



TITHE AN OIREACHTAIS

**An Comhchoiste um Airgeadas, Caiteachas Poiblí agus
Athchóiriú**

**Tuarascáil ar an Meastachán le haghaidh Bhord na
nOibreacha Poiblí (Vóta 13) don bhliain dar críoch
31 Nollaig 2015**

**Mar atá I lár nab liana agus na deiseanna le haghaidh
feabhsúschán I ndáil le faisnéis feighmíochta atá sa
Mheastachán**

HOUSES OF THE OIREACHTAS

**JOINT COMMITTEE ON FINANCE PUBLIC EXPENDITURE
AND REFORM**

**REPORT ON ESTIMATE FOR OFFICE OF PUBLIC WORKS
(VOTE 13) FOR THE YEAR ENDING 31 DECEMBER 2015**

The Mid-Year position and opportunities for improvement in
relation to performance information included in the Estimate

November 2015

31/FPER/031

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Report

on

the Mid-Year position and opportunities for improvement in relation to performance information included in the Estimate for Vote 13 (Office of Public Works) for the year ending 31 December 2015

Introduction

1. The Joint Committee met with the Chairman of the Office of Public Works (OPW) and her officials on 30 September 2015 in connection with:
 - (a) improvements that may be desirable in relation to the performance information included in that Estimate,
 - (b) a mid-year review of the position, as regards outputs and expenditure, in relation to the 2015 Estimate for the Office of Public Worksand
 - (c) a briefing in relation to the emerging position so as to permit Committees to participate in the 2016 Estimates discussions in advance of the allocations being finalised, as envisaged by the Comprehensive Expenditure Report 2012-2014.
2. Concerned with the need to improve the quality of information it receives, the Committee focused primarily on the measurement of OPW performance, with the result that the greater part of the meeting was given over to discussing the types of performance measures the OPW uses and how these can be improved.
3. Matters of policy while touched upon were not dealt with in depth by officials at the meeting, these being the responsibility of the Minister.

4. This report includes a number of recommendations in relation to improvements that the Committee considers desirable regarding the performance information included in or provided to it in connection with the OPW Estimate. The Committee intends to seek responses to its recommendations from the OPW in each case; and to make a further report on these matters if it believes this to be necessary when it has considered responses received.

OPW's response to Performance Information requested by the Committee

5. The Committee had sought from the OPW by 7 August 2015
 - (a) a statement as to performance against output targets contained in the 2013 and 2014 Estimates; and
 - (b) a statement as to performance to end June against output targets contained in the 2015 Estimate.

Similar information in relation to expenditure was also requested.

6. The information requested by the Committee was furnished in the form requested and the Committee commends the OPW for its efforts in providing it in a timely fashion.
7. Explanatory notes were also provided by the OPW in connection with the output information it returned. These notes helped explain and clarify issues relating to certain sub-heads.

Performance-related Information

8. The Committee's view is that output information, particularly when combined with financial information, should assist in a quick, high level understanding of the efficiency and effectiveness of an organisation and the services, etc. it supplies, how this is changing over time and the organisation's aims and intentions in these areas; and that the information presented should clarify, and not obscure or impede, accountability and oversight.
9. Guidance in relation to setting output-based performance targets contained in Appendix I, based on guidance published by New Zealand's Controller and Auditor General in 2009, was provided to the OPW in the summer months prior to the date scheduled for the meeting. The adoption of these principles was agreed formally by

the Committee on 23 September 2015 as a reference and a basis for discussion with public bodies.

10. Drawing on that guidance, the Committee considers the following points to be of particular relevance in considering opportunities for improvement in relation to performance information included in the Estimate for the OPW–
 - (a) Output measures should relate to the goods and services provided to third parties for which the public entity is accountable; Output measures relating to internal processes, events, milestones, and other deliverables have little or no value
 - (b) Targets should be specific. For example, “commence ...” or “continue to...” have little or no value.
 - (c) It should be possible to reconcile the non-financial and financial targets and projections consistently year on year with a view to assessing how efficiency and effectiveness of the OPW is changing over time.
 - (d) Output measures should cover a range of dimensions including the quality, quantity, timeliness and/or cost of outputs or services, whether in isolation or in combination as appropriate.
11. During the meeting the Chairman of the OPW fully accepted the guidance as a good basis for the creation of effective performance measures. She recognised that some of the indicators/measures the OPW currently uses do not meet the guidance principles standard and are in process of revising some of these. Through its discussion with the Chairman, the Committee is satisfied that the OPW has demonstrated an awareness of the need to look at themselves from an external perspective to identify appropriate and meaningful measures by which performance can be properly assessed.
12. The Office has also pointed to two ongoing initiatives that may lead to more appropriate output measures in key areas:
 - (a) CFRAM (Catchment Flood Risk Assessment and Management) will look at options to address flood risk leading to prioritisation of work with appropriate measures.
 - (b) PAMDP (Property Asset Management Delivery Plan) which aims to improve planning and management of public service property portfolio with ability to benchmark building performance and standardised building measurement

13. Notwithstanding the above commitment and efforts, in relation to the 29 current output measures and associated targets published in the 2015 Estimate, the Committee wishes to highlight the following issues:

- i. Some of the measures focus on the context activity rather than outputs that will bring benefit to the public or stakeholders. Examples include:

“Number of major flood relief schemes to be at pre-construction.”

And

“Number of Building projects to manage”

And

“Number of Schools Building Programme projects to manage.”

And

“Number of National Monuments to manage and conserve”

And

“Number of Visitor Facilities to manage and conserve”

In the context of the Guidance contained in Appendix I, it is difficult to form a view about planned performance as these measures leave questions unanswered in relation to timeliness, quality and cost.

While members may accept that information such as currently provided is important, they are not good measures in themselves.

- ii. A further selection number of the measures provided in the 2015 estimates are neither specific or measurable:

“Continue the implementation of the Property Asset Management Plan”

And

“Continue the reform of the Estate Portfolio Management functions”

And

“Provide support for Government initiatives on Commemoration Projects”

And

“Implement Government Decision No S180/20/10/1698 on Reform of Property Asset Management in the Public Service”

Although there may be a need to communicate such initiatives, they are not outputs in a performance budgeting and reporting sense. Their value in this context arises only by way of explanation for targets and results. This occurs only where they are expected to contribute significantly to and be reflected in improved output and productivity (e.g. rental outturn targets) in respect of which specific targets have been set.

Recommendations in relation to performance Information

14. The Committee is of the opinion that the Office of Public Works has a real opportunity to increase the quality of the output measures it selects for publication, as instanced by the examples discussed earlier in this report.

The Committee recommends that the OPW continues to address these barriers to transparency and accountability without delay by –

- a. identifying clear and comparative national or international best practice benchmarks that it intends to implement and against which performance can be measured and evaluated in the future
- b. in the case of programmes that have fewer than 5 output measures that are considered by the Committee to be relevant and specific, implementing those benchmarks for the 2016 Estimates and
- c. bringing forward a plan for periodic systematic review (and replacement where necessary) of all output measures included in the annual estimate(s).
- d. Specifically reviewing the appropriateness of existing output measures and in selecting other such measures in the future, ensure that at least the significant majority of measures used describe matters –
 - i. that are considered important (or at least directly relevant) to those benefiting from OPW outputs or services – as distinct from matters

internal to the Office that are expected or intended to result in changes to outputs or services over time.

- ii. in a manner that is specific as regards the quality, quantity, timeliness or cost of outputs or services, whether in isolation or in combination as appropriate.
- iii. in a manner that is consistent year on year rather than by way of once-off targets that are not repeated.
- iv. over which the OPW can exercise direct control or influence.

The Committee intends to review the Department's response to these findings and recommendations when the 2016 Estimate comes before it for consideration and trusts that, at that time, significant progress will have been made.

Mid-year position, as regards outputs and expenditure

15. As mentioned above, the greater part of the Committee's engagement with the OPW focussed on improving the measurement of performance. The Committee considered briefly the mid-year expenditure position for 2015 and noted the following:

- Current expenditure was at 47% to end-June while the capital spending was at 31%, behind expectation as a result of legal and procurement delays to some projects.
- There is a virement of €4m from the Flood Risk Management programme to Estate Portfolio Management new works, alterations and additions.
- A projected €10m carry forward of capital savings to 2016 sought under the deferred surrender scheme.
- There is an increased government commitment to flood risk management with the announcement of a €430m six-year programme of capital investment on flood defence measures.

Conclusion

The Committee commends the OPW's public commitment to the development of performance measures that will allow for a better assessment of how it delivers value for money to the taxpayer. The Committee looks forward to on-going engagement with the OPW and expects to see progress in this regard in the 2016 Estimate and subsequent Estimates.

Appendix 1: Guidance in setting output based performance targets

- Outputs, should relate to the goods and services provided to third parties which the entity is accountable for.
- The outputs included should cover all “significant” services of the entity and a significant proportion of the entity’s budget.
- Output performance measures should not relate to internal processes, events, milestones, and other deliverables. There may be a need for these to be communicated in other ways but they are not outputs.
- The outputs should include those goods and services that are contracted out by the entity even if it does not deliver them directly itself. The outputs should relate to the end service provided and not to the contract management process.
- Performance measures should cover sufficient dimensions of performance. Measures for each output should cover an appropriate range of dimensions (such as quality, quantity and timeliness) of an output so that a balanced and rounded picture of performance can be obtained.
- Targets should be set. Without clear targets being set, it is difficult to form a view about planned performance, and for actual performance to be compared to forecast. The inclusion of targets for more than one year helps the reader to understand planned changes in the services provided over time.
- Targets included in the document should be reasonable, and should represent best estimates. Targets should reflect the priorities of the entity, its resources, choices, and historical performance.
- Demand-driven measures provide useful information and context in relation to an entity’s performance. However, they are not under the control of the entity and therefore need to be clearly identified as such and supported by “true” outputs.
- Narrative commentary helps to explain how and why targets have been set at a particular level. Without appropriate explanation, it is difficult to understand why particular targets have been set at particular levels. This is particularly true when targets are set at the same or a lower level than in previous years, although increased targets may also require explanation.
- Performance measures and targets should be supported by current/historical levels of performance where this is available.

Source: Adapted from New Zealand Auditor General (2009) *Forecast non-financial performance information reports: Guidance for entities*.

¹ <http://www.oag.govt.nz/2009/forecast-non-financial-performance>