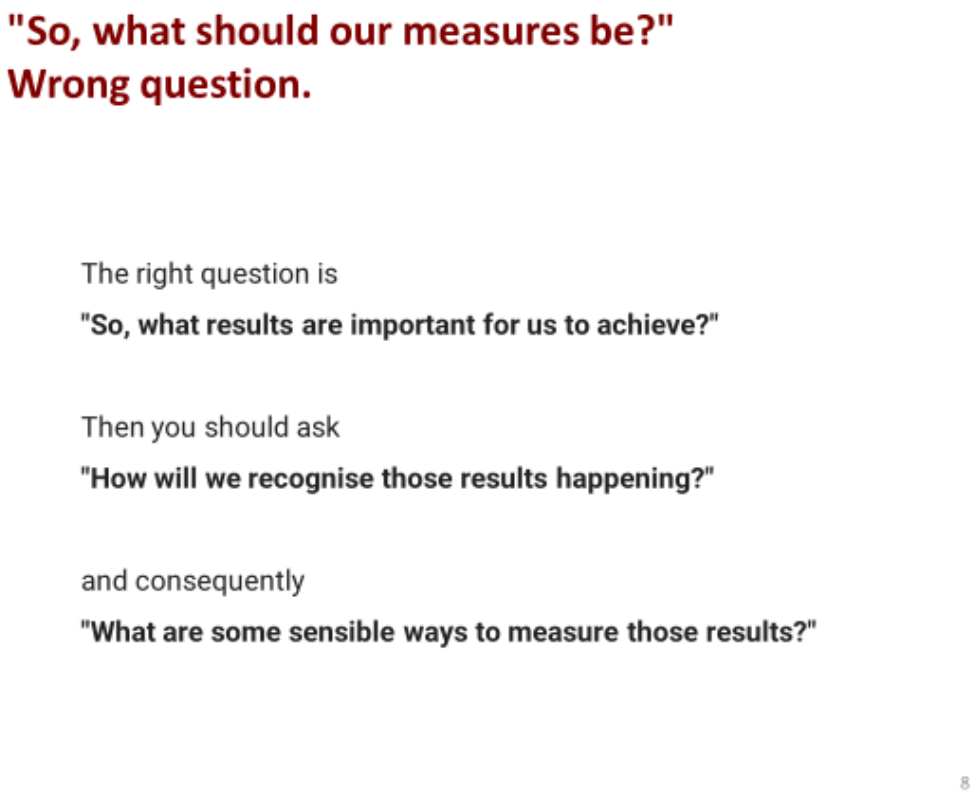
Response	Linked result
To reduce the internal workload	Staff employ less time on process management
To reduce file resolution time	Files are solved in less time
To reduce the administrative burden on citizens	Administrative costs of citizens are reduced.
To reduce the problems of understanding the process	Citizens understand easily the steps in the process

Typically, organisations would like to meet all the results in the table and, in fact, sometimes several results can be achieved because of their cause-effect relationship. Without one or two results to guide the entity's actions, 'Simplify a process' would be any result like (less process time, easy access for citizens, less administrative costs…), and any 'simplification' would do. In contrast, a specific

result strategically prioritises actions. Some results may be incompatible with each other: For example, 'understanding of the process (by citizens) is improved' may collide with 'internal workload is reduced'. If a better understanding of the process by citizens requires more staff helping citizens out, then the organisation's workload will increase, for example.

The results must be quantifiable so that the desired effects can be verified. Quantification can be done by counting (% of citizens who have participated in a government consultation) and/or by understanding the assessment made by citizens (% of citizens who are satisfied with the consultation made by the authorities) (see below). The following illustrations show the basics of performance management.





1.2 Why prioritise?

The achieved results are vital to performance. As mentioned above, a result is understood as the measurable effect of an action or set of activities relevant to the organisation's mission and strategies. A crucial element focuses on distinguishing the result (what is achieved) from the actions (what is done). While this distinction seems obvious, in practice, it is more difficult to understand. Differentiating results from actions is a matter of perspective, of the degree of control or responsibility an organisation has over what is achieved. An example will illustrate what was described earlier on.

Take, for example, vaccination against COVID-19. The Ministry of Health vaccinates people to reduce cases, reduce hospital admissions, limit deaths and stimulate the economy. This results list ranges from the more concrete (number of people vaccinated) to the more diffuse (economic growth). The defining characteristic of these results is that the authorities have no absolute control over any of them.

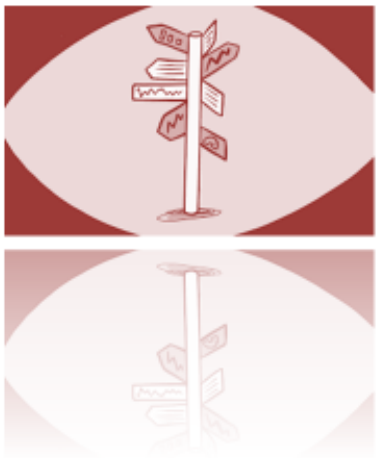
Let's look at the most identifiable result: the number of vaccinated people. Entities may have the needed number of vaccines, syringes and health personnel necessary to administer them, as well as the protocols for notifying the population and carrying out the vaccination. Although these are required inputs and processes, they do not ensure the expected result. Factors such as vaccine refusal can influence what the government wants to achieve. Hence, control over this outcome is not absolute. The government has even less control over the decrease in hospital admissions, the number of deaths, or economic activity take-off. The government only controls what it does.

The entity usually fully controls its actions. Simplifying the process from the time the vaccine is procured until the person has their dose(s) integrates the actions controllable by the health centres. Simplifying the process is an action. An action answers the question of what to do. To get the result, you have to ask the 'what for' of the action. One asks this question successively until a result totally

beyond the control of a particular authority is reached. Why simplify the vaccination process? To vaccinate more people in less time… What for? To achieve herd immunity sooner. A result would be the Turkish population achieves herd immunity in a short time. To know if we reach the results linked to the organisational mission and strategies, we must measure. But measurement does not refer in performance management to milestones. Milestones belong to project management. For instance, building 10 km of bicycle lanes every year is a yearly milestone. This is not part of the training offered here (see the slide with differences among concepts).

Misleading ideas on performance measurement

- **Actions** are less relevant (i. e. To implement a software system) than **results** (i.e. Entrepreneurs open faster a business) for the performance measurement.
- **Milestones** (or activity completion) are not performance measures (i.e. A meeting with stakeholders is organized).
  Monitoring milestones is project management;
- **Sources of information** are not performance measures (i.e. organization's database, statistical publication, citizen survey).



Source: Adapted from Barr 2014 10

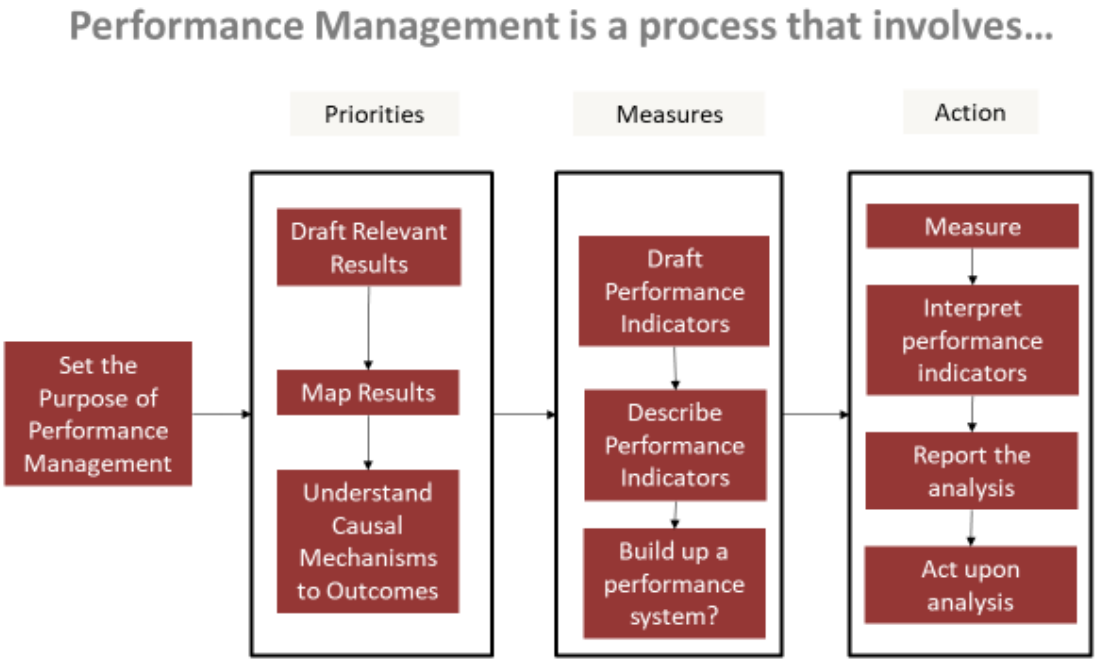
Measurement assumes that the results are quantifiable. In this way, it is possible to check whether the desired effects have occurred. Quantification informs decisions based on evidence, not our intuition. COVID, sadly, has shown us that data matters. We are now experts in measuring the rate of infection, hospitalisation rate, the percentage of positives over tests performed, the rate of disease recurrence or the magic R number that predicts the exponential degree to which the virus is contagious. And without this data, the government cannot make sound decisions.

And all of this begs the question of why we should prioritise if, in principle, an entity must comply with everything in its legal mandate. But does it have all the resources to accomplish everything that obliges the entity? Does the legal mandate establish what it has to achieve precisely? Or does it develop generic and grandiloquent principles such as equity, effectiveness, quality or efficiency without any concreteness to help the manager? Prioritising means choosing where to allocate the organisation's resources and how to meet the needs of citizens. Prioritising means meeting citizens' demands with what is organizationally possible. Finally, prioritising implies aligning the authority's actions towards results and not simply complying with already defined procedures, simply because someone else has already implemented them.

1.3 The parts of the training module

In contrast to the practice of many authorities, it is not possible to start by defining indicators but rather the priorities and results to be achieved. Indicators are not the starting point; priorities are. A prevalent mistake made by many organisations is to use catalogues of indicators without clearly stating the results to be measured. For example, what kind of strategic result does it refer to the percentage of households with access to safe drinking water? 1) Reduction of health problems linked to water quality; 2) Reduction of the cost of bottled water; 3) Effectiveness of municipalities in bringing safe water to households. All three outcomes are relevant, but it seems that 1) is more important than the others and should become the guide for measuring the outcome's achievement. Of primary interest is the path to achieving these relevant priorities.

Thus, with the results-based perspective, public servants are expected to establish what they want to achieve and then decide how they will do it. The stages would be as follows (see the slide): i. Prioritise results pathways, ii. Prepare the measurement, iii. Measure and interpret the information, report and improve (adapted from Barr 2017). The following Illustration will guide the whole training module.



Source: Adapted from Barr 2014

1.4 Setting the purpose of performance management

The first question to be answered by managers is: do we want a performance management system for the municipality or one municipality department? Will the performance management system bring added value to what is currently done? If we measure results instead of compliance with milestones, will we address better our performance? The primary purposes of a performance management system are set in the following Illustration. The focus of this training module is service improvement.

Set the purposes of performance management

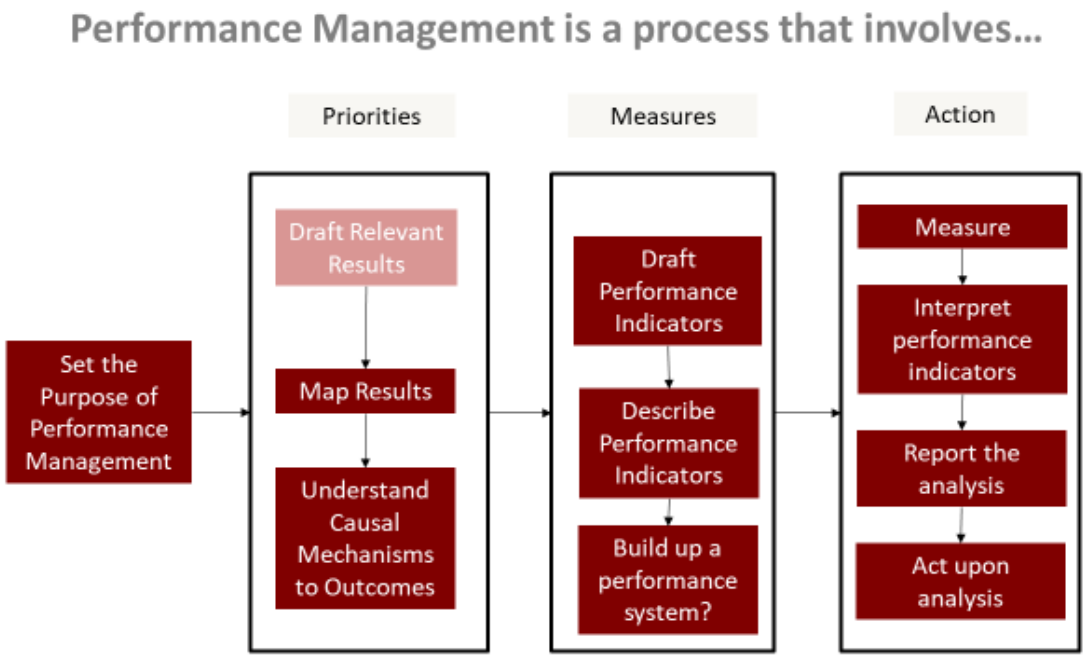
- **Controlling** / monitoring the performance of lower level units (with reward/sanction mechanisms): through targets or benchmarking
- **Supporting lower level units** in their improvement / progress efforts
- **Accountability** (rendering information) without any further purpose

PART 2: SETTING PRIORITIES: IDENTIFYING PATHWAYS TO OUTCOMES

A pathway to outcomes (also labelled here as results path) shows the cause-and-effect sequence that enables people's priorities to be achieved. The sequence of the results pathway, with its sequential steps, is defined in an iterative process. First, the relevant results linked to people's priorities are described: one extreme of the path or the highest level of the results hierarchy. Next, the relevant results are inserted into a cause-effect pathway. Finally, the quality of these causal chains and their contribution to the immediate outcome is tested. In this process, the actions, resources and instruments of public entities are included.

Institutional capacity (resources, instruments and activities) is relevant to achieving people's priorities but is not captured in these results pathways. Tools such as tax increases, subsidies, sanctions, economic incentives, to mention just a few, are not included in the results chain. These instruments are part of the improvement plan or project to achieve the results of the chain. For example, financially incentivising glass recycling for each container returned to a supermarket would be the instrument. The result is, for example, 'Increased reuse of glass containers'. This results-routing philosophy can permeate the entire value chain of public management.

The process to set causal paths to outcomes starts by identifying relevant priorities for the municipality or department. The following illustrations explain the different steps with examples to set relevant results.



Source: Adapted from Barr 2014

What are the most important things to get right?

The main purpose: to identify priorities.

Your focus: mandate, mission and vision.

Current strategies are also **your guide**

Set causal paths to achieve your priorities

Take your time!!

How to draft results related to the organization's priorities

It is recommended to draft them as

- **something accomplished** by the end of the period
- and **not as a verb in the infinitive** (it normally represents an action or desire ***nota bene***).

- Preference of **quantitative over qualitative** results
- The word "and" is forbidden when it leads to two results!
- Vague and abstract concepts do not make a good result (i.e. Efficient administration)
- **Don't include the tools** (activities) needed to achieve the result in the result itself (For instance: The cost of energy consumption is reduced ~~by using solar panels~~)

To eliminate access barriers from public buildings	People with motion disabilities access barrier free public buildings
To organize training courses	Civil servants apply customer-related skills learned in training
To build up bicycle lanes	Bicycle lanes are used regularly by citizens

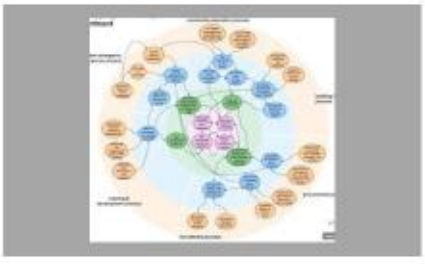
Actions versus Results

The results can be grouped according to the logic of a performance management system like the Balanced Scorecard with its perspectives (financial, users, processes, growth and learning (Kaplan and Norton) or according to relevant dimensions of an organisation according to the (PuMP) methodology (Stacey Barr) or using a simple hierarchy of results. The diagrams resulting from each method can be identified on the slide. The Balanced Scorecard will be explained later on in this training module.

The methods to map results

Hierarchy of results

Results Mapping (Stacey Barr)



Balanced Scorecard

Before that, let's try to figure out the causal chain towards results

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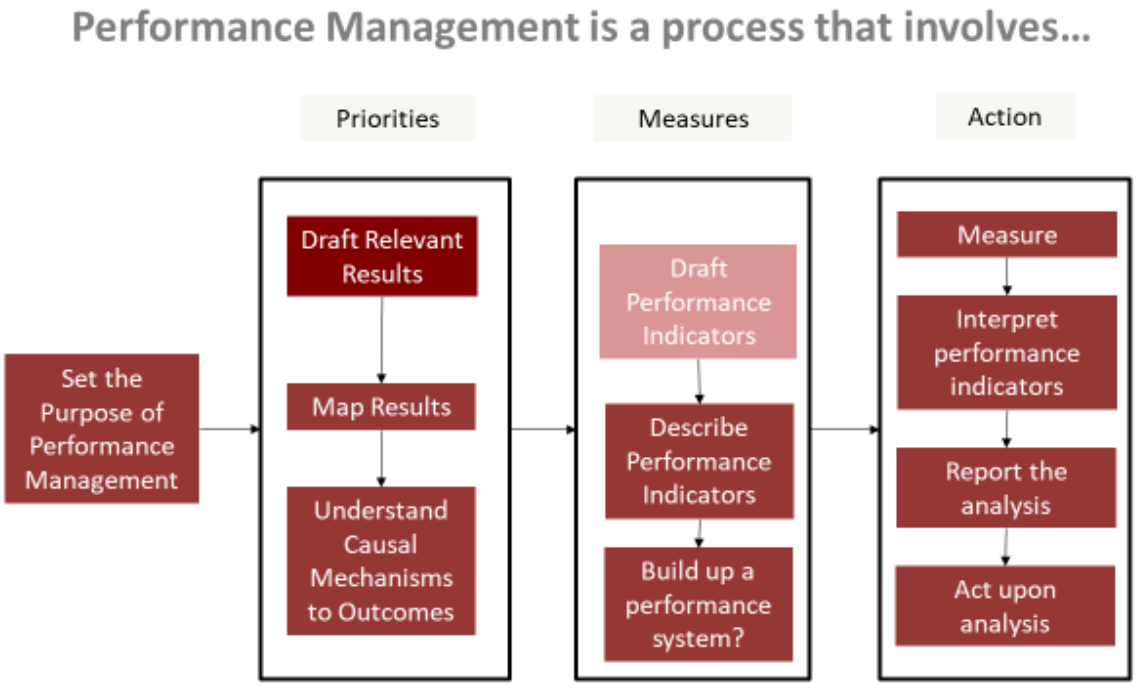
The most important aspect of the pathways is to identify a causal connection between results. The simplest way to start describing a cause-result sequence is a hierarchy. A map connecting different sequences is the most accurate graphic element to understand the intersecting relationships between hierarchies in real life. Several interconnected hierarchies can build up a map. The following slide offers an example of how lower-level results should lead to one or two higher-level results. One would expect that the higher-level results are relevant for the political and administrative board of the municipality.

In contrast, the lower-level results are more important for the departments and their staff. For instance, in the following Illustration, the result "Citizens access services online by default" is relevant for the whole municipality. However, other results like "Citizens get preferably information from the web" or "Relevant information is updated" are more adequate for each department delivering services to the citizens.

PART 3: MEASURING PRIORITIES

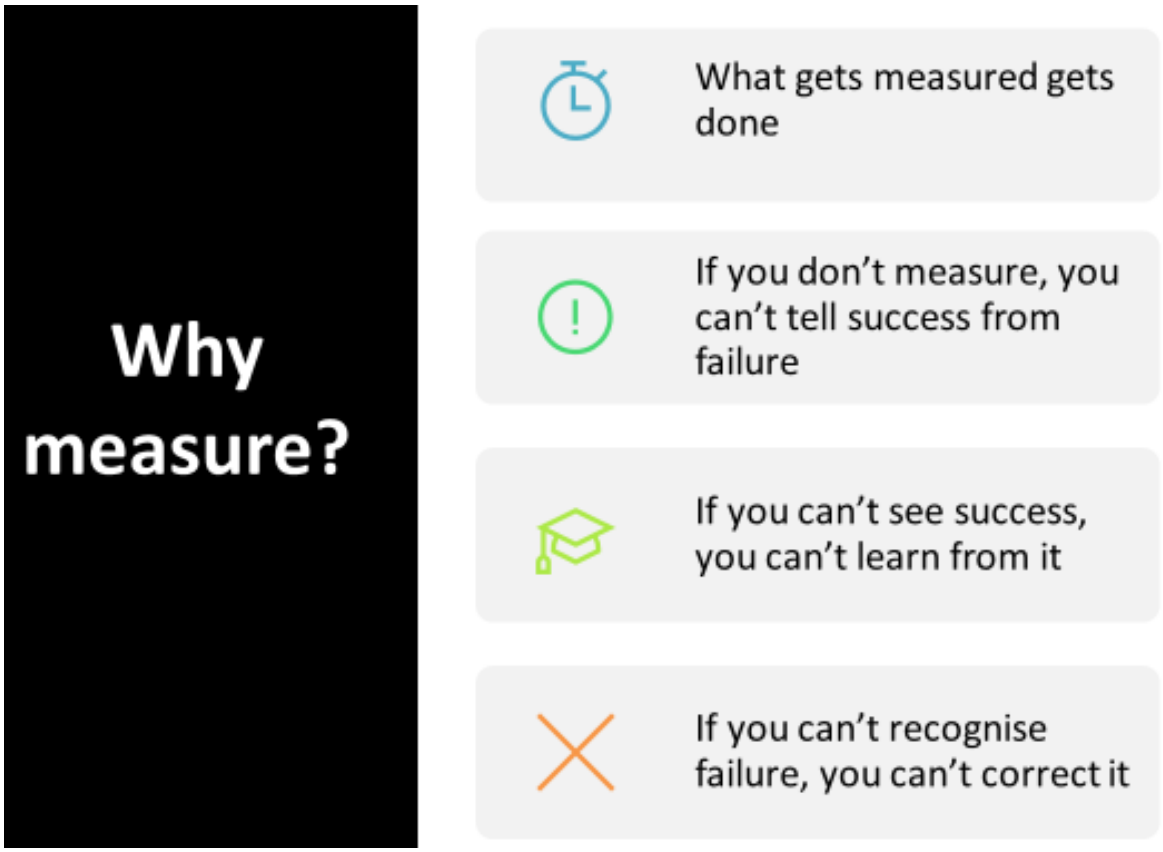
At the beginning of this training module, we mentioned that measurement comes after priorities have been set and arranged in a hierarchical order (see the Illustration).



Source: Adapted from Barr 2014

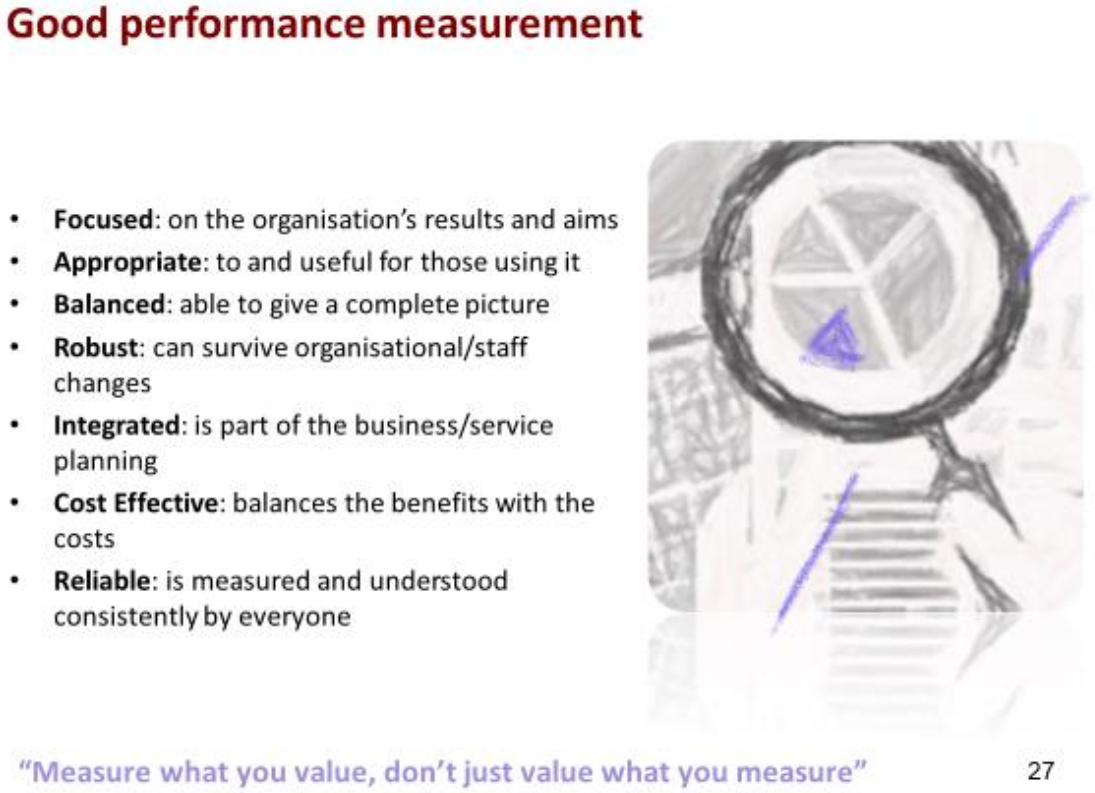
1.5 Why measure and the most relevant parts of a measurement system

Several reasons attribute to measurement a key place in institutional performance. Consultants, trainers and practitioners take the axioms in the Illustration as articles of faith. Their message can convince us of its relevance because they translate the impact of measurement on entities. The measurement itself affects improvement efforts because what gets measured gets done. COVID's measurement of vaccination progress in federal countries has impacted regional health authorities, who have done their best not to lag. Lagging behind third parties or underperforming in time is one of the fundamental reasons for measuring the progress of entities toward their outcomes. Performance is managed to improve and innovate instruments that better serve people.



Lag and progress are at the core of performance management. The contrast between what we want to achieve and what we perform can be assessed through measurement. When we measure, we can check our progress towards what we want to achieve, which are the priorities of public entities. The mantra "Measure what you value and don't value what you measure" captures the essence of measurement. The phrase cautions us against measuring for the sake of measuring and asks us to focus on our priorities. Traditionally, training is measured by the number of courses delivered, attendees or hours of instruction. We know that merely attending a course does not guarantee the acquisition of knowledge. An important aspect is to apply the acquired competencies (knowledge, skills and competencies) in our work environment. But who measures the percentage of attendees who have used the acquired competencies six months after their participation? Very few. We need to measure what we value, but how do we determine that value?

The following Illustration shows the most relevant elements of a sound performance measurement system.



From the previous Illustration, three truisms dominate the first approach to measurement. Before identifying indicators, the results to be achieved must be agreed upon. Measurement must focus on these results. Otherwise, we will measure for the sake of measuring. This is obvious, but we must remember it. When approaching measurement, many meetings start with... "why don't we make a list of indicators", "there are some indicators in such and such a document". Those sentences constitute inappropriate beginnings because the same indicator can measure different priorities or nonrelevant items at all. But there are more truisms that we ignore.

The next aspect is to employ appropriate and valuable measures to those who use them for organisational improvement. This statement seems obvious. A municipality is interested in the percentage of households without water and sanitation services; the national governing body is more interested in the rate of cities in which more than half (one-third, two-thirds) of households do not have access to sanitation. In the first example, the municipality focuses on families; in the second, the national body supports municipalities with more severe access to the sanitation network. This brings us to the last simplicity.

Finally, it is necessary to be efficient, using as few resources as possible to obtain the best information and minimise the number of indicators used. No one could agree more. A few years ago, knowing if the course attendees applied the acquired competencies was costly in resources and time due to the need to send the questionnaire by post, identify the employee's address correctly, fill it out and process it manually. Today, this task is made easier with a web-based survey that instantly provides the most relevant analysis. It is now more efficient to obtain this indicator than in the past.

1.6 Drafting performance indicators

All measurement begins with indicators that are sometimes ambiguous. An indicator (see the definition in the Illustration), relevant to an outcome, should be easily measurable, with little ambiguity in measurement, and amenable to comparison over time and with others. These

requirements are challenging. The number of square meters of the downtown thoroughfare is an easy indicator. However, when measuring the participants in a demonstration, different sources would offer different quantities for demonstrators. This is for self-interested reasons and technical assumptions: how many people fit per square meter? The process of developing indicators is institutional and specialised. The following Illustration distinguishes between performance indicators, data and sources of information to set the language of the training module.

Performance Indicators are…

- … variables (characteristic or dimension) which enable to measure how close an organization comes to reaching its results. Example: Percentage of patients that take the medicine according to the prescription
- **Data** are the measurement or factual information derived from the indicator. Example: 85% of the patients take the medicine according to the prescription.
- PI is normally referred as an absolute number, percentage, average…, Try to choose the magnitude that allow for comparison… (i.e. **avoid absolute numbers**)

The following two illustrations offer the steps that are needed to define performance indicators.

The drafting process (I)

- **Select a result** (as specific as possible) linked to the organization's priorities:

  Citizens use bicycles regularly to go to work
- Look **for language/evidence** (direct or indirect) that allows you to observe that result.
  - Direct evidence:
    - More bicycles parked outside office buildings or working areas
    - More cyclists use the bike lane in peak hours
  - Indirect evidence:
    - Increase in the number of bikes that are sold *

* This is indirect evidence because the number of sold bikes does not mean that they are used for going to work

The drafting process (II)

- Translate the **evidence into indicators**
- Test the **relevance**, **feasibility, objectivity (no ambiguity)** of the indicator
- After the test : give the full detailed name of the indicator: **what is measured** (users, exam scores) **what features** (absenteeism or employment rates), **how is quantified** (percentage, average…), any boundaries (group age, …)

Example: Result: **Citizens use bicycles regularly to go to work**

Possible performance indicators:

PI-1: % of citizens that say they use the bicycles everyday for work (survey)

PI-2: Average number of bicycles during peak hours per month on main bike lanes (indirect indicator)

PI-3: Any other?

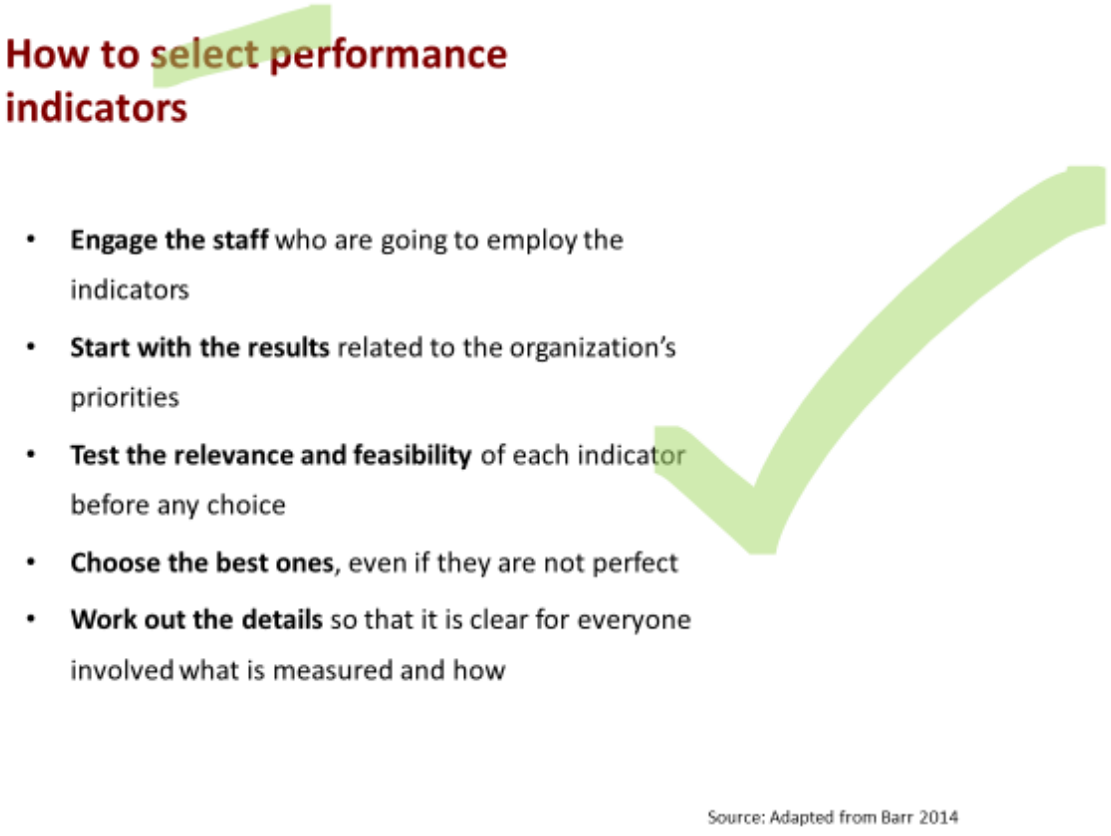
At the cost of being repetitive, the most important elements of measuring performance will be mentioned here. Measuring performance involves finding a quantification that provides objective or subjective evidence of the degree to which a result is achieved over time. This translates into metrics, key performance indicators, or simply indicators, which is the label used here.
From the definition, the following is sought:

- The indicator must have a nuclear link to the result it measures and be aligned with the strategic results and mission of the organisation. The measurement instrument must assess whether the priority mentioned in the result is what is being measured.
- It should compare current performance and a target or past performance and be measurable frequently (ideally monthly). The indicator should show the change over time; if it is a very stable indicator, always around 95%, it is not relevant to maintain it.
- The evidence should ideally be objective (an indisputable fact) or subjective (user perception or evaluation by a group of experts or inspectors).
- A sufficient level of detail allows performance improvement to be assessed. For example, instead of mentioning whether a consultation method is mature or not, a scale of 1 to 10 or a quartile system (25%, 50%, 75%, 100%) can be established.

In addition to what is revealed by definition…

- The indicator must officially have an owner, i.e. a person who is responsible for measurement and reporting.
- The value provided by the indicator must be greater than the cost of collecting it, but without measuring useless dimensions simply because it is cheap to do so.
- The indicator must be understood by those who use them in any area of the service or policy production chain.
- Everyone who measures should be able to use and interpret the indicator in the same way.

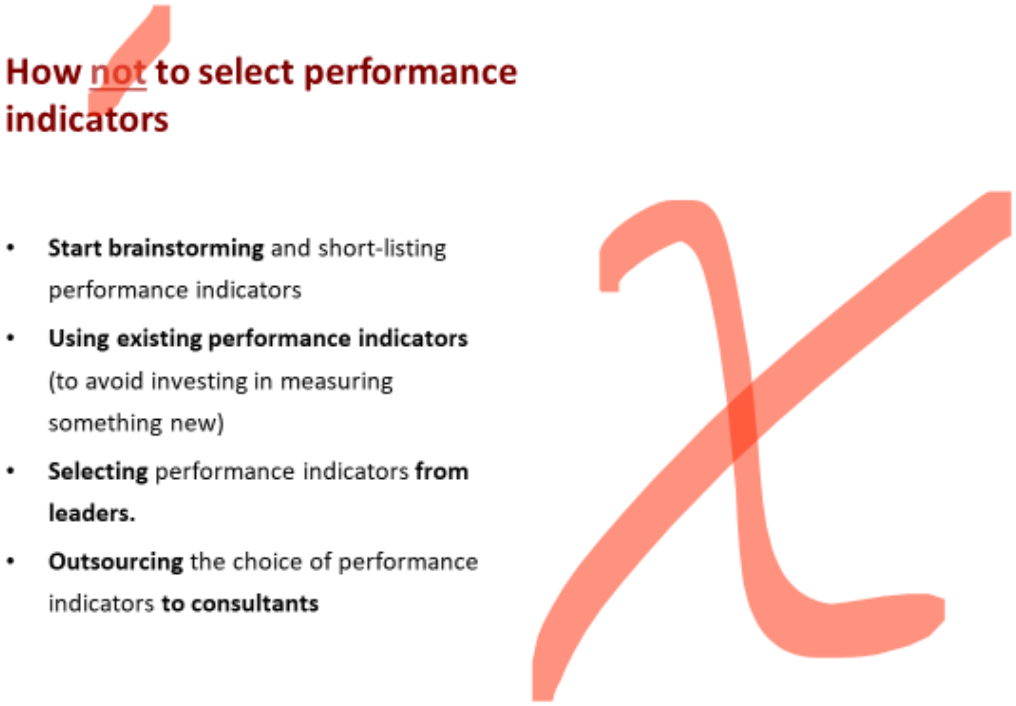
There are good and bad practices on how to identify indicators to measure institutional performance. Let's start with what should be done (see the following Illustration).



Source: Adapted from Barr 2014

The Illustration summarises some common sense. Their users should define and describe indicators with the highest possible technical quality, starting with the entity's priorities and being economical in the number of indicators used. Filtering and reducing the number of indicators to the essentials is a complex process. The National Audit Office in the United Kingdom produced a list of some 300 indicators to measure the performance of municipalities in the mid-2000s. That was unmanageable for drawing relevant conclusions. They ended up with about 70 indicators. This is the spirit of avoiding the malpractice of a long list of performance indicators.

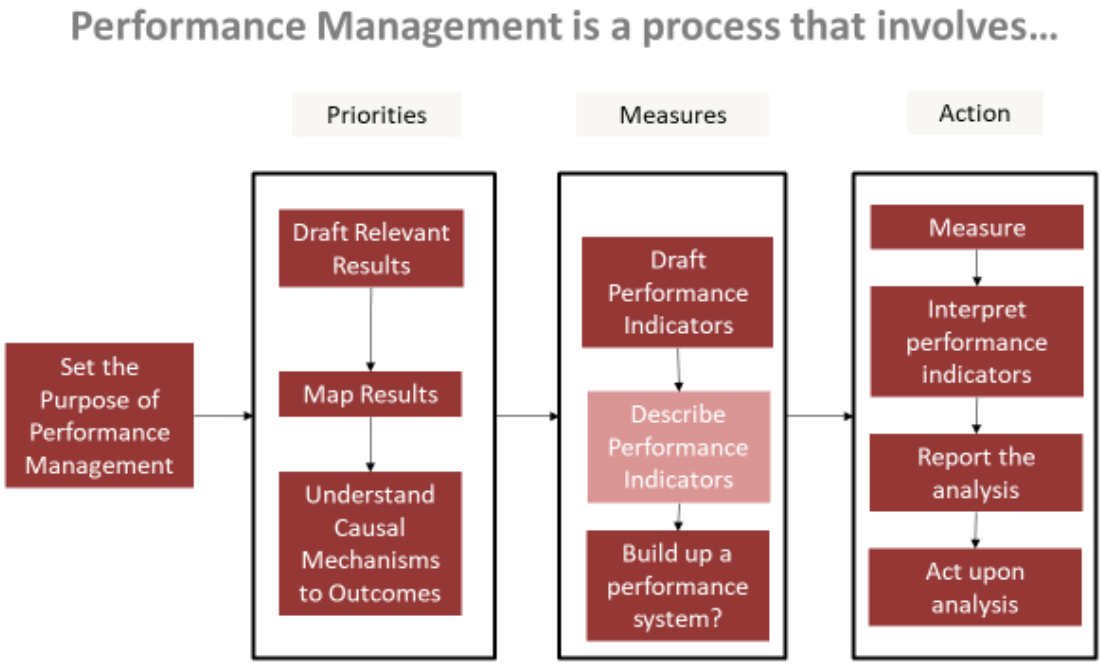
Bad practices in the identification of indicators are abundant (see the Illustration). They are shortcuts to obtain a performance picture quickly. Identifying priorities and relevant indicators take time, but it is time well spent. The iterative internal process of identifying results and choosing those indicators that tell us something empowers the organisation to understand what it wants to achieve.



Source: Adapted from Barr 2014

PART 4: DESCRIBE PERFORMANCE INDICATORS IN A LIBRARY OF PIs

The whole process consists of drawing up a list of indicators that measure priorities and with which you are reasonably satisfied. If you are happy with the indicators, you can describe them. This is the next step in building up a management system (see the Illustration).



Source: Adapted from Barr 2014

The description is a tedious but necessary process. For this reason, one must be exquisite in the final selection of indicators. An exhaustive description guides the work of measuring and interpreting the indicators. The following slide offers the main fields that a complete description of a performance indicator should entail. The full definition of all performance indicators constitutes the library of performance indicators.

PART 5: SETTING THE PERFORMANCE MEASUREMENT SYSTEM

The performance measurement system includes results, key performance indicators (KPI), a library of KPIs, targets. The system tries to set interrelations between all these elements to steer performance discussions and improvement. The selected method for the municipalities is the Balanced Scorecard. This section discusses targets and the Balanced Scorecard (BSc).

1.7 Setting targets

Targets are a relevant element in performance management, but imposing them without meeting certain conditions is not recommended. Losing weight and losing five kilos before summer has different effects on people. In the first case, any weight loss is relevant; in the second example, there is a challenge (five kilos of weight reduction) that will make us employ the necessary strategies to achieve the goal. Organisations are expected to function the same way.

However, setting targets has a non-negligible complexity and must be accompanied by a management philosophy. In other words, what do you do if an organisation (fails to) meet the goal? Do you punish it, reward it, give it more resources or withdraw these resources? If the answers to these questions are unclear and the goal-setting technique is not well applied, it is preferable not to use targets.

Targets can be an integral part of the management model, but they are not indispensable, as various existing options show. In addition, what matters is not the models but the principles of performance management. Sometimes, models such as the Balanced Scorecard designed and popularised by Kaplan and Norton (2000) impose a straitjacket and bureaucratise all performance management. In contrast, principles represent a more appropriate way to instil a performance culture in an organisation.

The most relevant question is then when to set a target. According to the process suggested here, the following phases are of relevance:

1. Set the results you want to achieve.
2. Select the performance indicators to monitor those results.
3. Report and interpret what the measures are doing (this is to be dealt with below).
4. Decide how to respond to each measure.

Most authorities set targets too early, generally during setting results or performance indicators (phases 1 and 2 identified above). This implies that some critical information needed to establish a meaningful and achievable target is not there yet.

The targets cannot be set when placing the results because we usually do not precisely measure them. We need to set targets for measures, not for the results. Yet, if we put a new performance indicator and there is no previous data, we cannot know the organisation's current performance. For that reason, targets cannot be set. In sum, we need to have a baseline (at least five measures) to set targets. The target for a measure can be anywhere on the good side of the measure's baseline performance. Of course, it is difficult to say how far it should be the target from the baseline. That depends on assessing what it will take to shift performance, both in time and effort. The institutional capacity will help to set the target against the baseline.

In sum, to set meaningful and achievable targets, one needs to know what is measured, the measure's baseline, and the investment required to move that baseline. Without these three inputs, targets are a simple guess. Another target element refers to tolerance, i.e. what is the deviation from the target that is tolerated. The following Illustration shows the whole process.

Targets

Target is…

The desired amount of change, reflected by a number or percentage to be achieved within a specific period of time.

For instance: 5%, 7%...

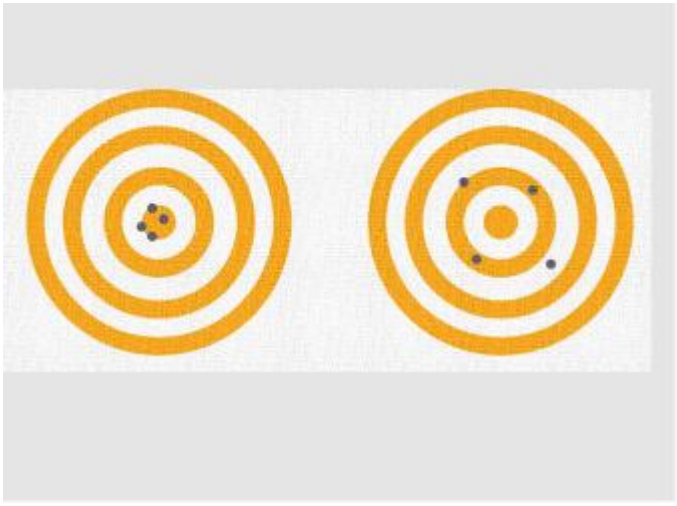
One result may have several targets

To set a target, a baseline measure is needed

Baseline…

A figure where the organization or the community is now.

This figure is an average (of at least 5 measures)



Tolerance…

Accepted percentage of deviation from a target

… you also need some tolerance…

Example of target…

Examples households with solar panels:

43%

41%

39%

Results: Municipal households use electricity from less polluting sources

Target: To increase by **5%** the percentage of households with solar panels in Bodrum by 2022

Baseline for the period 2016-2021: 37%

Tolerance: 2%. Acceptable: 41%, 42%, etc %) 3% of reduction is not accepted.

Indicator: Percentage of households that use electricity from solar panels

40

Example of a scorecard with a traffic-light system…

Result	Indicator	Base	Target	Tolerance	Measurement
Environmental management					
Wastewater is reused	Rate of wastewater used for gardening	75	78	1	79 ☺
Water losses from the network are reduced	Water theft-loss rate	15	11	0	13 ☹
	Water loss rate due to leakages	60	58	5	65 ☹
Recycled solid waste increases	Rate of solid waste properly recycled	22	27	2	24 ☹
	Number of tonnes of recycled waste per capita	0.15	0.21	0	0.22 ☺
	Average time needed to replace a full container of recycled waste	4	1	1	2 😐
Urban transport					
Workers use public transportation for commuting to work	Percentage of resident workers that use transportation regularly for work	23	35	2	37 ☺
Public transportation costs are reduced	Average cost per kilometre per passenger of mass transport	65	70	2	73 ☺
Passengers are satisfied with public transportation	Satisfaction rate with public transportation services	55	60	1	56 ☹

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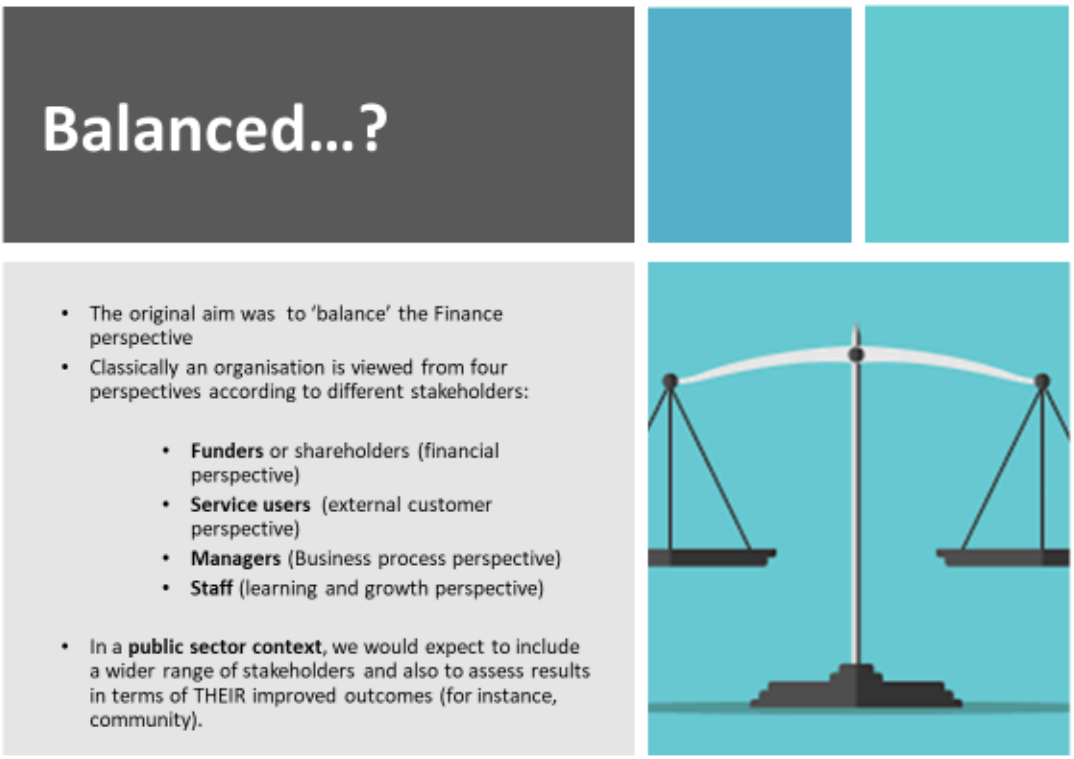
1.8 The Balanced Scorecard (BSc)

A Balanced Scorecard (BSc) is a performance system that helps organisations identify and improve their internal operations to support external outcomes (see an alternative but similar definition in the Illustration). Through the BSc, the organisation can monitor the achievement of the strategic priorities. It measures past performance data and provides organisations with feedback on making better decisions in the future. The performance metric of the BSc has a strategic focus. It can either strengthen the strategy already established by other means or be used as a strategic tool.

Source: Niven 2002

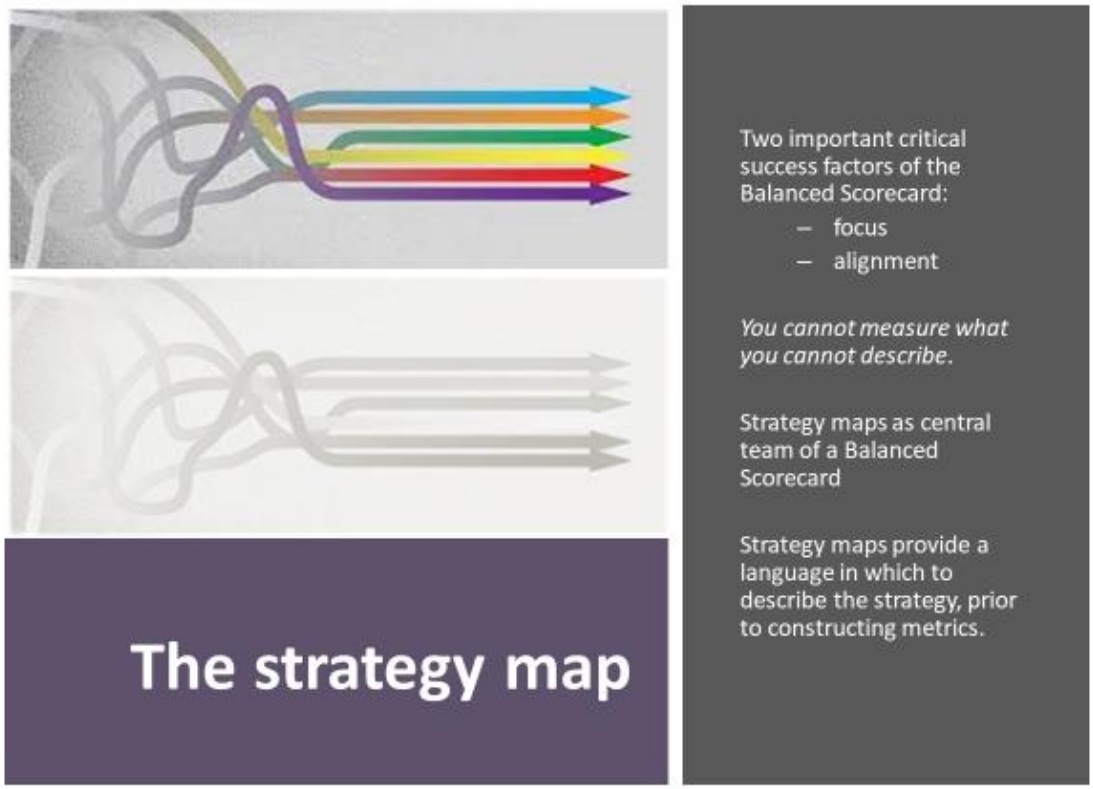
There are other scorecards to measure the progress towards results. The advantage of the BSc is that it offers a more "balanced" view of different perspectives. It forces the authorities not to just think in financial or staff terms but also users and citizens. The following two illustrations show how different perspectives balance each other.



The building process of a BSc entails three broad phases. The first step is to identify the strategic results from the BSc perspectives: learning and growth, internal business processes, customer, and financial. In the public sector, a municipality is likely to include a fifth perspective related to the whole

community. This perspective is not generally encapsulated in the other perspectives. In Turkish municipalities, the strategic plan should offer inspiration to build up the strategic results. In some cases, the transformation of strategic actions into results is needed to fill in the different perspectives of the BSc.

A second step would be creating a strategy map (see some indications in the Illustration). The strategy map ensures that the organisation's internal operations help achieve external outcomes, i.e., managing finances, processes, and staff should help have more satisfied customers and a better or happier community. However, since it is suggested for Turkey a simplified version of the BSc, it is sufficient for now to focus on strategic results at different levels of the organisation without forcing the search for strategic maps.



A final step is to outline the performance indicators that would help to measure the progress towards results. These steps to build up a BSc are expanded in the subsequent illustrations.

Steps to implement a BSc (1)

How to complete a Balanced Scorecard for your organization

1. **Strategy** – are you clear about the main aim of the organization?

2. **Results**- Identify the most important things to get right to achieve the strategy (don't worry about the perspectives initially and avoid infinitives)

3. **Perspectives** – How far have you covered each of the four perspectives?

Source: Adapted from Niven 2002

Steps to implement a BSc (2)

4. **Test out your results** with colleagues and staff.

5. **Adjust or add** to the perspectives

6. **Refine the results**. Are these really the most important things for your organisation to get right?

7. **Select indicators and targets for each result** (with lead and lag performance indicators). Does the indicator help you to assess your progress towards the results– or is it just something you can measure?

8. Are you now clearer about what you need to focus on?

Source: Adapted from Niven 2002

To offer a better description of how the BSc works, the following illustrations detail how the BSc has been implemented in a Borough District of London (Barking & Dagenham).
The first observation about the BSc of this district municipality is that the BSc has been tailored to meet the municipality's needs. It added a fifth perspective (Community), for instance.

The following three illustrations set the context in which the BSc has been applied.

Scale

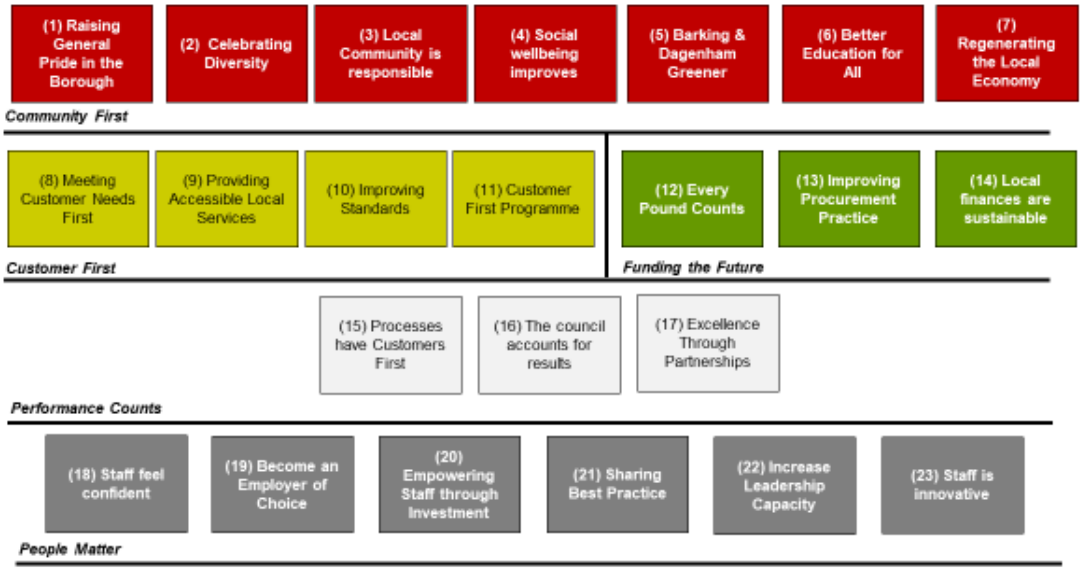
Population - 164,000
Gross Budget - £410 m
Staff - c7,000

The subsequent two slides offer an overview of the perspectives used in this municipality. A prior observation of the system is that the different perspectives do not have the standard orthodox names of the BSc system. For instance, instead of having a Financial Perspective, they have decided to call it: "Funding the future".

The following illustrations offer an overview of some strategic results and the measurement through performance indicators. These strategic results and indicators are tailored for the English system. Therefore, it would not make much sense to copy them directly for Turkish municipalities. There are,

for instance, some results and performance indicators related to education and health that are not relevant to the Turkish context. Apart from exemplifying the BSc for the municipal level, the last two slides offer an example of a BSc for a particular service.

The Barking and Dagenham Council Scorecard



Source: Adapted from Barking and Dagenham Council Balanced Scorecard

The Council Scorecard Performance Indicators 2004/05

Community First

CS1	% of residents with a positive perception of the Borough
CS2a	The level of the "Equality Standard" for local government to which the Council conforms
CS2b	% of public sector bodies operating in the borough that have an Equalities Policy
CS2c	% of public sector bodies operating in the borough that monitor the Equalities Policy.
CS3	% of residents who feel involved / consulted with
CS4a	Number of deaths by Heart Disease (per 100,000)
CS4b	All cancer mortality rate
CS4c	Under 18 conception rate
CS4d	% of homes that meet the decency standard as a % of total public stock as at 1 April
CS4e	% of homes that meet the decency standard as a % of total private stock
CS5a	% of residents surveyed who said that they feel 'fairly safe' or 'very safe' after dark whilst outside in the local authority area
CS5b	% of residents surveyed who said that they feel 'fairly safe' or 'very safe' during the day whilst outside in the local authority area
CS5c	% of residents with a positive perception of the overall appearance of the Borough
CS6a	% of education & learning indicators above national average
CS6b	% of education & learning indicators at or above top quartile
CS7	Average income ranking of B & D citizens in comparison with the rest of London (33 London authorities)

Customer First

CS8	% of residents satisfied with the overall service provided
CS9	% of fair access indicators at or above top quartile
CS10	% of quality and service outcome indicators at or above top quartile
CS11	% of enquiries dealt with fully on first point of contact

Funding the Future

CS12a	% of cost indicators in the best quartile
CS12b	% of capital budget spent against the programme
CS13a	% of residents satisfied with services provided by services provided under contract" (to focus on external impact of procured services)
CS13b	% of spend internal vs external spend
CS13c	% of improvement in customer satisfaction of services delivered through contract
CS13d	% of contract variance compared to contract price (to monitor contract compliance and process)
CS14	% of key milestones in Medium Term Financial Strategy (MFTS) achieved

Performance Counts

CS15	The number of types of interactions that are enabled for electronic delivery as a % of interactions that are legally permissible for electronic delivery
CS16a	% of BVPIs in top 25% (excluding cost based PIs)
CS16b	% of BVPIs in middle 50% (excluding cost based PIs)
CS16c	% of BVPIs in bottom 25% (excluding cost based PIs)
CS17a	% of available brownfield land used for development purposes
CS17b	% of PSA targets met on an annual basis

People Matter

CS18	1-10 rating by key stakeholders of average score against 7 reputation drivers
CS19a	The number of working days/ shifts lost de to sickness absence (BV12)
CS19b	% of staff working flexibly
CS19c	Staff Attitude Survey - % stating that B&D is a good employer
CS20a	Corporate IIP achieved. Yes or No?
CS20b	Level of IIP accreditation achieved
CS21	% of managers able to demonstrate that they share best practice-
CS22a	Number of members who have a personal development plan
CS22b	% of staff satisfied that the leadership of their manager enables them to place their work in the context of the Community Priorities and/or strategic objectives
CS23	Suggestions please?

Cascading down the BSc: Service Scorecards

Each of the 29 Service heads produces

- A service Strategy (or strategies)
- A scorecard with the same 5 perspectives, but considering specific service pressures
- An implementation plan of how they will deliver the Scorecard

Department of Education, Arts and Libraries

Lifelong Learning and Inclusion Balanced Scorecard

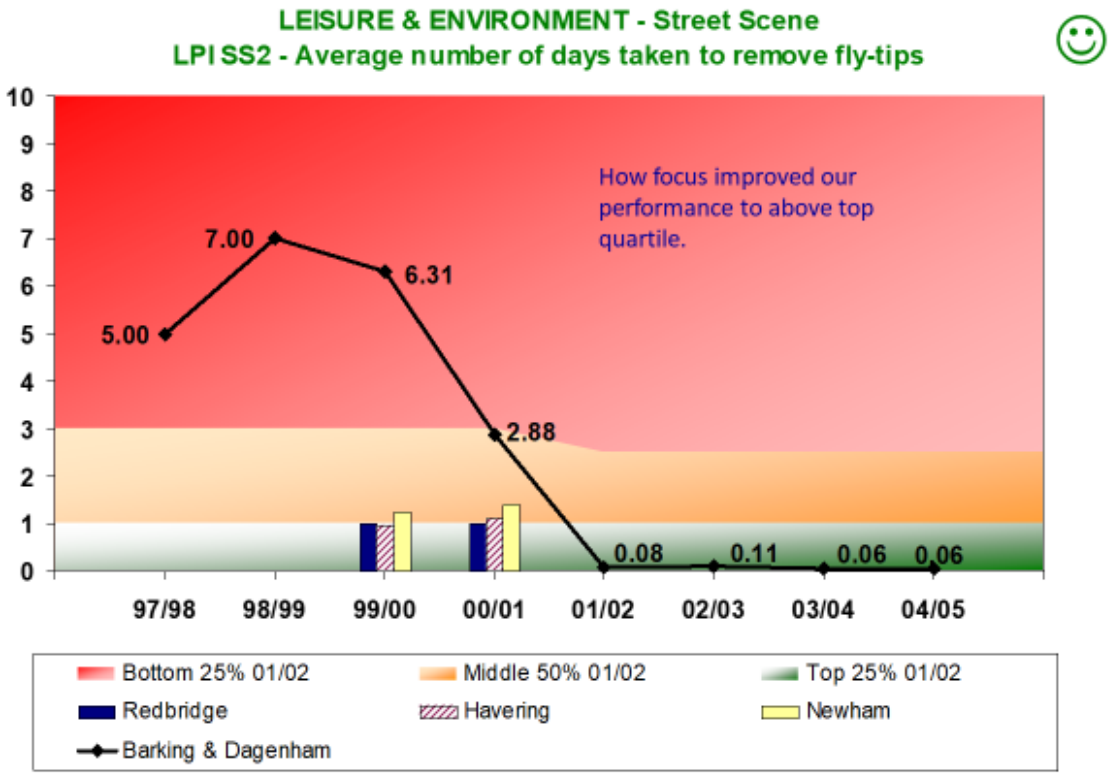
Community First		
Objectives	*Csc Obj(s)*	*PI(s)*
1) Raising aspirations and standards	6	a) BV 38 - % of 15 year old pupils achieving 5 or more A* - C grades at GCSE
		b) BV 39 - % of 15 year old pupils achieving 5 or more A* - G grades (including English and Maths) at GCSE
		c) The average point score of pupils taking 2+ A-levels
2) Early intervention	6	a) A reduction in the proportion of pupils with statements of SEN
		b) BV 44 – Number of pupils permanently excluded during the year from all schools maintained by the LEA per 1,000 pupils at all maintained schools

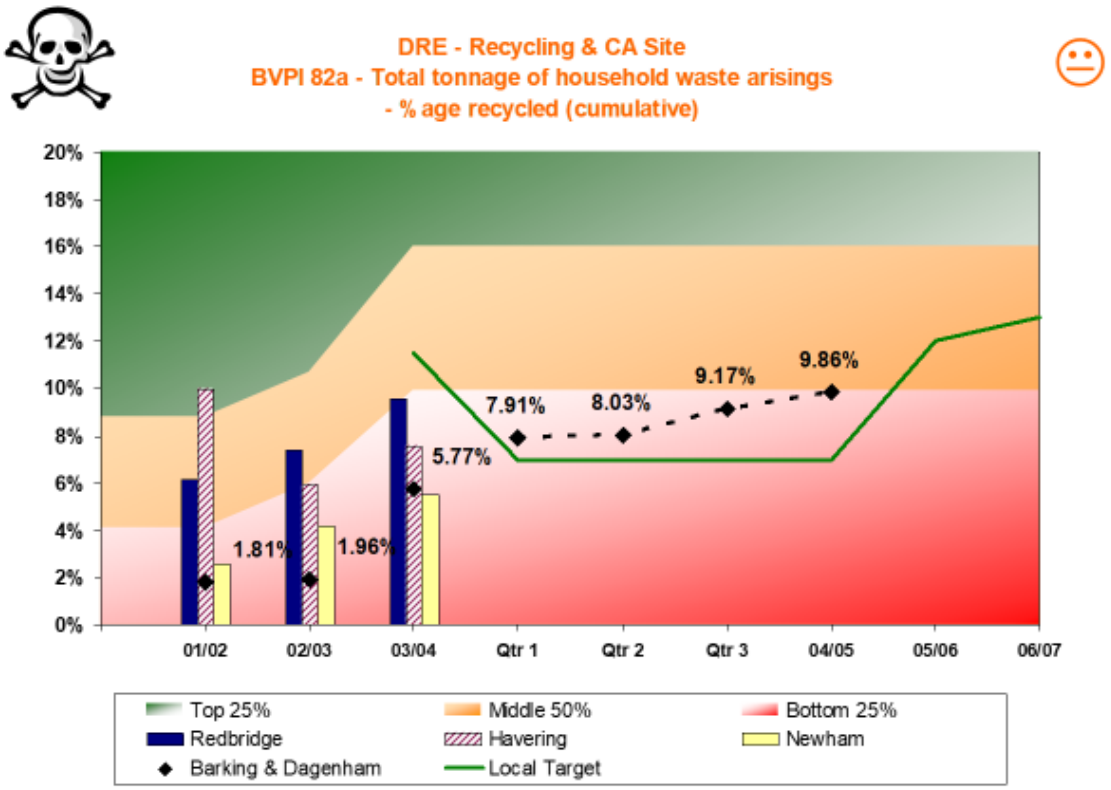
Customer First			Funding the Future		
Objectives	*CSc Obj(s)*	*PI(s)*	*Objectives*	*CSc Obj(s)*	*PI(s)*
3) Focus on full range of learners needs	9, 11	a) Adult learning programmes accurately reflect the outcomes of the annual survey of need (Learning and Skills Council)	6) Effective use of all available sources	12	a) % variance of actual spend to budget
		b) Improving educational attainment of looked after children (PSA target 1)			
4) Maximise participation rates	9, 11	a) The number of pupils progressing on to HE	7) Effective use of national and local initiatives	14	The % of external funding secured, spent on pursuing the Division's strategic objectives
		b) Enrolments on Adult Education courses per 1000 adult population.			
		c) BV 45 - % of half days missed due to total absence in primary schools maintained by the LEA			
		d) BV 46 - % of half days missed due to total absence in primary schools maintained by the LEA			
5) Work effectively with a range of partners	10	The number of partners formally contributing to the Division's strategic objectives.			

Source: John Tatam, former Manager from Barking and Dagenham Council

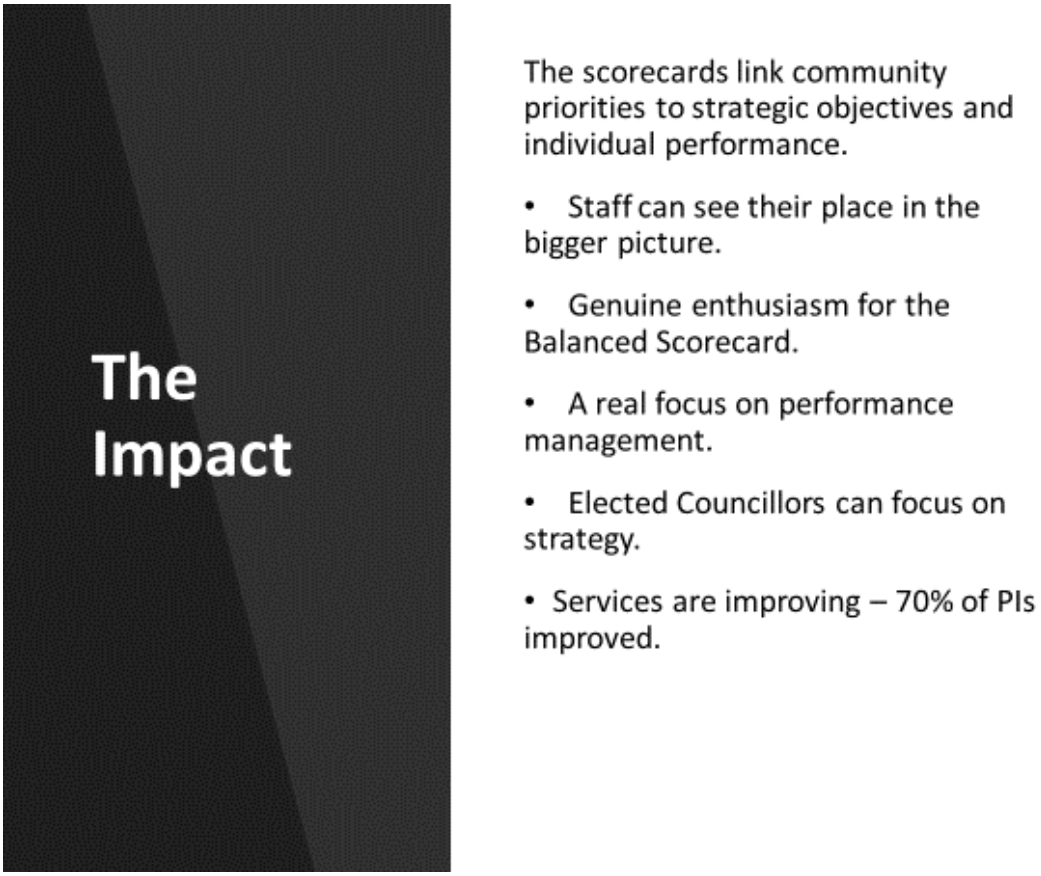
The following two slides offer an overview of the reporting system for each indicator. Generally, a graphic with time series is generated. It presents the performance of Barking & Dagenham against past

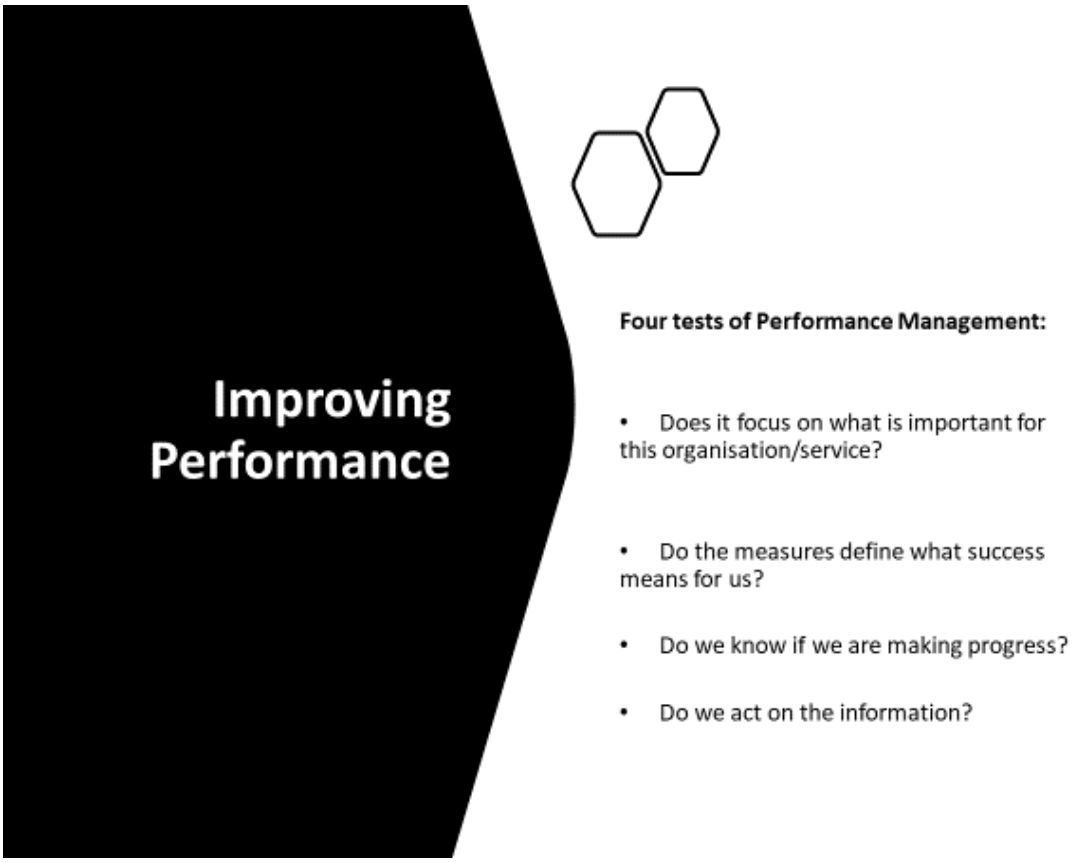
performance and compared it to other district municipalities with similar features. The reporting system is conceived as a simple Scorecard and as a more detailed and zoomed view of each indicator.





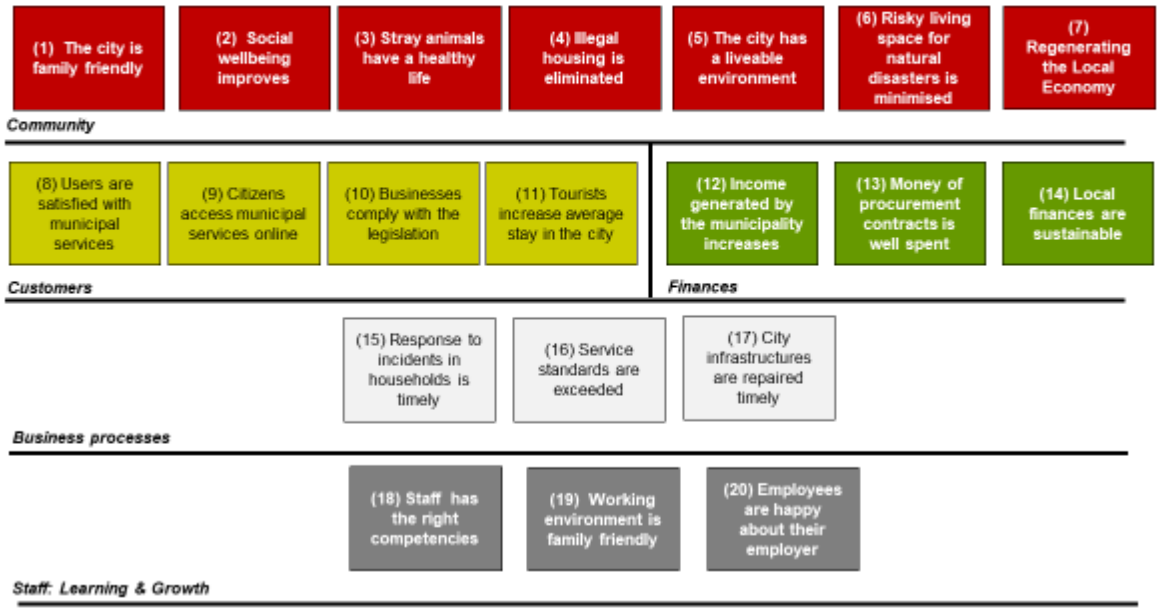
This example finishes with three illustrations that portray some conclusions of the relevance of the BSc for the municipality and the lessons learned from this instrument.





The following two examples offer illustratively what a BSc for a Turkish municipality could look like. It is not expected that all municipalities would have the same priorities. Some of the priorities can be easily shared, though.

An example for a Turkish municipality (an illustration)…



Community

CS1a % citizens who believe that this is a good city to raise children.
CS1b % citizens who believe that this is a good city for senior people to live.
CS1c % citizens satisfied with the life in the city.
CS2a % citizens who live under the poverty line and are not given social aid
CS2b % households that receive social assistance (out of the total in need)
CS3 % of stray animals that are identified and treated
CS4 % of illegal houses
CS5a % of citizens that use the parks weekly
CS5b Number of square meters of active green space per citizen
CS5c % of days (in the year) when sulphur dioxide (SO2) rate in the air exceeds 125 µg / m3
CS6a % of houses that architectonically proven against earthquakes
CS6b Number of square meters of empty space for gathering citizens during an earthquake
CS7 % of households that have earnings higher the minimum interprofessional salary
CS7a % of domestic waste recycled
CS7b Average time taken to remove fly tips
CS7c % of residents satisfied with the attractiveness of the municipality

The Scorecard for a Turkish Municipality (an illustration)

Users

CS8a % of citizens satisfied with the municipal services
CS8b % of complaints per service provided
CS9a % of citizens receiving the whole municipal service digitally
CS9b % of citizens registered in the e-Municipality system
CS10 % of restaurants and bars that comply with municipal regulations
CS11 Average number of nights that tourists stay in the city

Finances

CS12a % of own revenue to total revenue
CS12b % of revenues collected to revenues accrued.
CS12c % of revenues from tourism
CS13a % of spend internal vs external spend
CS13b % of contract variance compared to contract price
CS14a % of debt compared to budgeted income
CS14b Average debt per capita

Business processes

CS15a % timely arrival by fire brigade
CS15b % repairs of water infrastructure for households done in one day
CS16 % service standards that are exceeded by 5%
CS17a % potholes in the road that are repaired within a week
CS17b Average time needed to repair defect streetlamps

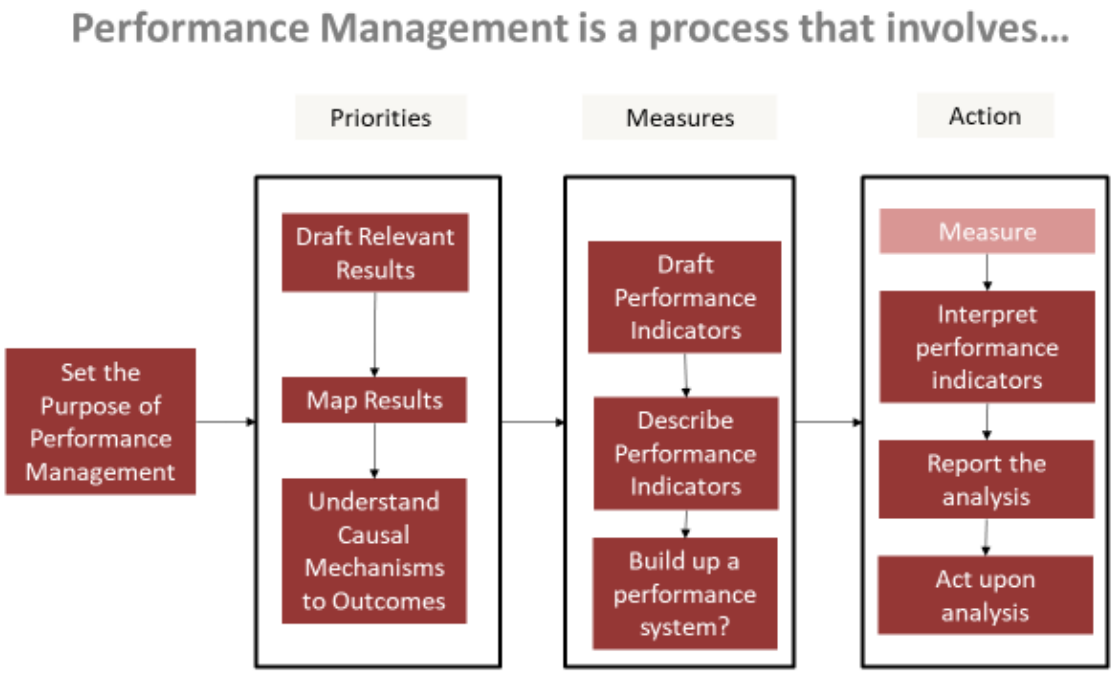
Staff: Learning & Growth

CS18a % staff whose competencies match their job
CS18b % staff obtaining a good score in training exams
CS19a % staff working from home at least once a week
CS19b % staff with children who enjoy flexible entry time
CS20 % staff satisfied with their employer

PART 6: ACTION: MEASURING, INTERPRETING, REPORTING AND ACTING UPON PERFORMANCE

1.9 Measuring performance

The next stage of the performance management system is linked to the third phase (Action) which implies measuring, analysing and reporting and acting upon the data (See the following Illustration)



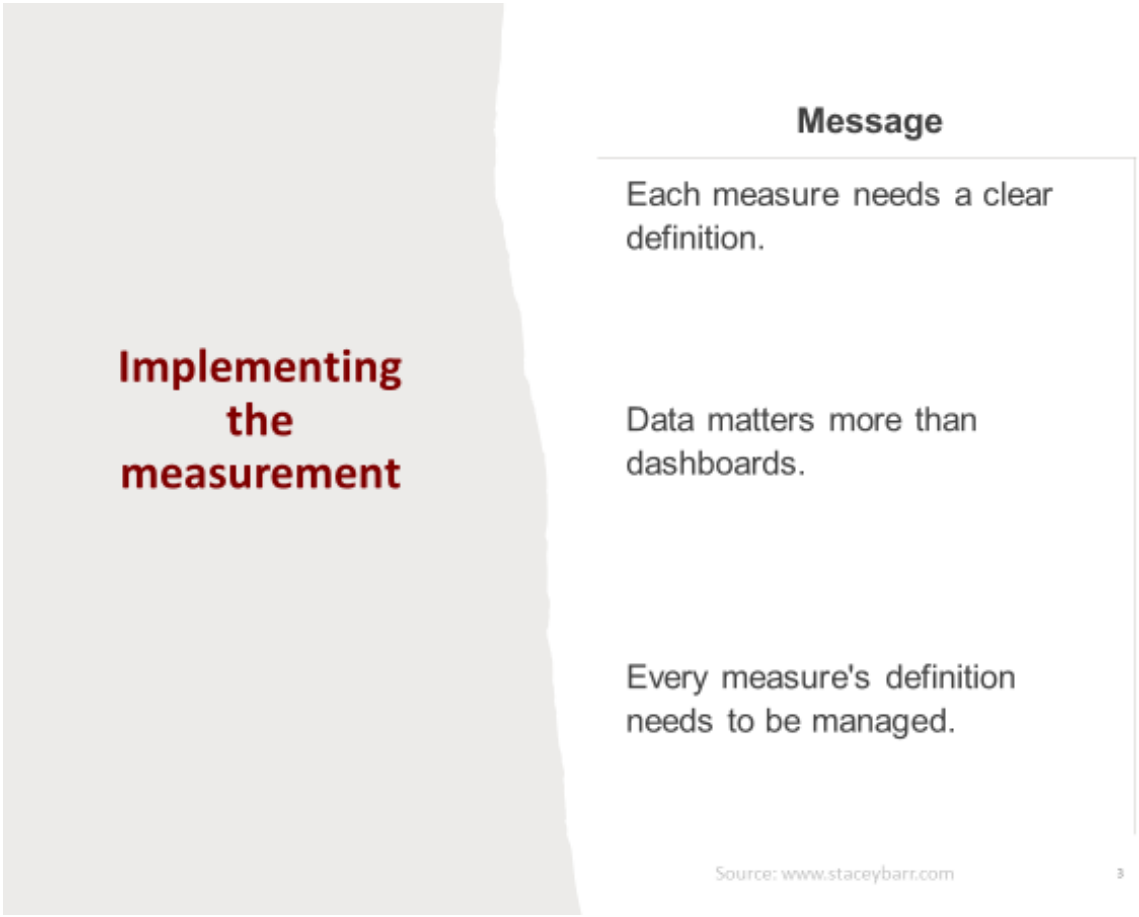
Source: Adapted from Barr 2014

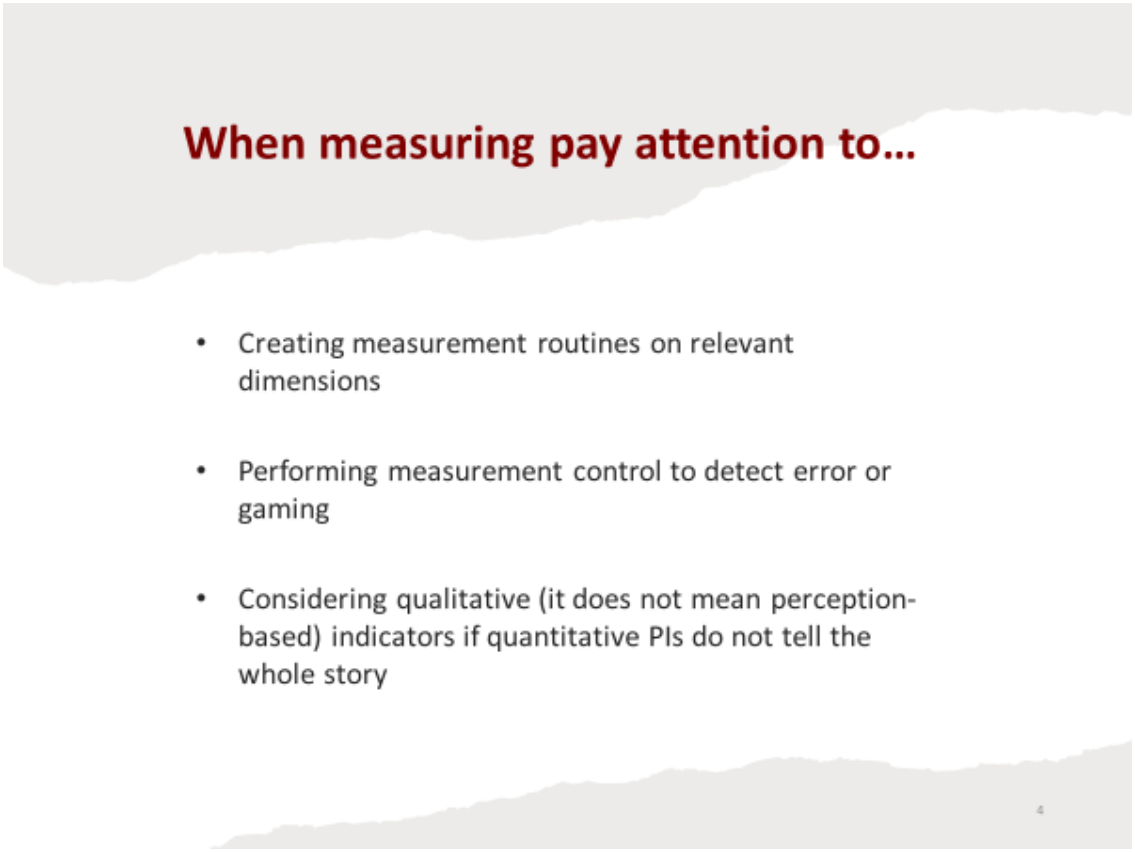
The value of performance measurement does not lie in the information obtained per se. There is no point in having many indicators or reports if they are not integrated into decision-making and management improvement processes. While this represents a significant challenge for most public administrations, it is possible to overcome it by establishing clear routines and incentives for adequate performance information. First measure and interpret, then decide and improve.

Measuring involves establishing routines that allow information to be collected for later use. There is a diversity of instruments (forms, surveys, digital records, counters, citation systems, among others). Here we will focus on the fundamental principles of measurement, not its instruments. First, measurement routines on what is relevant must be automated. Fortunately, technology assists us in automation. Digital applications allow information to be automatically recorded in databases. Artificial intelligence can extract patterns of relevant information from text strings.

Second, control activities minimise measurement errors or sabotage by those measuring, being measured or interpreting the information. Data monitoring and validation help to debug incidental manual measurement inaccuracies. In the face of intentional errors, strategies must be devised to make the measurer independent of those being measured. There is a temptation to misbehave when there are sanctions for negative results. Some schools in Mexico and the United States adopted all kinds of tricks to prevent their students from getting low scores in the national competitive exams. That way, they could obtain the economic incentives or not lose them. The Greek authorities

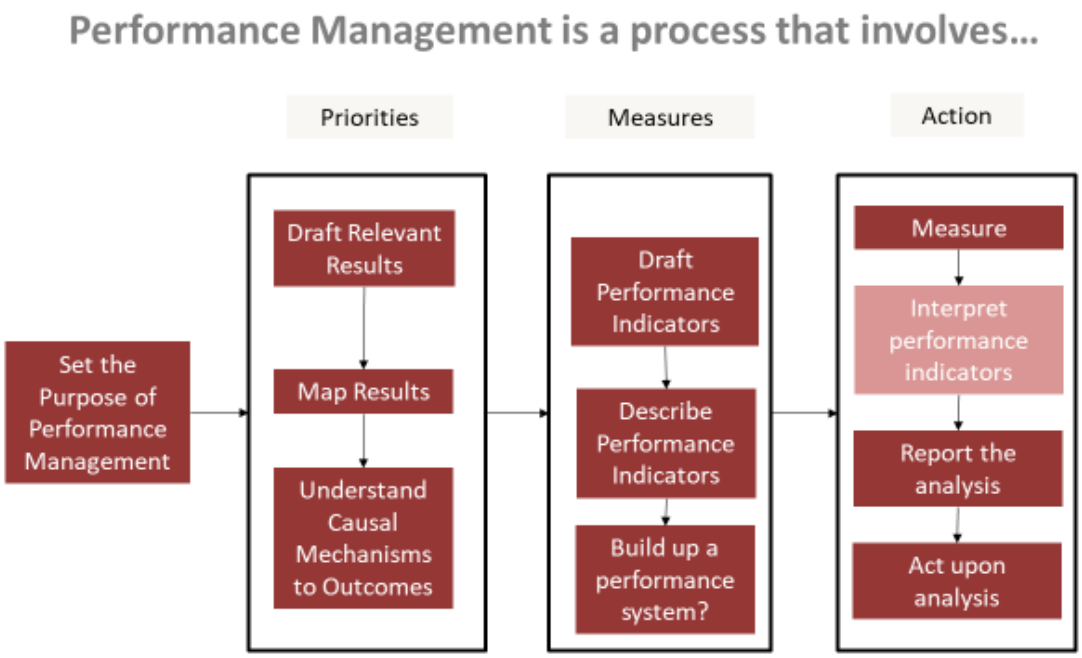
misrepresented their financial data for years to the European Commission, which resulted in an amplified disaster during the crisis of the late 2000s. Reasonable control helps to minimise these problems. The following illustrations summarise the points made above.



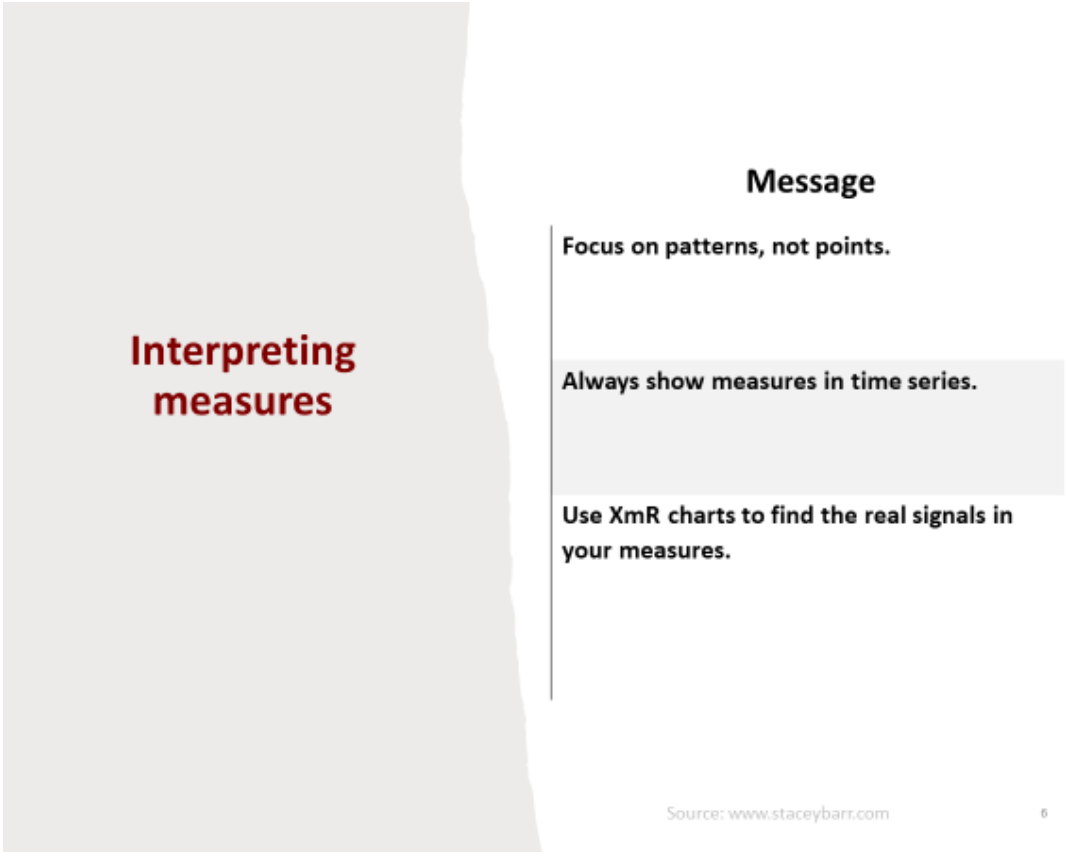


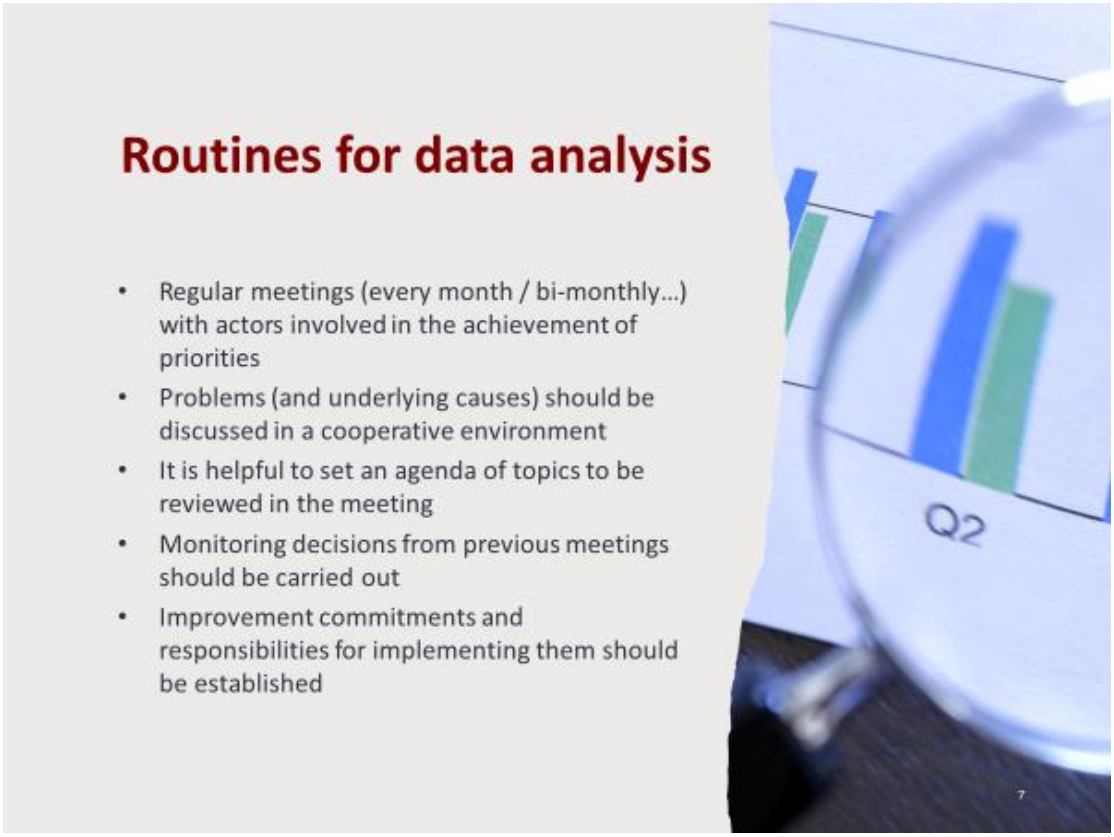
1.10 Interpreting performance indicators

To move from measurement to performance management, routines must be established to analyse the data. Routines consist of time slots where decision-makers discuss progress towards results. It is considered routine when it is already part of the organisation's modus operandi. At first, it serves to examine whether what is being measured is an indication of performance. Gradually, the credibility ofthese meetings helps to adopt commitments for improvement. It is desirable to build a frank and collaborative climate based on evidence. The existence of these routines sends the message to the rest of the organisation that measurement is valuable, not just another requirement to be met. The characteristics of the sessions can help to discuss measurement results.

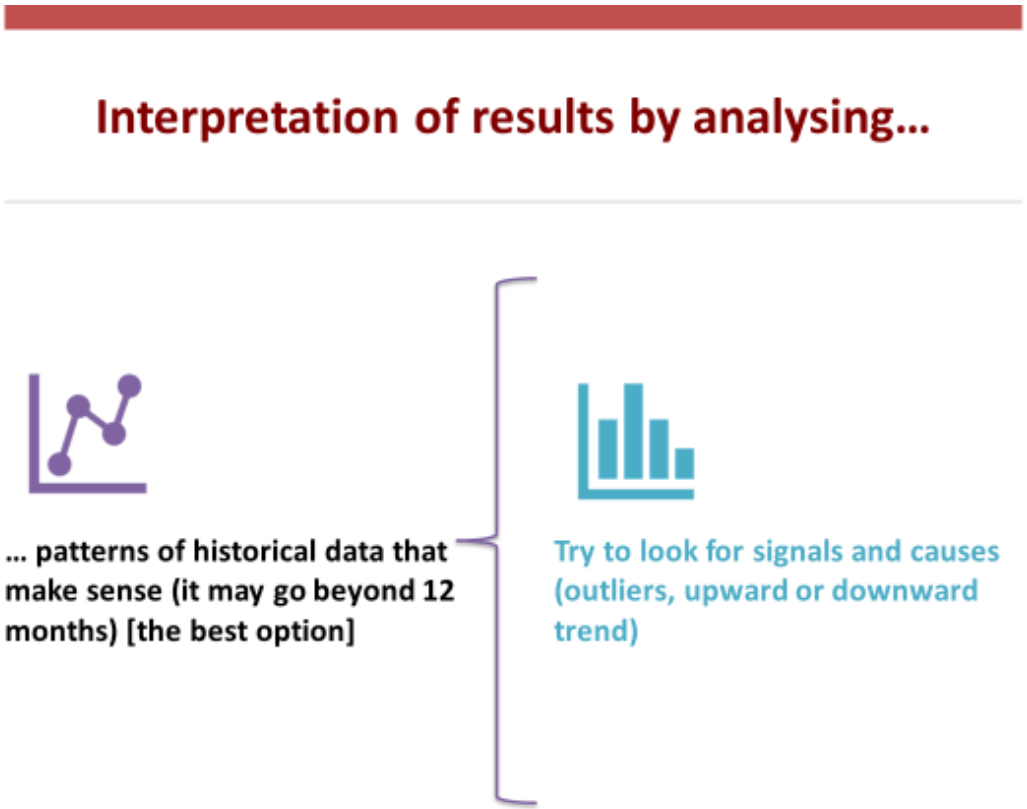


The next two illustrations offer an overview of the most relevant elements of the routines for analysing the data.





A vital part of the interpretation is based on visual tools. The primary recommendation is to look for trends and causation, not for isolated measures.



There are two basic systems to interpret the data: the scorecard with (or without) a traffic light system and the mean vs range chart, also called the XmR chart. The scorecard with the traffic light (or emoticon 😊☹😐) system, according to Few (2006), is a visual system for directing attention to how a measure is performing at a specific point in time relative to what is expected or scheduled. This is typically used for scoreboards and is a good solution at the beginning of the measurement process.
The dashboard format is more straightforward than the sophisticated 'dashboard' supported by many colours and information, similar to the automobile dashboard. Apart from the fact that its interpretation becomes even more problematic for people with colour blindness, this format runs the risk of providing a lot of information that is difficult to interpret.
The dashboard with the traffic light or emoticon system is based on the existence of four types of information: baseline (discussed above), the current measurement, the target to be achieved and the tolerance for (in)compliance with the target (see table below). The colour philosophy implies that meeting the target corresponds to the green colour (😊); non-compliance with the target, but within the tolerance range, is assigned amber (😐) and non-compliance, outside the tolerance range, assumes the red colour red (☹). Measurements located in the red colour should attract the attention of decision-makers and appropriate remedies.

Example of a scorecard with a traffic-light system...

Result	Indicator	Base	Target	Tolerance	Measurement
Environmental management					
Wastewater is reused	Rate of wastewater used for gardening	75	78	1	79 ☺
Water losses from the network are reduced	Water theft-loss rate	15	11	0	13 ☹
	Water loss rate due to leakages	60	58	5	65 ☹
Recycled solid waste increases	Rate of solid waste properly recycled	22	27	2	24 ☹
	Number of tonnes of recycled waste per capita	0.15	0.21	0	0.22 ☺
	Average time needed to replace a full container of recycled waste	4	1	1	2 😐
Urban transport					
Workers use public transportation for commuting to work	Percentage of resident workers that use transportation regularly for work	23	35	2	37 ☺
Public transportation costs are reduced	Average cost per kilometre per passenger of mass transport	65	70	2	73 ☺
Passengers are satisfied with public transportation	Satisfaction rate with public transportation services	55	60	1	56 ☹

41

Graphics are an alternative to scorecards. Sometimes, the graphics can be embedded in the scorecard. The following slides offer examples of good and bad graphic design. It starts by defining a dashboard, which is a flashy way to portray information. However, as maintained above, it does not always do the job.

Dashboards

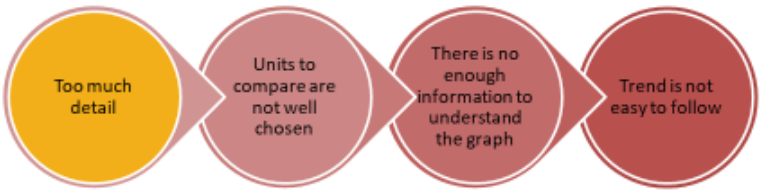
A dashboard …

… is a visual display of the most important information needed to achieve one or more results; consolidated and arranged on a single screen so the information can be monitored at a glance."

(Few, 2006, p. 26.)

9

Some common mistakes when drafting graphs & dashboards…

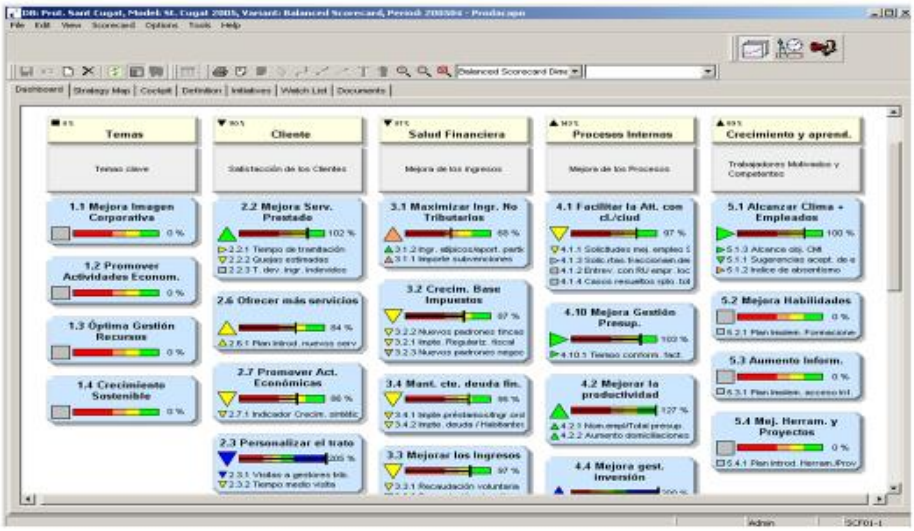


Source: Adapted from Few 2006

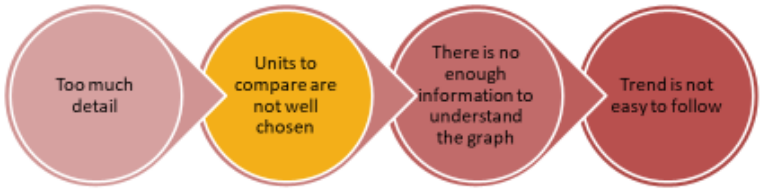
11

Too much detail

Too much detail



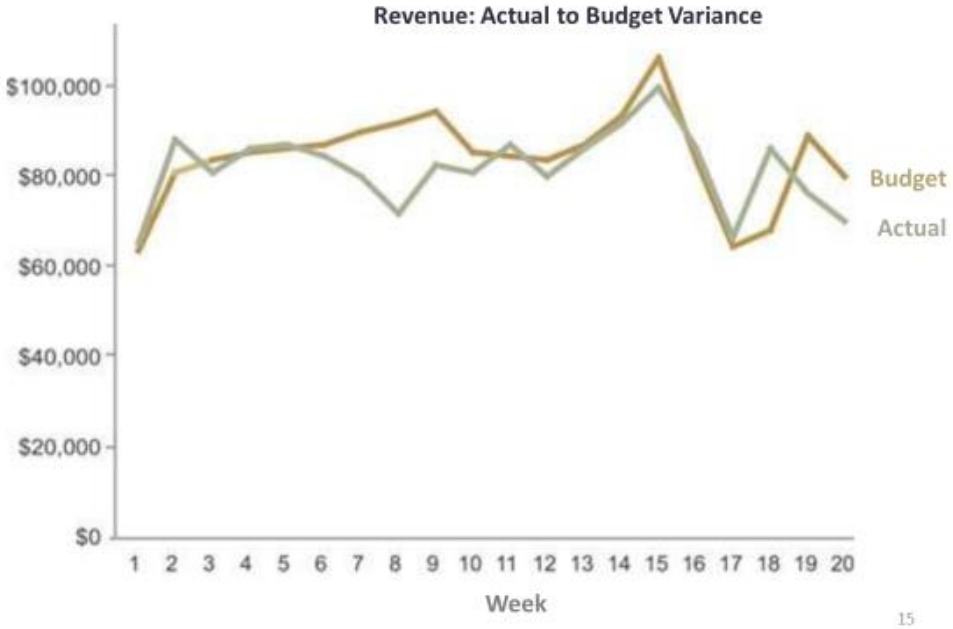
Some common mistakes when drafting graphs & dashboards…



Source: Adapted from Few 2006

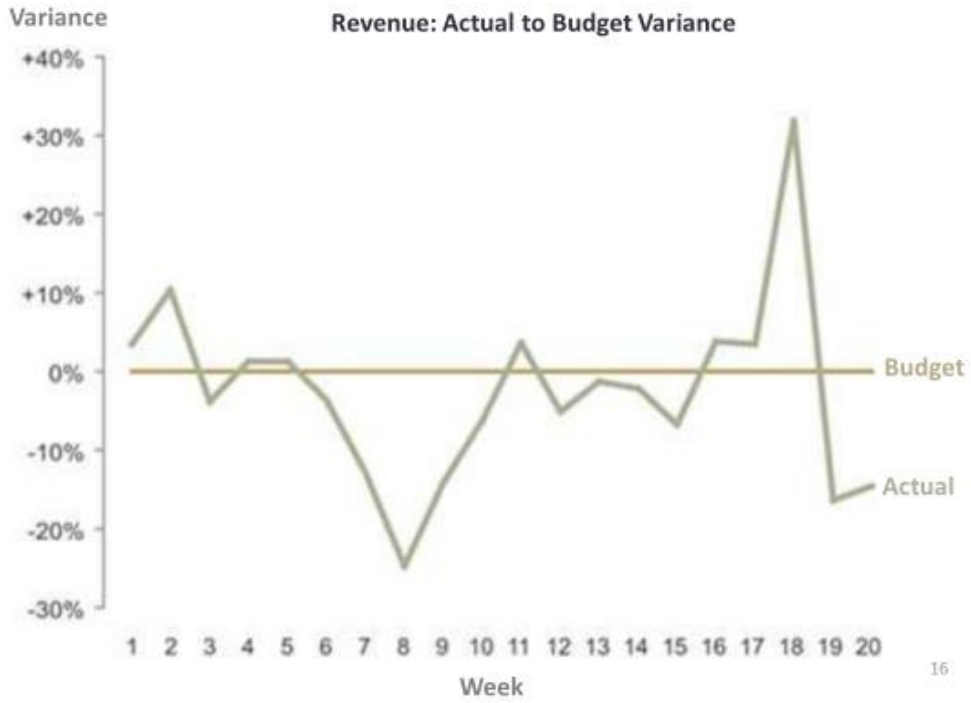
14

Units to compare are not well chosen (I)



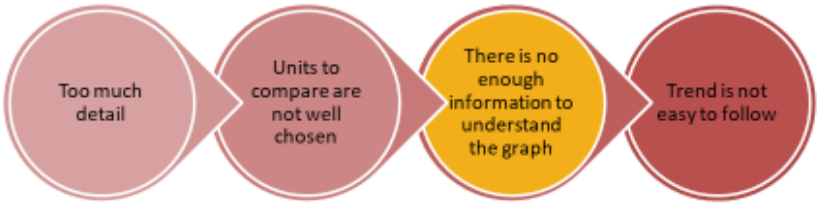
15

Units to compare are well chosen (II)



16

Some common mistakes when drafting graphs & dashboards…

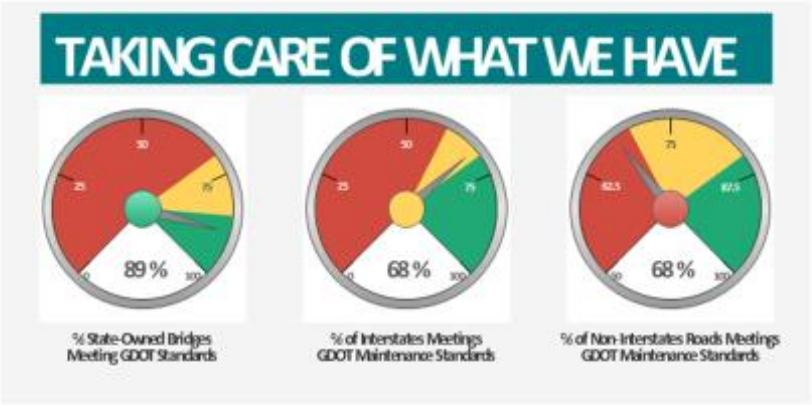


Source: Adapted from Few 2006

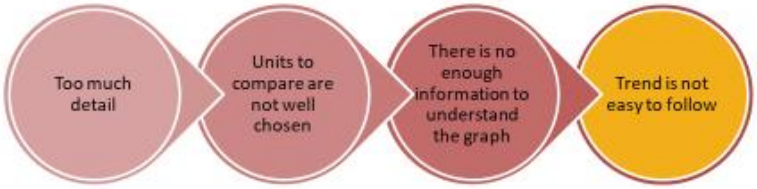
17

There is no enough information to understand the graph (I)

There is enough information to understand the graph (II)



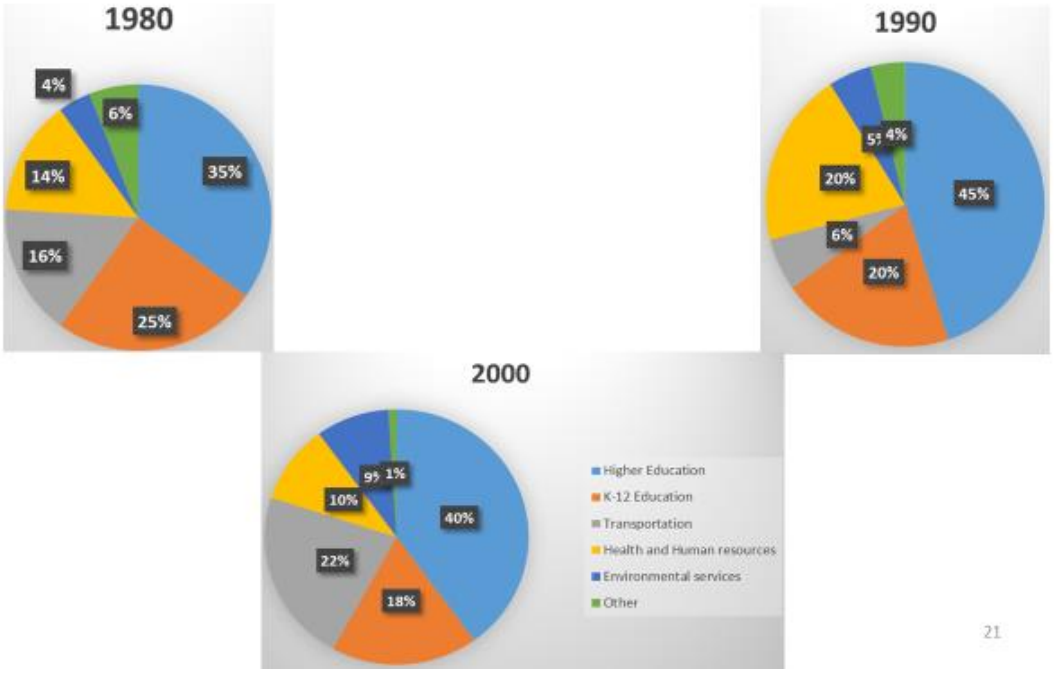
Some common mistakes when drafting graphs & dashboards…



Source: Adapted from Few 2006

20

Trend is not easy to follow (I)



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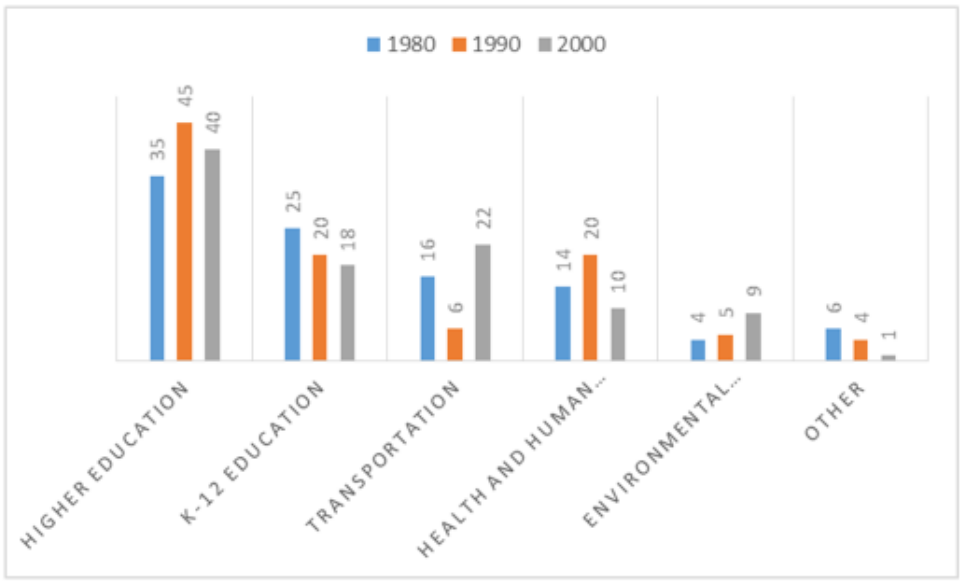

According to Barr (2017), the main problem with interpreting information is that a single figure is isolated from its time sequence. This applies to most of the examples shown above. What if the chosen data has an anomaly and is an outlier? A statistical analysis of the data would benefit from a range of values to understand whether the variation of what is being measured is within the expected range of variability. On the contrary, signs of minor or more relevant changes are occurring. The trend versus the comparison of two-point data ensures that a tailored corrective measure is implemented.

Compared to traffic light dashboards, the XmR chart with mean and range lines quantifies patterns of variation. The statistical way of calculating them provides unambiguous rules for detecting minor changes, outliers or significant changes. In this way, it is possible to assess whether the change is adequate (progressing along the expected line) or unacceptable. In XmR charts, the priority equivalent to the traffic light system can be established by different shading intensity: dark colour when there is chaotic performance (the process is not under control), or there is a change in the wrong direction; medium shading, for neutral and static performance; light shading when the performance is heading in the right direction.

Indicators should provide the current level of performance and whether that performance is changing, but how many times should it be measured before you can begin to interpret the progress (negative or positive) of the measurement? To answer these questions reliably, it is necessary to have sufficient information and several values of the same indicator so as not to draw erroneous conclusions.

The following sequence of illustrations shows the reasoning behind an XmR chart.

How to improve the clarity of a graph? Through…

CHOOSING DATA (ONE DIMENSION/ QUESTION PER GRAPH)

HIGHLIGHTING THE IMPORTANT ELEMENTS

ELIMINATING CLUTTER INFORMATION ON THE GRAPH

MENTIONING THE MEANING OF THE INDICATOR THAT APPEARS IN THE GRAPH

STATE THE SCOPE OF INTERPRETATION (WHEN RELEVANT)

PROVIDE THE SOURCE OF THE DATA

Source: Adapted from Barr 2014

How to make a useful performance report: tables, any graph or XmR Charts

Graphs are normally preferred because they…

- Take up less space than tables
- Are more persuasive
- Help to shape the interpretation of the data

But fancy graphs with dials and gauges, and all the 'chartjunk' may blur the ability to understand the graphics…

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Could you analyse the following table?

Users' satisfaction rate

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016	35	32	34	31	35	38	38	35	33	35	38	37
2017	36	38	35	37	36	34	36	31	36	37	39	38

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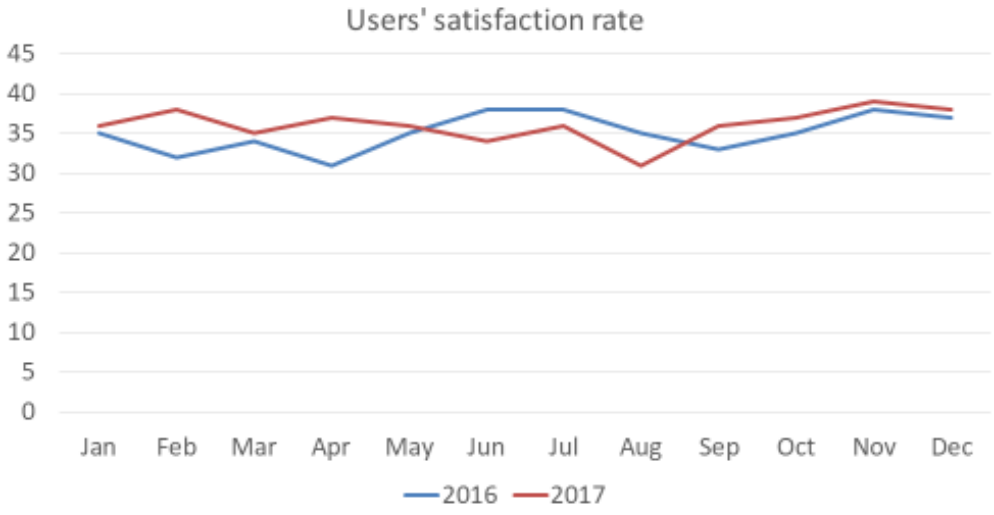
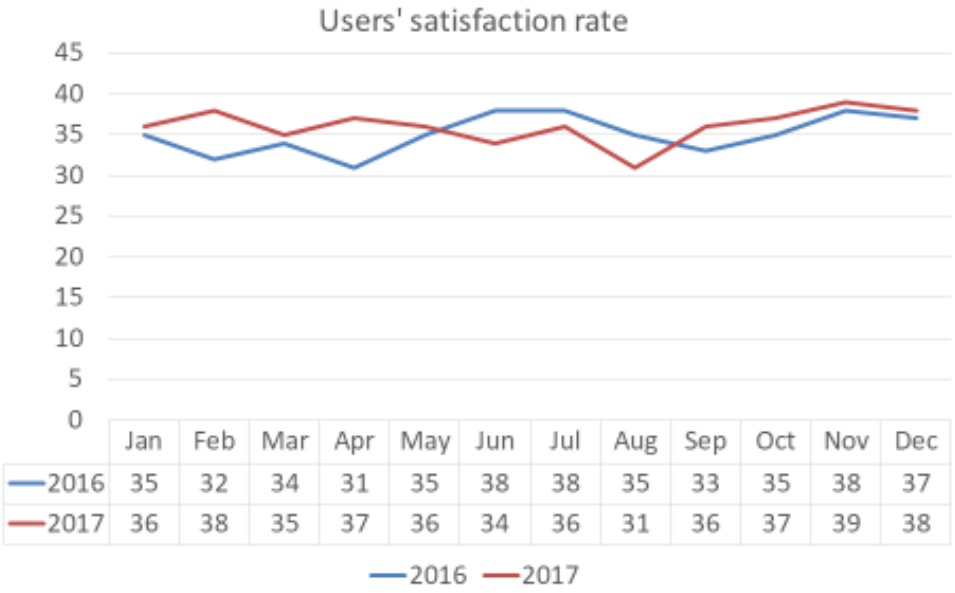
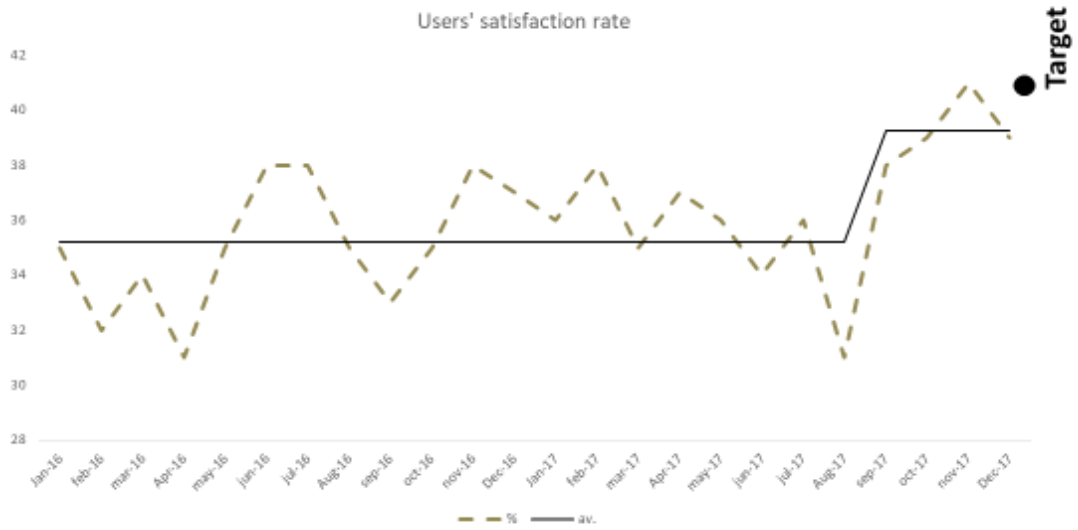
Is it easier now?



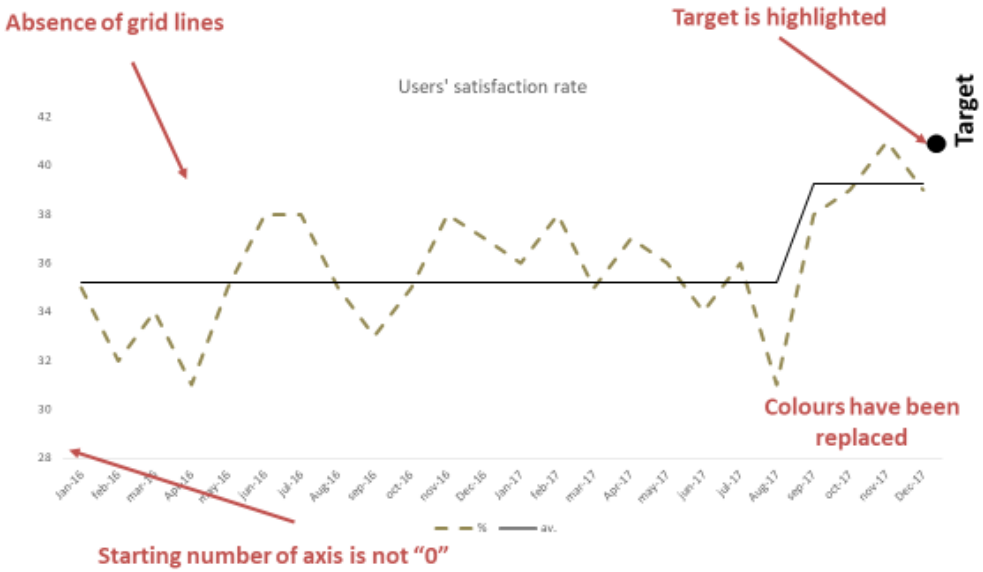
Do you really need the data?



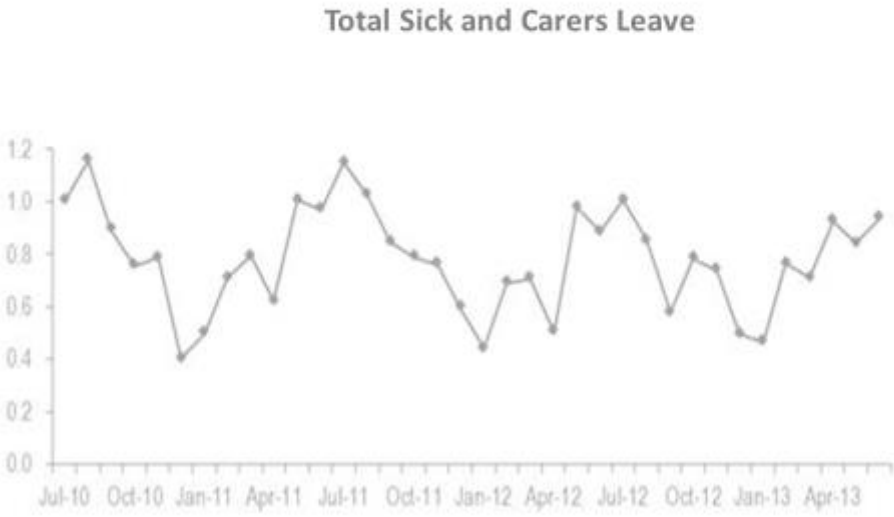
Can you see better what is happening (XmR Chart)?



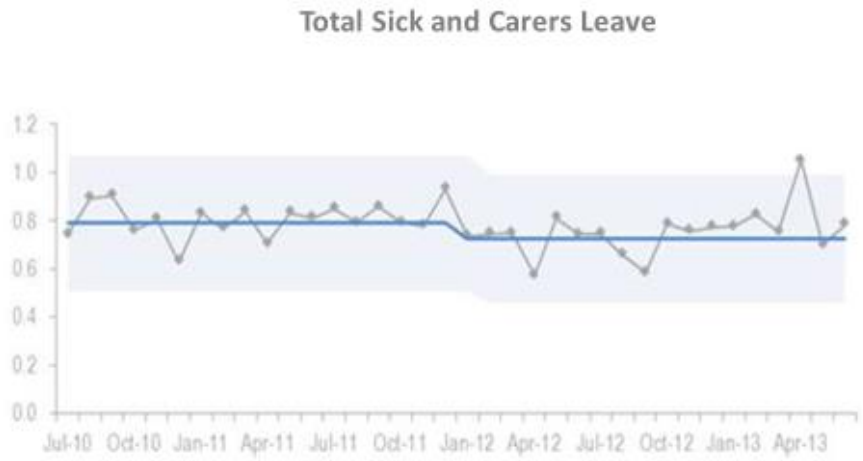
Can you see better what is happening (XmR Chart)?
(Details of the graph)



The season effect



The season effect, corrected

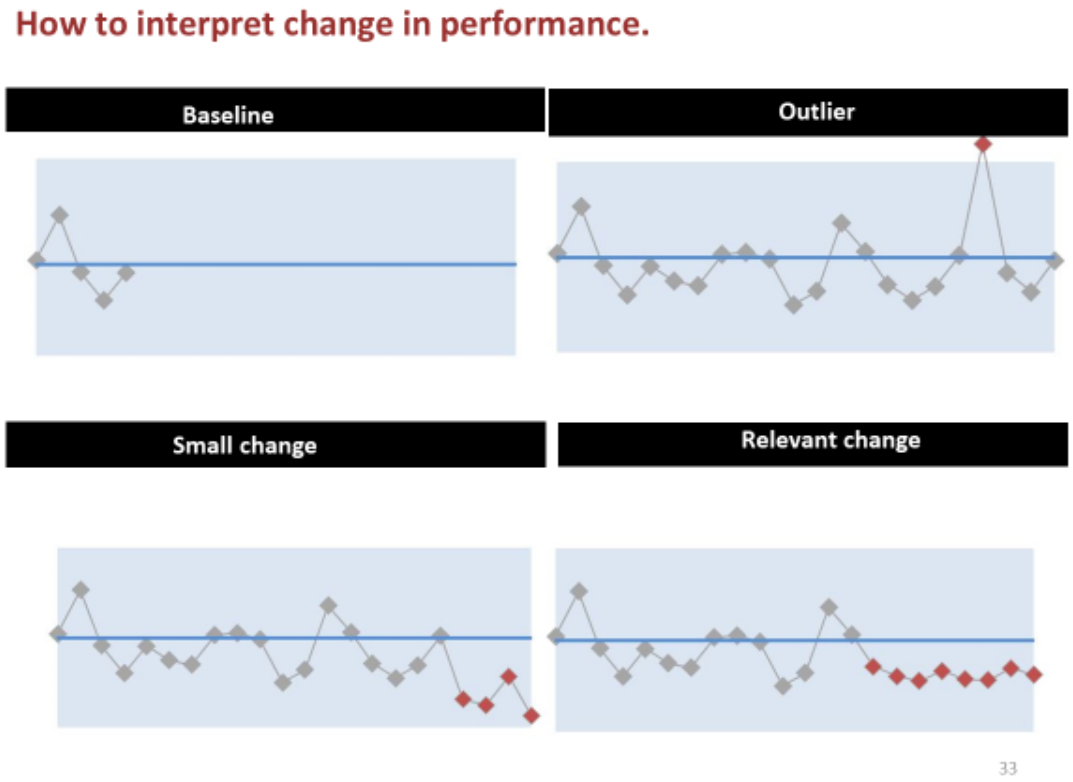


XmR charts

Without several values of an indicator, its variation may confuse. Conclusions about performance progress cannot be drawn from one or two values. One or two values do not constitute a trend, and for management, trends are very relevant.

The first value to consider is the baseline. For Wheeler (1993), the baseline (as the name implies) links several values, usually at least five, sometimes more. The average of these values is then calculated, with which the baseline is established. Five values are needed to set a new baseline again, and counting starts when a minor or significant change signal is detected (see below). In general, organisations tend to select the most recent previous measurement as the baseline. If there is no other choice, a value can be set as the baseline, but this has limitations.

For an outlier, one value is sufficient. An outlier does not mean that performance has changed fundamentally, but that something unusual has happened. If the performance returns to typical values, that outlier is anecdotal. It is advisable to establish the average line of the values and the range of variation of the values to detect outliers. The outlier usually falls outside that range (see the following Illustration to identify real change of performance).



Fuente: https://www.staceybarr.com/

To detect whether there is a change in trend, eight values are needed. A small change is usually defined as a change in performance away from the median performance but still within the interquartile range (middle 50%) of normal variability for that measure. According to the theory of the XmR plot (which is the one used in the Illustration), these eight values allow determining if there is change.

With three consecutive values (or three values out of four) that move away from the average performance and fall outside the interquartile range of the normal variation of that indicator, one can speak of a significant change.

The above rules are usually considered when the process is under control and variations are due to resource utilisation or activity planning. If the data series takes an erratic form, then this implies that the process is not under control, i.e. there is no standardised process, or if there is one, it is not followed by the staff.

These technical rules can be inconvenient in two situations: 1) it is impossible to wait for the necessary values; 2) the measurement is not done every month or every week so that the evolution of performance can hardly be adequately understood.

The cadence of measurement is critical in performance management. If you measure very frequently, you can introduce a lot of 'noise' into the data series (e.g., measuring weight every hour). On the other hand, if measured infrequently, it is challenging to know the impact of actions taken or corrective actions (e.g., measuring weight every six months when diet or sports activities are being changed to

decrease/gain weight). Therefore, the frequency of measurement should consider the cadence of performance evolution.

The decision on the frequency of any indicator is not determined by a scientific method. One needs to analyse the measurement data at different frequencies to determine what makes sense. It is better to opt for more rather than less frequent measurements when in doubt, e.g., weeks over months.

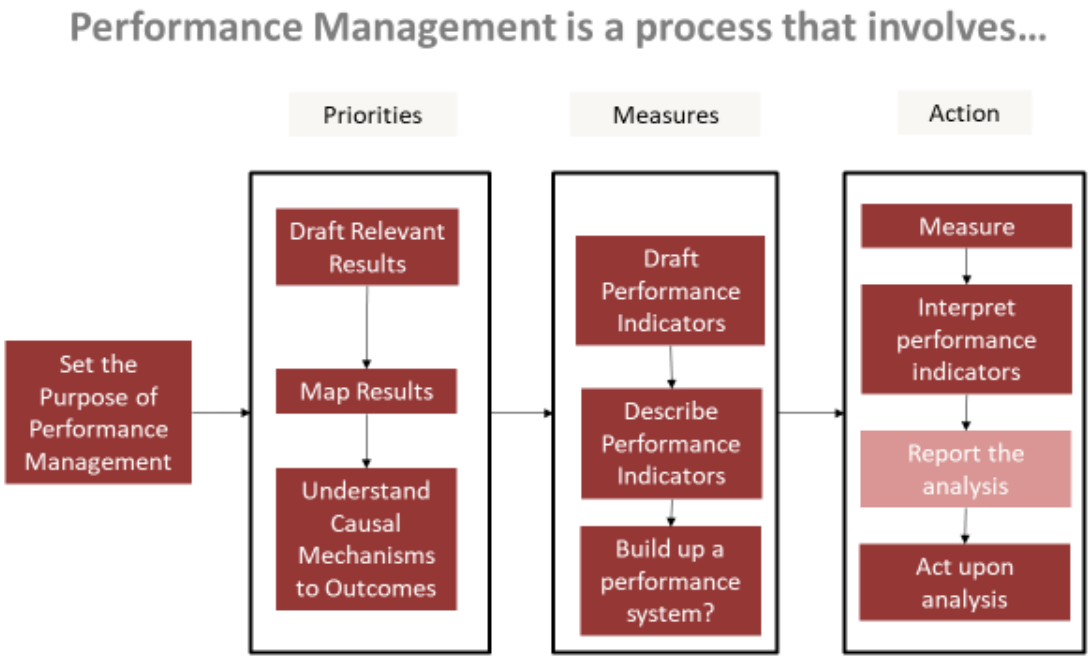
In sum, the problem with not waiting for the required number of values is that you guess what is happening and react instinctively. If the measurement is every six months or a year and there are no previous series, you may not be able to speak with certainty about the trend of performance progress. This implies then that not all performance indicators are subject to XmR charts. For instance, if a municipality measures citizen satisfaction with services every year, the compliance with the baseline rule (5 measures) and other XmR related rules take years. In this case, individual measurements can be considered for interpretation, but they should be taken with a pinch of salt.

In terms of reporting the information, each indicator of the BSc could have a dedicated XmR on a single page. Alternatively, one could minimise the XmR graph and publish it within the scorecard. The first option seems clearer. The board should review the graphs in which there is a significant change of performance. Those graphs should trigger the improvement discussions.

A less technically demanding monitoring model may be used without a good data cadence given the above considerations. The consequence of this strategy is twofold: there will be less certainty in interpreting the indicators and how they reflect changes, and it will be more difficult to react when there is a performance problem.

1.11 Reporting

The information obtained from performance monitoring can be used for accountability and to improve the results achieved by the entities. Accountability serves to communicate to the public how prioritised results are achieved. However, not all performance information is relevant to people; it is necessary to be selective. The way to select appropriate indicators is to consult with their recipients (citizens and companies) about what information would be most beneficial for their internal consumption and trust that the authority performs its functions properly. This trust will increase if there are no filters in the publication.



Source: Adapted from Barr 2014

If one organisation is starting to explore performance management, it might be wise not to first report the results to the wide population. However, if this is done, the subsequent recommendations should be followed.

- **Less is more**: The results chosen should be limited to a small set of all the results measured. With a quarter, citizens can be sufficiently informed.
- **Precise, but understandable**: Results must be communicated in precise and quantifiable terms, but understandable to the ordinary citizen: the benefits of achieving them must be evident to all.
- **Repeat, repeat, repeat**: Results should be communicated on an ongoing basis to citizens wherever they are. Advertisements can be used in the media, social networks, specialised websites, and the most used spaces. In this way, citizens can become familiar with the information and the results to which the entities are committed.

Once the relevant indicators have been agreed with service recipients, all monitoring information on the selected results should be published, regardless of whether the indicators obtained from the measurement are good or bad. This strategy lends credibility to the entities' attempts to improve. For this purpose, an attractive web page could be created with updated information according to the measurement periods of each indicator. The data must be displayed in a friendly and understandable way for most citizens. For this, they should be consulted. In addition, the data matrix should be made available so that people can perform their analysis.

Performance data not actively published should also be made available to citizens. In this way, they could conduct their analysis or research. This would require a less active communication policy. But entities should practice operational transparency. Data could be in repositories that can be

downloaded and reused, such as, for example, the Open Data Portal. Protocols should enable performance data to be linked to other organisations' data matrices.

Implementing these practices will allow citizens to become familiar with the prioritised results and their indicators, follow up on their progress, and, if they are not positive, demand explanations and demand improvements. Promoting citizen demand for results also creates an incentive for the entities to improve their performance since negative results become a political cost that few are willing to assume.

The following slides summarise the previous points and offer the visual form of reporting in a British municipality.

Reporting the analysis

Message

Performance dashboards should help us manage through time, not in time.

Performance reports should answer three questions: what is it doing, why is it doing that and now what needs to be done about it?

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How to link PI calculation cadence and reporting

- Get the most information out of your KPIs by calculating them frequently enough but not too frequently.
- Set a reporting cadence that prevents signals from going unnoticed.
- Focus your performance conversations on the KPIs signaling that attention is needed most urgently.
- For low cadence KPIs, it's OK to turn attention to the progress of actions underway to improve them.
- For high cadence KPIs, it's okay to look in on them between reporting periods.

KPI calculation and reporting cadence need to sync, but just because reporting is monthly, doesn't mean the KPIs should be measured monthly.

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Drafting a performance report: the process (I)

- Use **the strategic plan** (if existent) as main **structure** for the report: include strategic priorities (you may have to add other organization's priorities not included in the strategy).

Source: Adapted from Stacey Barr 2014

Drafting a performance report: examples

https://scotland.mylocalcouncil.info/

https://www.coventry.gov.uk/info/10/performance/1184/one_coventry_plan_council_plan_performance_reports/3

Abbreviations & symbols used

Symbol	Progress	Target status
	Improved (or target already achieved)	On-target
	Got worse	Off-target
	Similar, unchanged or statistically insignificant	–
	Can't say, no clear direction of travel	–
	Not available or no updated data	No target set

SN	Statistical neighbours (similar authorities)
WMCA	West Midlands Combined Authority
WMR	West Midlands Region
CIPFA	Chartered Institute of Public Finance & Accountancy nearest neighbours (similar authorities)

Locally committed

Indicator	Previous	Current	Comparators	Progress	Target	Status
Principal roads (A roads) in a good/acceptable condition	99% (2017/18)	99% (2018/19)	N/A (No data), England N/A (No data)	✓	95%	✓
Non-principal roads (B and C roads) in a good/acceptable condition	98% (2017/18)	98% (2018/19)	N/A (No data), England N/A (No data)	✓	95%	✓
Unclassified roads in a good/acceptable condition	80% (2017/18)	82% (2018/19)	N/A (No data), England N/A (No data)	✓	80%	✓
Footways and pavements in a good/acceptable condition	36% (2017/18)	38% (2018/19)	N/A (No data), England N/A (No data)	✓	38%	✓
Fly-tips reported in the city	4,704 (2017/18)	6,922 (2018/19)	N/A (No data), England N/A (No data)	✗	≤ 5500	✗
Household waste recycled and composted	32.9% (2017/18)	34.9% (2018/19 provisional)	WMCA 36.1% (2017/18), England 43.2% (2017/18)	✓	To increase	⊘
Cleanliness levels-Grade A	17% (2017/18)	2% (2018/19)	N/A (No data), England N/A (No data)	✗	10%	✗
Cleanliness levels-Grade B	80% (2017/18)	94% (2018/19)	N/A (No data), England N/A (No data)	✓	90%	✓
Cleanliness levels-Grade C	3% (2017/18)	4% (2018/19)	N/A (No data), England N/A (No data)	✗	0%	✗

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Coventry

Globally connected

Indicator	Previous	Current	Comparators	Progress	Target	Status
Gross value added (pound per head)	£24,188 (2016 revised)	£24,500 (2017 provisional)	WMR £22,815 (2017 provisional), England £27,949 (2017 provisional)	✓	To increase	⊘
Business rates tax base (change from 2002 base)	132.74 (2016/17 revised)	137.17 (2017/18)	CIPFA 140.12 (2017/18), England 157.85 (2017/18)	✓	To increase	⊘
Business rates total rateable value (and collection rate)	£313m (98.1%) (2017/18)	£319m (98.2%) (2018/19 provisional)	All Metropolitan Districts 97.7% (2017/18), England 98.4% (2017/18)	✓	£310m (98%+)	✓
Active enterprises (number and rate per 10,000)	355 (10,065) (2017)	340 (9,645) (2018)	WMCA 377, Warwickshire 588 (2018), England 515 (2018)	✗	To increase	⊘
City centre footfall (year-on-year % change)	-0.3% (2017/18)	0.2% (2018/19)	N/A (No regional data), UK index-8.7% (2018/19)	✓	To increase	⊘
Visitor trips	7,974,000 (2015)	N/A (No update)	N/A (No data), England N/A (No data)	⊘	To increase	⊘
Resident employment rate	70% (Jan-Dec 2017)	72% (Jan-Dec 2018)	WMR 73 % (Jan-Dec 2018), England 75% (Jan-Dec 2018)	✓	To increase	⊘

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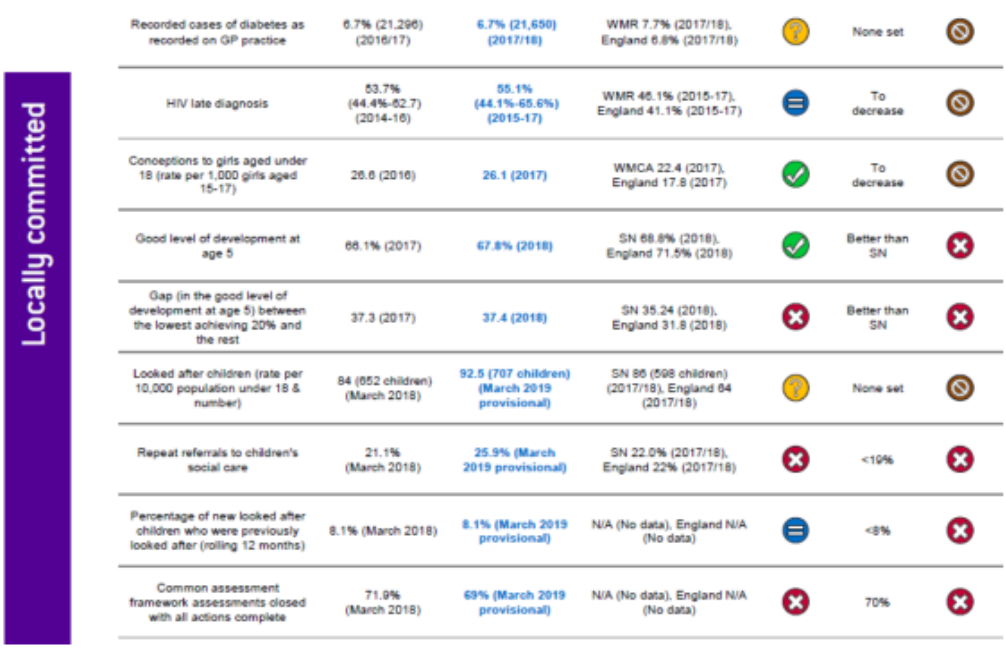

Locally committed

Recorded cases of diabetes as recorded on GP practice	6.7% (21,296) (2016/17)	6.7% (21,650) (2017/18)	WMR 7.7% (2017/18), England 6.8% (2017/18)	?	None set	⊘
HIV late diagnosis	53.7% (44.4%-62.7) (2014-16)	55.1% (44.1%-65.6%) (2015-17)	WMR 46.1% (2015-17), England 41.1% (2015-17)	=	To decrease	⊘
Conceptions to girls aged under 18 (rate per 1,000 girls aged 15-17)	26.6 (2016)	26.1 (2017)	WMCA 22.4 (2017), England 17.8 (2017)	✓	To decrease	⊘
Good level of development at age 5	66.1% (2017)	67.8% (2018)	SN 68.8% (2018), England 71.5% (2018)	✓	Better than SN	✗
Gap (in the good level of development at age 5) between the lowest achieving 20% and the rest	37.3 (2017)	37.4 (2018)	SN 35.24 (2018), England 31.8 (2018)	✗	Better than SN	✗
Looked after children (rate per 10,000 population under 18 & number)	84 (652 children) (March 2018)	92.5 (707 children) (March 2019 provisional)	SN 86 (598 children) (2017/18), England 64 (2017/18)	?	None set	⊘
Repeat referrals to children's social care	21.1% (March 2018)	25.9% (March 2019 provisional)	SN 22.0% (2017/18), England 22% (2017/18)	✗	<19%	✗
Percentage of new looked after children who were previously looked after (rolling 12 months)	8.1% (March 2018)	8.1% (March 2019 provisional)	N/A (No data), England N/A (No data)	=	<8%	✗
Common assessment framework assessments closed with all actions complete	71.9% (March 2018)	69% (March 2019 provisional)	N/A (No data), England N/A (No data)	✗	70%	✗

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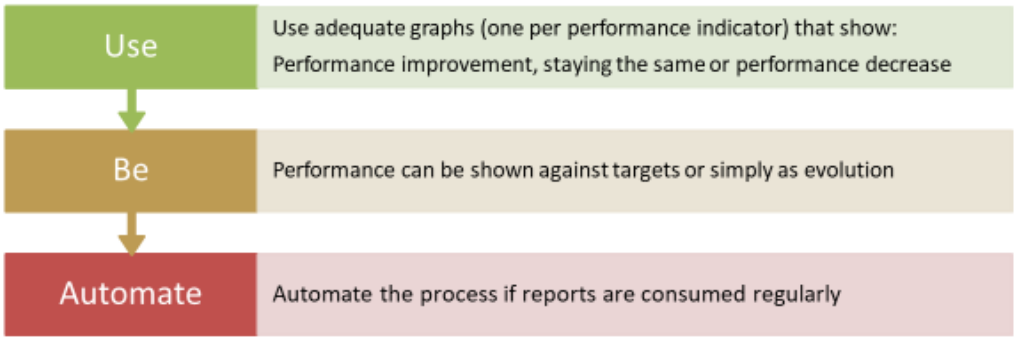
Drafting a performance report: the process (III)



Source: Adapted from Stacey Barr 2014

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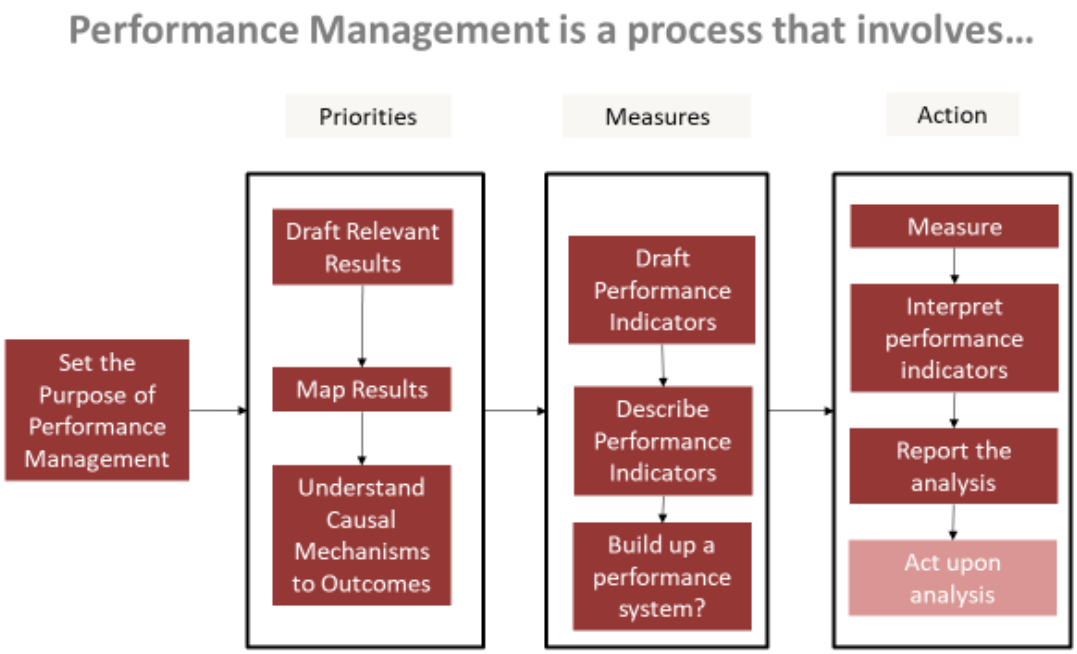
1.12 Acting for Improvement

After measuring performance, inadequate performance needs to be addressed, and the organisation should act upon analysis.



Source: Adapted from Barr 2014

Measuring is not enough if we do not act when we discover no progress towards achieving our priorities. Any monitoring system, based on indicators, can have three functionalities linked to the improvement of institutional performance (Hood 2007). These three strategies respond to different mechanisms articulated according to the interactions of a central authority with other public entities. This is the opportunity to introduce action improvement plans. These are generally short to medium range plans that try to fix the problems of underperformance. Performance information is just one instrument to analyse the situation. In addition to this, other tools help the organisation to identify the causes of the problems, like problem tree analysis or similar techniques. Different instruments for implementing the action plan have to be also designed. Again, new additional results (with their performance indicators) should be identified in the action plan.

PART 7: STRUCTURE of PERFORMANCE MANAGEMENT in TURKEY and ITS IMPLEMENTATION

Public management reform which was brought to the agenda at the beginning of the 2000s aimed to improve the performance of public institutions including municipalities. To achieve this, a link between objectives and resources should be created. Therefore, Law no 5018 on Public Fiscal Management and Control (which entered into force in 2003 but started to be fully implemented only in 2006) incorporated performance management into the system of public fiscal management. Strategic plans and performance programmes are the most important elements of performance management. The 9th Article of the Law defines the strategic plan as follows:

> Public administrations shall cooperatively prepare strategic plans in order to form missions and visions for the future within the framework of development plans, programmes, relevant legislation and basic principles adopted; to determine strategic goals and measurable objectives; to measure their performances according to predetermined indicators, and to monitor and evaluate this overall process.

The same article defines performance programme and performance-based budgeting as follows:

> Public administrations prepare their performance programmes including activities and projects to be carried out, resources required for them and their performance objectives and indicators. Public administrations shall prepare their budgets on a performance basis and in concordance with the programming structure as well as the development plan, Presidential programme, mid-term programme, the annual programme of the Presidency Office and their strategic plans.

The same article of this Law defines activity reports as tools for monitoring and evaluation:

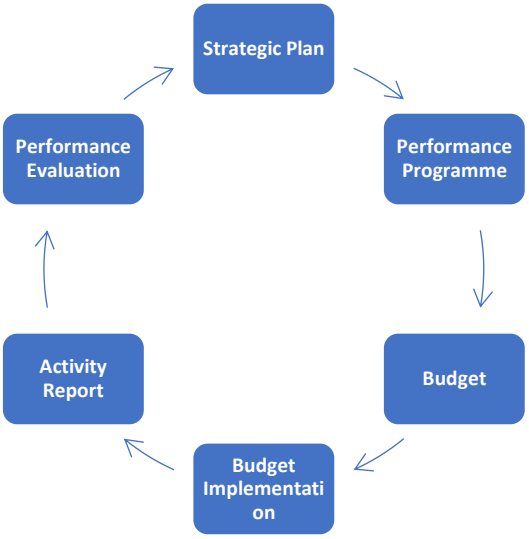
> Public administrations shall collect and analyze data on an objective, systematic and regular basis to monitor and evaluate their budget, strategic plans and performance programmes. The results of monitoring and evaluation shall be incorporated into the accountability reports of the relevant public administration.

Similarly, legislation concerning local administrations requires them to draft strategic plans and performance programmes. The Law no 5393 on Municipalities which entered into force in 2005 regulates the requirement for municipalities to draft strategic plans and performance programmes in Article 41 as follows:

> The mayor, within six months following the general elections of local administrations, prepares the strategic plan in accordance with the development plan and programme and the regional plan, if any, as well as the

> annual performance programme before the beginning of the relevant year and presents it to the municipal council. [...] The strategic plan and performance programme form the basis of the preparations for the budget and are discussed and accepted by the municipal council before the budget.

However, it is not mandatory to develop a strategic plan in municipalities with a population of less than 50,000.



Source: H. Hakan Yılmaz

In the light of current legal regulations, performance management can be considered as a cycle in the Turkish public system. This performance management cycle begins with the development of 5-year plans. A performance programme is a document that sets annual objectives and indicators and links these with the activities. Performance programmes, objectives and indicators should be prepared in a way directing the budget and implementation following the planned results and the priorities set in the strategic plan. For this reason, the objectives and indicators in the performance programme are expected to focus on the intermediate results and outputs. The activity report, on the other hand, provides the opportunity to evaluate the performance by revealing the performance results of the previous year.

	Stratejik Yön	Göstergelerin Belirlenmesi	Sonuçların Raporlanması
Stratejik Plan	5 yıllık amaç ve hedefler	5 yıl için sonuç-çıktı bazlı göstergeler ve yıllık gösterge hedefleri	SP göstergeleri bazında altı ayda bir izleme ve yıllık değerlendirme
Performans Programı	Yıllık Hedefler	Çıktı bazlı göstergeler ve yıllık gösterge hedefleri	
Faaliyet Raporu (bir önceki yıl)			PP göstergeleri bazında gerçekleşmeler ve sapmaların nedenleri

In the Turkish performance management system, the Strategic Plan Monitoring and Evaluation report should be prepared twice a year to monitor and evaluate the long-term results as well as the activity reports.

Regulation on Procedures and Principles Regarding Strategic Planning in Public Administrations (2018) sets out the rules concerning the content of strategic plans, the methods for sharing them with the central administration institutions, monitoring and evaluation as well as the presentation of the plan to the public. Strategic Planning Guide for Municipalities (2019) defines the elements and processes of strategic plans as follows.

■ Ownership of the plan ■ Organisation of planning process ■ Preparation programme	STRATEGIC PLAN PREPARATION PROCESS	Projection of the planning process
■ Institutional history ■ Evaluation of the currently implemented strategic plan ■ Legislation analysis ■ Analysis of higher policy papers ■ Determination of fields of activity and goods and services ■ Stakeholder analysis ■ Internal analysis ■ PESTLE analysis ■ SWOT analysis	SITUATION ANALYSIS	Where are we?
■ Mission ■ Vision ■ Core values	FUTURE OUTLOOK	Where do we want to reach
■ Goals ■ Objectives ■ Performance Indicators	STRATEGY DEVELOPMENT	
■ Performance objectives ■ Performance indicators ■ Activities ■ Projects ■ Costing ■ Budgeting	PERFORMANCE PROGRAMME	How can we reach the aspir state?
■ Strategic plan monitoring meeting ■ Strategic plan evaluation meeting ■ Activity report ■ Internal audit	MONITORING AND EVALUATION	How can we monitor and evaluate our success?

Source: *Strategic Planning Guide for Municipalities (2019)*

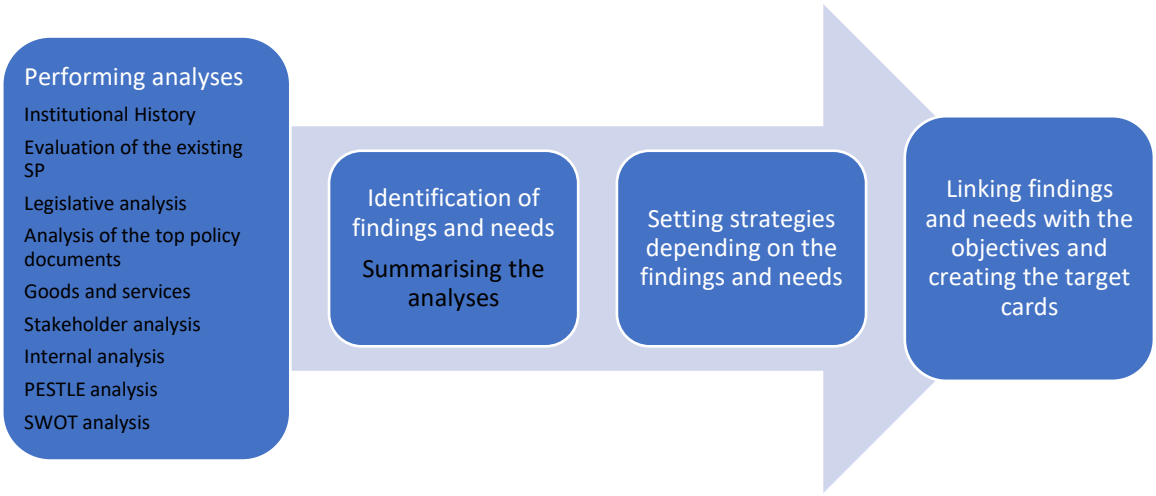
Strategic Plan Preparation Process

The most important point in preparing a good strategic plan is to design the preparation process well. Strategic plan preparations should be initiated with a circular to be prepared by the strategy development unit and communicated to the institution upon the approval of the mayor. Ensuring the mayor's involvement and leadership is critical to the process. In the preparation stage, roles and responsibilities of the Strategy Development Board, strategic planning team, strategy development unit and service units should be defined.

The time devoted to the strategic plan preparation is quite limited. In the normal process, after the election of the mayor, a decision to prepare a new plan should be taken within one month, and a strategic plan should be developed within six months. For this process to be evaluated effectively, a preparation programme should be developed.

The general setup of strategic planning is based on the organisation's determination of appropriate objectives by analysing itself and its environment. In this regard, the analyses to

be made and the reflection of these analyses on the goals and objectives form the basis of the planning process. The Strategic Planning Guide for Municipalities requires a series of analyses to be performed. As a result of these analyses, basic findings and needs are determined. Findings and needs form a basis for the strategies to be developed.



The other basic element that guides the municipality while determining the strategies is the mission of the organisation. The mission is an expression of how the organisation perceives its reason for being. It refers to what the organisation does, how it does it, and for whom it does it.

Vision and core values are other key statements that support the mission and guide the planning efforts. The vision is the general purpose that symbolizes the future of the municipality. The vision statement is determined in a way that reflects what the municipality wants to achieve and where it wants to reach in the long term, beyond the time frame covered by the strategic plan. Core values reflect the beliefs and working philosophy that decision-makers will adhere to while managing the municipality.

Goals are qualitative statements of the results that the municipality wants to achieve in the areas in which they provide services. In order to make the plan easily understandable, the number of goals should be as small as possible. For this reason, it is expected that the goals will be directed to the service areas of the municipality. The objectives for the institutional structure and functioning of the municipality are generally gathered under a single institutional development goal.

The building blocks of the strategic plan and long-term performance management are the objectives under the goals. Objectives must be result-oriented and measurable. Objectives are set in the light of findings and needs identified as a result of goals and analyses that are dependent on the mission. For the objective statements to guide implementation, monitoring and evaluation, some elements related to the objective must also be set out. These are performance indicators, responsible units, activities/strategies, risks, and costs.

The Strategic Planning Guide for Municipalities envisages collecting these objective-related elements into a scorecard.

Goal (P1)*									
Objective (O1.1)*									
Performance Indicators	**Effect on Objective (%)****	**Planning Period Baseline (Initial) Value**	**1st Year*****	**2nd Year*****	**3rd Year******	**4th Year*******	**5th Year**	**Monitoring Frequency********	**Reporting Frequency*********
PI1.1.1*									
PI1.1.2*									
PI1.1.3*									
Responsible Unit	**A single unit** responsible for realisation of the objective shall be included.								
Unit(s) to Collaborate	Units and/or units with which the unit responsible for realisation of the objective will collaborate shall be included.								
Risks	**Maximum five** main risks that may affect realisation of the objective shall be included.								
Activities and Projects	**Maximum ten** activity and project groups regarding how objectives will be realised shall be included.								
Cost Estimation	Total estimated cost relating to the objective shall be included.								
Findings	**Maximum five** findings obtained as a result of situation analysis and will constitute a reason for objectives will be included in items.								
Needs	**Maximum five** items regarding what must be done concerning identified problematic areas shall be included, provided that needs arising from an analysis of higher policy papers are prioritised. Needs included herein shall constitute the reason for the objective.								

Performance indicators are one of the most important elements in the scorecards in terms of performance management. Performance indicators help measure qualitatively expressed objectives through quantitively expressed values. Like objectives, performance indicators related to objectives should be determined as result-oriented as possible.

The necessity of targeting performance indicators on an annual basis often leads to the use of activity or output-based indicators. It will be useful to use result-oriented indicators even in cases where annual changes in indicators cannot be determined.

In the scorecards, attention must be paid to the interrelatedness of the elements. The findings and needs identified should be substantially addressed in the activities and projects (under the risks section where intervention is not possible). However, the indicators should not fully match up to the activities and projects; the social results that can be created through the implementation of these activities and projects should be reflected in the indicators.

In the monitoring and evaluation process, it is envisaged that monitoring reports regarding the objectives and indicators of the strategic plan will be prepared every six months, and biannual monitoring meetings will be held with the participation of the members of the Strategy Development Board under the chairmanship of the mayor. The main responsibility in the monitoring and evaluation process belongs to the top manager. The responsibility for following up on the objectives and related performance indicators as well as risk belongs to the spending authority in the unit responsible for the objective while the responsibility for collecting the objective achievement results from the spending units and submitting those to the top manager belongs to the strategy development unit.

The monitoring process requires the below table to be prepared for all objectives. In this table, the Performance Indicator, Effect on Objective, Planning Period Baseline (Initial) Value and End of Year Target Value in the Monitoring Period directly come from the strategic plan. The target value in the first six months might be taken as half of the end of year value. However, if the actions which will have an impact on the achievement of the target value are expected to be taken in the first or second half of the year, this value should be written realistically.

Goal 1					
Objective 1.1					
Performance	(PI1.1.1. Performance X Effect on Objective) + (PI1.1.2 Performance X Effect on Objective)				
Responsible Unit					
Performance Indicator	Effect on Objective (%)	Planning Period Baseline (Initial) Value (A)	End of Year Target Value in the Monitoring Period (B)	Actual Value in the Monitoring Period (C)	Performance (%) (C-A)/(B-A)
PI 1.1.1.					
Explanation	Having regard to the level of performance reached during the first six months of each year, it is analysed whether the target value will be reached or not by				

	the end of the year in which the monitoring takes place. The issues and risks hindering the achievement of target value are evaluated if any. The basic measures that will ensure the achievement of the targeted value are briefly addressed.

According to the Strategic Planning Guide for Municipalities, the performance on the objective is calculated by multiplying the progress per performance indicator by the indicator weights.

It is envisaged that the calculation per indicator will be made with the following formula:

$$\frac{\text{Actual Value in the Monitoring Period- Planning Period Baseline (Initial) Value}}{\text{End of Year Target Value in the Monitoring Period- Planning Period Baseline (Initial) Value}}$$

Although this formula is a good calculation method for the cumulative indicators (e.g., the total length of the drinking water pipeline), it does not give the desired result for annual (e.g., annual replacement amount) or proportional indicators (e.g., rate of satisfaction). In such cases, it will be more accurate to use the difference between the target value and the actual value instead of applying the formula.

The strategic plan evaluation report is prepared at the end of each completed implementation year. This evaluation is made based on the objective/performance indicator using the following table.

Goal 1.					
Objective 1.1					
Performance	(PI. Performance X Effect on Objective) + (PI Performance X Effect on Objective)				
Reason for Deviation from the Objective*					
Measures to be taken for the Objective					
Responsible Unit					
Performance Indicator	Effect on Objective (%)	Planning Period Baseline (Initial) Value **(A)	End of Year Target Value in the Monitoring Period (B)	Actual Value in the Monitoring Period (C)	Performance (%) (C-A)/(B-A)
PI 1.1.1.					
Evaluations of Performance Indicators* **					
Relevance					
Efficiency					
Effectiveness					
Sustainability					

The evaluation seeks answers to the following questions:

Relevance

- Have there been significant changes in the internal and external environment since the inception period of the plan?
- To what extent have these changes impacted the findings and needs?
- Have the changes in findings and needs required the revision of the objectives and performance indicators?

Efficiency

- Have the performance indicator values been reached?
- Have the needs identified by the level of achievement of the performance indicator been met?
- If the performance indicators have not been achieved at the desired level, is there a need to update the objectives and indicators that are expected to be achieved by years to reach the target value?
- What was the contribution of performance indicator achievements to the relevant goals, objectives and policies in the top policy documents?

Effectiveness

- Did unforeseen costs arise while reaching performance indicator values?
- Is there a need for changes to the estimated cost sheet?
- In the event of high costs, is there a need for changes in the objective and performance indicator values?

Sustainability

- In the continuation of performance indicators, what are the risks in terms of institutional, legal, and environmental elements?
- What measures should be taken to eliminate these risks and ensure sustainability?

Performance Programme

While the main purpose of the strategic plan is to link the institutional priorities, goals and objectives with other policy and plan papers, notably the national plan, the performance programme is envisaged to establish the link between the plan and the budget. The implementation of both the macro plans and the strategic plans prepared at the institutional level are within the framework of the performance programme and the budget.

Performance programmes should be prepared within the framework of the principles set out in the Performance Programme Preparation Guide (2009). It is essential to comply with the following principles in the preparation of this document:

- shall be prepared at the administrative level.
- shall consist of performance objectives and indicators as well as activities.
- shall be prepared annually.
- shall consider all budgetary and extra-budgetary sources of finance.
- The process of determining the priorities and objectives works from the top manager to the spending units, while the process of determining the cost and resource needs works from the activities to the performance objectives.

The long-term objective and indicators of the strategic plan are transferred to the annual objectives and indicators through the Performance Objectives Table. Performance Objectives Table needs to be filled in as one table for each performance objective.

PERFORMANS HEDEFİ TABLOSU

İdare Adı	

Amaç	
Hedef	

Performans Hedefi	
Açıklamalar	

Performans Göstergeleri		**(t-1)**	**(t)**	**(t+1)**
1				
Açıklama				
2				
Açıklama				
3				
Açıklama				
4				
Açıklama				

Faaliyetler		**Kaynak İhtiyacı (t+1) (TL)**		
		Bütçe	**Bütçe Dışı**	**Toplam**
1				**0,00**
2				**0,00**
3				**0,00**
4				**0,00**
5				**0,00**
Genel Toplam		**0,00**	**0,00**	**0,00**

In practice, the objectives and indicators of the strategic plan are often the same as the objectives and indicators of the performance programme. However, the purpose of the performance programme objectives and indicators is to create a structure that can direct the implementation and resource allocation of the strategic plan.

Strategic Plan	Performance Programme
Objective	**Performance Objective**
Result-oriented	Output-intermediate result oriented
Medium-long term	Annual
Open to external impact	under the control of the organisation
Performance Indicator	**Performance Indicator**
Significant change in the long-term	Measurable in short periods

Therefore, the performance programme objectives and indicators should be determined to reflect the outputs or interim results of the activities carried out by the municipality. These objectives and indicators should be of a nature less affected by the external impact and more controlled by the municipality.

In the implementation period of the strategic plan, some changes in the approach, measures for the objectives less likely to be achieved, and unrealistically determined indicator objectives might reveal themselves over the years. Another aim of the performance programme is to make the strategic plan more dynamic through annual reviews. Keeping the strategic plan objectives and indicators constant throughout the 5-year plan period will create a static structure and reduce the implementation flexibility of the municipality.

The differentiation in strategic plan and performance programme objectives and indicators can be seen from the example below.

Strategic Plan	Performance Programme
Objective	**Performance Objective**
Noise and air pollution in the city centre will be decreased.	The cycling path in the city centre will be extended.
	Noise barriers will be disseminated.
Performance Indicator	**Performance Indicator**
Rate of reduction in noise level in the city centre	Length of the newly built cycling path (km)
Rate of reduction in the amount of … particles in the air in the city centre	Length of the noise barrier (m)
Rate of satisfaction among the residents of the city centre with the quality of their lives	Number of complaints about the air/noise pollution in the city centre

There are activities and projects in the municipality strategic plan *scorecards*. Similarly, there are activities in the *performance objective table* of the performance programme. The activities included in the strategic plan are the activities that guide the implementation and have a strategic aspect. In the performance programme, these activities should be developed in a way that clarifies the relationship with the implementing units and guides the annual implementation and the budget. Readdressing the activities in this way will facilitate a more realistic development of the Activity Costs Table.

PART 8: ADAPTATION OF THE BALANCED SCORECARD APPROACH TO THE PERFORMANCE MANAGEMENT SYSTEM OF TURKEY

Although the initial purpose of the performance management implemented in Turkey with the strategic plan, performance program and annual reports was to improve the performance of public institutions, it is observed that over time, accountability preceded institutional performance management. The performance documents, which are open to the public, have undertaken the function of informing the public and the central administration on the objectives and performance of the municipality. This guide recommends the implementation of the balanced scorecard method to improve the performance management of the municipality apart from external accountability.

In the previous parts, the balanced scorecard is defined as a management system that enables organisations to clarify their vision and strategies and translate them into action. The performance management system, which is commonly used in the private sector, is aimed to "balance" the goals and indicators from different perspectives and to create them as a model related to one another. In this method, four different perspectives are linked with one another:

- Financial perspective
- External customer perspective
- Work processes perspective
- Learning and development perspective

In the municipalities and other public institutions, it is possible to add the *community perspective* to these perspectives.

Within the scope of this guide, it is recommended to develop a balanced scorecard based on selected service units or service areas, instead of a balanced scorecard covering all municipal services. This will enable the performance of detailed analysis and modelling studies in the main service areas.

The balanced scorecards that have been developed have the purpose of serving the municipality rather than accountability and external reporting. Therefore, the objectives and indicators developed in the model are aimed at the internal management of the municipality. However, in order to establish an integrated performance monitoring and evaluation system, it will be useful to gather under a single structure the internal objectives and indicators as well as the external reporting objectives and indicators. On one hand, the developed balanced scorecards should support managerial decision making, and on the other hand, they should be in harmony with the strategic plan, performance programme and annual reports used for performance management in the Turkish public system.

In order to ensure this integrity, the following table that links the balanced scorecards with the institutional planning documents and the functioning of the institution has been created. The first two columns of the table present the results and indicators developed within the framework of balanced scorecards. From among these results and indicators, those that are required to be disclosed to the public with the strategic plan and performance programme will be marked. On the other hand, the objectives and indicators that are not shared with the public but will be included in the unit work programmes or are planned to be followed up internally will be addressed in the fifth column. These might be the objectives and indicators that need to be included in the balanced scorecard but do not constitute public information, or they might express the breakdowns of the existing objectives and indicators such as the neighbourhood, district, and beneficiary group. Although some results and indicators in the balanced scorecard are necessary for success, they might not be realized by the relevant unit. For example, in-service training might be critical to the service results, but the activity

can be continued by the Training Unit. In some cases, multiple units might need to work together to achieve results. The names of the units to be included in the system in such cases will be written in the last two columns of the table. Apart from the responsible unit, coordination should be ensured during the planning phase with the units assigned in the balanced scorecard.

If we examine the table from the balanced scorecard perspective;

As the **community perspective** generally determines the top results, the results and indicators included here may be used in the strategic plan.

Results and indicators for beneficiaries are developed through an **external customer perspective.** These indicators can be included in the strategic plan and performance programme.

Work processes perspective shows the results for the internal functioning of the municipality. Although these results and indicators are included in the performance programme from time to time, they are mostly included in the unit work plans. Work processes might be related to the functioning of the unit responsible for the balanced scorecard as well as to the functioning of the entire municipality or other units.

Learning and development perspective includes the elements of long-term development and sustainability. Especially the management of human resources takes place under this perspective. Objectives and indicators related to this perspective are generally included in the strategic plan and performance programme under the "institutional development" goal. However, results and indicators for the service area should be defined in the balanced scorecard.

While the **financial perspective** includes elements such as profitability and growth in the private sector, it includes elements such as fundraising, efficiency and resource allocation in municipalities. Some parts of the financial perspective results can be included in the performance programme. However, these results mostly include institution-specific information.

Results	Indicators	Strategic Plan	Performance Programme	Unit Work Programme/ Institutional Monitoring	Other Unit Programme	Collaborative Work
Community perspective						
Result 1						
	Indicator 1.1					
	Indicator 1.2					
Result 2						
	Indicator 2.1					
	Indicator 2.2					
External customer perspective						
Result 3						
	Indicator 3.1					
…						
Work processes perspective						
Result 4						
	Indicator 4.1					

…						
Learning and development perspective						
Result 5						
	Indicator 5.1					
…						
Financial perspective						
Result 6						
	Indicator 6.1					
Result 7						
	Indicator 7.1					
	Indicator 7.2					

The following table shows the linking structure of a balanced card proposed by Eskişehir Metropolitan Municipality.

Responsible Unit Name		Environmental Protection and Control Department					
Score Card Name		Renewable energy					
Results		Indicators	SP	PP	Unit Work Programme	Those under the responsibility of other units	Collaborative Work
Community Perspective	Effective use of renewable energy sources helped reduce the negative impact of energy consumption on the environment.	Number of days when sulfur dioxide (SO2) in the air exceeds 125µg/m3					
	Alternative energy use has been increased.	Ratio of alternative energy sources consumption to total energy consumption in Eskişehir					
Service Beneficiaries Perspective	Number of households using solar energy has been increased.	Number of households using solar energy					
	The number of municipal buildings and service facilities using solar energy has been increased.	Ratio of municipal buildings and facilities using solar energy to total buildings and facilities					Department of Support Services
	Energy expenses of households using solar energy have been reduced.	Rate of reduction in the energy expenditure of households using solar energy					
	Solar energy systems work effectively.	Ratio of active solar energy systems (at least 330 days per year) to total solar energy systems					
	Residents of Eskişehir are willing to use solar energy.	Number of households demanding solar energy Rate of satisfaction among the users of solar energy					Department of Media, Publications and Public Relations
Internal Processes Perspective	The number of projects for alternative energy sources has been increased.	Number of projects for alternative energy sources					

Responsible Unit Name		Environmental Protection and Control Department					
Score Card Name		Renewable energy					
Results		Indicators	SP	PP	Unit Work Programme	Those under the responsibility of other units	Collaborative Work
	Institutional infrastructure (organisation, secondary legislation) has been established for the management of alternative energy sources.	Number of secondary legislation					I. Legal Consultancy Department Office of the Private Secretary
	The management of alternative energy resources is in line with the Ministry of Energy and Natural Resources (MENR).	Number of unresolved issues with MENR					I. Legal Consultancy Department
Learning Development Perspective	The technical personnel working in the energy unit have the necessary certification.	Number of personnel trained				Department of Human Resources and Training	
	Alternative energy generating systems are maintained.					Department of Support Services	
	Households are provided with support for the operation of energy panels.					Department of Support Services	
Financial perspective	Electricity consumption cost has been decreased.	Energy consumption of municipality building and facilities					Department of Support Services
	The budget for the development of alternative energy sources has been increased.	The share of the budget for the development of alternative energy sources in the total budget					Department of Financial Services

Responsible Unit Name		Environmental Protection and Control Department					
Score Card Name		Renewable energy					
Results		Indicators	SP	PP	Unit Work Programme	Those under the responsibility of other units	Collaborative Work
	The budget for the maintenance of alternative energy sources (maintenance, repair, etc.) has been increased.	Share of the budget for the maintenance of alternative energy sources (maintenance, repair, etc.) within the total budget					Department of Financial Services
	Revenue is generated from municipal facilities.	Ratio of alternative energy revenues to expenditures for maintaining alternative energy facilities				Department of Financial Services	

PART 9: LINKING PERFORMANCE MANAGEMENT TO FISCAL MANAGEMENT

The critical stage in finalising the performance management is to create a link between the performance programme and budget. This action needs to manage the tension between the requirements and the available opportunities.

This part addresses the identification and allocation of financial resources primarily required for activities in line with the strategic goals and objectives. In this regard, the relationship between fiscal management and performance management is established through institutional budget tools and mechanisms. Secondly, if the institution's internal resources are insufficient and/or external financing resources are used for the projects and activities, the financing programme is addressed in the training module.

Costing of objectives

For the objectives to be budgeted over the activities, first of all, the costs of the activities and projects should be calculated in both the strategic plan and the performance programme process.

In the analytical budget classification, personnel, social security institution state premium payments, goods and services procurements, interest expenses, current transfers, capital expenses, capital transfers and lending items give the first level input costs under the economic classification. As a concept, the cost can be defined as the expenditures incurred on the inputs used in the production of a good or service produced (Yılmaz et al, 2017).

Activity Costs are divided into two as direct and indirect costs. Again, some of the costs might be distributed to multiple programmes or main activities. In this case, the institutions are expected to calculate the actual costs of the services they provide based on the activity or objective by developing allocation keys.

Direct costs are directly attributable to the activity if included in an objective and/or strategic plan; in other words, they refer to the costs that directly enter the production process in producing the service for the achievement of the goal. Examples of such expenses include the personnel costs, operational expenses known as goods and services procurement directly used in the performance of an activity, machinery costs and equipment costs.

As an example of indirect costs, the distribution of unit personnel expenses by activity can be done as in the below table. Estimated budget appropriations in 01 and 02 economic code items of personnel costs are given below in the form of a summary table based on the same example. The man times of the total personnel working in the General Directorate are calculated first, following the service schedules, if any,

and then the weights found are multiplied by the total estimated budget appropriation and distributed to the activities for each year.

Table 1. An Example of the Distribution of Personnel Expenses by Activity

Activities under Objective 1.1	% Distribution of Personnel Working Time	Personnel Appropriations (TL)
Activity 1.1.1	26.2	1,310.07
Activity 1.1.2	20.2	1,010.05
Activity 1.1.3	15.8	790.04
Activity 1.1.4	37.8	1,890.09
Total	**100.0**	**5.,000.25**

Source: Yılmaz et al., 2017

Indirect costs, on the other hand, are not specific to an objective or activity but are related to multiple objectives or activities. Indirect costs include the telephone, fax, Internet services and insurance costs used jointly by the units; general administrative expenses such as heating, fuel, electricity and water for one or multiple buildings; service procurement expenses such as cleaning, security, catering in the budget of a single unit (e.g., support services department); audit and consultancy expenses; and fixed asset depreciation that are yet to be implemented in Turkey (Yılmaz et al. 2017). These expenses can be allocated to the activities by developing various allocation keys (e.g., size of the indoor area, number of personnel). Unallocated expenses, if any, should be shown in a separate row in the cost sheet as general administrative expenses or other unallocated expenses.

In the following table, 1,500 TL paid annually for heating from the budget of the administrative affairs directorate of the service building is allocated to the activities of the two directorates (X and Y) by calculating the size of the indoor area.

Table2. Sample Table for Allocation of Indirect Expenses

Activities	Directorates	Indoor Area (m2)	% Distribution of Indoor Area	Total Appropriation
Activity 1.1.1	X	150	14.2	213.3
Activity 1.1.2	X	100	9.5	142.2
Activity 1.1.3	X	200	19.0	284.4
Activity 1.1.4	X	50	4.7	71.1
Activity 2.1.1	Y	20	1.9	28.4
Activity 2.1.2	Y	15	1.4	21.3
Activity 2.1.3	Y	400	37.9	568.7

Total		**935**	**88.6**	**1,329.4**
Overall Management		120	11.4	170.6
Overall Total		**1,055**	**100.0**	**1,500.0**

Source: Yılmaz et al., 2017

The following points should be considered in determining the activity cost.

- In addition to budgetary resources, extra-budgetary resources should also be included, if any.
- Of the cost amounts to be calculated for each activity, the parts financed by budget resources should be determined in accordance with the economic codes of the analytical budget classification.
- In the costings, the input prices and other economic values should reveal the truth and estimations should be based on realistic projections.
- The relationship between resources and activities should be well established, and possible proportional methods to be used should be consistent and explainable.

ACTIVITY COSTS TABLE		
Name of the Administration		
Performance Objective		
Activity Name		
Responsible Spendin Unit(s)		
Explanations		
Economic Code		(t+1)
01	Personnel Expenses	
02	SSI State Premium Expenses	
03	Goods and Services Procurement Expenses	
04	Interest Expenses	
05	Current Transfers	
06	Capital Expenses	
07	Capital Transfers	
08	Lending	
Total Budget Resource Need		
Extrabudgetary resource	Revolving Fund	
	Other Domestic	
	International	
Total Extrabudgetary Resource Need		
Total Resource Need		

The total resource need of the performance programme consists of the activity costs, general administrative expenses and resources to be transferred to other administrations. Resource need is given in the Administration Performance Table while the distribution of the needed resources to economic codes is given in the Total Resource Need Table.

Transferring objectives to budgets and financing

Budget refers to the document, duly put into effect, showing the revenue and expenditure estimates for a certain period and their implementation. It is a document that includes future estimates and policies regarding the expenditures it intends to make and the income it intends to collect.

Objectives whose costs are identified are transferred to the municipal budgets over the allocations under the unit budgets. It gives us the address of the budget allocation appropriations within the framework of the budget system. In local administrations (where the programme is not included in the budget), the term "allocation" refers to all levels of institutional, functional and financing type codes as well as the first two levels of economic classification while the "relevant service allocation" term in debt payments refers to the relevant allocations in which the services subject to debt are carried out.

Analytical Budget Classification consists of three parts that are being the classification of expenses, revenues and financing. The expense budget consists of four parts of appropriations, which are being institutional, functional, financing (resource) type and economic classification (Article 6 of the Regulation on Budget and Accounting for Local Administrations).

Figure1. Analytical Budget Coding Structure

KURUMSAL				FONKSİYONEL				FİN.	EKONOMİK			
I	II	III	IV	I	II	III	IV	I	I	II	III	IV
00	00	00	00	00	0	0	00	0	00	0	0	00

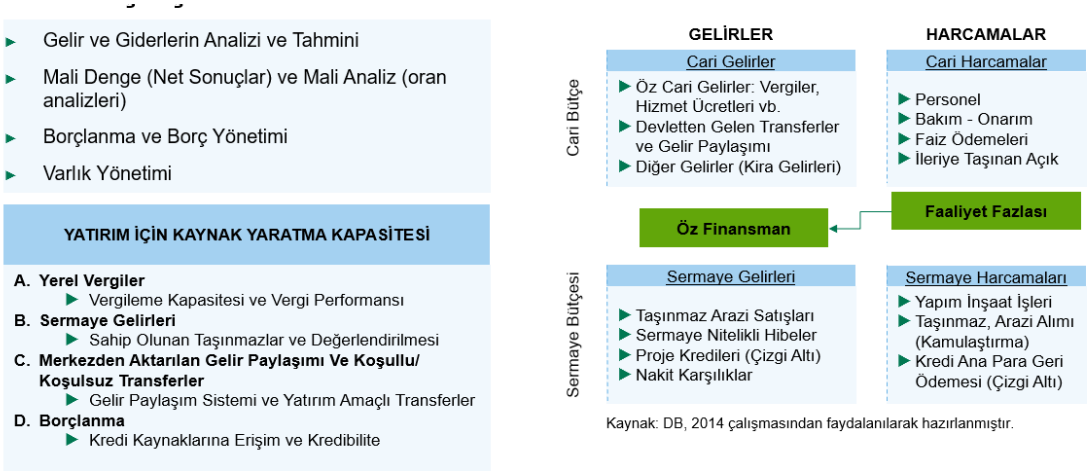
As regards the financing of services provided by the municipality and administrations, they should be coded as "5-Local Administration" if financed through their resources; as "7-External Project Loans" if financed through the external project loans, and as "8-Donations and Aids" if financed through donations and aids.

Table 3. Budget Overview

KURUMSAL				FONKSİYONEL				FİN.	EKO.				AÇIKLAMA	2020 YILI BÜTÇE ÖDENEĞİ
I	II	III	IV	I	II	III	IV	I	I	II	III	IV		
46													BELEDİYELER	1.200.000.000,00
	10												BALIKESİR İLİ	1.200.000.000,00
		01											BALIKESİR BÜYÜKŞEHİR BELEDİYESİ	1.200.000.000,00
			32										FEN İŞLERİ DAİRESİ BAŞKANLIĞI	319.000.000,00
				06									İSKAN VE TOPLUM REFAHI HİZMETLERİ	319.000.000,00
					2								TOPLUM REFAHI HİZMETLERİ	319.000.000,00
						0							TOPLUM REFAHI HİZMETLERİ	319.000.000,00
							00						TOPLUM REFAHI HİZMETLERİ	319.000.000,00
								5					MAHALLİ İDARELER	319.000.000,00
									06				SERMAYE GİDERLERİ	201.430.190,00
										1			MAMUL MAL ALIMLARI	182.000,00
										1	2		Büro Makinaları Alımları	1.000,00
												90	Diğer Makine Ve Techizat Alımları	1.000,00
										1	3		Avadanlık Alımları	180.000,00
												01	Tamir Bakım Aleti Alımları	90.000,00
												02	Atölye Gereçleri Alımları	90.000,00
										1	4		Taşıt Alımları	1.000,00
												90	Diğer Taşıt Alımları	1.000,00
										2			MENKUL SERMAYE ÜRETİM GİDERLERİ	10.600.000,00
										2	2		Hammadde Alımları	10.000.000,00
												01	Hammadde Alımları	10.000.000,00
										2	5		Kereste Alımları	300.000,00
												01	Kereste Alımları	300.000,00
										2	8		Metal Ürün Alımları	300.000,00
												01	Metal Ürün Alımları	300.000,00
										5			GAYRİMENKUL SERMAYE ÜRETİM GİDERLERİ	190.648.190,00
										5	1		Müşavir Firma ve Kişilere Ödemeler	1.200.000,00
												01	Proje Giderleri	600.000,00
												90	Diğer Giderler	600.000,00
										5	7		Müteahhitlik Giderleri	188.267.642,00
												01	Hizmet Binası	50.000.000,00
												02	Hizmet Tesisleri	24.990.000,00
												07	Yol Yapım Giderleri	113.277.642,00
										5	9		Diğer Giderler	1.180.548,00
												01	Diğer Giderler(Afet Payı)	1.180.548,00

The following figure demonstrates the identification of budget sizes in the budgeting process, loan and asset management, and the analysis of revenues and expenditures in various categorical structures. The distinction between current investment and transfer expenditures and the framework of borrowing and resource utilization in order to finance investment expenditures, especially in cases where internal resources are insufficient, is important in terms of showing how the objectives are financed.

Figure2. Revenue, Expenditure and Financing Framework in the Budget



Kaynak: DB, 2014 çalışmasından faydalanılarak hazırlanmıştır.

When preparing their budgets, local administrations should prepare their financing programmes as well. The preparation of financing programmes has become an important issue in terms of debt management in an environment where investment budgets and debts to financial institutions have increased in the structure changed by Law No. 6360 for metropolitan municipalities.

Table 4. Budget Financing

I	II	III	Finansmanın Ekonomik Sınıflandırması	TL (- /+)
1			**İç Borçlanma**	
	1		Türk Lirası Tahviller	
	2		Dövize Endeksli ve Döviz Cinsinden Tahviller	
	3		Türk Lirası Bonolar	
	4		Dövize Endeksli ve Döviz Cinsinden Bonolar	
	5		İskonto Giderleri	
	6		Başka Yerde Sınıflandırılmamış Uzun Vadeli Tahviller	
	7		Başka Yerde Sınıflandırılmamış Kısa Vadeli Tahviller	
	9		Diğer Yükümlülükler	
		51	İLBANK'tan	
		52	Diğer Bankalardan	
		53	Diğer	
2			**Dış Borçlanma**	
	1		Uzun Vadeli Tahviller	
	3		Başka Yerde Sınıflandırılmamış Uzun Vadeli Tahviller	
	4		Başka Yerde Sınıflandırılmamış Kısa Vadeli Tahviller	
	9		Diğer Yükümlülükler	
3			**Likidite Amaçlı Tutulan Nakit, Mevduat ve Menkul Kıymetlerdeki Değişiklikler**	
	1		Kasa	
	2		Bankalar	
	3		Menkul Kıymetler	

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